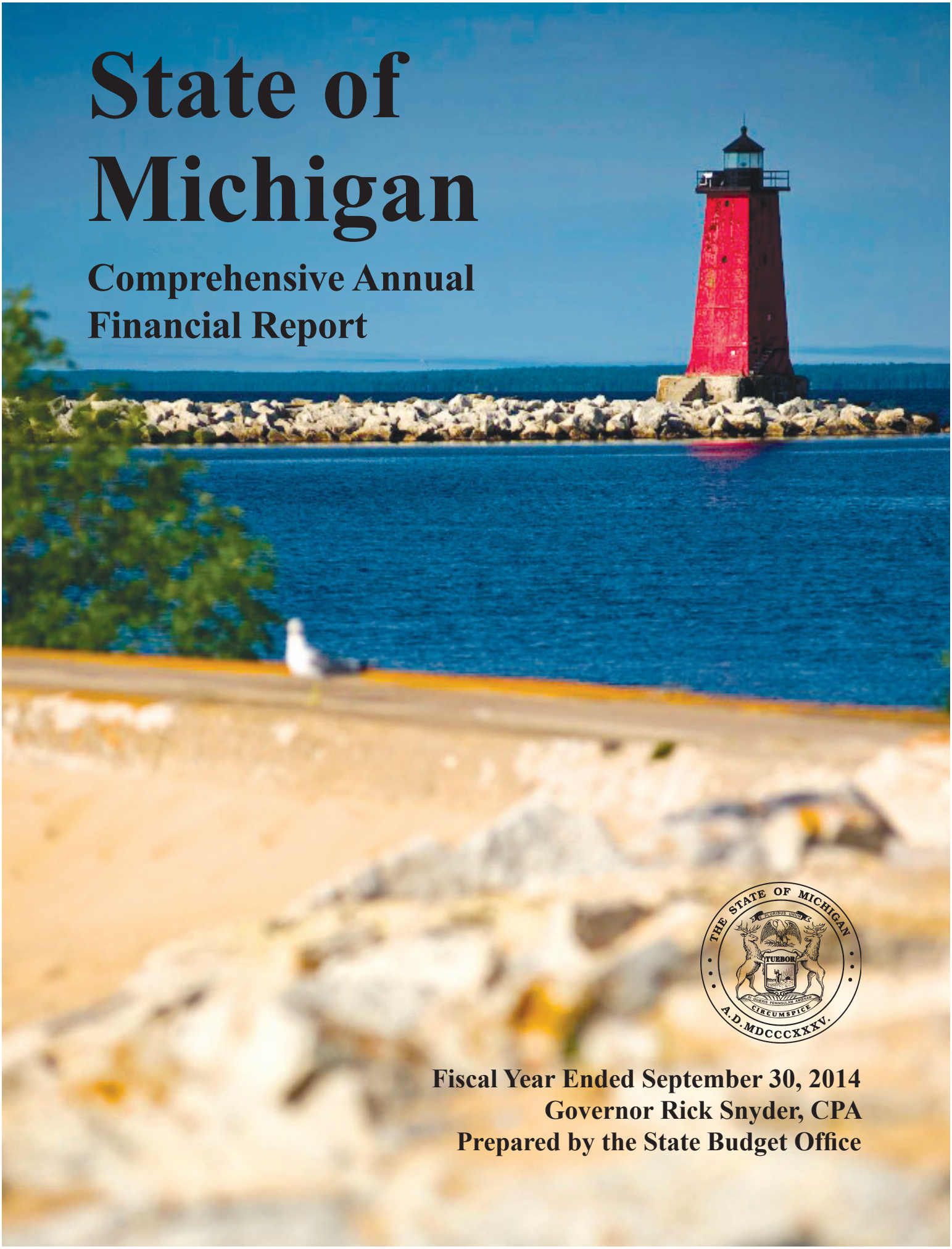
State of Michigan

Comprehensive Annual Financial Report



Fiscal Year Ended September 30, 2014
Governor Rick Snyder, CPA
Prepared by the State Budget Office

State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2014

RICK SNYDER, CPA
Governor

JOHN S. ROBERTS
State Budget Director

MICHAEL J. MOODY, CPA
Director
Office of Financial Management

TABLE OF CONTENTS

Page

Title page 1
Table of Contents 2

INTRODUCTORY SECTION

Letter of Transmittal 6
Certificate of Achievement 11
State Organizational Structure 12
Principal State Officials 13

FINANCIAL SECTION

Independent Auditor's Report 16

Management's Discussion and Analysis 21

Basic Financial Statements

Government-wide Financial Statements
Statement of Net Position 32
Statement of Activities 34

Governmental Fund Financial Statements
Balance Sheet 38
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position. 39
Statement of Revenues, Expenditures, and Changes in Fund Balances 40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities 41

Proprietary Fund Financial Statements
Statement of Net Position 44
Statement of Revenues, Expenses, and Changes in Fund Net Position 45
Statement of Cash Flows 46

Fiduciary Fund Financial Statements
Statement of Fiduciary Net Position 50
Statement of Changes in Fiduciary Net Position 51

Component Unit Financial Statements
Statement of Net Position 54
Statement of Activities 56

Index for Notes to Financial Statements 58
Notes to Financial Statements 59

Required Supplementary Information Other Than Management's Discussion and Analysis
Budgetary Comparison Schedule - Major Governmental Funds 124
Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation 126
Notes to Required Supplementary Information - Budgetary Reporting 127
Information About Infrastructure Assets Reported Using the Modified Approach 128

Combining and Individual Fund Statements and Schedules - Non-Major Funds

Governmental Funds
Balance Sheet - By Fund Type 132
Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type 133

Special Revenue Funds – By Classification
Balance Sheet 134
Statement of Revenues, Expenditures, and Changes in Fund Balances 135
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual 136

Page

Special Revenue Funds - Transportation Related
Combining Balance Sheet 140
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 141
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 142
Special Revenue Funds - Conservation, Environment, and Recreation Related
Combining Balance Sheet 146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 148
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 150
Special Revenue Funds - Regulatory and Administrative Related
Combining Balance Sheet 154
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 156
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 158
Special Revenue Funds - Other State Funds
Combining Balance Sheet 164
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 166
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 168
Debt Service Funds
Combining Balance Sheet 172
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 174
Capital Projects Funds
Combining Balance Sheet 178
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 180
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 182
Permanent Funds
Combining Balance Sheet 186
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 187
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual 188

Proprietary Funds
Enterprise Funds
Combining Statement of Net Position 192
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 193
Combining Statement of Cash Flows 194
Internal Service Funds
Combining Statement of Net Position 196
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 198
Combining Statement of Cash Flows 200

Fiduciary Funds
Pension (and Other Employee Benefit) Trust Funds
Combining Statement of Fiduciary Net Position 204
Combining Statement of Changes in Fiduciary Net Position 208
Private Purpose Trust Funds
Combining Statement of Fiduciary Net Position 212
Combining Statement of Changes in Fiduciary Net Position 213
Agency Funds
Combining Statement of Fiduciary Net Position 215
Combining Statement of Changes in Assets and Liabilities 216

Component Units
Authorities
Combining Statement of Net Position 220
Combining Statement of Activities 222
State Universities
Combining Statement of Net Position 226
Combining Statement of Activities 228

Page

STATISTICAL SECTION

Index to Statistical Section 233
Net Position by Component 234
Changes in Net Position 236
Fund Balances, Governmental Funds 240
Changes in Fund Balances, Governmental Funds 242
Personal Income by Industry 244
Taxable Sales by Industry 246
Personal Income Tax Filers and Liability by Income Level 248
Sales Tax Payers by Industry 299
Ratios of Outstanding Debt by Type 250
Ratios of Net General Obligation Bonded Debt Outstanding 253
Debt Service Coverage - Comprehensive Transportation Fund Related Bonds 254
Debt Service Coverage - State Trunkline Fund Related Bonds 256
Debt Service Coverage - State Building Authority 258
Demographic and Economic Indicators 260
Classified Employees by Function 262
Operating Indicators by Function 264
Capital Assets by Function 268

OTHER INFORMATION

Combined Schedule of Revenue and Other Financing Sources - General and Special Revenue Funds 272
Schedule of Revenue and Other Financing Sources - General Fund 274
Source and Disposition of General Fund Authorizations 276
Source and Disposition of General Fund/General Purpose Authorizations 278
Revenue, Bond Proceeds, and Capital Lease Acquisitions - General and Special Revenue Funds 280
Schedule of Expenditures by Function - General and Special Revenue Funds - State Funds 282

Index of Funds and Component Units 284

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN S. ROBERTS
DIRECTOR

December 29, 2014

The Honorable Rick Snyder, Governor
Members of the Legislature
People of the State of Michigan

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2014.

INTRODUCTION TO THE REPORT

Responsibility: The State Budget Office, Office of Financial Management, prepares the SOMCAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the SOMCAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the State primary government and component units for which it is financially accountable. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Adherence to Generally Accepted Accounting Principles: As required by State statute, we have prepared the financial statements contained in the SOMCAFR in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports, and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Report: The SOMCAFR is divided into four major sections: introductory, financial, statistical, and other information:

- The introductory section includes this letter, the State's organization chart, and the list of principal officials.

- The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules.

- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.

- The other information section includes General Fund and Special Revenue Funds revenue and expenditure schedules and General Fund source and disposition of spending authorization schedules.

Internal Control Structure: The State Budget Office is responsible for the overall operation of the State's central accounting system and for establishing and maintaining the State's internal control structure. The system of internal control has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

111 S. CAPITOL • P.O. BOX 30026 • LANSING, MICHIGAN 48909
www.michigan.gov • (517) 373-7560

All financial transactions of the State primary government are recorded in the central accounting system, except for the Michigan Unemployment Compensation Funds, Attorney Discipline System, the State of Michigan Deferred Compensation Funds, the State of Michigan Defined Contribution Retirement Fund, and the Michigan Education Savings Program. Many of the essential control features are decentralized, such as the preparation and entry of expenditure transactions into the central accounting system. Consequently, the State Budget Office relies upon the controls in place at the various State departments and agencies.

Act 431 requires each principal department to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, provide corrective action plans and time schedules for addressing such weaknesses. This reporting is required on or before May 1 of each odd numbered year, effective as of the preceding October 1.

The discretely presented component units generally operate outside the State's central accounting system and are responsible for establishing and maintaining their own separate internal control structures.

Internal Auditors: Pursuant to Executive Order 2007-31, the Office of Internal Audit Services (OIAS) provides internal audit services to executive branch departments and agencies. OIAS performs periodic financial, performance, and compliance audits of department and agency programs and organizational units. In addition to periodic audits, OIAS also reviews department and agency management's processes for establishing, monitoring, and reporting on internal controls; advises department and agency management on internal control matters; and assists department and agency management with investigations of alleged fraud or other irregularities.

Independent Auditors: The Office of the Auditor General (OAG) is the principal auditor of the SOMCAFR. The OAG also relies on the opinions of outside public accounting firms, particularly for component unit financial statements (such as the Michigan State Housing Development Authority and ten of the State's universities) and the Unemployment Compensation funds. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2014 are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2014 are fairly presented in accordance with GAAP and issued unmodified opinions.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial statement and performance audits of the various State departments, agencies, and institutions of higher education. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 233 of 2012, an annual statewide single audit will be conducted for applicable State departments, agencies and component unit authorities, and will result in a separately issued audit report.

Management's Discussion and Analysis (MD&A): GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A immediately follows the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Michigan was admitted to the Union as the 26th state in 1837. The State is governed under the Constitution of 1963, as amended.

Executive Branch: As of December 29, 2014, the Executive Branch consisted of 17 principal departments. Fourteen principal departments are headed by commissions and/or directors appointed by the elected governor. Elected officials head two principal departments, Attorney General and State, and one, Education, is headed by an elected board.

Judicial Branch: The Judicial Branch consists of the Supreme Court, Court of Appeals, Court of Claims, and the State's circuit, district, probate, and municipal courts. In addition to its judicial duties, the Supreme Court is responsible for the general administrative supervision of all courts in the State. The Supreme Court also establishes rules for practice and procedure in all courts.

Legislative Branch: The Legislative Branch consists of the Senate, House of Representatives, and Office of the Auditor General. The Senate, which consists of 38 elected members, and House of Representatives, which consists of 110 elected members, enact the laws of Michigan. The Office of the Auditor General conducts post financial and performance audits of state government operations.

Reporting Entity: The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State's elected officials are financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

Budgetary Reporting and Control: For the State primary government operating funds (i.e., the General Fund and annually appropriated special revenue, capital projects, and permanent funds), the State projects revenues and expenditures and calculates fund balances for budgetary purposes in accordance with GAAP. Public Act 431 of 1984, as amended, prohibits the State from budgeting for an ending fund balance deficit in an operating fund. If an actual deficit is incurred, the Constitution and Act 431 require that it be addressed in the subsequent year's budget. If accounting principles change, Act 431 requires the State to also implement such changes in its budgetary process.

Compliance with the final updated budget for the annually budgeted operating funds of the State primary government is demonstrated in the budget and actual comparative schedules and notes in the SOMCAFR. In addition, subsequent to the publication of the SOMCAFR, the State releases a Statewide Authorization Dispositions report that provides line item appropriation details, the legal level of budgetary control, for the General Fund and budgeted operating funds.

MAJOR INITIATIVES AND FUTURE PROJECTS

Economic Growth: Creating an environment that promotes growth in the Michigan economy remains a top priority of the Snyder administration. To continue growing the Michigan economy, the fiscal year 2015 budget includes $344.2 million for economic development and $427.0 million for workforce development to assist Michigan businesses and communities, with a continued emphasis on talent, business attraction, and community revitalization.

During fiscal year 2012, the administration reached an agreement with Canada that laid the groundwork for the New International Trade Crossing (NITC). The NITC will provide a modern, strategically located bridge between Detroit and Windsor that is vital to enhancing the trade relationship between Michigan and Canada. It is expected to generate thousands of short and long-term jobs, open new trade markets, strengthen economic security, and ease traffic congestion. During calendar year 2014, a major milestone was achieved when the U.S. Coast Guard granted a permit that allows the project to move forward. In addition, appointments to the international authority that will govern the NITC were announced and the clearing of land for construction has begun.

Detroit Bankruptcy Resolution: On July 18, 2013, the state-appointed Detroit emergency manager filed for Chapter 9 bankruptcy protection on behalf of the City of Detroit. Less than seventeen months later, on December 10, 2014, Detroit successfully emerged from the nation's largest municipal bankruptcy. The bankruptcy process included a "Grand Bargain" where the philanthropic and business communities joined with the state to contribute over $800 million to the city to reduce the impact on pensions and extend vital services. The "Grand Bargain" also included creation of a state oversight board that will oversee the city's finances going forward. As a result of the overall settlement, the city has shed $7 billion in debt and will invest at least $1.4 billion over ten years to improve services.

Fiscal Stability: As Michigan continues to operate with a structurally balanced budget, Governor Snyder remains committed to building the state's savings and reducing the state's long-term liabilities. During fiscal year 2014, $75.0 million was deposited into the Budget Stabilization Fund (or Rainy Day Fund). In addition, $194.8 million was withdrawn to fund the state's contribution to the Detroit bankruptcy "Grand Bargain", resulting in a fiscal year 2014 ending fund balance of $386.2 million. Starting in fiscal year 2015, the withdrawal from the Rainy Day Fund will be replenished by annual deposits of $17.5 million from tobacco settlement revenues. The fiscal year 2015 budget also includes an additional deposit of $94.0 million. As a result, the Rainy Day Fund balance is projected to be $497.7 million at September 30, 2015.

During fiscal year 2012, the state began prefunding retiree health care benefits and implemented various pension and retiree health care reforms for both state and public school employees. As a result, unfunded long-term liabilities have been reduced by over $20 billion. Paying down these liabilities improves Michigan's fiscal stability, while ensuring that employees can count on promised benefits when they retire.

Improving Our Citizen's Health: During fiscal year 2014, Michigan started a program to provide health insurance administered through private and non-profit health insurance plans to low income families and individuals. Under the Healthy Michigan Plan, previously uninsured Michigan residents now have a primary care physician through a market-based approach to manage their health care. State costs are controlled through access to preventive health services, keeping the newly insured out of emergency rooms, while improving their quality of care and access to affordable health care. Individuals control their use of health care services and maintain healthy behaviors through financial incentives. To date, more than 500,000 Michiganders have been enrolled and over $200 million in annual state general fund savings have resulted from the Healthy Michigan Plan.

The fiscal year 2015 budget includes $5.4 million to add 100,000 children to the Healthy Kids Dental Program. Currently, 510,000 Michigan children are enrolled in the program. This effort will bring the total number of children receiving dental care to 610,000.

Education: Approximately $13.8 billion is appropriated for school aid in fiscal year 2015, $11.9 billion from state dollars. This funding supports the educational efforts of approximately 850 local school districts and public school academies, as well as 56 intermediate school districts. Over $800 million is provided to offset retirement system legacy costs.

For fiscal year 2014, funding for early childhood education was increased by $65 million, resulting in 16,000 new placements for children. The fiscal year 2015 budget includes an additional increase of $65 million, with the goal of adding 15,000 more placements. Additionally, the fiscal year 2015 budget includes $3.7 million to improve the quality of child day care.

State Infrastructure Investments: Investing in the State's infrastructure, particularly roads and bridges, is a priority for Governor Snyder, who has worked with the Legislature to negotiate and pass a comprehensive transportation funding solution. The solution now goes to the voters in May 2015. If approved by the voters, the solution will provide an additional $1.2 billion for roads and bridges.

In the interim, the fiscal year 2015 transportation budget includes $283 million in general funds to fully match federal aid and provide for improvements to Michigan's roads and bridges. In addition, progress continues on the state's significant investment in high-speed rail, with new passenger rail stations opening in Dearborn, Grand Rapids, and Troy during calendar year 2014.

Information Technology Investments: Recognizing the increasingly critical role that information technology plays in the delivery of services to citizens, public and private organizations, and State employees, the budgets for fiscal years 2013 and 2014 included $47 million each year for the Information Technology Investment Fund. For fiscal year 2015, the budget for the Information Technology Investment Fund was increased to $63 million. This funding will bring greater efficiency to state government, and also improve cybersecurity, system upgrades, and replacements of legacy computer systems.

Additionally, the fiscal year 2015 budget includes $20 million to begin an equipment lifecycle replacement schedule for the Michigan Public Safety Communications System and $5.3 million to begin a statewide radio replacement cycle. The Michigan Public Safety Communication System is the primary means of daily and emergency radio communications for all branches of state government with key state agencies including: Michigan Departments of State Police, Transportation, Technology, Management, and Budget, Corrections, and Military & Veterans Affairs. The system has grown to serve over 1,400 local, state, federal, tribal nation and private public safety agencies using over 64,000 radios to support daily operations and mission critical disaster response communications.

Transparency and Accountability: Governor Snyder's ongoing commitment to government transparency and accountability is demonstrated by the continued evolution of Open Michigan, which is available online at www.michigan.gov/openmichigan. Open Michigan includes performance management information which consists of the Michigan Dashboard, as well as dashboards specific to education, health and wellness, infrastructure, talent, public safety, energy and environment, financial health, and seniors. Scorecards are also included to track how Michigan government is performing within each of its agencies.

Open Michigan also includes spending and accountability information that provides a one-stop resource showing how the state manages and spends taxpayer dollars for individual departments and projects in the Information Technology Investment Fund.

The spotlight cast by Open Michigan requires that elected officials and state leaders continually evaluate the efficiency and effectiveness of programs to determine if they are delivering the desired results. Further, it provides an honest representation of where Michigan stands relative to national benchmarks, identifying strengths, but also illuminating areas where improvement is needed.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose content satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for 27 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: The preparation of this report requires the collective efforts of the management and staff of the Accounting and Financial Reporting Division, Office of Financial Management; the Office of Internal Audit Services; the chief financial officers, chief accountants, and their staffs from all State agencies; and the management and staff of the Office of the Auditor General. We sincerely appreciate the dedicated efforts of all of these individuals that have allowed Michigan to maintain its position as a national leader in quality and efficiency for financial reporting.

Sincerely,

John S. Roberts
State Budget Director

Michael J. Moody, CPA
Director, Office of Financial Management

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Michigan

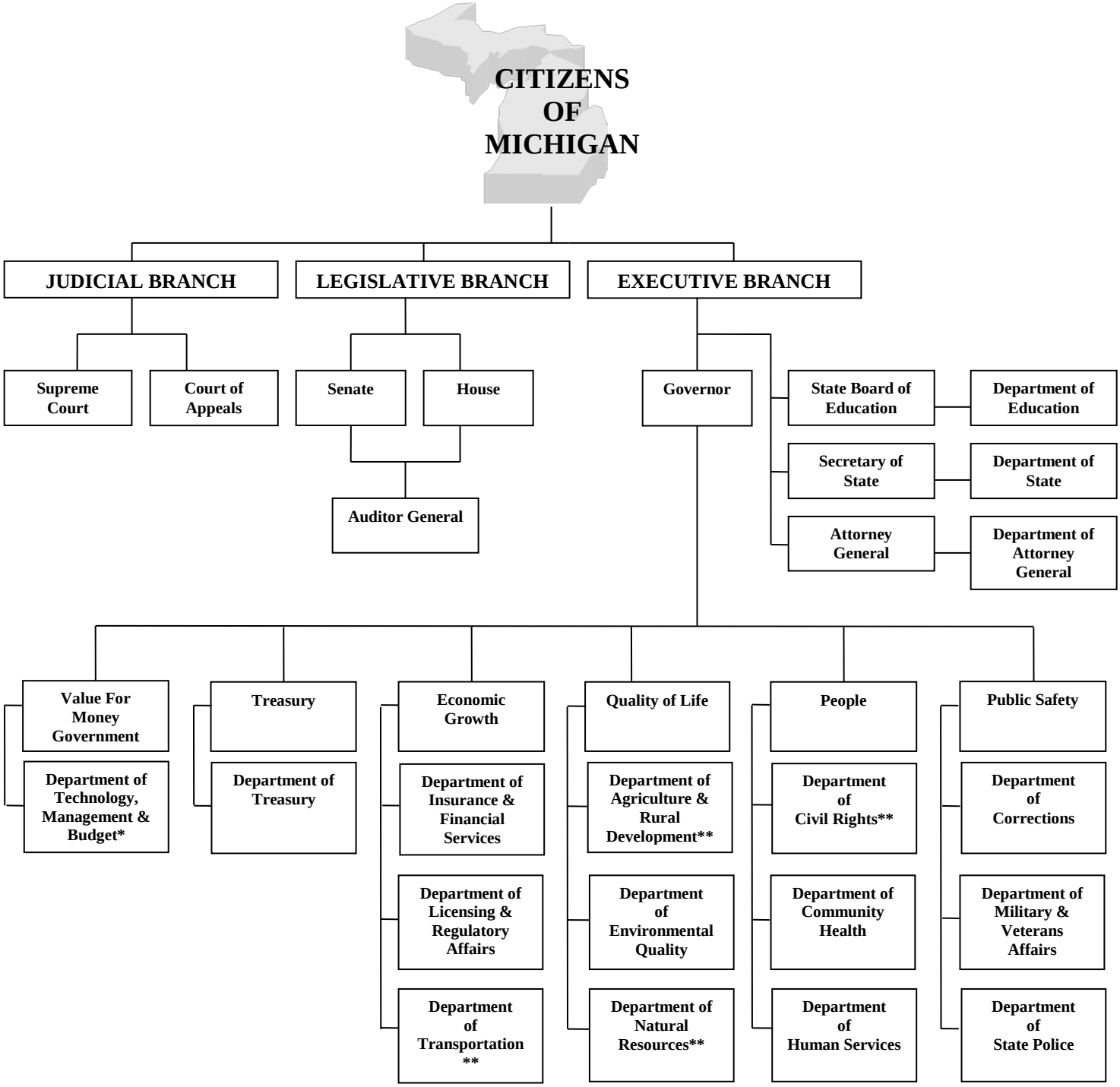
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

STATE OF MICHIGAN
ORGANIZATIONAL STRUCTURE

(As of December 29, 2014)



* Includes Civil Service Commission appointed by Governor
** Has Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS
(As of December 29, 2014)

JUDICIAL BRANCH

Supreme Court Justices
Honorable Robert P. Young, Jr, Chief Justice
Honorable Michael F. Cavanagh, Justice
Honorable Mary Beth Kelly, Justice
Honorable Stephen J. Markman, Justice
Honorable Bridget Mary McCormack, Justice
Honorable David F. Viviano, Justice
Honorable Brian K. Zahra, Justice

LEGISLATIVE BRANCH

Honorable Randy Richardville
Majority Leader of the Senate

Honorable Jase Bolger
Speaker of the House of Representatives

Doug Ringler, C.P.A., C.I.A
Legislative Auditor General

EXECUTIVE BRANCH

Honorable Rick Snyder, Governor
Honorable Brian Calley, Lt. Governor
Honorable Bill Schuette, Attorney General
Honorable Ruth Johnson, Secretary of State

Group Executives
- David B. Behen, Value for Money Government
- Kevin Clinton, Treasury
- Michael A. Finney, Economic Growth
- Dan Wyant, Quality of Life
- Nick Lyon, People
- Major General Gregory J. Vadnais, Public Safety

State Board of Education
- John C. Austin, President
- Casandra E. Ulbrich, Vice President
- Daniel Varner, Secretary
- Richard Zeile, Treasuer
- Michelle Fecteau
- Lupe Ramos-Montigny
- Kathleen Straus
- Eileen Weiser
- Honorable Rick Snyder (Ex Officio)

Michael P. Flanagan
Superintendent of Public Instruction

Michigan Commission of Agriculture & Rural Development
- Diane Hanson, Chair
- Trever Meachum, Vice Chair
- Fred Walcott, Secretary
- Bob Kennedy
- Dru Montri

Jamie Clover Adams, Director
Department of Agriculture & Rural Development

Civil Rights Commission
- Arthur Horwitz, Chair
- Rasha Demashkieh, Vice Chair
- Jared Rodriguez, Secretary
- Agustin Arbulu
- Linda Gobler
- Deloris Hunt
- Linda Lee Tarver
- Bradley Voss

Matthew J. Wesaw, Director
Department of Civil Rights

Civil Service Commission
- Thomas M. Wardrop, Chair
- James Barrett
- Charles Blockett, Jr.
- Robert W. Swanson

Janet McClelland, Acting State Personnel Director

Nick Lyon, Director
Department of Community Health

Daniel H. Heyns, Director
Department of Corrections

Dan Wyant, Director
Department of Environmental Quality

Maura D. Corrigan, Director
Department of Human Services

Annette E. Flood, Director
Department of Insurance and Financial Services

Mike Zimmer, Director
Department of Licensing and Regulatory Affairs

Major General Gregory J. Vadnais, Director
Department of Military and Veterans Affairs

Natural Resources Commission
- JR Richardson, Chair
- John Matonich, Vice Chair
- Louise Klarr
- Timothy L. Nichols
- Vicki J. Pontz
- Rex E. Schlaybaugh, Jr.

Keith Creagh, Director
Department of Natural Resources

Colonel Kriste Kibbey Etue, Director
Department of State Police

David B. Behen, Director
Department of Technology, Management and Budget

John S. Roberts, State Budget Director

Transportation Commission
- Jerrold M. Jung, Chair
- Todd Wyett, Vice Chair
- Lynn Afendoulis
- Ron Boji
- Michael D. Hayes
- Charles F. Moser

Kirk T. Steudle, Director
Department of Transportation

Kevin Clinton, State Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS

OAG
Office of the Auditor General
Doug A. Ringler, C.P.A., C.I.A.
Auditor General
201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • http://audgen.michigan.gov

Independent Auditor's Report

The Honorable Rick Snyder, Governor
Members of the Legislature

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the following component units and funds were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included in these component units and funds, are based solely on the reports of the other auditors:

- State Lottery Fund (a major fund)
- Michigan Unemployment Compensation Funds (a major fund)
- Michigan Employment Security Act - Administration Fund
- Unemployment Obligation Trust Fund
- State Building Authority - Debt Service Fund
- State Building Authority - Capital Projects Fund
- Attorney Discipline System
- State Sponsored Group Insurance Fund
- Michigan Education Savings Program
- Michigan State Housing Development Authority
- Farm Produce Insurance Authority
- Mackinac Bridge Authority
- Mackinac Island State Park Commission
- Michigan Early Childhood Investment Corporation
- State Bar of Michigan
- Western Michigan University
- Central Michigan University
- Eastern Michigan University
- Ferris State University
- Grand Valley State University
- Lake Superior State University
- Michigan Technological University
- Northern Michigan University
- Oakland University
- Saginaw Valley State University

Those financial statements reflect total assets and total revenues or additions to the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Total Revenues/Additions
Governmental activities	1.7%	2.9%
Business-type activities	97.7%	82.4%
Aggregate discretely presented component units	43.4%	68.9%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	6.0%	9.5%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan as of September 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the State of Michigan adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the fiscal year ended September 30, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and corresponding notes, and information about infrastructure assets reported using the modified approach, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules - nonmajor funds and the introductory, statistical, and other information sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules - nonmajor funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules - nonmajor funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical, and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
December 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide

- At September 30, 2014, the State's net position was $20.7 billion.
- The State's unrestricted net position was negative $5.9 billion as of the close of the year. A positive balance in unrestricted net position represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.
- Revenues of $52.0 billion supported expenses of $51.4 billion during fiscal year 2014. As a result, the State's total net position increased by $631.6 million (3.2 percent). The increase in net position primarily relates to the continuing increase in the net position of the Michigan Unemployment Compensation Funds as a result of the elimination of federal debt during fiscal year 2012.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $5.8 billion. Governmental fund balances decreased $565.9 million (8.9 percent) from the prior year.
- The State's two major governmental funds, the General Fund and the School Aid Fund, closed the fiscal year with a combined fund balance of $2.6 billion, a decrease of $758.6 million (22.5 percent) from the prior year. Of the total General Fund balance of $2.1 billion, $306.4 million is unassigned and, therefore, available for appropriation in future years. The remaining $1.8 billion is either non-spendable (e.g., consists of assets not easily converted to cash, such as inventories); restricted for specific purposes by enabling legislation; committed to specific programs or projects by legislative action; or assigned to fulfill contractual obligations. In the School Aid Fund, the entire fund balance of $522.5 million is restricted for education purposes.
- The State's proprietary funds reported net position at year-end of $2.7 billion. This represents an increase of $611.2 million (29.4 percent) compared to the prior year-end, primarily the result of the continuing increase in the net position of the Michigan Unemployment Compensation Funds related to the elimination of federal debt during fiscal year 2012.

Long-term Debt

- The State's total long-term bonded debt as of September 30, 2014 was $7.0 billion, a decrease of $326.2 million from the prior year. The decrease represents the net difference between new issuances, payments, and refundings of debt.

More detailed information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 24.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The Statement of Net Position and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: How has the State's financial position, as a whole, changed as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position (pages 32 and 33) presents all of the State's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases and decreases in net position measure whether the State's financial position is improving or declining.

The Statement of Activities (pages 34 and 35) presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 11 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 39 and 41) that reconcile the amounts reported on the governmental fund financial statements, which are prepared using the modified accrual basis of accounting, with the governmental activities in the government-wide statements, which are prepared using the accrual basis of accounting. The following table summarizes the differences between modified accrual and full accrual accounting:

Description	Reported in Governmental Fund Financial Statements (modified accrual basis)	Reported in Government-Wide Financial Statements (accrual basis)
Capital asset of the general government (e.g. land, buildings, and infrastructure)	No	Yes
Deferred inflows for unavailable resources	Yes	No
Assets and liabilities of internal service funds that primarily serve governmental funds	No	Yes
Net pension assets in excess of the annual required contribution	No	Yes
Asset for certain debt issuance costs (i.e., prepaid insurance costs)	No	Yes
Unmatured long-term debt (e.g. bonds, notes, capital lease obligations) net of unamortized premiums, discounts, and similar items	No	Yes
Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period (i.e. claims and adjustments, compensated absences, and net pension obligations)	No	Yes
Accrued interest on long-term debt	No	Yes
Liability for unearned revenue	Yes	Yes
Capital outlay spending	Yes	No
Debt service principal payments and refunding payments	Yes	No
Other financial sources, uses, and expenditures resulting from debt issuance	Yes	No

Description	Reported in Governmental Fund Financial Statements (modified accrual basis)	Reported in Government-Wide Financial Statements (accrual basis)
Sales of capital assets	Yes, in the amount of the proceeds of the sale	Yes, gain or loss on the sale
Revenues earned during the period but not yet available	No	Yes
Expenses incurred during the period, but not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period	No	Yes
Depreciation	No	Yes
Revenues and expenditures related to prior periods	Yes	No
Amortization of issuance costs, premiums, discounts and similar items	No	Yes
Activities of internal service funds properly included within governmental activities	No	Yes

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 59 of this report.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on page 38 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 140 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

- *Proprietary funds* - When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary (enterprise and internal service) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs - such as risk management and state sponsored group insurance activities. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary funds* - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on page 50. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end, and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds, and non-major discretely presented component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net position increased $631.6 million (3.2 percent) over the course of this fiscal year's operations. The net position of the governmental activities increased by $33.0 million (.2 percent), and business-type activities had an increase of $598.6 million (32.4 percent).

Statement of Net Position
For Fiscal Year Ending September 30
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013*	2014	2013	2014	2013*
Assets:						
Current and other non-current assets	$ 14,182.3	$ 14,296.0	$ 2,915.7	$ 2,368.7	$ 17,098.0	$ 16,664.7
Capital assets	22,541.4	22,202.2	0.6	0.8	22,542.0	22,203.0
Total assets	36,723.7	36,498.2	2,916.3	2,369.5	39,640.0	38,867.7
Deferred outflows of resources	66.4	-	-	-	66.4	-
Liabilities:						
Current liabilities	5,781.9	5,313.7	223.8	247.2	6,005.8	5,560.9
Long-term liabilities	12,768.8	12,989.5	243.5	272.0	13,012.3	13,254.8
Total liabilities	18,550.7	18,303.2	467.4	519.2	19,018.1	18,815.7
Deferred inflows of resources	11.5	-	-	-	11.5	-
Net position						
Net investment in capital assets	20,279.6	19,648.3	0.6	0.8	20,280.2	19,649.1
Restricted	3,824.9	3,774.0	2,442.5	1,844.0	6,267.3	5,618.0
Unrestricted	(5,876.5)	(5,227.3)	5.8	5.5	(5,870.6)	(5,221.8)
Total net position	$ 18,228.0	$ 18,195.0	$ 2,448.9	$ 1,850.3	$ 20,676.9	$ 20,045.3

*Prior year columns have been restated. More detailed information regarding the restatement can be found on page 70.

During fiscal year 2014, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. Examples of such items include refunding of debt and tobacco settlement receivables. Note 27 provides further detail on the components of deferred outflows of resources and deferred inflows of resources as reported on the government-wide Statement of Net Position and in the governmental funds.

The largest component of the State's net position, at $20.3 billion, reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net position is the next largest component, comprising $6.3 billion of the total. This represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation limiting how they can be used. The State's unrestricted net position was negative $5.9 billion as of the close of the year. A positive balance in unrestricted net position represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year:

Changes in Net Position
For Fiscal Year Ending September 30
(In Millions)

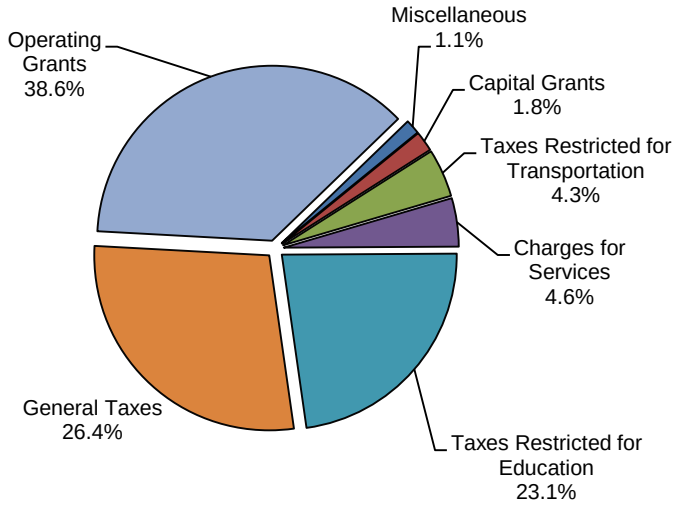
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013*	2014	2013	2014	2013*
Revenues						
Program Revenues						
Charges for services	$ 2,161.2	$ 2,076.2	$ 5,380.7	$ 6,184.9	$ 7,541.9	$ 8,261.1
Operating grants	17,981.9	17,194.9	59.9	21.7	18,041.7	17,216.6
Capital grants	850.2	867.2	-	-	850.2	867.2
General revenues						
General taxes	12,286.8	13,106.1	-	-	12,286.8	13,106.1
Taxes restricted for educational purposes	10,792.8	10,641.5	-	-	10,792.8	10,641.5
Taxes restricted for transportation purposes	2,006.5	2,077.7	-	-	2,006.5	2,077.7
Unrestricted investment and interest earnings	1.0	1.2	0.1	0.1	1.1	1.3
Miscellaneous	517.3	637.2	-	-	517.3	637.2
Total revenues	46,597.6	46,602.0	5,440.7	6,206.7	52,038.2	52,808.8
Expenses						
General government	2,456.0	2,138.4	-	-	2,456.0	2,138.4
Education	14,941.4	14,617.7	-	-	14,941.4	14,617.7
Human services	5,508.0	5,931.4	-	-	5,508.0	5,931.4
Public safety and corrections	2,638.3	2,663.4	-	-	2,638.3	2,663.4
Conservation, environment, etc.	714.0	593.4	-	-	714.0	593.4
Labor, commerce and regulatory	956.3	965.7	-	-	956.3	965.7
Health services	15,036.3	13,853.4	-	-	15,036.3	13,853.4
Transportation	3,309.4	2,914.9	-	-	3,309.4	2,914.9
Tax credits	676.5	689.9	-	-	676.5	689.9
Intergovernmental-revenue sharing	1,120.6	1,077.5			1,120.6	1,077.5
Interest on long-term debt	174.5	178.6	-	-	174.5	178.6
Liquor Purchase Revolving Fund	-	-	779.3	742.6	779.3	742.6
State Lottery Fund	-	-	1,868.6	1,758.7	1,868.6	1,758.7
Attorney Discipline System	-	-	4.8	4.8	4.8	4.8
Michigan Unemployment Compensation Funds	-	-	1,246.5	2,188.1	1,246.5	2,188.1
Total expenses	47,531.3	45,624.4	3,899.2	4,694.3	51,430.5	50,318.7
Excess (deficiency) Before Contributions and Transfers	(933.7)	977.6	1,541.5	1,512.4	607.8	2,490.1
Contributions to permanent fund principal	23.9	22.8	-	-	23.9	22.8
Transfers	942.9	945.1	(942.9)	(945.1)	-	-
Increase (decrease) in net position	33.0	1,945.5	598.6	567.3	631.6	2,512.9
Net position - beginning (restated)	18,195.0	16,249.3	1,850.3	1,283.0	20,045.3	17,532.3
Net position - ending	$ 18,228.0	$ 18,195.0	$ 2,448.9	$ 1,850.3	$ 20,676.9	$ 20,045.3

*Prior year columns have been restated. More detailed information regarding the restatement can be found on page 70.

Governmental Activities

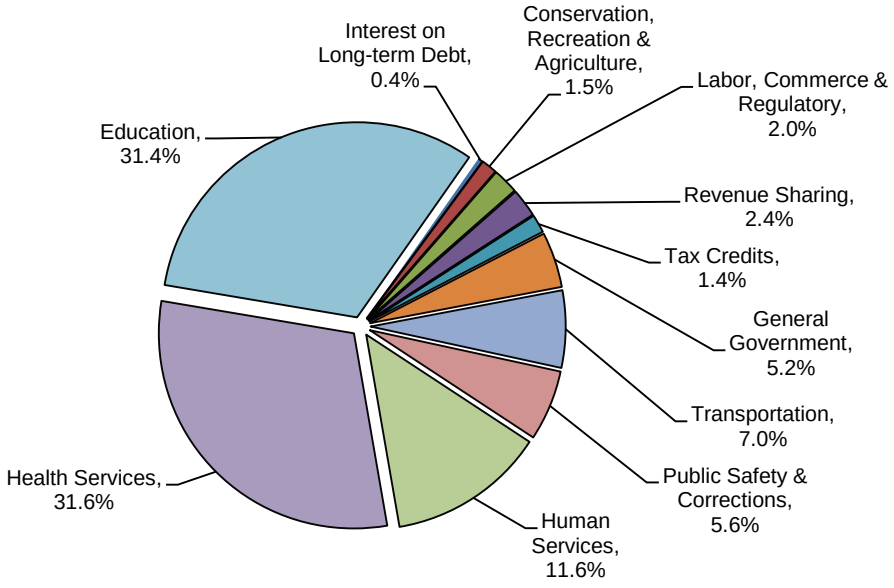
Revenues to fund governmental activities totaled $46.6 billion for fiscal year 2014. As shown in the accompanying chart, 38.6 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 27.4 percent for educational and transportation purposes. Only 26.4 percent of the revenues were available for general use.

Revenues - Governmental Activities for Fiscal Year Ending September 30, 2014
($46.6 billion)



Expenses related to governmental activities totaled $47.5 billion during fiscal year 2014. The expenses include spending appropriated in prior years, such as capital outlay and work project authorization. As evidenced by the accompanying chart, education and health services represent the governmental activities' largest spending categories, accounting for 63.0 percent of the spending.

Expenses - Governmental Activities for Fiscal Year Ending September 30, 2014
($47.5 billion)



Business-type Activities

The business-type activities' net position increased $598.6 million (32.4 percent) during the fiscal year. Factors contributing to these results included:

- The Michigan Unemployment Compensation Funds (MUCF) finished the fiscal year with an increase in net position of $589.6 million (32.3 percent). The continuing increase in the net position of these funds is primarily related to the elimination of federal debt during fiscal year 2012.

- The State Lottery Fund's net position increased $8.9 million (49.5 percent). The increase in net position is attributable to the changes in the market value of investments that the Lottery holds to fund future payments due on lottery prizes.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of $5.8 billion. Of this amount, $306.4 million constitutes unassigned fund balance in the General Fund, which is available to appropriate in future years. Of the total governmental fund balances, $1.2 billion is in nonspendable form made up of amounts legally or contractually required to be maintained intact including permanent fund endowments and assets that will not be converted to cash in the short term including consumable inventories. Another $2.6 billion of the governmental fund balances are restricted for specific purposes by enabling legislation, the majority of which is legally restricted for capital projects. Committed governmental fund balances totaled $1.5 billion as of the end of the fiscal year representing funding set aside for multi-year projects and earmarked revenue carried forward with legislative authority for specific ongoing programs. Another $206.9 million of the governmental fund balances are assigned for encumbered services and goods to be received after the end of the fiscal year. Two capital projects funds reported negative unassigned fund balances totaling $106.1 million due to expenditures incurred in advance of bonding proceeds which will be received after the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At the end of fiscal year 2014, the General Fund total fund balance was $2.1 billion, of which $306.4 million was unassigned and, therefore, available for appropriation. The $2.1 billion in total fund balance represents a decrease of $727.5 million (25.9 percent) from the fiscal year 2013 ending total fund balance. Lower than anticipated revenues and increased spending related to revenue sharing programs contributed to the decrease in total fund balance. A one-time transfer of $194.8 million from the Counter-Cyclical Budget and Economic Stabilization Fund (which, for accounting purposes, is reported as a component of the General Fund) to the Michigan Settlement Administration Authority also contributed to the decrease. The one-time transfer was made to fund Michigan's contribution to the "Grand Bargain" which was part of the Detroit bankruptcy settlement.

Included within the General Fund's committed fund balance is $386.2 million in the Counter-Cyclical Budget and Economic Stabilization Fund. This fund, also referred to as the Rainy Day Fund, is used to stabilize government programs in times of economic downturn.

General Fund Budgetary Highlights:

The original enacted fiscal year 2014 general fund budget was $30.7 billion. During the year, various positive and negative supplemental appropriations were enacted, resulting in a final enacted budget of $30.8 billion. The difference between the final enacted budget of $30.8 billion and actual spending and encumbrances of $30.5 billion resulted from appropriation year 2014 spending authority net lapses of $255.8 million and restricted revenue authorized, but not spent, totaling $27.5 million. At fiscal year-end, excess restricted revenue of $1.1 billion was carried forward into fiscal year 2015 and is available for appropriation.

All agencies finished the year with net lapses. However, the Department of Community Health reported line item overexpenditures of $4.9 million.

School Aid Fund

Fund balance at September 30, 2014, totaled $522.5 million, a decrease of $31.0 million from the prior year. Revenues and transfers to the fund totaled $13.4 billion, up $177.2 million from the prior year. In fiscal year 2014, tax revenues deposited in the fund increased $333.5 million. Federal funds collected by the School Aid fund were down $37.1 million over the prior year. Expenditures and transfers to other funds totaled $13.4 billion, an increase of $276.4 million over the previous year. The School Aid Stabilization Fund ended the year with $455.1 million in restricted fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2014, the State had invested $22.5 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled $274.3 million.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013*	2014	2013	2014	2013*
Land	$ 3,495.4	$ 3,448.5	$ -	$ -	$ 3,495.4	$ 3,448.5
Land improvements and other assets	152.8	140.6	-	-	152.8	140.6
Land rights	65.1	62.6	-	-	65.1	62.6
Buildings and improvements	1,880.0	1,979.3	-	-	1,880.0	1,979.3
Equipment	158.8	160.0	0.5	0.7	159.3	160.7
Computer software	440.8	325.6	0.1	0.1	440.9	325.7
Infrastructure	14,480.3	14,355.4	-	-	14,480.3	14,355.4
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	20,693.0	20,491.8	0.6	0.8	20,693.6	20,492.6
Construction in progress	1,848.5	1,710.4	-	-	1,848.5	1,710.4
Total	$ 22,541.4	$ 22,202.2	$ 0.6	$ 0.8	$ 22,542.0	$ 22,203.0

*Prior year columns have been restated. More detailed information regarding the restatement can be found on page 70.

> The most significant impact on capital assets during the year resulted from partially completed road and bridge construction and repair projects which are reported within construction in progress.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,459 lane miles of roads and 4,807 bridges (spans in excess of 20 feet).

The State has maintained the assessed condition of roads over the past five years. The State's goal is to have more than 70% of roads in fair to excellent condition. The most recent condition assessment, completed for calendar year 2013, indicated that 78.1% of roads were considered fair or better.

The State's bridges have assessed conditions that are better than the established benchmarks. The most recent assessment (2014) indicated that the condition of the bridges improved from the prior year. For fiscal year 2014, 93.9% of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of $209.1 million for fiscal year 2014. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA), a blended component unit of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The State is not legally obligated for the debt issued by SBA. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. More detailed information regarding the State's long-term obligations is presented in Notes 13 and 15 to the financial statements.

Outstanding Bonded Debt as of September 30
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds (backed by the State)	$ 1,942.4	$ 2,047.5	$ -	$ -	$ 1,942.4	$ 2,047.5
Revenue bonds and notes (backed by specific tax and fee revenues)	5,075.0	5,296.1		-	5,075.0	5,296.1
Total	$ 7,017.4	$ 7,343.6	$ -	$ -	$ 7,017.4	$ 7,343.6

During the year, the State and SBA issued new bonds totaling $85.3 million and refunding bonds totaling $295.1 million. From the refunding bond proceeds, the State paid $299.1 million to bond escrow agents to cover future debt service payments. The proceeds from the new bonds will provide funding for MDOT construction projects and state-owned and university-owned buildings.

Bond Ratings
The State's general obligations are rated AA stable outlook by Fitch, AA- stable outlook by Standard & Poor's, and Aa2 positive outlook by Moody's.

Limitations on Debt
The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. In fiscal year 2014, the State did not issue any general obligation short-term notes.

ECONOMIC CONDITION AND OUTLOOK

The U.S. economy has grown in each of the past five years as measured by real gross domestic product (GDP); however, the rate of growth has not been as strong as it was prior to the Great Recession. Based on actual data from 2010 to 2013, along with the estimated rate for 2014, the average rate during these five years was 2.2 percent, which is down from the 2.9 percent rate of growth averaged from 2003-2007. U.S. employment increased an estimated 1.7 percent in 2014, the same rate of growth experienced in 2012 and 2013. U.S. employment has increased an estimated 8.4 million jobs over the last four years, which has pushed employment past the pre-recession peak level to a new all-time high level.

The light vehicle sector, which remains a key component of the Michigan economy, has recovered markedly. After falling to a 27-year low of 10.4 million units in 2009, light vehicle sales rose to an estimated 16.0 million units in 2014. Estimated 2014 light vehicle sales remain 4.1 percent lower than average annual light vehicle sales in the ten years directly prior to the Great Recession. The U.S. housing market has improved after collapsing during the Great Recession, but still remains at historically low levels. In 2014, housing starts rose above 1.0 million units for the first time in seven years to a level nearly double their 2009 record low. Despite these increases, estimated 2014 housing starts remain almost 40 percent below average annual starts in the ten years directly before the Great Recession.

In 2013, Michigan payroll employment increased by 71,200 jobs or 1.8 percent and, in 2014, it is estimated that employment increased another 28,000 jobs or 0.7 percent. Over the past four years, State employment has risen by 269,700 jobs or 7.0 percent. While employment in Michigan has been increasing, it still remains well below the pre-recession peak level. Michigan's unemployment rate fell to an estimated 7.6 percent in 2014, which is down 1.2 percentage points from the 2013 level and 5.9 percentage points below the 26-year high level posted in 2009. Michigan personal income increased an estimated 3.3 percent in 2014 and wage and salary payments, the largest component of personal income, rose an estimated 3.2 percent. With overall prices increasing an estimated 1.2 percent in 2014, as measured by the Detroit CPI, real (inflation adjusted) personal income increased 2.0 percent.

In 2015, U.S. GDP is expected to increase 3.0 percent. Light vehicle sales are projected to increase to 16.3 million units in 2015, which would mark the sixth consecutive annual increase. In addition, housing starts are projected to total 1.32 million units, which despite representing a strong 24.6 percent increase, would still reflect a historically low level. In 2015, Michigan personal income is expected to increase by 4.3 percent while wages and salaries are expected to grow 3.7 percent. With inflation forecast to be 1.6 percent, real personal income is projected to increase 2.6 percent in 2015. Michigan payroll employment is projected to rise 1.2 percent in 2015, which would mark the State's fifth straight annual employment increase. The Michigan unemployment rate is forecast to fall to 7.1 percent in 2015. This would tie Michigan's 2007 rate as the State's lowest unemployment rate since 2006.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Additional financial information can be obtained elsewhere on the Office of Financial Management website. You can also contact the office by phone at (517) 373-1010.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. To obtain their phone numbers, you may contact the Office of Financial Management at (517) 373-1010.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(In Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 5,358	$ 14,822	**$ 20,180**	$ 798,427
Equity in common cash (Note 5)	3,739,349	139,030	**3,878,379**	539,408
Taxes, interest, and penalties receivable (Note 6)	4,401,770	-	**4,401,770**	-
Internal balances	12,074	(12,074)	**-**	-
Amounts due from component units	1,894	403	**2,297**	36,470
Amounts due from primary government	-	-	**-**	294,447
Amounts due from federal government	1,339,512	886	**1,340,399**	45,376
Amounts due from local units	200,934	48,373	**249,306**	1,087,921
Inventories	25,922	16,328	**42,250**	19,896
Investments (Note 8)	250,240	2,100,410	**2,350,649**	1,765,723
Other current assets	944,748	356,379	**1,301,127**	528,508
Total Current Assets	10,921,800	2,664,556	**13,586,356**	5,116,176
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	**-**	81,317
Investments	-	-	**-**	526,382
Mortgages and loans receivable	-	-	**-**	26,229
Taxes, interest, and penalties receivable (Note 6)	265,993	-	**265,993**	-
Advances to primary government	-	-	**-**	1,452,291
Amounts due from federal government	10,508	-	**10,508**	-
Amounts due from local units	1,810,676	-	**1,810,676**	5,057,852
Mortgages and loans receivable	-	-	**-**	3,118,383
Investments (Note 8)	1,113,370	203,197	**1,316,567**	4,040,966
Land and property held for resale	-	-	**-**	13,571
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,596,380	-	**3,596,380**	248,283
Buildings, equipment, and other depreciable assets	6,534,609	5,187	**6,539,795**	5,894,915
Less accumulated depreciation	(3,357,359)	(4,581)	**(3,361,939)**	(2,482,740)
Infrastructure	13,919,336	-	**13,919,336**	163,218
Construction in progress	1,848,459	-	**1,848,459**	293,939
Total capital assets	22,541,425	606	**22,542,031**	4,117,616
Interest in joint ventures (Note 7)	34,658	-	**34,658**	-
Other noncurrent assets	25,266	47,935	**73,201**	468,731
Total Noncurrent Assets	25,801,897	251,738	**26,053,635**	18,903,337
Total Assets	$ 36,723,697	$ 2,916,294	**$ 39,639,991**	$ 24,019,513
DEFERRED OUTFLOWS OF RESOURCES (Note 27)	$ 66,447	$ -	**$ 66,447**	$ 204,420

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 80,028	$ 5,413	**$ 85,441**	$ 351
Accounts payable and other liabilities	3,302,969	216,460	**3,519,429**	524,590
Income tax refunds payable (Note 16)	926,884	-	**926,884**	-
Amounts due to component units	302,654	1	**302,655**	35,211
Amounts due to primary government	-	-	**-**	5,416
Bonds and notes payable (Notes 13 and 14)	540,255	-	**540,255**	2,262,814
Interest payable	120,524	-	**120,524**	147,008
Unearned revenue	126,698	505	**127,202**	84,841
Current portion of other long-term obligations (Note 15)	381,898	1,465	**383,363**	265,186
Total Current Liabilities	5,781,910	223,844	**6,005,754**	3,325,417
Noncurrent Liabilities:				
Advances from component units	1,225,637	-	**1,225,637**	-
Prize awards payable (Note 15)	-	187,548	**187,548**	-
Unearned revenue	209,271	-	**209,271**	8,221
Bonds and notes payable (Notes 13 and 14)	6,778,465	-	**6,778,465**	12,642,408
Noncurrent portion of other long-term obligations (Note 15)	4,555,395	55,992	**4,611,387**	1,804,965
Total Noncurrent Liabilities	12,768,768	243,540	**13,012,308**	14,455,593
Total Liabilities	$ 18,550,678	$ 467,384	**$ 19,018,062**	$ 17,781,010
DEFERRED INFLOWS OF RESOURCES (Note 27)	$ 11,468	$ -	**$ 11,468**	$ 34,070
NET POSITION				
Net investment in capital assets	$ 20,279,584	$ 606	**$ 20,280,190**	$ 2,364,014
Restricted For (Note 22):				
Education	1,002,524	-	**1,002,524**	153,993
Construction and debt service	-	-	**-**	4,047,748
Public safety and corrections	14,915	-	**14,915**	-
Conservation, environment, recreation, and agriculture	292,215	-	**292,215**	-
Health and human services	40,575	-	**40,575**	-
Transportation	983,101	-	**983,101**	-
Unemployment compensation	-	2,415,686	**2,415,686**	-
Labor, commerce, and regulatory	144,188	-	**144,188**	-
Other purposes	131,016	26,785	**157,800**	770,668
Funds Held as Permanent Investments:				
Expendable	231,442	-	**231,442**	161,123
Nonexpendable	984,896	-	**984,896**	388,116
Unrestricted	(5,876,457)	5,834	**(5,870,623)**	(1,476,808)
Total Net Position	$ 18,227,998	$ 2,448,910	**$ 20,676,909**	$ 6,408,854

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2014

(In Thousands)

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	$ 2,455,999	$ 688,044	$ 149,427	$ 976
Education	14,941,366	9,388	1,887,762	-
Human services	5,508,011	85,213	4,416,678	-
Public safety and corrections	2,638,272	161,447	169,092	15,324
Conservation, environment, recreation, and agriculture	714,019	299,073	182,035	2,124
Labor, commerce, and regulatory	956,256	754,054	196,016	-
Health services	15,036,289	67,298	10,410,322	-
Transportation	3,309,442	96,727	570,520	831,750
Tax credits (Note 16)	676,500	-	-	-
Intergovernmental-revenue sharing	1,120,593	-	-	-
Interest on long-term debt	174,522	-	-	-
Total governmental activities	47,531,269	2,161,243	17,981,852	850,174
Business-type Activities:				
Liquor Purchase Revolving Fund	779,276	957,054	-	-
State Lottery Fund	1,868,607	2,608,920	18,081	-
Attorney Discipline System	4,798	4,867	-	-
Michigan Unemployment Compensation Funds	1,246,507	1,809,854	41,800	-
Total business-type activities	3,899,188	5,380,695	59,881	-
Total primary government	$ 51,430,457	$ 7,541,938	$ 18,041,733	$ 850,174
Total component units	$ 4,862,991	$ 2,924,229	$ 1,650,154	$ 50,407

General Revenues:
- Taxes:
  - General:
    - Sales and use
    - Personal income
    - Single business, Michigan business, and corporate income
    - Tobacco products
    - Beer, wine, and liquor
    - Insurance company
    - Quality assurance assessment
    - Penalties and interest
    - Other
  - Restricted For Educational Purposes:
    - Sales and use
    - Personal income
    - Corporate income
    - Education, property, and real estate transfers
    - Tobacco products
    - Beer, wine, and liquor
    - Casino gaming wagering
    - Other
  - Restricted For Transportation Purposes:
    - Sales and use
    - Gasoline and diesel fuel
    - Motor vehicle weight
    - Other
- Unrestricted investment and interest earnings
- Miscellaneous

Contributions to permanent fund principal

Payments from State of Michigan

Transfers

Total general and other revenue, payments, and transfers

Change in net position

Net position-beginning-restated

Net position-ending

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

NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	**TOTALS**	COMPONENT UNITS
$ (1,617,552)	$ -	**$ (1,617,552)**	$ -
(13,044,216)	-	**(13,044,216)**	-
(1,006,121)	-	**(1,006,121)**	-
(2,292,409)	-	**(2,292,409)**	-
(230,787)	-	**(230,787)**	-
(6,185)	-	**(6,185)**	-
(4,558,669)	-	**(4,558,669)**	-
(1,810,445)	-	**(1,810,445)**	-
(676,500)	-	**(676,500)**	-
(1,120,593)	-	**(1,120,593)**	-
(174,522)	-	**(174,522)**	-
(26,538,000)	-	**(26,538,000)**	-
-	177,778	**177,778**	-
-	758,394	**758,394**	-
-	69	**69**	-
-	605,147	**605,147**	-
-	1,541,388	**1,541,388**	-
(26,538,000)	1,541,388	**(24,996,612)**	-
-	-	**-**	(238,201)
2,993,426	-	**2,993,426**	-
6,078,008	-	**6,078,008**	-
528,174	-	**528,174**	-
578,154	-	**578,154**	-
143,105	-	**143,105**	-
362,287	-	**362,287**	-
971,377	-	**971,377**	-
117,734	-	**117,734**	-
514,504	-	**514,504**	-
5,872,729	-	**5,872,729**	-
2,276,581	-	**2,276,581**	-
34,566	-	**34,566**	-
2,033,711	-	**2,033,711**	-
357,389	-	**357,389**	-
45,722	-	**45,722**	-
106,903	-	**106,903**	-
65,172	-	**65,172**	-
102,026	-	**102,026**	-
958,745	-	**958,745**	-
940,637	-	**940,637**	-
5,052	-	**5,052**	-
990	87	**1,076**	120,172
517,297	3	**517,300**	403,143
23,865	-	**23,865**	-
-	-	**-**	805,252
942,883	(942,883)	**-**	-
26,571,035	(942,793)	**25,628,241**	1,328,567
33,035	598,595	**631,630**	1,090,366
18,194,963	1,850,316	**20,045,279**	5,318,488
$ 18,227,998	$ 2,448,910	**$ 20,676,909**	$ 6,408,854

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

GENERAL FUND

This fund is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

SCHOOL AID FUND

An amendment to the 1908 State Constitution created this fund in 1955. The 1963 State Constitution provided for the fund's continued existence. Its purpose is to aid in the support of the public schools, intermediate school districts, higher education and school employee's retirement systems of the State. School aid payments to school districts are based on a statutory formula. Michigan Compiled Laws Section 388.1611a, effective October 1, 2003, created the school aid stabilization fund as a separate account within the School Aid Fund. Pursuant to this act, any remaining unreserved fund balance in the School Aid Fund at year-end is transferred to this account.

The fund receives State revenues restricted to local school programs, including: the constitutionally dedicated 60% of the collections of sales tax imposed at a rate of 4% and all of the collections of sales tax imposed at the additional rate of 2%; State Lottery Fund earnings; a percentage of the adjusted gross receipts from casino gaming; the real estate transfer tax; and portions of the personal income, cigarette, liquor, and industrial and commercial facilities taxes. A constitutional amendment approved by voters in 1994 made structural changes in the method of financing local school districts. The amendment authorized the levy of a statewide property tax, which is deposited in the School Aid Fund. Appropriated transfers are also made from the General Fund.

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 132.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	**TOTALS**
ASSETS				
Current Assets:				
Cash	$ 5,069	$ -	$ 289	**$ 5,358**
Equity in common cash (Note 5)	1,413,703	-	2,002,628	**3,416,332**
Taxes, interest, and penalties receivable (Note 6)	2,265,960	2,039,853	95,957	**4,401,770**
Amounts due from other funds (Note 18)	1,085,704	8,759	42,717	**1,137,180**
Amounts due from component units	90	-	1,777	**1,867**
Amounts due from federal agencies	963,579	81,733	294,200	**1,339,512**
Amounts due from local units	114,146	35,082	51,705	**200,934**
Inventories	7,318	-	8,113	**15,431**
Investments (Note 8)	-	-	250,240	**250,240**
Other current assets	674,092	84	246,986	**921,163**
Total Current Assets	6,529,662	2,165,511	2,994,612	**11,689,785**
Noncurrent Assets:				
Taxes, interest, and penalties receivable (Note 6)	198,429	65,023	2,540	**265,993**
Advances to other funds (Note 18)	2,702	-	-	**2,702**
Amounts due from federal agencies	10,508	-	-	**10,508**
Amounts due from local units	1,758,703	4,107	47,866	**1,810,676**
Investments (Note 8)	-	-	1,113,370	**1,113,370**
Other noncurrent assets	17,978	-	4,226	**22,204**
Total Noncurrent Assets	1,988,322	69,131	1,168,001	**3,225,454**
Total Assets	$ 8,517,984	$ 2,234,642	$ 4,162,613	**$ 14,915,239**
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 64,226	$ 459	$ 14,617	**$ 79,303**
Accounts payable and other liabilities (Note 23)	2,418,295	137,757	569,435	**3,125,487**
Income tax refunds payable (Note 16)	926,884	-	-	**926,884**
Amounts due to other funds (Note 18)	59,420	1,069,244	62,509	**1,191,172**
Amounts due to component units	6,900	-	55,131	**62,031**
Bonds and notes payable	-	-	99,105	**99,105**
Interest payable	-	-	8	**8**
Unearned revenue	83,335	-	12,433	**95,768**
Total Current Liabilities	3,559,059	1,207,460	813,238	**5,579,757**
Long-Term Liabilities:				
Advances from component units	1,225,637	-	-	**1,225,637**
Unearned revenue	9,704	-	101	**9,804**
Total Long-Term Liabilities	1,235,341	-	101	**1,235,441**
Total Liabilities	4,794,400	1,207,460	813,338	**6,815,199**
DEFERRED INFLOWS OF RESOURCES (Note 27)	1,639,532	504,652	187,112	**2,331,297**
FUND BALANCES				
Nonspendable	189,095	-	992,581	**1,181,676**
Restricted	383,025	522,529	1,728,244	**2,633,798**
Committed	998,674	-	547,466	**1,546,140**
Assigned	206,875	-	-	**206,875**
Unassigned (Note 21)	306,382	-	(106,128)	**200,254**
Total Fund Balances (Note 22)	2,084,052	522,529	3,162,162	**5,768,743**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,517,984	$ 2,234,642	$ 4,162,613	**$ 14,915,239**

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(In Thousands)

Total fund balances for governmental funds		$ 5,768,743
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 9)		
Land and other non-depreciable assets	3,587,211	
Buildings, equipment, and other depreciable assets	5,484,688	
Infrastructure	13,919,336	
Construction in progress	1,848,459	
Interest in joint ventures	34,658	
Accumulated depreciation	(2,693,309)	22,181,044
Certain tax revenues are earned but not available and therefore are reported as deferred inflows of resources in the funds.		1,774,804
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		556,493
Amounts due to component units for long-term loans.		(240,598)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		243,105
Deferred outflows of resources related to refunding of debt are not reported in the funds.		66,447
Debt issuance costs are reported as current expenditures in the funds. However, certain debt issuance costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		2,312
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 15)		
Capital lease obligations	(375,568)	
Compensated absences	(398,469)	
Workers' compensation	(79,396)	
Litigation	(287,271)	
Net pension obligations	(742,192)	
Net other postemployment benefits	(2,709,192)	
Pollution remediation	(163,186)	
Pension supplement	(19,629)	(4,774,904)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, unamortized discounts, and accrued interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement. (Note 13)		
Bonds and notes payable	(7,017,404)	
Unamortized premiums	(205,932)	
Unamortized discounts	3,721	
Accrued interest payable	(118,366)	(7,337,981)
Deferred inflows of resources related to refunding of debt are not reported in the funds.		(11,468)
Net position of governmental activities		$ 18,227,998

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	**TOTALS**
REVENUES				
Taxes	$ 12,460,302	$ 10,868,783	$ 2,006,702	**$ 25,335,788**
From federal agencies	15,364,698	1,623,283	1,536,667	**18,524,648**
From local agencies	89,644	-	10,727	**100,372**
From services	318,480	-	8,080	**326,560**
From licenses and permits	310,644	-	200,772	**511,416**
Special Medicaid reimbursements	133,909	-	-	**133,909**
Miscellaneous	690,409	31,227	992,941	**1,714,576**
Total Revenues	29,368,085	12,523,293	4,755,890	**46,647,268**
EXPENDITURES				
Current:				
General government	1,870,519	17,442	178,208	**2,066,169**
Education	1,606,455	13,303,446	63,203	**14,973,104**
Human services	5,504,345	-	32,883	**5,537,228**
Public safety and corrections	2,665,729	-	4,154	**2,669,883**
Conservation, environment, recreation, and agriculture	435,069	-	246,003	**681,072**
Labor, commerce, and regulatory	298,032	-	663,902	**961,934**
Health services	14,977,620	-	85,835	**15,063,455**
Transportation	217,503	-	2,393,709	**2,611,213**
Tax credits (Note 16)	676,500	-	-	**676,500**
Capital outlay	59,156	-	1,054,614	**1,113,770**
Intergovernmental-revenue sharing	1,120,593	-	-	**1,120,593**
Debt service:				
Bond principal retirement	-	-	452,631	**452,631**
Bond interest and fiscal charges	-	-	317,873	**317,873**
Capital lease payments	61,654	-	1,374	**63,028**
Total Expenditures	29,493,175	13,320,888	5,494,389	**48,308,452**
Excess of Revenues over (under) Expenditures	(125,089)	(797,595)	(738,500)	**(1,661,184)**
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	85,295	-	-	**85,295**
Refunding bonds issued	-	-	295,085	**295,085**
Premium on bond issuance	12,356	-	35,223	**47,579**
Payment to refunded bond escrow agent	-	-	(299,121)	**(299,121)**
Capital lease acquisitions	18,371	-	475	**18,846**
Proceeds from sale of capital assets	1,626	-	1,840	**3,466**
Transfers from other funds (Note 20)	234,237	892,807	2,227,106	**3,354,150**
Transfers to other funds (Note 20)	(954,325)	(126,249)	(1,329,488)	**(2,410,062)**
Total Other Financing Sources (Uses)	(602,440)	766,559	931,120	**1,095,238**
Net changes in fund balances	(727,530)	(31,036)	192,621	**(565,945)**
Fund Balances - Beginning of fiscal year - restated	2,811,581	553,565	2,969,542	**6,334,689**
Fund Balances - End of fiscal year	$ 2,084,052	$ 522,529	$ 3,162,162	**$ 5,768,743**

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2014

(In Thousands)

Net change in fund balance - total governmental funds		$ (565,945)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 9)		
Land and other non-depreciable assets	49,331	
Buildings, equipment, and other depreciable assets	97,452	
Infrastructure	163,811	
Construction in progress	138,086	
Gain on disposal of capital assets	3,466	
Accumulated depreciation	(195,335)	256,812
Certain revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		48,230
Amount due to component units for long-term loans are not reported in the funds as they are not due and payable.		(60,174)
Increase in equity interest in joint ventures. (Note 7)		134
Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		(245,535)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		12,639
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Position. This is the amount proceeds exceed repayments. (Note 13)		
Bond proceeds and premiums received	(427,959)	
Repayment of bond principal	452,631	
Payment to refunded bond escrow agent	299,121	
Accrued interest and amortization	(17,398)	306,395
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Position and have been eliminated from the Statement of Activities. (Note 15)		
Net pension obligation	78,706	
Net other postemployment benefit obligation	64,056	
Capital lease payments	24,530	
Compensated absences payments	(1,474)	
Litigation recoveries, settlements and payments	89,013	
Pollution remediation obligations	(2,396)	
Workers' compensation	12,569	
Pension supplement	15,475	280,480
Change in net position of governmental activities		$ 33,035

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

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

STATE LOTTERY FUND

Michigan Compiled Laws (MCL) Section 432.41 established the State Lottery Fund and MCL Section 432.5 created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Technology, Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1991. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net position balance represents the unrealized cumulative gain or loss on investments, as required by Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

In general, revenues and related expenses are recognized in the period during which the related drawings are held. Because draw games may be played on an advance wager basis, an associated liability is recognized for all wagers received for drawings to be conducted after the end of the reporting period. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

The columns for the Michigan Unemployment Compensation Funds reflect the activity of two funds administered by the Unemployment Insurance Agency within the Department of Licensing and Regulatory Affairs: the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund. The Michigan Unemployment Compensation Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. The fund also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, a special revenue fund.

The Michigan Employment Security Act Contingent Fund was created by Michigan Compiled Laws (MCL) Section 421.10 to receive a special temporary unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. MCL Section 421.10 restricts use of solvency taxes for payment of interest on the Michigan Unemployment Compensation borrowings from the federal government.

A portion of the asset "Amounts due from other funds" and the liability "Amounts due to other funds" represent receivables and payables between the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund.

Non-Major Funds

Individual fund statements for the Enterprise Funds, whose combined totals are presented on this statement, begin on page 192.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 196.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash	$ 2	$ 13,881	$ 940	**$ 14,822**	$ -
Equity in common cash (Note 5)	3,608	63,897	71,525	**139,030**	323,017
Amounts due from other funds (Note 18)	-	6,227	-	**6,227**	9,215
Amounts due from component units	-	403	-	**403**	27
Amounts due from federal agencies	-	886	-	**886**	-
Amounts due from local units	-	48,373	-	**48,373**	-
Inventories	8,389	-	7,939	**16,328**	10,492
Investments (Note 8)	29,264	2,065,900	5,246	**2,100,410**	-
Other current assets	96,320	253,412	6,647	**356,379**	23,340
Total Current Assets	137,581	2,452,979	92,296	**2,682,857**	366,091
Noncurrent Assets:					
Investments (Note 8)	203,197	-	-	**203,197**	-
Capital Assets (Note 9):					
Land and other non depreciable assets	-	-	-	**-**	9,170
Buildings and equipment	4,638	-	548	**5,187**	1,049,920
Allowance for depreciation	(4,066)	-	(514)	**(4,581)**	(664,050)
Total capital assets	572	-	34	**606**	395,040
Other noncurrent assets	-	47,900	35	**47,935**	750
Total Noncurrent Assets	203,769	47,900	69	**251,738**	395,790
Total Assets	$ 341,351	$ 2,500,879	$ 92,365	**$ 2,934,595**	$ 761,881
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ 852	$ -	$ 4,561	**$ 5,413**	$ 726
Accounts payable and other liabilities (Note 23)	115,371	20,923	79,513	**215,808**	94,194
Amounts due to other funds (Note 18)	9,124	9,541	288	**18,953**	10,742
Amounts due to component units	-	1	-	**1**	25
Interest payable	-	-	-	**-**	2,150
Unearned revenue	-	-	505	**505**	30,930
Current portion of other long-term obligations (Note 15)	804	-	661	**1,465**	58,690
Total Current Liabilities	126,151	30,466	85,528	**242,145**	197,457
Long-Term Liabilities:					
Advances from other funds (Note 18)	-	-	-	**-**	2,702
Amounts due to other funds (Note 18)	26	-	25	**51**	276
Prize awards payable	187,548	-	-	**187,548**	-
Unearned revenue	-	-	-	**-**	199,467
Noncurrent portion of other long-term obligations (Note 15)	840	54,728	373	**55,941**	118,873
Total Long-Term Liabilities	188,415	54,728	397	**243,540**	321,319
Total Liabilities	314,566	85,193	85,925	**485,684**	518,776
NET POSITION					
Net investment in capital assets	$ 572	$ -	$ 34	**$ 606**	$ 377,010
Restricted For:					
Unemployment compensation	-	2,415,686	-	**2,415,686**	-
Other purposes	26,785	-	-	**26,785**	6,786
Unrestricted	(572)	-	6,406	**5,834**	(140,691)
Total Net Position	$ 26,785	$ 2,415,686	$ 6,440	**$ 2,448,910**	$ 243,105

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Operating revenues	$ 2,608,920	$ 1,809,854	$ 961,921	**$ 5,380,695**	$ 1,600,430
Total Operating Revenues	2,608,920	1,809,854	961,921	**5,380,695**	1,600,430
OPERATING EXPENSES					
Salaries, wages, and other administrative	298,809	3	83,652	**382,464**	630,012
Interest expense	1	-	-	**1**	3
Depreciation	212	-	37	**249**	78,009
Purchases for resale	-	-	698,828	**698,828**	90,341
Purchases for prison industries	-	-	-	**-**	10,138
Lottery prize awards	1,559,864	-	-	**1,559,864**	-
Premiums and claims	-	-	24	**24**	716,545
Unemployment benefits	-	1,080,710	-	**1,080,710**	-
Other operating expenses	-	165,794	1,532	**167,326**	60,117
Total Operating Expenses	1,858,886	1,246,507	784,074	**3,889,467**	1,585,164
Operating Income (Loss)	750,035	563,347	177,846	**1,491,228**	15,265
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	79	-	87	**166**	230
Investment revenue (expense) - net	18,002	41,504	-	**59,505**	-
Other nonoperating revenues	-	296	-	**296**	285
Amortization of prize award obligation discount	(9,715)	-	-	**(9,715)**	-
Interest expense	(4)	-	-	**(4)**	(476)
Other nonoperating expense	(1)	-	3	**2**	(1,680)
Total Nonoperating Revenues (Expenses)	8,360	41,800	90	**50,250**	(1,641)
Income (Loss) Before Transfers	758,394	605,147	177,936	**1,541,478**	13,625
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Transfers from other funds	-	-	-	**-**	2,500
Transfers To:					
School Aid Fund	(742,907)	-	-	**(742,907)**	-
Other funds	(6,621)	(15,508)	(177,848)	**(199,976)**	(3,485)
Total transfers to other funds	(749,528)	(15,508)	(177,848)	**(942,883)**	(985)
Change in net position	8,866	589,640	89	**598,595**	12,639
Total net position - Beginning of fiscal year	17,919	1,826,046	6,351	**1,850,316**	230,466
Total net position - End of fiscal year	$ 26,785	$ 2,415,686	$ 6,440	**$ 2,448,910**	$ 243,105

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	$ -	$ 146,463	$ -	$ **146,463**	$ -
Receipts from customers	2,593,490	1,632,927	957,054	**5,183,470**	1,687,851
Membership dues	-	-	4,818	**4,818**	-
Payments to employees	(22,118)	-	(24,743)	**(46,860)**	(231,822)
Payments to suppliers	(46,140)	-	(765,637)	**(811,777)**	(894,837)
Payments to prize winners	(1,591,609)	-	-	**(1,591,609)**	-
Payments for commissions to retailers	(226,667)	-	-	**(226,667)**	-
Claims paid	-	(1,248,714)	-	**(1,248,714)**	(375,873)
Other receipts	-	28,011	(150)	**27,861**	96
Other payments	-	(1,553)	(1,845)	**(3,398)**	(3,827)
Net cash provided (used) by operating activities	$ 706,956	$ 557,133	$ 169,498	$ **1,433,586**	$ 181,588
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Repayment of federal advances	$ -	$ 296	$ -	$ **296**	$ -
Loans or loan repayments from other funds	-	-	-	**-**	20,362
Loans or loan repayments to other funds	-	-	-	**-**	(20,751)
Transfers from other funds	-	-	-	**-**	2,500
Transfers to other funds	(740,769)	(45,020)	(177,848)	**(963,637)**	(3,485)
Net cash provided (used) by noncapital financing activities	$ (740,769)	$ (44,724)	$ (177,848)	$ **(963,340)**	$ (1,374)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	$ (31)	$ -	$ (13)	$ **(43)**	$ (148,922)
Interest paid	-	-	-	**-**	(7)
Capital lease payments (including imputed interest expense)	-	-	-	**-**	(13,083)
Proceeds from sale of capital assets	-	-	-	**-**	33
Net cash provided (used) by capital and related financing activities	$ (31)	$ -	$ (13)	$ **(43)**	$ (161,980)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment securities	$ 33,775	$ -	$ -	$ **33,775**	$ -
Purchases of investment securities	(9,272)	(527,387)	(26)	**(536,686)**	-
Interest and dividends on investments	79	41,504	87	**41,669**	230
Expenses from securities lending activities	(4)	-	-	**(4)**	-
Net cash provided (used) by investing activities	$ 24,577	$ (485,884)	$ 61	$ **(461,246)**	$ 230
Net cash provided (used) - all activities	$ (9,267)	$ 26,525	$ (8,302)	$ **8,957**	$ 18,465
Cash and cash equivalents at beginning of year	12,024	51,253	76,206	**139,482**	303,827
Cash and cash equivalents at end of year	$ 2,757	$ 77,778	$ 67,904	$ **148,439**	$ 322,292

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

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Position Classifications:					
Cash	$ 2	$ 13,881	$ 940	$ **14,822**	$ -
Equity in common cash	3,608	63,897	71,525	**139,030**	323,017
Warrants outstanding	(852)	-	(4,561)	**(5,413)**	(726)
Cash and cash equivalents at end of year	$ 2,757	$ 77,778	$ 67,904	$ **148,439**	$ 322,291
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 750,035	$ 563,347	$ 177,846	$ **1,491,228**	$ 15,265
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	212	-	37	**249**	78,009
Amortization of prize award obligation discount	(9,715)	-	-	**(9,715)**	-
Other nonoperating revenue	-	-	3	**3**	-
Other reconciling items	87	-	-	**87**	-
Net Changes in Assets and Liabilities:					
Inventories	(540)	-	(725)	**(1,265)**	2,124
Other assets (net)	(15,430)	21,015	283	**5,868**	1,552
Accounts payable and other liabilities	4,339	(27,230)	(8,021)	**(30,912)**	(3,742)
Prize awards payable	(22,030)	-	-	**(22,030)**	-
Unearned revenue	-	-	73	**73**	88,380
Net cash provided (used) by operating activities	$ 706,956	$ 557,133	$ 169,498	$ **1,433,586**	$ 181,588
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Cost of capital assets acquisitions financed by capital leases	$ -	$ -	$ -	**$ -**	$ 7,653
Capital lease liabilities entered into during the year	-	-	-	**-**	(7,653)
Increase (decrease) in fair value of investments	8,866	-	-	**8,866**	-
Transfers to other funds (accrual)	(8,759)	(2,773)	-	**(11,532)**	-
Gain (loss) on disposal of capital assets	-	-	-	**-**	(1,680)
Total noncash investing, capital, and financing activities	$ 107	$ (2,773)	$ -	$ **(2,666)**	$ (1,680)

FIDUCIARY FUND FINANCIAL STATEMENTS

Individual fund financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 204.
Private Purpose Trust Funds, page 212.
Agency Funds, page 215.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash	$ -	$ 1,862	$ 40,217
Equity in common cash (Note 5)	407,460	102,716	6,646
Receivables:			
From participants	252,912	-	-
From employers	377,360	-	-
Other	110,764	-	-
Interest and dividends	7,880	2,275	-
Due from other funds (Note 18)	212	-	-
Due from component unit	1,219	-	-
Due from other governmental	34,389	-	-
Sale of investments	268	-	-
Investments at Fair Value (Note 8):			
Short term investments	3,964,342	-	-
Fixed income	7,013,635	20,330	-
Domestic equities	18,082,763	-	-
Real estate	5,542,861	-	-
Alternative investments	10,362,413	-	-
International equities	9,186,635	-	-
Absolute return	6,380,691	-	-
Mutual funds	1,066,136	3,703,167	-
Pooled investment funds	2,802,860	-	-
Separate accounts	2,372,289	-	-
Guaranteed funding agreements	-	531,036	-
Securities lending collateral (Note 8)	4,048,924	-	-
Other current assets	-	13,219	347
Other noncurrent assets	-	550	419,228
Total assets	$ 72,016,012	$ 4,375,156	$ 466,438
LIABILITIES			
Warrants outstanding	$ 694	$ 4,386	$ -
Accounts payable and other liabilities	292,669	8,351	47,024
Amounts due to other funds (Note 18)	4	-	186
Obligations under security lending	4,190,118	-	-
Unearned revenue	2,598	-	-
Other long-term liabilities	-	-	419,228
Total liabilities	$ 4,486,084	$ 12,736	$ 466,438
NET POSITION			
Restricted for pension, postemployment health-care, deferred compensation participants, and other purposes	$ 67,529,928	$ 4,362,419	
Reconciliation of Net Position:			
Restricted for pension benefits (Note 10)	59,176,737	$ -	
Restricted for postemployment health-care benefits (Note 11)	4,694,353	-	
Restricted for deferred compensation participants (Note 17)	3,658,839	-	
Restricted for other purposes	-	4,362,419	
Total net position restricted for benefits and other purposes	$ 67,529,928	$ 4,362,419	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
From participants	$ 1,119,361	$ 475,135
From employers	4,286,163	-
From clients	-	63,981
From gifts, bequests, and endowments	-	42,200
From other governmental	57,076	-
From other systems	9,112	-
Investment Income:		
Net increase (decrease) in the fair value of investments	7,849,708	244,969
Interest, dividends, and other	1,221,245	79,112
Securities lending income	102,377	-
Less Investment Expense:		
Investment activity expense	178,747	-
Securities lending expense	68,527	-
Net investment income (loss)	8,926,055	324,082
Escheated property	-	97,339
Miscellaneous income	9,701	1,276
Total Additions	14,407,469	1,004,013
DEDUCTIONS		
Benefits paid to participants or beneficiaries	5,932,121	281,701
Medical, dental, and life insurance for retirants	1,194,920	-
Refunds and transfers to other systems	239,213	-
Amounts distributed to clients, claimants, or third parties	-	204,661
Administrative and other expenses	212,790	13,210
Transfers to other funds	186	-
Total Deductions	7,579,229	499,573
Change in net position	6,828,239	504,440
Net position - Beginning of fiscal year - restated	60,701,689	3,857,979
Net position - End of fiscal year	$ 67,529,928	$ 4,362,419
Reconciliation of change in net position:		
Change in net position restricted for pension benefits	$ 5,347,955	$ -
Change in net position restricted for postemployment benefits	1,362,528	-
Change in net position restricted for deferred compensation participants	117,757	-
Change in net position restricted for other purposes	-	504,440
Change in net position	$ 6,828,239	$ 504,440

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

COMPONENT UNIT FINANCIAL STATEMENTS

Major Funds

MICHIGAN FINANCE AUTHORITY

Executive Order 2010-2 created the Michigan Finance Authority (MFA) to consolidate certain Michigan public finance authorities. Functions related to borrowing money or the issuance of bonds or notes of the Michigan Strategic Fund, Michigan Forest Finance Authority, and Land Bank Fast Track Authority were also consolidated into MFA. A seven-member Board of Trustees, consisting of the State Treasurer and six appointees of the Governor with advice and consent of the State Senate, governs the Authority.

MFA provides sources of funding for loans to governmental units, school districts, and nonpublic nonprofit institutions of higher education, healthcare corporations and facilities. Additionally, MFA assists governmental units in financing and marketing municipal debt and tax-exempt bonds. The Authority also enhances the student loan efforts of Michigan private lenders by making loans to students and their parents, and acquiring loans previously made. MFA may not create debt or liabilities on behalf of the State or pledge the full faith and credit of the State.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Michigan Compiled Laws Section 125.1421 created the Michigan State Housing Development Authority (MSHDA) to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Governor appoints MSHDA's board members.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by Michigan Compiled Laws (MCL) Section 125.2005 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. The Workforce Development Agency resides within MSF and is a considerable piece of MSF's activities.

MSF is governed by a board of eleven members, which includes the directors (or their designees) of the Departments of Licensing and Regulatory Affairs and Treasury, and the Chief Executive Officer of the Michigan Economic Development Corporation. The Governor, with the advice and consent of the Senate, appoints the other eight members; none of those eight may be an employee of the State.

WESTERN MICHIGAN UNIVERSITY

Of the ten universities included in this report, Western Michigan University is reported as a major component unit. The universities are legally separate entities whose governing boards are appointed by the Governor and for which the State is therefore, defined as legally accountable. Excluded from this report are three other universities (University of Michigan, Michigan State University, and Wayne State University) whose board members are elected by the voters and, therefore, considered separate special purpose governments.

Non-Major Funds

The non-major component unit - authorities are presented beginning on page 220.

The non-major component unit - State universities are presented beginning on page 226.

STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2014
(In Thousands)

	AUTHORITIES			
	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	NON-MAJOR
ASSETS				
Current Assets:				
Cash	$ 222,885	$ 96,132	$ 85,220	$ 88,611
Equity in common cash (Note 5)	265,206	-	244,075	30,127
Amounts due from component units	-	-	-	36,466
Amounts due from primary government	68,794	-	-	6,333
Amounts due from federal government	1,643	-	28,499	1,269
Amounts due from local units	1,085,925	-	1,977	-
Inventories	-	-	-	600
Investments (Note 8)	1,441,303	157,573	-	16,912
Other current assets	238,883	52,124	56,334	25,753
Total Current Assets	3,324,638	305,829	416,105	206,072
Restricted Assets:				
Cash and cash equivalents	-	-	40,483	1,534
Investments	-	-	-	2,157
Mortgages and loans receivable	-	-	-	-
Advances to primary government	1,452,291	-	-	-
Amounts due from local units	5,057,852	-	-	-
Mortgages and loans receivable	903,669	2,121,844	35,249	9,927
Investments (Note 8)	790,684	843,375	113,473	1,037,846
Land and property held for resale	-	-	-	13,571
Capital Assets (Note 9):				
Land and other non-depreciable assets	-	-	-	943
Buildings, equipment, and other depreciable assets	-	-	-	53,079
Less accumulated depreciation	-	-	-	(32,308)
Infrastructure	-	-	-	102,950
Construction in progress	-	-	-	80
Total capital assets	-	-	-	124,743
Other noncurrent assets	-	70,917	218,134	48,659
Total Assets	$ 11,529,133	$ 3,341,964	$ 823,444	$ 1,444,508
DEFERRED OUTFLOWS OF RESOURCES (Note 27)	$ 29,340	$ 143,367	$ -	$ -
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ 271	$ 80
Accounts payable and other liabilities	9,855	45,930	66,256	19,878
Amounts due to component units	-	-	34,591	621
Amounts due to primary government	-	-	1,068	2,132
Bonds and notes payable (Note 14)	2,088,616	87,655	7,305	50
Interest payable	119,667	10,903	4,519	18
Unearned revenue	-	-	876	2,365
Current portion of other long-term obligations	1,367	129,800	1,256	110,434
Total Current Liabilities	2,219,505	274,289	116,140	135,579
Unearned revenue	-	-	50	1,253
Bonds and notes payable (Note 14)	8,884,221	1,932,440	188,683	1,685
Noncurrent portion of other long-term obligations	31,189	501,085	7,120	897,384
Total Liabilities	$ 11,134,915	$ 2,707,814	$ 311,993	$ 1,035,900
DEFERRED INFLOWS OF RESOURCES (Note 27)	$ 2,560	$ 11,749	$ -	$ -
NET POSITION				
Net investment in capital assets	$ -	$ -	$ -	$ 123,008
Restricted For:				
Education	-	-	-	-
Construction and debt service	3,532,780	471,554	1,046	2,871
Other purposes	-	18,081	475,088	60,976
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Nonexpendable	-	-	-	-
Unrestricted	(3,111,783)	276,134	35,318	221,753
Total Net Position	$ 420,997	$ 765,769	$ 511,451	$ 408,608

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

STATE UNIVERSITIES		
WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	**TOTALS**
$ 50,332	$ 255,247	**$ 798,427**
-	-	**539,408**
-	4	**36,470**
17,821	201,500	**294,447**
2,688	11,277	**45,376**
3	16	**1,087,921**
2,671	16,625	**19,896**
12,896	137,040	**1,765,723**
53,685	101,729	**528,508**
140,097	723,437	**5,116,176**
-	39,300	**81,317**
321,419	202,806	**526,382**
-	26,229	**26,229**
-	-	**1,452,291**
-	-	**5,057,852**
8,960	38,735	**3,118,383**
216,063	1,039,525	**4,040,966**
-	-	**13,571**
112,827	134,513	**248,283**
1,154,827	4,687,009	**5,894,915**
(482,157)	(1,968,274)	**(2,482,740)**
-	60,268	**163,218**
23,176	270,684	**293,939**
808,673	3,184,200	**4,117,616**
59,457	71,563	**468,731**
$ 1,554,668	$ 5,325,795	**$ 24,019,513**
$ -	$ 31,713	**$ 204,420**
$ -	$ -	**$ 351**
88,333	294,338	**524,590**
-	-	**35,211**
36	2,180	**5,416**
13,505	65,683	**2,262,814**
2,170	9,731	**147,008**
8,969	72,631	**84,841**
6,356	15,973	**265,186**
119,368	460,536	**3,325,417**
-	6,918	**8,221**
377,140	1,258,239	**12,642,408**
191,741	176,446	**1,804,965**
$ 688,249	$ 1,902,139	**$ 17,781,010**
$ 1,419	$ 18,341	**$ 34,070**
$ 421,162	$ 1,819,844	**$ 2,364,014**
11,281	142,713	**153,993**
-	39,497	**4,047,748**
177,195	39,328	**770,668**
-	161,123	**161,123**
71,680	316,435	**388,116**
183,683	918,088	**(1,476,808)**
$ 865,000	$ 3,437,028	**$ 6,408,854**

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Authorities:					
Michigan Finance Authority	$ 373,799	$ 760,572	$ 270,999	$ -	$ 657,772
Michigan State Housing Development Authority	789,009	177,106	615,601	-	3,698
Michigan Strategic Fund	546,444	3,836	278,066	-	(264,543)
Non-Major	171,434	39,311	183,745	2,035	53,658
State Universities:					
Western Michigan University	629,206	396,176	65,964	7,262	(159,804)
Non-Major	2,353,098	1,547,228	235,778	41,110	(528,983)
Total	$ 4,862,991	$ 2,924,229	$ 1,650,154	$ 50,407	$ (238,201)

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

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
$ -	$ -	$ -	$ 657,772	$ (236,775)	$ 420,997
18,180	-	-	21,878	743,891	765,769
(1,133)	279,938	77,718	91,980	419,471	511,451
1,217	-	6,918	61,792	346,816	408,608
16,513	97,601	122,985	77,295	787,705	865,000
85,394	427,713	195,523	179,648	3,257,380	3,437,028
$ 120,172	$ 805,252	$ 403,143	$ 1,090,366	$ 5,318,488	$ 6,408,854

Index
Notes to the Financial Statements

Page

NOTE 1 - Summary of Significant Accounting Policies 59
NOTE 2 - Funds and Component Units by Classification 67
NOTE 3 - Budgeting, Budgetary Control, and Legal Compliance 68
NOTE 4 - Accounting Changes and Restatements 70
NOTE 5 - Treasurer's Common Cash 70
NOTE 6 - Taxes Receivable 73
NOTE 7 - Joint Ventures 74
NOTE 8 - Deposits and Investments 75
NOTE 9 - Capital Assets 85
NOTE 10 - Pension Benefits 88
NOTE 11 - Other Postemployment Benefits 92
NOTE 12 - Leases 96
NOTE 13 - Bonds and Notes Payable – Primary Government 97
NOTE 14 - Bonds and Notes Payable - Discretely Presented Component Units 104
NOTE 15 - Other Long-Term Obligations 105
NOTE 16 - Income Tax Credits and Refunds 108
NOTE 17 - Deferred Compensation Plans 109
NOTE 18 - Interfund Receivables and Payables 109
NOTE 19 - Interfund Commitments 110
NOTE 20 - Transfers 110
NOTE 21 - Fund Deficits 110
NOTE 22 - Fund Balances and Net Position 111
NOTE 23 - Disaggregation of Payables 113
NOTE 24 - Contingencies and Commitments 113
NOTE 25 - Risk Management 119
NOTE 26 - Pledged Revenues 121
NOTE 27 – Deferred Outflows of Resources and Deferred Inflows of Resources 121
NOTE 28 - Subsequent Events 122

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. Following is a summary of the significant policies:

Reporting Entity

Michigan was admitted to the Union as the twenty-sixth state in 1837. The State of Michigan is governed under the Constitution of 1963, as amended. The legislative power is vested in a 38-member senate and a 110-member house of representatives; executive power is vested in a governor; and the judicial power is vested exclusively in one court of justice.

For financial reporting purposes, the State of Michigan's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability is defined in GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB standards require inclusion in the reporting entity if they are fiscally dependent on the State and there exists a financial benefit or burden relationship with the State.

GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14, establishes criteria for legally separate, tax-exempt entities that should be reported as component units if all of the criteria are met. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, most of the university component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

Blended Component Units
The State Building Authority (SBA) is a legally separate organization that has a board appointed by the primary government and provides services primarily to benefit the State. Therefore, SBA is reported as though it was part of the primary government, using the blending method.

The Michigan Settlement Administration Authority (MSAA) is a legally separate organization with a three-member governing board consisting of the State Treasurer, the State Budget Director, and one member appointed by the Governor. Since MSAA was created to provide State funding to the retirement systems of the City of Detroit pursuant to certain requirements, it is reported as though it was part of the primary government, using the blending method.

Discretely Presented Component Units
These types of component units are reported in separate columns or rows in the government-wide financial statements to emphasize that they are legally separate from the government.

The State has the ability to appoint a voting majority of each governing board and is able to impose its will upon these discretely presented component units:

The Michigan Finance Authority provides sources of funding for loans to governmental units, school districts, and nonpublic nonprofit institutions of higher education, healthcare corporations and facilities. The Authority also makes loans and acquires loans made to students and their parents.

The Michigan State Housing Development Authority (MSHDA) finances loans for the construction of single and multi-family housing and home improvement projects.

The Farm Produce Insurance Authority provides reimbursements to participating producers for losses suffered in the event of a grain dealer's financial failure.

The Land Bank Fast Track Authority (LBFTA) receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment. Executive Order 2014-8 abolished the LBFTA board of directors and office of executive director and transferred all responsibilities and functions to the executive director of MSHDA. Therefore, beginning in fiscal year 2015, LBFTA will be reported as a component unit of MSHDA.

The Mackinac Bridge Authority accounts for the operation of the Mackinac Bridge.

The Mackinac Island State Park Commission operates the Mackinac Island and Michilimackinac State Parks.

The Michigan Early Childhood Investment Corporation participates with intermediate school districts to establish standards and guidelines for early childhood development activities.

The Michigan Education Trust offers contracts, which, for actuarially determined amounts, provide plan participants with future tuition at institutions of higher education.

The State has the ability to appoint a voting majority of each governing board and there is a financial burden/benefit relationship between these entities and the State:

The Michigan Strategic Fund provides business enterprises with additional sources of financing.

The Michigan Economic Development Corporation manages programs to stimulate, coordinate, and advance economic development in the State.

The following entity's relationship with the State would be misleading if it were omitted from the State's reporting entity:

The State Bar of Michigan is a public body corporate whose membership consists of persons licensed to practice law.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government and there is a financial burden/benefit relationship with the State. Their balances and operating results are included with the other discretely presented component units on the government-wide financial statements. The ten universities included in these statements are: Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, Saginaw Valley State University, and Western Michigan University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate. The State provides significant funding to support these institutions; however, under GASB criteria, they are considered fiscally independent, special-purpose governments.

Included in the balances and operating results for most of the university component units is financial activity for fund-raising foundations that contribute to these universities. Although the universities do not control the timing or amount of receipts from their foundations, the majority of resources or income thereon that the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the universities and are included in the universities' financial statements.

Significant Transactions
The State's significant transactions with its major discretely presented component units result primarily from providing appropriations to the public universities, including $97.6 million to Western Michigan University.

Availability of Financial Statements
The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the various component units. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management at (517) 373-1010.

Related Organizations
The State's Insurance Commissioner is responsible for appointing the members of the boards of the Michigan Catastrophic Claims Association and the Michigan Property and Casualty Guaranty Association, but the State's accountability for these organizations does not extend beyond making the appointments.

The State's Governor is responsible for appointing the members of the board of the Venture Michigan Fund, a private nonprofit corporation. The State's accountability for this organization does not extend beyond the Governor's appointments.

The State's Governor is responsible for appointing a majority of the members of the board of the Education Achievement Authority established through an inter-local agreement between Eastern Michigan University and Detroit Public Schools. The State's accountability for this organization does not extend beyond the Governor's appointments.

The State's Governor is responsible for appointing the members of the board of the Michigan Health Endowment Fund, but the State's accountability does not extend beyond making the appointments.

Joint Ventures
As discussed in more detail in Note 7, the State participates in two joint ventures. Their financial activities are not included in the State's fund financial statements, but the State's equity interest is recorded as an asset in the Statement of Net Position.

Jointly Governed Organizations
The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a nonprofit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2014, the State awarded contracts totaling $63.2 million to MPHI.

The City of Detroit, Charter County of Wayne, and the Department of Community Health of the State of Michigan appoint members of the board of the Detroit Wayne County Health Authority (DWCHA), a public agency. The DWCHA was established to plan, promote, and coordinate health services for at-risk population in the City of Detroit and Wayne County. The State does not appoint a majority of the board, has no right to the assets, and is not responsible for debts of DWCHA; therefore, the State's accountability for DWCHA does not extend beyond making the appointments. During fiscal year 2014, the State awarded contracts totaling $1.0 million to DWCHA.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements
The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Position** presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on the use of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become *susceptible to accrual*; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. Significant revenues susceptible to accrual include tax revenues and federal grants. Revenues that the State earns by incurring obligations are recognized in the period when all applicable eligibility requirements have been met.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation
The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The School Aid Fund's purpose is to aid in the support of the public schools and the intermediate school districts. The fund receives State revenues restricted to local school programs, including the state education (property) tax, portions of the sales and personal income taxes, and State Lottery Fund earnings.

The State reports the following major enterprise funds:

The State Lottery Fund accounts for the operations of the State's lottery, bingo, and charitable game operations.

The Michigan Unemployment Compensation Funds receive contributions from employers and provide benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – account for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – account for resources used for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude capital-related outflows financed by proprietary or trust funds.

Permanent Funds – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Fund Types:

Enterprise Funds – report the activities for which fees are charged to external users for goods or services, such as the State's liquor sales. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

Internal Service Funds – provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include prisoner-built office furnishings; motor pool services; printing, reproduction and mailing services; information technology; risk management; and health-related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:

Pension (and Other Employee Benefit) Trust Funds – report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Private Purpose Trust Funds – report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the State's Escheats fund, gifts to the State, and others.

Agency Funds – report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Fiscal Year-Ends

All funds and discretely presented component units are reported using fiscal years which end on September 30, except for the MSHDA and the ten State universities, which utilize June 30 year-ends and the Farm Produce Insurance Authority which has a December 31 year-end.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents
On the Statement of Cash Flows, the amount reported as "Cash and cash equivalents" is equal to the total of the amounts reported on the Statement of Net Position as "Cash" and "Equity in Common Cash," less the amount of "Warrants outstanding."

Cash
Cash reported on the Statement of Net Position and the Balance Sheet consists of petty cash, undeposited receipts, deposits in transit to the Common Cash pool, and cash equivalents such as short-term investments with original maturities of less than three months that are used for cash management, rather than investing activities.

Equity in Common Cash
The State Treasurer maintains centralized management of most State cash resources (not including component units). From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the Common Cash pool are described in Note 5.

Taxes Receivable
Taxes receivable represent amounts due to the State at September 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" (i.e., received by the State within approximately 60 days after year-end) is recorded as revenue; the remainder is recorded as deferred inflows of resources. Application of the measurability and availability criteria regarding taxes is described in Note 6.

Amounts Due From Federal Agencies
For most federally funded programs, revenue is accrued in the same period as related obligations are recorded. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities, and expenditures and revenues; however, there is no impact on net position or fund balance.

Inventories
Inventories are valued at cost, primarily using the first-in, first-out flow method. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Investments
Generally, investments are reported at fair value, consistent with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury obligations are reported at amortized cost. Additional disclosures describing investments are provided in Note 8.

Security Lending Collateral
Securities on loan for cash collateral are reported in the Statement of Net Position. Liabilities resulting from the security lending transactions are also reported. Additional disclosures describing security lending transactions are provided in Note 8.

Other Assets
Other assets include receivables, amounts held in escrow, and other types of assets not reported on other lines.

Mortgages and Loans Receivable
Mortgages and loans receivable are reported net of unamortized premiums, discounts, and allowances for possible losses.

Capital Assets
Capital assets, which include land, buildings, equipment, intangibles, and infrastructure assets (i.e., roads, bridges, ramps, and similar items), are reported in the government-wide financial statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide financial statements. Capital assets are reported at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 9 and 12, respectively.

Deferred Outflows of Resources
Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period; they increase net position, similar to assets. Note 27 provides further detail on the components of deferred outflows of resources.

Warrants Outstanding
Warrants outstanding represent drafts issued against the State Treasurer's Common Cash pool, which have not yet cleared. These are similar to outstanding checks; however, the issuing funds' balances in the pool are not reduced until warrants are redeemed.

Income Tax Refunds Payable
The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. Note 16 more fully describes this liability.

Prize Awards Payable
The State Lottery Fund makes long-term prize awards for certain games, most notable the lotto games. At September 30, 2014, long-term prize awards of $280.4 million were reported at a present value of $187.5 million, using discount rates ranging from 3.5% to 7.0%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling $98.9 million, are included with "Accounts payable and other liabilities" on the Statement of Net Position.

Unearned Revenue
Unearned revenue is recognized when cash, receivables, or other assets are received prior to their being earned.

Long-Term Liabilities
In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Long-term liabilities are more fully described in Notes 13, 14, and 15.

Compensated Absences
In the government-wide financial statements and proprietary fund financial statements, compensated absences are reported as liabilities as required by GASB.

Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 296 to 356 hours. The maximum accumulation that may be paid off is 40 hours less than the total hours that may be accumulated. Employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is recorded at the maximum accumulation amounts in accordance with GAAP, as it is probable that the State will compensate employees through paid time off, for the hours earned in excess of the total that may be paid off. The liability for annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions.

Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation, times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave that increases from 0 to 50%, depending upon the balance of their sick leave hours. Sick leave is valued at 0 to 50% plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2014.

The State instituted a banked leave time program in fiscal year 2004 whereby eligible employees work a regular schedule but receive pay for a reduced number of hours. The banked leave time program was utilized in fiscal years 2005, 2006, and 2010. The unpaid hours worked accrue to a banked leave time account. Upon an employee's separation, death, or retirement from State service, unused banked leave time hours shall be contributed by the State to the employee's account within the State's 401k plans, and if applicable, to the State's 457 plans. The banked leave liability is valued at the pay rates in effect as of September 30, 2014.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end.

Deferred Inflows of Resources
Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future period; they decrease net position, similar to liabilities. Note 27 provides further detail on the components of deferred inflows of resources.

Net Position/Fund Balance
The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources is "Net Position" on the government-wide, proprietary, and fiduciary fund financial statements, and "Fund Balance" on governmental fund financial statements.

Fund Balance Classifications
In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, such as inventories, prepaids, and long-term receivables, or legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that are restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch when criteria established by the State Budget Office are met. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance also includes negative residual balances in other funds.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the intent is to use committed resources first, then assigned. Unassigned amounts are generally used only after the other resources have been used.

Revenues and Expenditures/Expenses

Government-Wide Financial Statements
In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (i.e., general government, education, transportation, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

Interest on Long-Term Debt
Interest charges on the State's general long-term liabilities do not qualify as a direct expense of a function and are reported on this line, unless the borrowing is essential to the creation or continuing existence of a program. During fiscal year 2014, interest charges on general long-term liabilities totaling $109.8 million were reported as functional expenses.

Fund Financial Statements
In the governmental fund financial statements, revenues are reported by sources. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (i.e., federal grants), available only for specified purposes. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental-revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Tax expenditures, which represent income tax credit programs that are in substance grants, are also reported as current expenditures. These are described in more detail in Note 16.

Capital outlay includes expenditures for capital assets. Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (i.e., salaries, depreciation, and purchases for resale). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources
These additions to governmental fund balances in the fund financial statements include resources and financing provided by bond proceeds, capital leases, and transfers from other funds.

Reimbursements
Reimbursements result when a fund originally making a disbursement receives resources from another fund to which the expenditure/expense is more properly attributable. For example, the State uses this method when the administrative costs of proprietary funds, discretely presented component units, or pension (and other employee benefit) trust funds are appropriated in the General Fund.

Interfund Services Provided and Used
When a sale or purchase of program-related goods and/or services between funds occurs, for a price approximating their external exchange value, the seller reports revenue and the purchaser expenditure or expense, depending upon the fund type.

Transactions between the primary government and a discretely presented component unit are generally classified as revenues and expenses, unless they represent repayments of loans or similar activities.

Other Financing Uses
These reductions of governmental fund resources in fund financial statements normally result from transfers to other funds.

Interfund Activity and Balances

Interfund Activity
As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities (examples include the transfers of profits from the Liquor Purchase Revolving Fund to the General Fund and the State Lottery Fund to the School Aid Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column (examples include activities between the Department of Treasury [general government line] and the Department of Education [education line]). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is gas taxes collected by the Department of Transportation but expended by the Department of Natural Resources.

Interfund Balances
Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

The following table lists all of the funds and component units whose balances are reflected in this financial report.

Operating funds which are subject to annual appropriation and for which budget and actual schedules are included in this report are identified by an "*". For each fund or component unit listed, the page number of the first financial statement for that fund or component unit is shown in parenthesis.

PRIMARY GOVERNMENT:

MAJOR FUNDS

Governmental:
General Fund* (p. 38)
School Aid Fund* (p. 38)

Proprietary:
State Lottery Fund (p. 44)
Michigan Unemployment Compensation Funds (p. 44)

NON-MAJOR FUNDS

Governmental:

Special Revenue Funds:

Transportation Related:
Michigan Transportation Fund* (p. 140)
Comprehensive Transportation Fund* (p. 140)

Conservation, Environment, and Recreation Related:
Michigan Conservation and Recreation Legacy Fund* (p. 146)
Michigan Game and Fish Protection Trust Fund (p. 146)
Michigan Nongame Fish and Wildlife Trust Fund* (p. 147)
Forest Development Fund* (p. 147)
Bottle Deposits Fund (p. 147)

Regulatory and Administrative Related:
Homeowner Construction Lien Recovery Fund* (p. 154)
Michigan Employment Security Act – Administration Fund* (p. 154)
Safety Education and Training Fund* (p. 154)
Second Injury Fund (p. 154)
Self-Insurers' Security Fund (p. 154)
Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 155)
State Construction Code Fund* (p. 155)
Utility Consumer Representation Fund (p. 155)
Unemployment Obligation Trust Fund (p. 155)
State Casino Gaming Fund* (p. 155)

Other State Funds:
21st Century Jobs Trust Fund* (p. 164)
Michigan Merit Award Trust Fund* (p. 164)
Michigan Settlement Administration Authority (p. 164)
Children's Trust Fund* (p. 165)
Military Family Relief Fund* (p. 165)
Miscellaneous Special Revenue Funds (p. 165)

Debt Service Funds:
Combined State Trunkline Bond and Interest Redemption Fund (p. 172)
Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 172)
Recreation and Environmental Protection Bond Redemption Fund (p. 172)
School Loan Bond Redemption Fund (p. 173)
State Building Authority (p. 173)

Capital Project Funds:
State Trunkline Fund* (p. 178)
State Aeronautics Fund* (p. 178)
Combined State Trunkline Bond Proceeds Fund (p. 178)
Combined Comprehensive Transportation Bond Proceeds Fund (p. 178)
Transportation Related Trust Funds (p. 179)
Combined Recreation Bond Fund (p. 179)
State Building Authority (p. 179)
Advance Financing Funds (p. 179)

Permanent Funds:
Michigan Natural Resources Trust Fund* (p. 186)
Michigan State Parks Endowment Fund* (p. 186)
Michigan Veterans' Trust Fund* (p. 186)

Proprietary:

Enterprise Funds:
Attorney Discipline System (p.192)
Liquor Purchase Revolving Fund (p.192)

Internal Service Funds:
Correctional Industries Revolving Fund (p. 196)
State Sponsored Group Insurance Fund (p. 196)
Information Technology Fund (p. 196)
Office Services Revolving Fund (p. 197)
Motor Transport Fund (p. 197)
Risk Management Fund (p. 197)

Fiduciary:

Pension (and other employee benefit) Trust Funds:
State of Michigan Deferred Compensation Funds (p. 204)
Legislative Pension Benefits Fund (p. 204)
Legislative Other Postemployment Benefits Fund (p. 204)
State Police Pension Benefits Fund (p. 204)
State Police Other Postemployment Benefits Fund (p. 205)
State Employees' Pension Benefits Fund (p. 205)
State Employees' Other Postemployment Benefits Fund (p. 205)
Public School Employees' Pension Benefits Fund (p. 205)
Public School Employees' Other Postemployment Benefits Fund (p. 205)
Judges' Pension Benefits Fund (p. 205)
Judges' Other Postemployment Benefits Fund (p. 206)
State of Michigan Defined Contribution Retirement Fund (p. 206)

Private Purpose Trust Funds:
Michigan Education Savings Program (p. 212)
Escheats Fund (p. 212)
Gifts, Bequests, and Deposits Investment Fund (p. 212)
Hospital Patients' Trust Fund (p. 212)

Agency Funds:
Environmental Quality Deposits Fund (p. 215)
Insurance Carrier Deposits Fund (p. 215)
Child Support Collection Fund (p. 215)
Social Welfare Fund (p. 215)

DISCRETELY PRESENTED COMPONENT UNITS:

Authorities:

Major Funds:
Michigan Finance Authority (p. 54)
Michigan State Housing Development Authority (p. 54)
Michigan Strategic Fund (p. 54)

Non-Major Funds:
Farm Produce Insurance Authority (p. 220)
Land Bank Fast Track Authority (p. 220)
Mackinac Bridge Authority (p. 220)
Mackinac Island State Park Commission (p. 220)
Michigan Early Childhood Investment Corporation (p. 221)
Michigan Economic Development Corporation (p. 221)
Michigan Education Trust (p. 221)
State Bar of Michigan (p. 221)

State Universities (1):

Major Funds:
Western Michigan University (p. 55)

Non-Major Funds:
Central Michigan University (p. 226)
Eastern Michigan University (p. 226)
Ferris State University (p. 226)
Grand Valley State University (p. 226)
Lake Superior State University (p. 227)
Michigan Technological University (p. 227)
Northern Michigan University (p. 227)
Oakland University (p. 227)
Saginaw Valley State University (p. 227)

(1) Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State. The State provides significant funding to support these institutions; however, under GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61, criteria, they are considered fiscally independent special-purpose governments.

NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Major Constitutional and Statutory Provisions

Balanced Budget Requirements
Article 5 of the State Constitution mandates that the executive budget recommend spending limits for operating funds to the Legislature that are within available resources. Compliance with this is demonstrated in the executive budget and budget bills for each fiscal year.

Article 4 of the State Constitution mandates the Legislature to enact appropriations for each operating fund that do not exceed that fund's revenue estimates, including beginning fund balance.

Compliance with this requirement is demonstrated in schedules included in the annual appropriation acts, usually the "General Government" appropriation act. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is required to recommend spending reductions as necessary to avoid a year-end deficit.

Local Spending Requirements
Article 9, Section 30, of the State Constitution requires that State spending to, or on behalf of, local units of government shall not fall below a specified percentage of total State spending. The percentage, recalculated effective with fiscal year 1993, is 48.97%.

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2014 are not yet complete. For fiscal year 2013, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 56.27%, reflecting payments that exceeded the minimum required by $2.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2014.

Revenue Limits
Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to personal income tax payers and payers of the State's Michigan Business Tax. If the limit is exceeded by an amount less than 1%, the excess may be deposited into the State's Budget Stabilization Fund. The calculations determining the State's compliance with this constitutional provision for fiscal year 2014 are not final. For fiscal year 2013, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by $6.5 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2014.

Budget Stabilization Fund
The Counter-Cyclical Budget and Economic Stabilization Fund ("Budget Stabilization Fund" or "Rainy Day Fund") was created in 1977 to assist in stabilizing revenue during periods of economic recession. This fund currently operates under Sections 18.1351 - 18.1359 of the Michigan Compiled Laws, as amended. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn when the State's unemployment rate exceeds 8% or upon appropriation to finance capital outlay or other projects, or for other purposes designated by the Legislature. The Counter-Cyclical Budget and Economic Stabilization Fund is accounted for as a subfund of the General Fund where its fund balance is committed.

The following table summarizes the transactions for the fund at September 30 (in millions):

Beginning committed fund balance	$	505.6
Interest income		0.4
Deposits		75.0
Withdrawals		(194.8)
Ending committed fund balance	$	386.2

The withdrawal during the year represents the transfer of funds to the Michigan Settlement Administration Authority to support the Detroit bankruptcy settlement. That withdrawal will be repaid to the fund in the amount of $17.5 million annually from tobacco settlement funds.

School Aid Fund Budgetary Provisions
The School Aid Stabilization Fund is a separate account within the School Aid Fund. Any unexpended or unencumbered state school aid fund revenue is deposited into this fund at the end of each fiscal year. The amounts accumulated in this fund are carried forward and shall be expended only for purposes for which state school aid money may be expended. The School Aid Stabilization Fund ending restricted fund balance is $455.1 million for fiscal year 2014.

Budgetary Overexpenditures
In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation for the amount overspent, if that amount exceeds their lapses or if they expect to make payments from prior year authorization in the next fiscal year. There were the following line-item overexpenditures of State departments incurred during the year, which represent noncompliance with State budget laws (in millions):

General Fund		
Community Health	$	4.9
General Fund Total	$	4.9

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

Implementation of GASB Statement No. 65

During fiscal year 2014, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Note 27 provides further detail on the components of deferred outflows of resources and deferred inflows of resources as reported on the government-wide Statement of Net Position and in the governmental funds.

GASB Statement No. 65 also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result, beginning net position for governmental activities in the government-wide statements was decreased by $34.7 million for certain bond issuance costs that were previously classified as assets.

The implementation of GASB Statement No. 65 also resulted in a decrease in beginning net position for the discretely presented component units totaling $52.4 million, including a restatement of $44.5 million for the Michigan Finance Authority.

Capital Assets and Capital Leases

Beginning balances for capital assets and capital lease liabilities were restated to correct prior period errors as follows: equipment and the related accumulated depreciation were increased by $12.8 million and $3.9 million, respectively, and the capital lease liability was increased by $10.3 million. This restatement resulted in a decrease in beginning net investment in capital assets of $1.4 million in the government-wide statements.

General Fund and School Aid Fund

Beginning fund balance was decreased in the General Fund and increased in the School Aid Fund by $45.3 million for a prior period adjustment.

Michigan Education Savings Program

The Michigan Education Savings Program, a private purpose trust fund, implemented an accounting change in fiscal year 2014 that excluded transfers and exchanges within the Program that were previously included in additions and deductions in the Statement of Changes in Fiduciary Net Position. The amount excluded in fiscal year 2014 was approximately $1.6 billion and had no impact on net position.

Discretely Presented Component Units

Beginning net position was increased for Central Michigan University by $5.7 million to reflect the inclusion of a component unit not previously reported. Other prior period adjustments resulted in a net increase of $1.0 million for the discretely presented component units.

NOTE 5 – TREASURER'S COMMON CASH

General Accounting Policies

The State Treasurer (Treasurer) manages the State's Common Cash pool, which is used by most State funds. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool, and presented in this report as "Equity in common cash." Many funds, including pension (and other employee benefit) trust funds, use their equity in the pool as a short-term investment vehicle.

All negative balances in the pool are reclassified at year-end as interfund liabilities. If the negative balance is considered long-term, the reclassification is recorded as an advance.

Statute or administrative policy determines whether a particular fund receives or pays interest on its balances in the pool. If a fund does not receive or pay interest, the General Fund receives or absorbs such amounts. The Treasurer has placed a "cap," or limit, on the amount of interest that can be earned by some State funds. These "capped" funds are limited to a maximum rate determined by the Treasurer. For the remaining "uncapped" funds, earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter. Accrued earnings of the pool are recorded as assets, with the accrual allocated to the various funds' equity in the pool.

Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/ expenses of each of the participating funds.

Investments and Deposits

The investment authority for the Common Cash pool is found in Sections 21.141 - 21.147 of the Michigan Compiled Laws (MCL). The Treasurer may invest surplus funds belonging to the State in bonds, notes, and other evidences of indebtedness of the United States Government and its agencies and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State.

The Treasurer invests excess cash in short-term investments or cash equivalents. The law does not prohibit the Treasurer from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in fiscal year 2014.

Statutes provide for certain special State investment programs for which the General Fund is credited (charged) for earnings in excess of (under) those achieved by regular pool investments. To date, these programs have not resulted in any principal losses.

Emergency Financial Assistance Loan Program: This program provides for emergency loans to local units of government, and is the most significant of the special investment programs. The Emergency Financial Assistance Loan Board, established by MCL Section 141.932, administers the program.

Loan authorization limits are established in MCL Section 141.933. For the period beginning October 1, 2011, and ending on September 30, 2018, the board may authorize loans to municipalities other than school districts totaling up to a combined $35.0 million, and to school districts totaling up to a combine $50.0 million; loans to a single municipality under each respective subdivision shall not total more than $20.0 million of the applicable cap. For fiscal years beginning after October 1, 2018, the board may authorize loans to municipalities other than school districts that total up to $10.0 million in any given fiscal year, but a loan to a single municipality shall not exceed $4.0 million in that fiscal year.

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to $159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2014, was $54.7 million. The interest rate is reset July 1 of each year in accordance with the loan agreement. Effective November 1, 2009, the Wayne County emergency loan was reclassified from an interest-bearing loan to a zero percent loan. The change in interest terms for the loan will be in effect until the debt obligations for the Detroit Regional Convention Facility Authority are retired, or 2039, whichever comes first. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State taxes collected on cigarette sales. There were no principal repayments made on the loan in fiscal year 2014.

Assets and equities of the Common Cash pool as of September 30 were as follows (in millions):

Assets	
Cash on hand	$ -
Demand deposits	2,599.7
Time deposits - regular	-
Prime commercial paper - at cost	2,209.5
Interest receivable	0.6
Emergency loans to local units - at cost	124.7
Total assets	$ 4,934.6
Equities	
Fund equities (net) in common cash (1):	
Governmental activities	$ 3,739.3
Business-type activities	139.0
Fiduciary funds	516.8
Discretely presented component units	539.4
Net fund equities	$ 4,934.6

(1) Negative equity balances in the pool are reclassified at year-end as interfund receivables and liabilities. Current balances are included with "Amounts due from other funds" and "Amounts due to other funds" and long-term amounts are classified as interfund advances. Note 18 summarizes interfund receivables and liabilities.

The following paragraphs provide disclosures about deposits and investments of the Common Cash pool, as required by Governmental Accounting Standards Board (GASB) Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements as amended by GASB Statement No. 40, Deposit and Investment Risk Disclosures. Please see Note 8 for information about deposits and investments that are not part of the Common Cash pool.

Common Cash Deposits

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The Treasurer's policy requires the following criteria to lessen custodial credit risk: all financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State's funds; a bank, savings and loan association, or credit union holding State funds must be organized under the laws of Michigan or federal law and maintain a principal office or branch office in the State of Michigan; no deposit in any financial organization may be in excess of 50% of the net worth of the organization.

At September 30, 2014, the carrying amount of deposits, including time and demand deposits, was $2.6 billion. The deposits were reflected in the accounts of the banks at $2.6 billion. Of the bank balance, $5.0 million was covered by federal depository insurance and $2.6 billion was collateralized with securities held by the State's agent in the State's name. There were no demand deposits exposed to custodial credit risk that were uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled $1.7 billion at September 30, 2014.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits.

MCL Section 487.714 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State. The State had no Common Cash deposits subject to foreign currency risk at September 30, 2014.

Common Cash Investments

Types of Investments
Common Cash investments include prime commercial paper, certificates of deposit, and emergency municipal loans.

Risk
In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Custodial credit risk, credit risk, and interest rate risk are discussed in the following paragraphs.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

The counterparty, or

The counterparty's trust department or agent but not in the government's name.

The Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2014, Common Cash investments were not exposed to custodial credit risk.

Credit Risk
Credit risk is the risk that an issuer or another counterparty to an investment will not fulfill its obligations.

Prime commercial paper investments must be rated A-1 or P-1 at the time of purchase as rated by the two major rating services: Standard and Poor's (A-1), and Moody's (P-1). Borrowers must have at least $400.0 million in commercial paper outstanding, and the Treasurer may not invest in more than 10% of a borrower's outstanding debt. The investments are further limited to $200.0 million in any borrower, unless the borrower has an A-1+ rating, in which case the investment is not to exceed $300.0 million.

Emergency municipal loans are evidenced by unrated notes held by the State in the State's name. At September 30, 2014, prime commercial paper investments were rated at A-1 or P-1.

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

The Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2014, the fair value of cash equivalents was $2.2 billion; the weighted average maturity was 34 days.

The Treasurer does not have a policy for controlling interest rate risk regarding the Common Cash special loan programs described earlier. These loan programs are investments created through legislation. Although some interest rate risk exposure exists, this risk is not a consideration when entering into these loan programs.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, 2014, for revenues earned during the fiscal year that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles.

Sales, use, Michigan business, and income taxes are accrued to the extent that the related sales, wage, or activity being taxed occurred prior to October 1. Property taxes are accrued if the levy date occurred prior to October 1.

Local units of government, as agents for the State, assess the state education tax, which is a statewide property tax. The state education tax is levied on July 1 and is due and payable at the same time as local unit taxes levied on July 1. The State accrues state education tax revenue received by the State or the local units, on its behalf, during October and November. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time.

In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting for amounts due to the State at September 30 (as stated above), that are considered "available" (e.g. received by the State within approximately 60 days after that date). Delinquent taxes are recognized to the extent that they are collected within 12 months. The remainder is recorded as a deferred inflow or resources.

Effective January 1, 2008, the State replaced the Single Business Tax (SBT) with the Michigan Business Tax (MBT). Effective January 1, 2012, the MBT was replaced by the Corporate Income Tax (CIT). A small number of taxpayers with certificated credits may continue to file under the MBT provisions until their credits expire. Additionally, the Health Insurance Claims Assessment (HICA) was created effective January 1, 2012. Because the CIT and the HICA are relatively new and the MBT has drastically changed, historical information is not available to calculate full-accrual receivable amounts. Therefore the accrual and related revenue expected to be collected beyond the 60-day period is not measurable and has not been recorded in this fiscal year for these types of taxes.

Taxes receivable as of September 30, consisted of the following (in millions):

Tax	General Fund	Other Governmental Funds	Total
Sales & use	$ 370.3	$ 762.3	$ 1,132.5
Individual Income	2,299.1	345.8	2,644.9
SBT/MBT/CIT	649.2	-	649.2
State education (property)	-	1,312.8	1,312.8
Telephone & telegraph	19.5	-	19.5
Motor fuel	-	161.8	161.8
Insurance - retaliatory	92.0	-	92.0
Tobacco products	74.4	45.1	119.5
Quality assurance assessment	75.5	-	75.5
Health insurance claims assessment	63.3	-	63.3
Other	25.1	16.1	41.2
Penalties & Interest	1,026.0	-	1,026.0
Gross taxes receivable	4,694.3	2,643.9	7,338.1
Less allowances for uncollectibles	2,229.9	440.5	2,670.4
Total taxes receivable (net)	$ 2,464.4	$ 2,203.4	$ 4,667.8
As reported on the Statement of Net Position			
Current taxes, interest, and penalties receivable	$ 2,266.0	$ 2,135.8	$ 4,401.8
Noncurrent taxes, interest and penalties receivable	198.4	67.6	266.0
Total taxes, interest, and penalties receivable	$ 2,464.4	$ 2,203.4	$ 4,667.8

NOTE 7 – JOINT VENTURES

The State participates in two joint ventures as described below. Joint ventures are not reflected as component units within this report because they do not meet the generally accepted accounting principles criteria for inclusion. Their separately issued financial statements may be obtained by directly contacting the applicable organizations. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management, Financial Reporting Section at (517) 373-1010.

Great Lakes Protection Fund
The Great Lakes Protection Fund (GLPF) is a not-for-profit corporation located in Evanston, Illinois. Its purpose is to finance and support research with respect to water quality of the Great Lakes. The eight states bordering the Great Lakes are eligible to become members if they make a required contribution to the endowment of GLPF.

Contribution requirements were established based upon water consumption and usage. Contributions to GLPF are permanently restricted and are not available for disbursement. Michigan is the largest contributor, having made a contribution of $25.0 million, constituting approximately 31% of the total. Michigan made its required contribution by issuing GLPF a general obligation bond authorized as part of the State's environmental protection bond program. No additional contributions from Michigan will be required.

Two members on GLPF's board of directors represent each of the participating seven member states. The states' respective governors select the board members. Directors control GLPF's financing and budgeting operations, within requirements established by the Articles of Incorporation. One-third of the net earnings on total contributions (after operating expenses) is granted to the respective states in proportion to their contributions to GLPF. Two-thirds of the net earnings are available to GLPF to make other grants. The State's equity interest in GLPF of $25.0 million is reflected as an asset in the government-wide financial statements.

Sault Ste. Marie Bridge Authority
The International Bridge in Sault Ste. Marie, Michigan is a joint venture of the State and Canadian governments. Effective September 1, 2009, the Sault Ste. Marie Bridge Authority (SSMBA) replaced the Joint International Bridge Authority. SSMBA consists of eight people, four appointed by each government. SSMBA oversees the operations and maintenance of the Bridge. The International Bridge Administration, an administrative entity within the Michigan Department of Transportation, is responsible for the day-to-day operations of the Bridge. SSMBA reimburses the State for costs incurred to provide these services.

For the period ending December 31, 2013 (SSMBA's most recently audited financial statements), its net position increased by approximately $0.8 million. The Bridge and one-half of the ancillary assets on Michigan's side of the Bridge, and in addition one-half of the joint funds not required to pay liabilities, and all funds reserved for capital projects on the Michigan half of the Bridge, represent the State's equity interest. The State is obligated to pay one-half of any claims incurred by SSMBA that are not covered by insurance or existing resources. The State's equity interest of $9.7 million is reflected as an asset in the government-wide financial statements.

NOTE 8 – DEPOSITS AND INVESTMENTS

This note provides information for all deposits and investments except those of the Common Cash pool, which are described in Note 5.

Deposits – Primary Government

Custodial Credit Risk

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At present, only the Michigan Unemployment Compensation Funds (MUCF), the Attorney Discipline System (ADS), and the Michigan Education Savings Plan (MESP) maintain these deposits and are potentially exposed to custodial credit risk.

The Unemployment Insurance Agency administers, under the auspices of the federal government, the deposits of the MUCF. Tax collections are deposited in a clearing account as required by the Michigan Employment Security Act. Refunds are paid from that account; after the clearance of vouchers for refunds, all other money remaining in the fund, less amounts needed for refunds and judgments, must be deposited with the Secretary of the Treasury of the United States of America to the credit of the State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act, 42 USC 1104. These deposits are maintained in the Federal Reserve Bank. At year-end, the carrying amount of these deposits, excluding those classified as investments, was $7.2 million. The bank balance of the deposits was $18.8 million; these deposits were either covered by federal depository insurance or were collateralized.

The bank deposits of the ADS were $5.3 million; these deposits were covered by Federal Deposit Insurance Corporation (FDIC) insurance or were collateralized. ADS has no policy to address custodial credit risk. It assesses financial institutions' risk levels; only those with acceptable levels of risk are used as depositories.

The deposits of the MESP were reflected in bank accounts at $0.5 million; of these deposits, $0.3 million were covered by depository insurance. The remaining balance of $0.2 million was uninsured and uncollateralized. The level of risk for each financial institution is evaluated and assessed; only those with an acceptable estimated risk level are used as depositories. MESP has no other policy for controlling this risk.

Investments – Primary Government

The following table shows the carrying amounts and fair values of investments of the primary government by investment type and in total at September 30:

Primary Government Total Investments (In millions)

Investment Types	Retirement Systems	Deferred Compensation/ Defined Contribution Funds	Other Funds	Total
Commercial paper	$ 4,280.3	$ -	$ -	$ 4,280.3
Money market funds	-	-	250.2	250.2
Other short-term	526.3	-	5.2	531.5
Separate accounts	-	2,372.3	-	2,372.3
Absolute return	6,323.1	-	-	6,323.1
Fixed income	6,864.3	-	3,019.6	9,883.8
Mutual funds	85.2	980.9	3,992.0	5,058.2
Pooled investment funds	-	2,802.9	-	2,802.9
Equities	17,828.4	-	-	17,828.4
Funding agreements	-	-	531.0	531.0
International	8,776.4	-	-	8,776.4
Real estate	5,480.2	-	-	5,480.2
Alternative	10,377.2	-	123.6	10,500.8
Accrued income	64.8	-	-	64.8
Cash collateral	5.3	-	-	5.3
Unsettled investments	7.1	-	-	7.1
Total	$ 60,618.6	$ 6,156.1	$ 7,921.7	$ 74,696.4

As reported on the Statement of Net Position

Current investments	$ 2,350.6
Noncurrent investments	1,316.6
Total investments	$ 3,667.2

As reported on the Statement of Net Position and Statement of Fiduciary Net Position

	Current Investments	Noncurrent Investments	Total
Governmental activities	$ 250.2	$ 1,113.4	$ 1,363.6
Business-type activities	2,100.4	203.2	2,303.6
Fiduciary funds	3,964.3	67,064.8	71,029.2
Total Investments	$ 6,315.0	$ 68,381.4	$ 74,696.4

Authority

Investment authority for the State's pension (and other employee benefit) trust funds is found in Michigan Compiled Laws (MCL) Section 38.1133. This law allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The law has prudence standards and requires that the assets of a retirement system shall: be invested solely in the interest of the participants and beneficiaries; be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries; and defray reasonable expenses of investing the assets of the State system.

The investment authority for other State funds is found in their enabling statutes and/or their bond resolutions where applicable. Except as noted below, the investments of the non-pension (and other employee benefit) trust funds are comprised mostly of United States government securities.

The State Building Authority makes diverse investments as allowed by State statute and/or bond resolutions.

Investments of MUCF represent their interest in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. MUCF is credited quarterly with trust fund investment earnings, as computed on a daily basis.

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2014, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

Derivatives

The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefit) trust funds in derivatives to provide additional diversification. Derivatives are used in managing the trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 12% of the total trust funds' portfolio has been invested from time to time in future contracts, swap agreements, and option contracts. State investment statutes limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets. Option and future contracts traded daily on an exchange and settling in cash daily or having a limited and fully defined risk profile at an identified fixed cost are not subject to the derivative exposure limitation.

The State Treasurer has entered into swap agreements with investment grade counterparties with maturity dates ranging from October 2014 to December 2015. Approximately one quarter of the notional amount tied to foreign stock market indices is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the agreements, interest indexed to the three month London Inter Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At maturity the trust funds will receive either the increase in the value of the equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. U.S. Domestic LIBOR based floating rate notes and other income earning investments are held to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these dedicated notes and other investments.

The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes and other investments. The book value represents the cost of the notes and other investments. The current value represents the current value of the notes and other investments and the change in the value of the underlying indices from the inception of the swap agreements. Current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity.

Other derivative investments include structured notes, bond future contracts, forwards, and options. The structured notes are with investment grade counterparties and are fully collateralized and pay cash rates on the underlying collateral, as well as providing enhanced index return. Similar to a swap agreement with the prices changing with the underlying index fluctuations, the notes differ due to their daily put option which allows the structure to end and settle before its final maturity. These notes were sold in May 2014. Additional details about derivative investments are included in the following table:

Pension (and Other Employee Benefit) Trust Funds Derivative Investments (In millions)

Investment and Investment Type	Objective	Notional Value	Investments At Fair Value*	Net Increase (Decrease) in Fair Value**	Investment Income Gain/loss	Fair Value Subject to Credit Risk
Structured notes - real return	Enhance passive exposure to the Dow Jones UBS Commodity Total Return Index	$ -	$ -	$ 43.6	$ -	$ -
U.S. Treasury Bond Future contracts - fixed income	Enhance management flexibility, manage duration and yield curve exposure	1.8	-	(0.5)	-	-
Options - real return and equities	Use on single securities to provide downside protection and enhance current income	(5.3)	-	103.2	-	-
Swap agreements - International investments equities	Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in forty-four foreign countries	1,504.2	1,284.2	94.3	(1.3)	51.5
Swap agreements - equity Investments	Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in the domestic market	973.2	70.7	123.9	(3.6)	38.1
Totals		$ 2,473.9	$ 1,354.9	$ 364.5	$ (4.8)	$ 89.7

*Located in Statement of Fiduciary Net Position - Investments at Fair Value
**Located in Net increase (decrease) in fair value of investments - Statement of Changes in Fiduciary Net Position

Investment Pools
In July 2004, four state retirement systems' (State Employees', State Police, Public School Employees', and Judges') investments were contributed to an investment pool structure. A pro rata share of the entire pool represents each system's ownership of a portion of the investments in the State's pool.

Repurchase Agreements
As a matter of administrative policy, the State Treasurer makes only limited use of investments in repurchase agreements. No such investments were outstanding at year-end.

Risk
Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, requires certain disclosures regarding policies and practices with respect to the risks associated with investments. The custodial credit risk, credit risk, interest rate risk, foreign currency risk and concentration of credit risk are discussed in the following paragraphs.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the government's name. The State Treasurer does not have a policy for limiting custodial credit risk. As of September 30, 2014, there were no securities exposed to custodial credit risk.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Short-term investments for the pension funds are in prime commercial paper and follow the same policy described in Note 5 for this type of investment. The ratings at September 30 are included in the debt investments table.

Investment grade and noninvestment grade securities may be acquired in compliance with parameters set forth in MCL Sections 38.1132 – 38.1141, and the State Treasurer's investment policy. Law defines investment grade as investments in the top four major grades, rated by two national rating services, S&P (AAA, AA, A, BBB) and Moody's (Aaa, Aa, A, Baa). At September 30, 2014, the system was in compliance with the policy in all material aspects. The primary government's debt investments as of September 30, 2014, are presented below. Note that securities backed by the full faith and credit of the United States Government are excluded.

Debt Investments (In millions)

Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Pension (and Other Employee Benefit) Trust Funds:				
Retirement Systems:				
Commercial paper	$ 3,727.8	A-1	$ 3,727.8	P-1
Government securities				
U.S. agencies - sponsored	-	AAA	275.4	Aaa
	275.4	AA	-	Aa
Corporate bonds & notes	63.1	AAA	124.1	Aaa
	514.5	AA	415.6	Aa
	1,621.9	A	1,354.5	A
	1,690.1	BBB	1,976.2	Baa
	416.6	BB	461.7	Ba
	591.5	B	628.5	B
	105.4	CCC	104.6	Caa
	2.9	CC	45.9	Ca
	-	C	0.1	C
	32.3	D	-	D
	376.1	Unrated	303.3	Unrated
International - corporate bonds & notes*	175.2	AA	255.5	Aa
	442.4	A	305.5	A
	196.2	BBB	308.0	Baa
	104.2	Unrated	49.1	Unrated
Mutual funds**	30.6	A	30.6	A
Total	$ 10,366.2		$ 10,366.2	
Deferred Compensation/Defined Contribution:				
Common trust funds	$ 456.4	Unavailable	$ 456.4	Below Baa - Aaa
	188.4	Unavailable	188.4	A-1+/P-1
Stable Value Funds	1,036.3	BBB - AAA	1,036.3	Unavailable
	75.3	Unavailable	75.3	A1/P1
Mutual funds	152.0	Below B - AAA	152.0	Unavailable
	244.4	Unrated	244.4	Unrated
Total	$ 2,152.9		$ 2,152.9	
Other Primary Government Funds:				
Government securities				
U.S. agencies - sponsored	-	AAA	7.0	Aaa
	7.0	AA	-	Aa
	1.0	Unrated	1.0	Unrated
Corporate bonds & notes	74.8	AA	63.1	Aa
	348.6	A	288.8	A
	139.6	BBB	208.7	Baa
	-	Unrated	2.3	Unrated
Municipal bonds	61.0	AA	61.0	Aa2
Mutual funds	1,365.3	Unrated	1,365.3	Unrated
Treasury trust fund pool	2,065.9	Unrated	2,065.9	Unrated
Total	$ 4,063.2		$ 4,063.2	
Total Primary Government	$ 16,582.3		$ 16,582.3	

*International investment types consist of domestic floating rate notes used as part of a swap strategy.
**Average rating

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments.

The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2014, the fair value of prime commercial paper was $3.7 billion; the weighted average maturity was 25 days.

The State Treasurer does not have a policy regarding interest rate risk for long-term debt investments. However, the pension trust funds are invested with a long-term strategy with no investments with a maturity of less than one year at the time of purchase. The goal is to balance higher returns while accepting minimum risk for the return. Analyzing the yield curve on individual securities as compared to U.S. Treasuries determines, in part, what is an acceptable risk for the return. Therefore, market conditions such as lower interest rates result in shorter duration; higher interest rates result in longer duration.

As of September 30, the pension trust funds had the following long-term debt securities:

Pension (and Other Employee Benefit) Trust Funds
Debt Securities (In millions)

	Fair Value	Duration In Years
Retirement Systems:		
Government securities		
U.S. Treasury bonds	$ 1,172.5	4.0
U.S. agencies - backed	530.8	4.8
U.S. agencies - sponsored	275.4	5.1
Total Governmental	1,978.7	
Corporate bonds & notes	5,414.4	4.9
International - corporate bonds & notes*	918.0	0.2
Mutual fund - fixed income	30.6	3.0
Total	$ 8,341.8	
Deferred Compensation/Defined Contribution:		
Common trust funds		
SSgA bond market index fund	$ 456.4	7.8
SSgA cash series Treasury fund	188.4	0.2
Total Common Trust Funds	644.8	
Stable value funds		
Synthetic guaranteed investment contracts	1,036.3	3.9
SSgA STIF	75.3	-
Total Stable Value Funds	1,111.6	
Mutual funds		
PIMCO total return fund	152.0	7.7
Total Mutual Funds	152.0	
Total	$ 1,908.4	
Total Pension (and Other Employee Benefit) Trust Funds	$ 10,250.2	

*International debt securities contain domestic government and corporate securities as a part of their derivative strategies. The interest rates reset on a quarterly basis for these securities.

Synthetic Guaranteed Investment Contract (SGIC)

SGIC investment derivatives within the Stable Value Fund contain a portfolio of underlying securities and a benefit responsive wrap contract. The wrap contract produces a floating rate of return that is adjusted periodically, but not below zero, to reflect the underlying investment portfolio and generally provide for participant withdrawals at contract value (principal plus accrued interest). As of September 30, 2014, the fair value of the SGIC's underlying investments was $1.1 billion. The wrap contract did not have a value because the market value of the SGIC's underlying investments was higher than the SGIC's contract value; therefore, the wrap contract does not have a value.

As of September 30, the primary government, excluding pension trust funds, had the following debt securities:

Other Funds
Debt Securities (In millions)

		Investment Maturities (In years)			
Investment Type	Fair Value	Less Than 1	1 To 5	6 to 10	More Than 10
U.S. Treasury bonds	$ 289.5	$ 56.3	$ 85.9	$ 90.4	$ 57.0
Municipal bonds	61.0	13.0	27.6	12.0	8.4
U.S. bonds - backed	22.6	-	-	0.4	22.2
U.S. agency bonds - sponsored	17.5	-	7.1	9.5	0.9
Corporate bonds	563.0	62.7	164.3	331.2	4.9
Mutual funds	1,365.3	35.6	52.6	1,256.4	20.7
Total	$ 2,319.0	$ 167.6	$ 337.5	$ 1,699.8	$ 114.1

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. The pension trust funds invest in various global foreign securities. These investments are limited to 30% of the total assets of the system, and are additionally limited to 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in MCL Sections 38.1133 and 38.1140. The types of foreign securities include equities, mutual funds, real estate, and limited partnerships. At September 30, 2014, foreign investments were approximately 17.1% of total assets of the systems; total foreign investments were $10.4 billion. As of September 30, 2014, the pension (and other employee benefits) trust funds held the following investments subject to foreign currency risk:

Pension (and Other Employee Benefit) Trust Funds
Foreign Currency Risk (In Millions)

		Fair Value (In U.S. Dollars)			
Currency	Country	Real Estate and Alternative Investments	Fixed Income	Equity	International Derivatives* Pools
Retirement Systems:					
Americas					
Dollar	Canada	$ -	$ -	$ 1.3	$ 1.4
Peso	Argentina	-	-	0.2	-
Peso	Mexico	-	107.0	10.1	-
Real	Brazil	-	13.0	-	-
Caribbean					
Dollar	Bermuda	-	-	14.9	-
Dollar	Cayman Islands	-	-	10.5	-
Europe					
Euro	European Union	1,021.1	-	101.2	(0.3)
Franc	Switzerland	-	-	36.5	0.7
Krona	Sweden	-	-	11.9	-
Krone	Denmark	-	-	3.6	-
Krone	Norway	-	-	32.9	0.2
Sterling	United Kingdom	10.4	-	68.6	(8.7)
Asia/Pacific					
Dollar	Australia	-	-	3.1	(2.2)
Dollar	Hong Kong	-	-	2.7	1.3
Yen	Japan	-	-	0.3	(0.3)
Dollar	New Zealand	-	-	-	(0.5)
Peso	Philippines	-	66.2	-	-
Dollar	Singapore	-	-	12.7	0.4
Won	South Korea	-	-	9.1	(1.7)
Middle East					
Shekel	Israel	-	-	1.5	-
World-wide					
Various	Various	1,346.9	-	7,509.3	(10.4)
Total		$ 2,378.4	$ 186.2	$ 7,830.6	$ (20.0)
Deferred Compensation/Defined Contribution:					
Various	Various	$ -	$ -	$ 2,142.2	$ -
Total		$ 2,378.4	$ 186.2	$ 9,972.8	$ (20.0)

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2014 through December 2015, with an average maturity of 0.5 years.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer.

Other than obligations issued that are assumed or guaranteed by the United States, its agencies, or United States government-sponsored enterprises, the pension systems are prohibited by MCL Section 38.1137 from investing in more than 5% of the outstanding obligations of any one issuer or investing more than 5% of a system's assets in the obligations of any one issuer.

At September 30, 2014, there were no investments in any single issuer more than 5% of the system's assets, nor were there any investments totaling more than 5% of the obligations of any one issuer, other than U.S. Government Securities as described above.

Pension trust fund investments represent 89.4% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund (SLF), MESP, and the Michigan Natural Resources Trust Fund.

SLF investments, $232.5 million, are all in the form of zero coupon U.S. Treasury bonds and State of Michigan Municipal bonds. These investments are held to provide funding for deferred prize awards.

Securities Lending Transactions
Under the authority of MCL Section 38.1133, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. State statutes allow the State to participate in securities lending transactions and the State has, by way of an Agreement, authorized Credit Suisse, the agent bank, to lend the State's securities to broker-dealers and banks pursuant to a form of loan agreement. During the fiscal year, the agent bank lent, at the direction of the State Treasurer, the State's securities and received cash (United States) as collateral. Borrowers were required to deliver collateral for each loan equal to (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issues by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. The agent bank indemnified the State by agreeing to purchase replacement securities, or return cash collateral in the event the borrower failed to return the loaned securities or pay distributions thereon, due to the borrower's insolvency.

Under Master Securities Lending Agreements between the State and each borrower, the State Treasurer and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account. As of September 30, 2014, the investments had an average weighted maturity to next reset of 3.1 years and an average weighted maturity of 11.9 years. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2014, the retirement systems had no credit risk exposure to borrowers. The cash received for securities on loan for the State as of September 30, 2014, was $4.2 billion. The fair market value of assets held in the dedicated collateral account managed by Credit Suisse and held by the custodian for the State as of September 30, 2014, was $4.0 billion. The carrying amount, which is the fair market value, of securities on loan for the State as of September 30, 2014, was $4.1 billion.

At September 30, the pension trust funds had the following debt investments made from cash received as collateral for securities lent:

Debt Investments (In millions)

Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Securities Lending Collateral				
Short term	$ 150.0	A-1	$ 150.0	P - 1
	402.8	AAA	570.1	Aaa
	367.3	AA	251.5	Aa
	51.5	A	-	A
	-	BBB	15.4	Baa
	15.4	BB	2,911.7	Ba
	150.1	CCC	134.6	Caa
	-	CC	15.5	Ca
	2,911.7	Unrated	-	Unrated
Total	$ 4,048.8		$ 4,048.8	

Deposits and Investments – Discretely Presented Component Units

Deposits
At year-end, the carrying amount of discretely presented component unit deposits, excluding those classified as investments, was $623.2 million. The deposits were reflected in the accounts of the banks at $507.8 million. Of the bank balance, $348.7 million was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Investments
The investment authority for most discretely presented component units is typically found in their enabling statutes and/or their bond resolutions where applicable. Those component units that are financing authorities generally may invest in government or government-backed securities and deposits. The Michigan Education Trust's investments are subject to an investment agreement with the State Treasurer that allows the Treasurer, acting as agent, to make diverse investments including stocks, bonds, notes, and other investments. Investment policies for the State universities are typically set forth by their governing boards and include a broad range of investment types.

Restricted Assets
Restricted investments on the government-wide Statement of Net Position, totaling $526.4 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.

The following table summarizes the investment maturities reported by the discretely presented component units (in millions):

		Investment Maturities (In years)				
	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10	N/A
Time deposits	$ 131.6	$ 121.8	$ 9.6	$ 0.2	$ -	$ -
Money market accounts	1,731.6	1,731.6	-	-	-	-
Commercial paper	54.1	54.1	-	-	-	-
Repurchase agreements	547.1	-	-	72.3	474.8	-
Government securities	734.8	307.4	280.2	99.0	48.3	-
Insured mortgage backed securities	679.4	16.0	55.9	81.2	526.2	-
Government-backed securities	144.2	15.1	54.4	68.1	6.6	-
Investment agreements	0.2	0.2	-	-	-	-
Corporate bonds and notes	362.5	36.0	208.1	118.2	0.1	-
Equities	162.2	103.7	-	10.7	9.0	38.8
Real estate	20.2	0.7	-	-	19.5	-
Venture capital & leveraged buyouts	117.2	-	-	-	14.4	102.7
Mutual bond/equity funds	1,937.7	126.2	268.0	155.4	419.2	968.8
Pooled investment funds	56.2	56.2	-	-	-	-
Other investments	255.4	1.5	32.3	22.6	155.4	43.5
Total Investments	$ 6,934.4	$ 2,570.7	$ 908.5	$ 627.8	$ 1,673.5	$ 1,153.9
Less Investments Reported as "Cash" on Statement of Net Position	601.3					
Total Investments	$ 6,333.1					

As reported on the Statement of Net Position

Current investments	$ 1,765.7
Noncurrent restricted investments	526.4
Noncurrent investments	4,041.0
Total Investments	$ 6,333.1

NOTE 9 – CAPITAL ASSETS

Primary Government

Summary of Significant Accounting Policies

Methods used to value capital assets
Capital assets, which include property, plant, equipment, intangible items (mineral rights, land rights, and computer software) and infrastructure items (e.g. roads, bridges, ramps, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Capitalization policies

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment is capitalized when the cost of individual items exceeds $5 thousand, computer software is capitalized when the cost exceeds $5 million, and all other capital assets are capitalized when the cost of individual items or projects exceed $100 thousand.

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

Items not capitalized and depreciated
The State possesses certain capital assets that have not been capitalized and depreciated, because the assets are held for public exhibition, education, or research in furtherance of public service, rather than financial gain. These assets include works of art and historical treasures such as statues, monuments, historical documents, paintings, forts and lighthouses, rare library books, miscellaneous capitol-related artifacts and furnishings, and the like.

Depreciation and useful lives
Applicable capital assets are depreciated using the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Agencies assigned useful lives that were most suitable for the particular assets. Estimated useful lives generally were assigned as follows:

Asset	Years
Equipment	2-25
Buildings	5-50
Infrastructure	3-40
Land Improvements	5-40
Intangibles	6-12

Modified approach for infrastructure
The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Capital asset activities for the fiscal year ended September 30 were as follows (in millions):

Governmental Activities	Beginning Balance Restated*	Additions	Deletions	Adjustments and Reclass-ifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 3,448.5	$ 47.7	$ (1.5)	$ 0.6	$ 3,495.4
Land improvements and other assets	16.2	-	-	-	16.2
Land rights	62.6	2.5	-	-	65.1
Mineral rights	19.8	-	-	-	19.8
Construction in progress (buildings)	38.0	39.8	(6.0)	-	71.8
Construction in progress (infrastructure)	1,672.4	486.5	(363.9)	(18.4)	1,776.7
Infrastructure	13,755.5	340.4	(197.9)	21.4	13,919.3
Total capital assets, not being depreciated	19,012.9	916.9	(569.3)	3.6	19,364.2
Capital assets, being depreciated					
Land improvements and other assets	196.0	18.4	-	0.7	215.2
Equipment and vehicles	757.0	29.3	(12.0)	1.3	775.6
Computer software (includes projects in progress)	532.1	180.7	-	-	712.8
Buildings	3,633.0	37.5	(28.8)	(12.1)	3,629.6
Infrastructure	1,197.7	3.6	(1.3)	1.6	1,201.5
Total capital assets, being depreciated	6,315.8	269.5	(42.1)	(8.5)	6,534.6
Less accumulated depreciation for:					
Land improvements and other assets	(71.6)	(6.9)	-	-	(78.6)
Equipment and vehicles	(597.1)	(44.2)	11.3	13.1	(616.8)
Computer software	(206.5)	(66.1)	-	0.6	(272.0)
Buildings	(1,653.6)	(113.5)	10.7	6.9	(1,749.6)
Infrastructure	(597.8)	(43.3)	0.6	-	(640.5)
Total accumulated depreciation	(3,126.6)	(274.0)	22.7	20.6	(3,357.4)
Total capital assets, being depreciated, net	3,189.2	(4.5)	(19.4)	12.1	3,177.3
Governmental activity capital assets, net	$ 22,202.2	$ 912.4	$ (588.7)	$ 15.6	$ 22,541.4

*Beginning balances for equipment, as well as the related accumulated depreciation, were restated due to prior period errors. See Note 4 for additional information on these restatements.

The Department of Corrections has temporarily closed one prison campus during fiscal year 2014. The temporary impairments pertained to buildings. The Department has no definitive plans for the buildings. No impairment loss was reported for the temporary impairment because the impairment is temporary in nature and the historical costs of the buildings were unchanged in the above table.

Business - Type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclass-ifications	Ending Balance
Capital assets, being depreciated:					
Computer Software	$ 0.4	$ -	$ -	$ -	$ 0.4
Equipment	5.3	-	(0.5)	-	4.8
Total capital assets, being depreciated	5.7	-	(0.5)	-	5.2
Less accumulated depreciation for:					
Computer Software	(0.3)	-	-	-	(0.3)
Equipment	(4.6)	(0.2)	0.5	-	(4.3)
Total accumulated depreciation	(4.9)	(0.2)	0.5	-	(4.6)
Total capital assets, being depreciated, net	0.8	(0.2)	-	-	0.6
Business-type activity capital assets, net	$ 0.8	$ (0.2)	$ -	$ -	$ 0.6

Depreciation expense was charged to functions of the primary government as follows (in millions):

	Amount
Governmental Activities	
General government	$ 32.7
Education	0.3
Human services	11.4
Public safety and corrections	51.4
Conservation, environment, recreation, and agriculture	12.3
Labor, commerce, and regulatory	2.5
Health services	30.7
Transportation	54.8
Depreciation on capital assets held by the State's internal service funds charged to the various functions based on their use of the assets	$ 78.0
Total Depreciation Expense - Governmental Activities	$ 274.0
Business-type Activities:	
Enterprise	0.2
Total Depreciation Expense - Business-type Activities	$ 0.2

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in millions):

	Amount
State Universities and authorities:	
Land and other non-depreciable assets	$ 248.3
Buildings, equipment, and other depreciable assets	5,894.9
Infrastructure	163.2
Construction in progress	293.9
Total	6,600.4
Less accumulated depreciation	(2,482.7)
Capital Assets, Net - Discretely Presented Component Units	$ 4,117.6

NOTE 10 – PENSION BENEFITS

Defined Benefit Pension Plans

PLAN DESCRIPTION

The State of Michigan administers the following defined benefit pension plans:

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single employer	1
State Police Retirement System (SPRS)	Single employer	1
State Employees' Retirement System (SERS)	Single employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	685
Judges' Retirement System (JRS)	Cost sharing multi-employer	85
Military Retirement System (MRP)	Single employer	1

Each plan, except MRP, is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

As mandated by legislation, all new State of Michigan employees (except Michigan State Police officers) hired on or after March 31, 1997, are members of the State of Michigan Defined Contribution Retirement Plan (Plan) as opposed to the LRS, SERS, and JRS defined benefit plans. Employees hired before that date were given the option of remaining in the defined benefit plan or transferring to the defined contribution plan. The decision is irrevocable and transfers were completed by September 30, 1998. This was a one-time opportunity. With the passage of the legislation permitting the transfer, the LRS, SERS, and JRS defined benefit plans became closed systems.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting
The financial statements are prepared using the accrual basis of accounting. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments
Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net assets value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Description of Benefits
State statutes require that the State plans provide certain retirement, disability, death benefits, and annual cost-of-living adjustments to plan members. LRS life insurance benefits are provided through the defined benefit pension plan and are accounted for as pension benefits. The LRS life insurance benefits are paid on an advance-funded basis. The actuarial cost method and actuarial assumptions are the same as for the pension plan.

Contributions and Reserves
SERS members are allowed to purchase service credits by entering into a contract with duration of up to 20 years. At September 30, 2014, the short-term receivable was $3.8 million and the discounted long-term receivable was $16.0 million.

Significant Investments
No investment of any of the pension plans comprises 5% or more of the net position available for benefits. There are no significant investments made in securities issued by the State, nor are there any loans made from the pension plans to the State. Additional disclosures concerning investments are provided in Note 8 and, concerning State Treasurer's Common Cash, in Note 5.

Funding Policy
The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan.

Plan members for SPRS are required to contribute based on the following: Command officers currently participate in the System on a noncontributory basis. Effective October 1, 2012, troopers and sergeants hired before June 10, 2012, began contributing 1% of their compensation. Troopers hired on or after June 10, 2012, contribute 4% of their compensation.

Plan members for LRS are required to contribute based on the following: for participants prior to January 1, 1995, the required contribution rate is 9%; for participants after January 1, 1995, the required contribution rate is 7%.

Plan members for JRS are required to contribute 5.82% (weighted average) of annual covered salary.

Plan members of MRP are not required to contribute to the plans and there is no underlying payroll of participants. Except for five special duty members, retirants receive $600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll. For fiscal year ending September 30, 2014, this amount was $6.3 million.

Plan members for SERS are required to contribute based on the changes made to the plan via Public Act 264 of 2011, effective April 1, 2012. Participants who elected to remain in the plan are required to contribute 4% of their compensation.

For LRS, SERS, and SPRS, statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the system's actuary and are based upon level-dollar value funding or a level-percent-of-payroll principles so the contribution rates do not have to increase over time. The following are the required contribution rates for the fiscal year ending September 30, 2014: SPRS, 53.8% of annual active payroll; SERS, $624.5 million; LRS, $6.3 million.

For JRS, the State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded accrued liabilities minus the revenues from court filing fees and member contributions. The following table provides a schedule of annual required employer contributions for JRS (amounts in millions):

Year Ended September 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2014	$ 3.2	101.3 %
2013	2.8	101.5
2012	1.1	104.0

ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Annual pension cost and related information for the current year for the State's single employer defined benefit plans is as follows (amounts in millions):

	LRS	SPRS	SERS	MRP*
Annual Pension Cost and Net Pension Obligation:				
Annual required contribution	$ 6.33	$ 61.40	$ 624.47	$ 6.29
Interest on net pension (asset) obligation	0.88	6.38	57.20	0.54
Adjustment to annual required contribution	(1.74)	(5.53)	(66.32)	(0.90)
Annual pension cost	5.47	62.25	615.34	5.94
Contributions made	-	58.39	705.10	4.22
Change in net pension asset/obligation	5.47	3.86	(89.76)	1.72
Net pension (asset) obligation at beginning of fiscal year	12.63	79.70	714.99	13.57
Net pension (asset) obligation at end of fiscal year	$ 18.10	$ 83.56	$ 625.24	$ 15.29

*For MRP, information provided is based on most recent biennial actuarial valuation.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets for the pension plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

	LRS	SPRS	SERS	MRP
Lastest actuarial valuation date	9/30/2013	9/30/2013	9/30/2013	9/30/2013
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level dollar open	Level percent of payroll closed	Level dollar closed	Level dollar closed
Remaining amortization period	10 years	23 years	23 years	23 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	Market value
Actuarial assumption:				
Investment rate of return	7%	8%	8%	4%
Projected salary increases	4%	3.5-93.5%	3.5-12.5%	3.5%
Includes inflation at	4%	3.5%	3.5%	3.5%
Cost-of-living adjustments	4% annual compounded (non-compounded for legislators who first became members after 1/1/95)	2% annual non-compounded with maximum annual increase $500	3% annual non-compounded with maximum annual increase $300	3.5% for special duty retirants

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's single employer defined benefit plans (amounts in millions):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS*	9/30/13	$ 134.9	$ 180.9	$ 46.0	74.6 %	$ 0.1	46,000.0 %
	9/30/12	136.9	180.5	43.6	75.9	0.1	43,600.0
	9/30/11	149.9	181.8	31.9	82.0	0.1	31,900.0
SPRS*	9/30/13	1,069.1	1,724.0	654.9	62.0	110.2	594.0
	9/30/12	1,069.2	1,671.0	601.9	64.0	104.9	573.9
	9/30/11	1,138.1	1,627.9	489.8	69.9	110.3	444.1
SERS*	9/30/13	9,437.6	15,647.7	6,210.1	60.3	1,081.7	574.1
	9/30/12	9,447.1	15,654.1	6,207.1	60.3	1,155.6	537.1
	9/30/11	10,212.0	15,597.0	5,384.9	65.5	1,276.1	422.0
MRP*	9/30/13	-	90.0	90.0	-	0.5	19,683.5
	9/30/11	-	77.3	77.3	-	0.1	54,473.0
	9/30/09	-	42.3	42.3	-	0.4	9,874.0

*The most recent actuarial valuations available were used to prepare this schedule.

The following table provides a schedule of annual pension cost and net pension obligation for the State's single employer defined benefit plans (amounts in millions):

	Year Ended September 30	Annual Cost	Percentage Contributed	Net Pension Obligation (Asset)
LRS	2014	$ 5.5	- %	$ 18.1
	2013	5.5	-	12.6
	2012	4.2	-	7.1
SPRS	2014	62.3	93.8	83.6
	2013	58.5	83.7	79.7
	2012	53.1	76.7	70.2
SERS	2014	615.3	114.6	625.2
	2013	603.0	100.3	715.0
	2012	585.0	71.8	716.9
MRP	2014	5.9	71.1	15.3
	2013	5.1	78.5	13.6
	2012	5.1	78.6	12.5

Defined Contribution Pension Plans

State of Michigan Defined Contribution Retirement Plan
The Plan was established to provide benefits at retirement to employees of the State who were hired after March 31, 1997, Public School Reporting Units members hired after July 1, 2010, and to those members of the SERS (defined benefit), eligible members of the Education Achievement Authority (EAA), JRS, and LRS who elected to transfer to this Plan. The Plan is administered by the Department of Technology, Management and Budget. Public Act 264 of 2011 created the State of Michigan Personal Healthcare Fund for State employees hired after January 1, 2012, and those who elected to transfer to this plan.

The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. The Plan further provides for eligible public school reporting units and the EAA to make a mandatory contribution of 50% of participants' voluntary contributions up to 1%. The Plan also provides a Personal Healthcare Fund for employees hired on or after January 1, 2012, with an employer match of up to 2% of compensation. Employees hired prior to January 1, 2012, that elected to transfer to this plan received an employer match up to 2% of future compensation plus a monetized amount for existing years of service distributed on termination.

Plan provisions and contribution requirements are established and may be amended by the Legislature. Total employer contributions to the plan were $170.8 million which consisted of State contributions of $141.0 million and Public School Reporting Unit and EAA contributions of $29.8 million. Total Participant contributions to the Plan were $142.1 million which consisted of State employee contributions of $109.0 million and Public School Reporting Unit and EAA employee contributions of $33.1 million. The reports may be obtained by visiting www.michigan.gov/ors or by calling (517) 322-5103.

The following investments represent 5% or more of the plan net position at September 30, 2014: Stable Value fund, $174.0 million; SSgA Bond Market Index Fund, $202.7 million; SSgA S&P 500 Index Fund, $364.5 million, SSgA S&P MidCap Index Fund, $208.5 million; SSgA EX US Fund, $137.7 million; Dodge & Cox Stock Fund, $210.5 million; American Funds Europacific Growth Fund, $187.0 million.

Component Units
In addition to the PSERS, the State university component units participate in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was $91.6 million for the year ending June 30, 2014.

Additional plan information may be found in the separately issued financial reports of the State university component units.

Effective January 1, 2004, the State Bar of Michigan assumed responsibility for the retirement plans of State Bar employees who participated in the Plan. All monies held in the Plan on behalf of participating State Bar employees were subsequently transferred to the newly established State Bar 401(a) retirement plan and the 457(b) retirement plan. The State Bar of Michigan is required to make minimum contributions and may establish other benefit provisions for their retirement plans. The State Bar of Michigan's contribution to the new plans was $0.3 million for the year ending September 30, 2014.

Additional information for the retirement plan can be obtained by contacting the State Bar at (517) 372-9030.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefit Plans

PLAN DESCRIPTION

The State of Michigan administers the following Other Postemployment Benefit (OPEB) plans:

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single employer	1
State Police Retirement System (SPRS)	Single employer	1
State Employees' Retirement System (SERS)	Single employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	685
Judges' Retirement System (JRS)	Cost sharing multi-employer	85
Life Insurance	Single employer	1

Each plan, except for Life Insurance, is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net assets value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Description of Benefits

State statutes require that the State provide certain OPEB benefits to many of its retired employees. Health, dental, and vision benefits as well as life insurance coverage are provided to retirees.

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan.

Plan members for SPRS are required to contribute 5% of the monthly premium amount for health coverage and 10% for dental and vision coverage.

Plan members for SERS are required to contribute 20% of the monthly premium for health, dental, and vision.

Plan members for JRS are required to contribute 5% of health care premiums. JRS plan members can also enroll in the vision and dental plans of which they are required to contribute 100% of the premium.

Plan members for LRS that are part of the defined benefit plan are not required to contribute and the members of the defined contribution plan are required to contribute 10% of the premiums.

Life insurance is provided to retirees with the employer required to contribute 100% of the premiums.

Statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the system's actuary and are based upon level-dollar value funding or a level-percent-of-payroll principles so the contribution rates do not have to increase over time. The following are the required contribution amounts for the fiscal year ending September 30, 2014 (in millions): $619.5, SERS; $46.4, SPRS; $9.4, LRS; $69.8, Life Insurance.

For the fiscal year ended September 30, 2014, the State contributed the following amounts (in millions): $755.9, SERS; $48.4, SPRS; $4.5, LRS; $25.6, Life Insurance. Included in these amounts were (in millions): prefunding of $183.8, SERS; $13.8, SPRS and federal on-behalf payments of $54.9, SERS; $1.8, SPRS; $0.2, LRS.

ANNUAL OPEB COST AND OTHER RELATED INFORMATION

Annual OPEB cost and related information for the current year for the State's single employer OPEB plans is as follows (amounts in millions):

	LRS	SPRS	SERS	Life Insurance
Annual OPEB Cost and Net OPEB Obligation:				
Annual required contribution	$ 9.38	$ 46.38	$ 619.51	$ 69.80
Interest on net OPEB (asset) obligation	1.16	12.17	188.79	9.42
Adjustment to annual required contribution	(1.55)	(10.55)	(163.65)	(10.57)
Annual OPEB cost	8.99	48.00	644.65	68.65
Contributions made	4.49	48.37	755.88	25.61
Change in net OPEB asset/obligation	4.50	(0.37)	(111.23)	43.04
Net OPEB (asset) obligation at beginning of fiscal year	25.84	152.08	2,359.86	235.47
Net OPEB (asset) obligation at end of fiscal year	$ 30.35	$ 151.71	$ 2,248.62	$ 278.51

Actuarial Valuations and Assumptions

Actuarial valuations for the OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets for the OPEB plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Because the State now prefunds post-employment health care benefits for SPRS and SERS, the actuarial assumption for investment rate of return for the SPRS and SERS OPEB plans was increased from 4% for the September 30, 2011 actuarial valuation to 8% for the September 30, 2012 actuarial valuation. The actuarial assumption was changed to reflect the State's projected long-term investment rate of return now that the benefits are prefunded.

	LRS	SPRS	SERS	Life Insurance
Lastest actuarial valuation date	9/30/2013	9/30/2013	9/30/2013	9/30/2013
Actuarial cost method	Projected Unit Credit	Entry Age	Entry Age	Entry Age
Amortization method	Level dollar closed	Level percent of payroll closed	Level percent of payroll closed	Level percent of payroll closed
Remaining amortization period	27 years	23 years	23 years	24 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumption:				
Investment rate of return	4%	8%	8%	4%
Includes inflation at	4%	3.5%	3.5%	3.5%
Healthcare cost trend rate	8.75% in 2014 grading to 4% in 2023	9% Year 1 graded to 3.5% Year 10	9% Year 1 graded to 3.5% Year 10	N/A

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's single employer OPEB plans (amounts in millions):

	Actuarial Valuation Date	Actuarial Value of assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS	9/30/13	$ 22.8	$ 153.7	$ 130.9	14.8 %	$ 3.3	3,966.7 %
	9/30/12	20.8	145.2	124.3	14.3	3.6	3,452.8
	9/30/11	15.2	140.7	125.5	10.8	3.7	3,391.9
SPRS	9/30/13	52.2	603.0	550.7	8.7	110.2	499.6
	9/30/12	33.0	599.1	566.1	5.5	104.9	539.8
	9/30/11	-	994.7	994.7	-	110.3	902.0
SERS	9/30/13	663.5	8,199.2	7,535.8	8.1	2,881.1	261.6
	9/30/12	344.3	8,756.9	8,412.6	3.9	2,895.2	290.6
	9/30/11	-	14,251.1	14,251.1	-	3,039.9	468.8
Life Insurance	9/30/13	-	1,056.9	1,056.9	-	2,998.4	35.2
	9/30/11	-	1,012.8	1,012.8	-	3,156.2	32.1
	9/30/09	-	964.4	964.4	-	3,182.3	30.3

The following table provides a schedule of annual OPEB cost and net OPEB obligation for the State's single employer OPEB plans (amounts in millions):

	Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
LRS	2014	$ 9.0	49.9 %	$ 30.3
	2013	9.3	47.4	25.8
	2012	9.4	86.5	20.9
SPRS	2014	48.0	100.8	151.7
	2013	48.6	93.9	152.1
	2012	67.9	69.6	149.1
SERS	2014	644.7	117.3	2,248.6
	2013	708.1	103.1	2,359.9
	2012	953.9	70.5	2,381.7
Life Insurance	2014	68.6	37.3	278.5
	2013	67.7	36.3	235.5
	2012	65.4	39.2	192.4

NOTE 12 – LEASES

Accounting Policy
The State leases various assets under non-cancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures. For budgetary purposes, lease payments are only reported as expenditures when paid.

Most leases have cancellation clauses with one to six month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable, because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

The State has entered into a few installment purchase agreements. Because the amounts involved are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

Leases that exist between the State and the State Building Authority (SBA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, SBA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide financial statements for the bonds issued by SBA to construct the assets associated with the leases. Future payments to SBA are, therefore, not included in the schedules of lease commitments below. Note 13 provides information on the amount of SBA's bonds outstanding and a schedule of debt service requirements.

During fiscal year 2008 and 2011, the State entered into building lease agreements with the Michigan Strategic Fund (MSF), a discretely presented component unit. The leases were classified as capital leases and are included in the capital lease disclosures below.

Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled $50.6 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled $37.1 million, $39.0 million, and $19.0 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling $7.8 million, $9.3 million, and $0.1 million, respectively.

A summary of the operating and noncancelable capital lease commitments to maturity follows (in millions):

		Capital Leases			
Year Ended September 30	Operating Leases	Principal	Interest	Executory Costs	Total
2015	$ 16.0	$ 35.7	$ 36.9	$ 18.9	$ 91.5
2016	11.7	32.7	34.4	18.0	85.1
2017	6.9	31.1	31.8	16.8	79.7
2018	5.4	27.7	29.0	15.5	72.2
2019	4.2	26.3	26.2	13.7	66.2
2020-2024	3.1	117.9	91.9	52.1	261.9
2025-2029	0.3	83.8	40.4	32.0	156.3
2030-2034	0.3	27.4	7.9	7.4	42.7
2035-2039	0.3	8.8	2.8	2.4	14.0
Thereafter	1.0	2.3	0.1	0.4	2.9
Total	$ 49.1	$ 393.6	$ 301.5	$ 177.3	$ 872.3

The above capital leases relate to governmental activities which include the General Fund, other governmental funds, and the internal service funds. A liability of $393.6 million has been recorded in the government-wide financial statements for the capital lease principal. Included in this liability are the capital leases between the State and MSF totaling $189.4 million.

The historical cost of assets acquired under capital leases, which are included in capital assets on the government-wide financial statements at September 30, follows (in millions):

Buildings	$ 443.6
Equipment	86.2
Total	529.9
Accumulated Depreciation	(212.0)
Net Buildings and Equipment	$ 317.9

Included in the table above is the historical cost and accumulated depreciation for the capital leases between the State and MSF of $208.3 million and $56.1 million, respectively.

Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled $0.5 million during the fiscal year. There were no capital lease obligations.

A summary of operating lease commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases
2015	$ 0.5
2016	0.4
2017	0.3
2018	0.2
2019	0.1
2020-2024	0.1
Total	$ 1.7

Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled $44.6 million. Total capital lease obligations were $26.7 million, $12.3 million, and $0 for principal, interest, and executory costs, respectively, during the fiscal year.

NOTE 13 – BONDS AND NOTES PAYABLE – PRIMARY GOVERNMENT

General Information

General Obligation Bonds and Notes
Article 9, Section 15, of the State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General obligation notes to provide temporary financing for such loans are recorded as liabilities in the School Bond Loan Fund, a subfund of the General Fund. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues. General obligation bonds are backed by the full faith and credit of the State.

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. In fiscal year 2014, the State did not issue any general obligation short-term notes.

Revenue Dedicated Bonds and Notes
Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The transportation related debt is payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution. The State's general credit does not support such issues.

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. In addition, SBA issues commercial paper notes to fund capital projects prior to bonding. Short-term debt activity for the fiscal year ended September 30, 2014, follows (in millions):

	Beginning Balance	Draws	Repayments	Ending Balance
Commercial Paper Notes	$ 13.2	$ 85.9	$ -	$ 99.1

Note 14 provides disclosures regarding the bonds and notes payable of the discretely presented component units.

Bonds Issued and Outstanding

General obligation and revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30 (in millions) are as follows:

			Fiscal Year Maturities		Average Interest Rate Percentage
General Obligation Bonded Debt	Amounts Issued	Outstanding 9/30/2014	First Year	Last Year	
General Obligation Refunding Debt:					
Series 2001 (Refunding)	$ 183.3	$ 55.1	2002	2016	4.76 %
Series 2002 (Refunding)	300.7	99.6	2004	2017	4.41
Series 2005 A (Refunding) (3)	86.8	18.9	2017	2021	5.00
Series 2005 B (Refunding) (3)	82.8	35.8	2013	2021	5.00
Series 2008 A (Refunding) (3)	200.8	156.4	2011	2019	4.94
Series 2008 B (Refunding) (3)(5)	19.4	6.0	2011	2019	4.33
Series 2009 A (Refunding) (3)	64.1	64.1	2022	2026	5.65
Series 2010 A (Refunding)	46.6	39.4	2013	2021	4.00
Series 2010 B (Refunding) (3)(5)	89.0	61.4	2014	2016	2.21
Series 2011 A (Refunding) (3)(5)	44.0	44.0	2022	2026	3.83
Series 2011 B (Refunding) (3)(5)	65.4	29.5	2014	2021	2.56
Series 2012 (Refunding) (3)(5)	92.3	92.3	2017	2021	4.60
Series 2013 A (Refunding) (3) (5)	30.0	30.0	2016	2016	0.40
Series 2014 A (5)	65.1	65.1	2024	2029	5.00
Series 2014 B (5)	20.2	20.2	2027	2027	3.59
Recreation and Environmental Protection:					
Series 2003 (5)	10.0	6.0	2054	2054	-
Series 2006 A (1)(3)	105.0	100.4	2014	2026	4.58
School Loan Bonds (4):					
Series 2008 A (Refunding)	143.0	116.0	2010	2023	4.54
Series 2009 A (Refunding)	204.1	204.1	2016	2021	6.53
Series 2009 B (Refunding) (7)	193.7	50.5	2010	2030	5.58
Series 2010 B (Refunding)	83.8	83.8	2017	2021	3.67
Series 2011 A	150.0	142.2	2014	2023	3.72
Series 2011 B	30.1	30.1	2023	2023	3.70
Series 2012 A (Refunding)	225.0	191.4	2013	2026	2.39
Series 2013 A	200.0	200.0	2024	2033	3.30
Total General Obligation Bonded Debt	2,735.1	1,942.4			

Revenue Dedicated Bonded Debt	Amounts Issued	Outstanding 9/30/2014	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Average Interest Rate Percentage
State Park Related:					
2002 - Gross Revenue Bonds	15.5	8.7	2004	2023	3.58 %
Total Revenue Dedicated Bonded Debt - State Park Related	15.5	8.7			
Transportation Related:					
Tax Dedicated Bonds:					
Comprehensive Transportation Fund Bonds:					
Series 2005 (Refunding)	62.2	53.8	2009	2023	5.15
Series 2006 (Revenue and Refunding)	53.7	35.0	2007	2031	4.54
Series 2009 (Refunding)	42.3	36.9	2012	2019	4.11
Series 2011 (Refunding)	18.5	16.0	2013	2022	4.35
Series 2013 (Refunding)	10.1	9.1	2014	2023	4.67
State Trunkline Fund Bonds:					
Series 1998 (Series A Refunding)	377.9	146.1	2006	2019	5.03
Series 2004 (Refunding)	103.5	82.4	2006	2022	4.13
Series 2005 (Refunding)	223.0	223.0	2010	2023	5.10
Series 2005 (Series B Refunding)	378.3	38.5	2010	2019	4.81
Series 2006	244.5	50.3	2008	2022	4.74
Series 2009 (Refunding)	146.2	146.2	2018	2027	4.76
Series 2011	91.0	88.8	2014	2037	4.58
Series 2012 (Refunding)	49.3	44.3	2014	2022	4.78
Series 2014 (Refunding)	265.1	265.1	2016	2022	4.36
Grant Anticipation Bonds:					
Series 2007	485.1	443.1	2009	2027	4.87
Series 2009 (Series B)	281.9	281.9	2012	2027	7.63
Total Revenue Dedicated Bonded Debt - Transportation Related	2,832.5	1,960.4			
State Building Authority:					
2005 Series I (Refunding)	293.4	171.1	2006	2034	4.85
2005 Series II (Revenue and Refunding)	242.8	219.9	2007	2037	4.68
2006 Series I A Serial	438.3	438.3	2014	2037	4.80
2006 Series I A Capital Appreciation	395.3	574.8	2014	2037	4.80
2007 Series I Multi-modal (6)	96.5	37.0	2009	2032	0.04
2008 Series I (Revenue and Refunding)	192.3	185.2	2010	2039	6.08
2009 Series I (Refunding)	222.1	172.1	2010	2027	4.88
2009 Series II	113.5	103.5	2011	2034	4.99
2011 Series I A (Revenue and Refunding)	409.6	392.7	2012	2046	5.16
2011 Series I B	12.2	11.4	2013	2032	5.69
2011 Series II A (Revenue and Refunding)	180.7	178.2	2012	2042	5.23
2011 Series II B (Refunding) (6)	45.8	45.3	2044	2044	0.04
2013 Series I A (Revenue and Refunding)	531.3	531.3	2015	2048	4.76
2013 Series I B (Refunding)	51.7	45.0	2014	2015	1.41
Total State Building Authority Bonded Debt	3,225.4	3,105.9			
Total Revenue Dedicated Bonded Debt	6,073.4	5,075.0			
Total General Obligation and Revenue Dedicated Bonded Debt	$ 8,808.5	$ 7,017.4			

(1) Sections 324.19301 and 324.71301 of the Michigan Compiled Laws (MCL) authorized the issuance of bonds totaling $800.0 million. As of September 30, 2014, $791.5 million of such bond proceeds had been received, leaving remaining authorization of $8.5 million. The sum of the amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.

(2) The $13.9 million Series 1992A and the $16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Finance Authority (MFA) Municipal Fund, a discretely presented component unit. An outside trustee for MFA is holding the bonds as an investment of MFA; no immediate cash proceeds were provided. The trustee receives the debt service payments on the bonds, which are negotiable instruments held to subsidize water pollution control financing provided by MFA. Series 1992A reached final maturity in fiscal year 2013, and Series 1993 reached final maturity in fiscal year 2014.

(3) MCL Section 324.95102 authorized the issuance of bonds totaling $675.0 million. As of September 30, 2014, $594.6 million of such bond proceeds had been received, leaving remaining authorization of $80.4 million. The sum of amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.

(4) The Multi-Modal School Loan Bond Series bear interest at a commercial paper rate and are remarketed at each maturity. For the future debt service requirements, interest is estimated at the interest rate in effect at year-end. There were no Multi-Modal School Loan Bonds outstanding at September 30, 2014.

(5) November 2002, voters approved a ballot proposal in which the State would issue $1.0 billion in general obligations bonds to provide capital, which is then loaned to local units of government for water quality improvement projects. As of September 30, 2014, $312.5 million of such bond proceeds had been recognized as received, leaving remaining authorization of $687.5 million. Included in the amount recognized as received is $100.0 million in bonds issued to a discretely presented component unit, MFA. Although no cash traded hands, MFA (the registered owner of the bonds) is holding the bond document as collateral and issuing their own revenue bonds to generate the capital. This transaction allows the State's General Fund to defer principal and interest costs until future years when the bond is repurchased/redeemed. MFA will fund the principal and interest costs of the revenue bonds until such time that they request the State to honor the general obligation bond document.

On December 18, 2003, the State issued $100.0 million in bonds ($10.0 million relating to Strategic Water Quality and $90.0 million relating to the previously existing State Water Quality Revolving Fund). The $10.0 million bond relating to Strategic Water Quality includes a repurchase provision that requires the State to repurchase all or any portion of this bond upon 10 days prior written notice from the registered owner, MFA. The State anticipates at this time that if the bond repurchase was acted on, the State would issue long-term debt to finance the repurchase. This bond is being used as collateral by MFA for the Strategic Water Quality bonds being issued by MFA to local governments. The $10.0 million bond was reduced to a net obligation of $6.0 million when $4.0 million of the proceeds from General Obligation Recreation and Environmental Protection Series 2006B were used to refund a portion of the original obligation. For these reasons, the State has recognized the $6.0 million bond related to Strategic Water Quality as a liability in the entity-wide statements. The $90.0 million "bond" document issued for the State Water Quality Revolving Fund does not contain the 10 day repurchase provision that the $6.0 million bond does. Nor is the $90.0 million "bond" document being used as collateral by MFA. For these reasons, the State has not recognized a liability for the $90.0 million "bond" document related to the existing State Water Quality Revolving Fund.

(6) SBA Multi-Modal and variable rate bear interest at a remarketed weekly rate. Estimated interest was computed using the weekly rates as of September 30, 2014.

(7) This issuance was acquired as an investment by the State Lottery Fund, an enterprise fund, through a public market offering and is reported as part of investments in the fund's statement of net position.

Capital Appreciation Bonds

Capital appreciation and convertible capital appreciation bonds are recorded in the Bonds Issued and Outstanding table and the Changes In Bonds and Notes Payable table at their accreted year-end book value. The table that follows summarizes capital appreciation bonds (in millions):

	Accreted Book Value	Ultimate Maturity Value	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year
General Obligation Bonds				
School Loan Bond - Series 2009 B	$ 50.5	$ 76.2	2010	2030
Revenue Dedicated - State Building Authority:				
2006 Series I A	574.8	888.7	2017	2031

Refundings and Defeasances

The State has defeased certain bonds through advance refundings by placing the proceeds of new bonds (i.e., the “refunding” bonds in the table of bonds issued and outstanding) in irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in these statements and are not included in the other debt tables in this note.

The State has defeased certain bonds through current refundings in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded.

The State has defeased certain bonds by placing cash with an escrow agent in a trust to be used for future payment on the debt.

General Obligation

During the year, the State issued, as a current refunding, fixed rate General Obligation Environmental Program Refunding Bonds Series 2013A in the amount of $30.0 million, maturing in the year 2016. The bonds were issued for the purpose of refunding certain maturities. From the debt proceeds, $35.9 million was used to refund General Obligation Environmental Program and Refunding Bonds Series 2011B.

Revenue Dedicated

During the year, the State issued as current and advanced refundings, fixed rate State Trunkline Fund Refunding Bonds Series 2014 in the amount of $265.1 million, maturing in years 2016 to 2022. The bonds were issued for the purpose of refunding certain maturities. From the debt proceeds, $303.2 million was deposited with an escrow agent for a current refunding of State Trunkline Fund Bonds Series 2004 and advance refundings of State Trunkline Fund Bonds Series 2005B and 2006. As a result of these refundings, the State’s debt service decreased by $25.3 million over the next 8 years. The State achieved an economic gain of $23.0 million through these refundings.

The following table summarizes the defeased bonds outstanding at September 30 (in millions):

	Amounts Outstanding
General Obligation Refunding:	
Series 2005 A	$ 67.9
Series 2005 B	28.9
Total General Obligation Refunding	$ 96.8
State Trunkline Fund Bonds:	
Series 2005 B	$ 173.0
Series 2006	102.0
Total Transportation Related	$ 275.0
State Building Authority:	
2004 MPSCS	$ 45.5
Total State Building Authority	$ 45.5

Debt Service Requirements
The following table summarizes debt service requirements for outstanding bonds (in millions):

	General Obligation		State Park and Transportation Related		State Building Authority		
Fiscal Years Ending	Principal	Fixed Interest	Principal	Fixed Interest	Principal	Interest	Total Principal And Interest
2015	$ 195.4	$ 79.4	$ 136.7	$ 114.0	$ 109.0	$ 121.7	$ 756.2
2016	233.6	72.0	142.8	102.3	105.9	117.8	774.3
2017	188.6	64.6	149.6	95.6	111.4	112.9	722.6
2018	169.2	55.9	156.4	82.8	116.2	108.1	688.6
2019	173.5	47.9	164.5	74.6	120.9	104.7	686.1
2020-2024	616.0	135.6	721.0	258.9	641.6	484.2	2,857.2
2025-2029	286.7	41.3	450.0	71.3	702.1	388.9	1,940.3
2030-2034	99.2	8.3	30.3	7.9	690.1	276.1	1,111.9
2035-2039	-	-	17.9	1.4	519.8	128.7	667.8
2040-2044	-	-	-	-	241.5	36.7	278.3
2045-2049	-	-	-	-	61.3	6.6	67.9
2050-2054	6.0	-	-	-	-	-	6.0
Total	$ 1,968.1	$ 505.0	$ 1,969.1	$ 808.6	$ 3,419.8	$ 1,886.5	$ 10,557.1

Interest to maturity for SBA may be significantly smaller than the amount shown in the above table because many of the bonds will be called prior to the final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing and accrued investment earnings are restricted to projects and debt service on the related bonds.

Changes in Bonds and Notes Payable

Changes in bonds and notes payable for the year ended September 30, was as follows (in millions):

Governmental Activities	Beginning Balance Restated*	Additions	Reductions	Accretion	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:							
General obligation debt	$ 2,047.5	$ 115.3	$ (224.2)	$ 3.8	$ 1,942.4	$ 195.4	$ 1,747.0
Revenue bonds	2,114.5	265.1	(410.5)	-	1,969.1	136.7	1,832.4
State Building Authority	3,181.6	-	(102.2)	26.5	3,105.9	109.0	2,996.8
Unamortized Discounts:							
General obligation debt	(1.8)	-	0.3	-	(1.5)	-	(1.5)
Revenue dedicated debt	(1.5)	-	0.1	-	(1.4)	-	(1.4)
State Building Authority	(0.8)	-	-	-	(0.8)	-	(0.8)
Unamortized Premiums:							
General obligation debt	43.2	12.4	(7.9)	-	47.7	-	47.7
Revenue dedicated debt	84.2	35.2	(21.4)	-	98.1	-	98.1
State Building Authority	63.6	-	(3.5)	-	60.1	-	60.1
Total bonds and notes payable	$ 7,530.6	$ 428.0	$ (769.2)	$ 30.2	$ 7,219.6	$ 441.2	$ 6,778.5
Plus State Building Authority commercial paper notes reported as "Current Liabilities: Bonds and Notes Payable" on the Statement of Net Position					99.1	99.1	-
As reported on the Statement of Net Position					$ 7,318.7	$ 540.3	$ 6,778.5

*The restatement of beginning balance is a result of the reclassification of deferred gains and losses on refundings as deferred inflows and outflows of resources in accordance with GASB Statement No. 65. Further information can be found in Note 4.

NOTE 14 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

Bonds and Notes Payable

Bonds Payable
Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority (MSHDA) utilize June 30 fiscal year-ends. The Farm Produce Insurance Authority utilizes a December 31 fiscal year-end, and the remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

Fiscal Years Ending In	Principal	Fixed Interest	Estimated Interest	Total
2015	$ 1,190.6	$ 535.5	$ 14.6	$ 1,740.8
2016	645.8	524.9	10.5	1,181.2
2017	686.7	495.3	10.3	1,192.3
2018	709.8	463.3	10.2	1,183.3
2019	741.2	428.6	10.1	1,179.8
Total five years	$ 3,974.0	$ 2,447.6	$ 55.7	$ 6,477.4
2020-2024	3,381.4	1,615.8	48.0	5,045.3
2025-2029	1,807.3	971.5	43.2	2,821.9
2030-2034	1,641.9	560.2	35.9	2,237.9
2035-2039	824.3	263.0	30.4	1,117.7
2040-2044	616.9	106.3	22.0	745.2
2045-2049	881.5	15.4	11.1	908.0
Thereafter	6,061.4	0.3	1.1	6,062.7
2020 - Thereafter:	15,214.6	3,532.6	191.5	18,938.7
Total	$ 19,188.6	$ 5,980.2	$ 247.2	$ 25,416.0
Unamortized discount	(30.4)			
Unamortized premium	571.1			
Off market borrowings	13.6			
Unpaid accretion for Capital Appreciation Bonds	(5,941.8)			
Total principal	$ 13,801.1			

Included in the table above is $2.1 billion of demand bonds comprised of $1.1 billion issued by MSHDA, $753.5 million issued by the Michigan Finance Authority (MFA), and $226.5 million issued by the State universities. Defeased bonds outstanding of MFA and MSHDA are not reflected in the table above.

Notes Payable
As of September 30, 2014, MFA has short-term notes outstanding of $1.1 billion.

State universities have short-term notes outstanding of $17.1 million and long-term notes outstanding of $33.4 million as of June 30, 2014.

Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt.

Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

MFA issues limited obligations bonds to finance loans to private or nonpublic, nonprofit institutions of higher education, qualified public or private educational facilities and healthcare providers for capital improvements. As of September 30, 2014, MFA had bonds outstanding of $6.8 billion. Of this amount, $215.9 million of the bonds have been defeased in substance, leaving a remaining undefeased balance of $6.6 billion.

The Michigan Strategic Fund (MSF) issues taxable and tax exempt private activity bonds, formerly known as industrial development revenue bonds, which are not recorded as liabilities. The total amount of private activity bonds issued by MSF and its predecessor entity for the period January 1, 1979, through September 30, 2014, was $9.9 billion. The amount of tax-exempt bonds issued during fiscal year 2014 was $238.2 million. In fiscal year 2014, there were no taxable bonds issued by MSF under the Taxable Bond Program. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

MSHDA issues limited obligation bonds to finance multi-family housing projects. At June 30, 2014, limited obligation bonds had been issued totaling $855.3 million, of which 50 issues totaling $513.2 million had been retired. The aggregated principal of all MSHDA outstanding debt may not exceed $4.2 billion.

MSHDA entered into several interest rate exchange agreements for a total of $1.0 billion as of June 30, 2014, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.4% to 5.4%.

NOTE 15 – OTHER LONG-TERM OBLIGATIONS

Primary Government

Other Long-Term Obligations
In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until claims, judgments, or amounts owed are “due and payable” at September 30. Expenses and liabilities for material claims and judgment losses are recorded in the government-wide and proprietary fund financial statements when the loss is considered probable.

Capital Leases
This liability is described in more detail in Note 12.

Compensated Absences
This liability is described in more detail in Note 1.

Workers’ Compensation
The gross amount of workers’ compensation liability, $118.2 million at September 30, 2014, has been recorded at its discounted present value of $79.4 million, using a discount rate of approximately 8%. The present value of the current portion of this liability is $17.7 million. In fiscal year 2014, State agencies paid reimbursement for actual workers’ compensation claims and administrative fees totaling $30.0 million.

Net Pension Obligation
This liability is described in more detail in Note 10.

Net Other Postemployment Benefits (OPEB) Obligation
This liability is described in more detail in Note 11.

Pollution Remediation
This liability is measured in accordance with the obligating event criteria defined in Governmental Accounting Standards Boards (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The State’s pollution remediation obligation at September 30, 2014, is $163.2 million ($12.2 million of which is the current portion). This estimate is based on professional judgment, experience, and historical cost data. Recoveries from other responsible parties, which would reduce the State’s remediation liability, are not anticipated. Remediation obligation estimates may change over time due to changes in technology, prices, and regulations.

Superfund sites account for approximately $136.7 million of this total. The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government’s program to clean up these hazardous waste sites. Under this program, the State is required to pay or ensure payment of 10% of the cost of remediation action and 100% of the cost of operations and maintenance.

Other pollution obligations include funds committed for remediation activities for publicly-funded response activities and state-liable sites. Not included in the liability is approximately $42.2 million for state-owned sites where a legal obligation exists but the GASB Statement No. 49 criteria for accruing a liability has not been met.

Pension Supplement
This liability represents amounts due to the State Employees’ Pension Benefits Fund for supplemental pension payments payable to retirees that retired under the provisions of Public Act 185 of 2010. That legislation authorized an incentivized retirement option for members of the State Employees’ Retirement System defined benefit plan, with one of the provisions being that those retirees would receive a supplement for 60 months equal to 1/60 of the compensated absences balances forfeited under the act that would have otherwise been payable at retirement.

Other Claims & Judgments
The governmental activities estimated liability for other claims and litigation losses, $384.7 million at September 30, 2014, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that costs will be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities includes overpayments by employers to the Michigan Unemployment Compensation Funds totaling $54.7 million.

Durant Settlement
The reported estimated liability for litigation losses includes the Durant, et al v State of Michigan, et al consolidated cases, which totaled $39.3 million at September 30, 2014. This amount will, over time, be paid to each “non-Durant” school district for its underfunded State mandated program costs if certain requirements are met. See Note 24 for additional disclosure regarding the Durant case and other contingencies.

Changes in Other Long-Term Obligations
Changes in long-term liabilities for the year ended September 30, are summarized as follows (in millions):

Governmental Activities	Beginning Balance Restated**	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Other Long-term Obligations:						
Capital lease obligations:						
Component units	$ 197.2	$ -	$ 7.8	$ 189.4	$ 8.6	$ 180.8
Others	220.5	26.5	42.8	204.2	27.0	177.1
Compensated absences	419.7	361.6	359.9	421.3	212.4	208.9
Workers' compensation	92.0	7.9	20.5	79.4	17.7	61.7
Net pension obligations	820.9	-	78.7	742.2	-	742.2
Net OPEB obligations	2,773.2	-	64.1	2,709.2	-	2,709.2
Pollution remediation	160.8	13.5	11.1	163.2	12.2	151.0
Pension supplement*	37.5	-	16.5	20.9	16.5	4.5
Other claims and judgments	443.8	14.8	73.9	384.7	64.7	319.9
Durant settlement	74.2	-	34.9	39.3	39.3	-
Total Governmental Activities	$ 5,239.7	$ 424.2	$ 710.2	$ 4,953.8	$ 398.4	$ 4,555.4
Business-type Activities						
Other Long-term Obligations:						
Lottery prize awards*	$ 238.4	$ 12.9	$ 34.7	$ 216.5	$ 29.0	$ 187.5
Compensated absences	2.6	2.0	1.9	2.7	1.5	1.2
Pension supplement*	0.4	-	0.2	0.2	0.2	0.1
Other claims and judgments	65.9	-	11.2	54.7	-	54.7
Total Business-type Activities	$ 307.3	$ 14.9	$ 48.0	$ 274.2	$ 30.6	$ 243.5

*The amounts due within one year are included with “Accounts payable and other liabilities” on the Statement of Net Position.
**Beginning balance has been restated. More detailed information can be found in Note 4.

The General Fund, other governmental, and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence and workers’ compensation liabilities will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations and net OPEB obligations will be liquidated by the State’s governmental and internal service funds that contribute toward the pension funds, based on the statutorily required contribution rates. The pollution remediation obligation will be liquidated by the General Fund. The School Aid Fund will liquidate the Durant settlement. The pension supplement attributable to governmental activities will be liquidated by the applicable governmental and internal service funds that will be billed by the pension fund. Other claims and judgments attributable to governmental activities will generally be liquidated by the General Fund and transportation related governmental funds.

Discretely Presented Component Units

Michigan Education Trust
Michigan Education Trust (MET) offers contracts, which for actuarially determined amounts, provide future tuition at State institutions of higher education. Contract provisions also allow the benefits to be used at private or out-of-state institutions, with the amount provided being based upon rates charged by the State’s public institutions of higher education. The tuition payments are made by MET as a separate legal entity and these contracts are not considered obligations of the State. The Legislature is not obligated to provide appropriations should losses occur. The statutes and contracts provide for refunds to the participants if MET becomes actuarially unsound. Liabilities have been recorded on the Statement of Net Position for the actuarial present value of future tuition benefit obligations.

The 1988, 1989, and 1990 enrollments are known as Plans B and C. Enrollments after November 1995 are known as Plan D.

The actuarial report on the status of MET Plans B and C, as of September 30, 2014, shows the actuarial present value of future tuition obligations to be $116.0 million, as compared to the actuarially determined market value of assets available of $142.0 million. The actuarial assumptions used include: a projected tuition increase rate of 7.1% for four years; and a discount rate of 1.15%.

The actuarial report on the status of MET Plan D, as of September 30, 2014, shows the actuarial present value of future tuition obligations to be $885.0 million, as compared to the actuarially determined market value of assets available of $916.0 million. The actuarial assumptions used include: a projected tuition increase rate of 7.1% for four years; and a discount rate of 6.0%.

On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is an integral part of the State of Michigan and, thus, the investment income realized by MET is not currently subject to federal income tax. On August 20, 1996, the Small Business Job Protection Act of 1996 (the "1996 Tax Act") was signed into law which included a provision adding a new section to the Internal Revenue Code of 1986 defining "qualified state tuition programs." A qualified State tuition program is generally exempt from income tax, but is subject to unrelated business income tax. MET has no unrelated business income. Distributions made in excess of qualified higher education expenses (whether to the refund designee, beneficiary, or to a college on behalf of the beneficiary) are taxable income to the beneficiary or the refund designee. In May 1997, MET submitted a request for ruling to the Internal Revenue Service (IRS) for verification that MET is in compliance with the 1996 Tax Act. On December 23, 1997, the IRS issued a favorable ruling which confirms that MET is in compliance with the Act.

NOTE 16 – INCOME TAX CREDITS AND REFUNDS

Income Tax Credits

The Michigan Income Tax Act provides for several types of tax credits. Some credits are accounted for as revenue reductions for financial reporting purposes while others are reported as expenditures. Revenue reductions are reported for those income tax credits that are limited by the amount of an individual's tax liability before considering such credits. To the extent these nonrefundable credits will generate future year payments, they are accrued as income tax refund liabilities together with estimated overwithholdings.

Expenditures are reported for those credits which can be received even if they exceed the individual's tax liability. For these refundable credits, the substance of the transaction is that the State is making a grant payment using the income tax system as a filing and payment mechanism. The amount of credit received is not a part of the determination of tax liability. The State's property tax is the primary credit that falls into this category. Expenditures for this credit are recognized in the year the tax returns are filed and recipients claim the credit.

The following table summarizes the various credits, reported on the "Tax credits" line as an expense in the government-wide financial statements and as an expenditure in the fund financial statements at September 30 (in millions):

Property tax credits:	
General homestead	$ 281.0
Senior citizens	188.0
Blind and disabled	57.9
Farmland preservation	37.5
Veterans	0.5
Subtotal - property tax credits	564.9
Earned income tax credit	111.4
Historic preservation credit	0.1
Home heating (excluding federal share)	0.1
Total tax credits	$ 676.5

Income Tax Refunds Payable

The $926.9 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

NOTE 17 – DEFERRED COMPENSATION PLANS

The State participates in two deferred compensation plans that allow employees to defer a portion of their salary until future years. Executive Order 1999-7 transferred administrative oversight of the plans, labeled 457 and 401k after sections of the Internal Revenue Code, to the Department of Technology, Management and Budget. Day-to-day operations of the plans have been contracted to a third-party; however, the State Treasurer oversees investment options. The 457 plan and the 401k plan are combined for reporting purposes under the heading of "State of Michigan Deferred Compensation Funds."

The Employer makes no contribution to the 457 plan. Generally, the Employer does not make matching contributions to the 401k plan; however, the State of Michigan has occasionally made matching contributions to the 401k plan as part of certain State employees' compensation packages. To expand investment options, three investment tiers were developed and made available to participants on July 1, 1997. Participants invest their contributions and accumulated earnings by selecting investments in one or more of the investment tiers. Employees may, at any time, transfer accumulated balances and future contributions among the investment tiers. Investment earnings, net of administrative charges, are credited to the participants proportionally, based upon their balances in the plan.

The 457 and 401k plans include loan provisions for State of Michigan employees. Loans to participants are recorded as assets.

Net position available for plan benefits for the 457 plan and the 401k plan at September 30, 2014, was $1.9 and $1.9 billion, respectively.

NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES

Primary Government

The balances of current interfund receivables and payables as of September 30 were (in millions):

	Due To						
Due From	General Fund	School Aid Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ -	-	$ 0.7	$ 2.2	$ 56.4	$ 59.4
School Aid Fund	1,069.2		-	-	-	-	1,069.2
Non-Major Governmental Funds	16.3	-	38.6	-	0.3	7.3	62.5
State Lottery Fund	-	8.8	-	-	-	0.4	9.1
Unemployment Compensation Funds	-	-	4.1	5.4	-	-	9.5
Non-Major Enterprise Funds	-	-	-	-	-	0.3	0.3
Internal Service Funds	-	-	-	-	6.7	4.1	10.7
Fiduciary Funds	0.2	-	-	-	-	0.1	0.3
Timing Difference Between Fiduciary Funds	-	-	-	-	-	0.1	0.1
Governmental Funds - Long - Term*	-	-	-	-	-	15.4	15.4
Total	$ 1,085.7	$ 8.8	$ 42.7	$ 6.2	$ 9.2	$ 84.0	$ 1,236.6

*This represents the current portion of the long-term liability recorded in the government-wide statements for amounts owed by the governmental funds to the State Employees' Pension Benefits Fund for supplemental pension payments. This liability is further described in Note 15.

Interfund receivables and payables are recorded for borrowings to eliminate negative balances in the Common Cash pool, as described in Note 5, payroll liabilities for group insurance and retirement, and tax accrual distributions for taxes collected in the following fiscal year.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $2.7 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction and related accrued interest of $2.2 million.

Discretely Presented Component Units

Receivables and related liabilities between the primary government and the discretely presented component units, do not agree because the Michigan State Housing Development Authority and the ten State universities have a June 30 fiscal year-end.

NOTE 19 – INTERFUND COMMITMENTS

Mackinac Bridge Authority
Mackinac Bridge Authority (MBA), a discretely presented component unit, has over the years received $75.3 million of subsidies, including $12.3 million for operations and $63.0 million for debt service. These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively.

State statutes require that MBA continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments are to continue until such time as the subsidies have been completely returned. MBA has not recorded a liability and the State funds have not recorded receivables for these subsidies because: the reimbursements are contingent upon future net revenues, there is no repayment schedule, and the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by MBA, after consideration of MBA's annual needs for its operations and planned repairs and improvements.

As of September 30, 2014, MBA has repaid a total of $13.3 million of the advance from the Michigan Transportation Fund, leaving a balance of $49.8 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 20 – TRANSFERS

Interfund transfers as of September 30, consisted of the following (in millions):

	Transferred To				
Transferred From	General Fund	School Aid Fund	Non-Major Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ 149.9	$ 801.9	$ 2.5	$ 954.3
School Aid Fund	-	-	126.2	-	126.2
Non-Major Governmental Funds	48.4	-	1,281.1	-	1,329.5
State Lottery Fund	4.3	742.9	2.3	-	749.5
Unemployment Compensation Funds	-	-	15.5	-	15.5
Non-Major Enterprise Funds	177.8	-	-	-	177.8
Internal Service Funds	3.5	-	-	-	3.5
Fiduciary Funds	0.2	-	-	-	0.2
Total	$ 234.2	$ 892.8	$ 2,227.1	$ 2.5	$ 3,356.6

Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Liquor Purchase Revolving Fund and the State Lottery Fund as required by law, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

NOTE 21 – FUND DEFICITS

Primary Government

Governmental Funds
The Advance Financing Funds, a capital projects fund, had a fund balance deficit of $2.7 million. The fund deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of $103.4 million. The fund deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

NOTE 22 – FUND BALANCES AND NET POSITION

Fund Balance Classifications – Governmental Funds

The following table provides additional detail regarding the fund balances reported on the Governmental Funds Balance Sheet at September 30 (in millions):

	General Fund	School Aid Fund	Other Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
Non-Spendable							
Inventory and prepaids	$ 10.2	$ -	$ -	$ -	$ 7.7	$ -	$ 17.9
Long term notes/receivables	178.9	-	-	-	-	-	178.9
Permanent fund principal	-	-	221.4	-	-	763.5	984.9
Restricted							
Education	1.7	522.5	-	156.2	-	-	680.4
Public safety and corrections	12.5	-	2.4	-	-	4.3	19.2
Conservation, environment, recreation and agriculture	134.5	-	179.3	1.6	0.1	227.2	542.7
Health and human services	39.5	-	1.3	-	-	-	40.8
Transportation	-	-	128.6	-	904.8	-	1,033.4
Labor, commerce, and regulatory	100.6	-	45.2	-	-	-	145.8
Other purposes	94.3	-	10.3	66.9	-	-	171.5
Committed							
Education	0.6	-	-	-	-	-	0.6
Public safety and corrections	76.0	-	-	-	-	-	76.0
Conservation, environment, recreation and agriculture	30.4	-	-	-	-	-	30.4
Health and human services	119.2	-	-	-	-	-	119.2
Labor, commerce, and regulatory	42.7	-	-	-	-	-	42.7
Other purposes	729.8	-	547.5	-	-	-	1,277.2
Assigned							
Education	1.7	-	-	-	-	-	1.7
Public safety and corrections	63.5	-	-	-	-	-	63.5
Conservation, environment, recreation and agriculture	6.4	-	-	-	-	-	6.4
Health and human services	28.6	-	-	-	-	-	28.6
Transportation	62.4	-	-	-	-	-	62.4
Labor, commerce, and regulatory	1.5	-	-	-	-	-	1.5
Other purposes	42.7	-	-	-	-	-	42.7
Unassigned	306.4	-	-	-	(106.1)	-	200.3
Total Fund Balances	$ 2,084.1	$ 522.5	$ 1,136.1	$ 224.7	$ 806.4	$ 995.0	$ 5,768.7

Restricted Net Position – Primary Government

The following table provides additional detail regarding the restricted net position reported for the primary government on the government-wide Statement of Net Position at September 30 (in millions):

	Restricted by Enabling Legislation	External or Consitutional Restrictions	Total
Governmental Activities:			
Restricted For:			
Education	$ 1.6	$ 1,000.9	$ 1,002.5
Public safety and corrections	10.1	4.8	14.9
Conservation, environment, recreation and agriculture	190.9	101.3	292.2
Health and human services	23.5	17.1	40.6
Transportation	-	983.1	983.1
Labor, commerce, and regulatory	144.2	-	144.2
Other purposes	103.8	27.2	131.0
Funds Held as Permanent Investments:			
Expendable	-	231.4	231.4
Nonexpendable	4.7	980.2	984.9
Total Restricted Net Position - Governmental	$ 478.8	$ 3,346.0	$ 3,824.9
Business - Type Activities:			
Restricted For:			
Unemployment compensation	$ 2,415.7	$ -	$ 2,415.7
Other purposes	26.8	-	26.8
Total Restricted Net Position - Business - Type	$ 2,442.5	$ -	$ 2,442.5
Total Primary Government:			
Restricted For:			
Education	$ 1.6	$ 1,000.9	$ 1,002.5
Public safety and corrections	10.1	4.8	14.9
Conservation, environment, recreation and agriculture	190.9	101.3	292.2
Health and human services	23.5	17.1	40.6
Transportation	-	983.1	983.1
Unemployment compensation	2,415.7	-	2,415.7
Labor, commerce, and regulatory	144.2	-	144.2
Other purposes	130.6	27.2	157.8
Funds Held as Permanent Investments:			
Expendable	-	231.4	231.4
Nonexpendable	4.7	980.2	984.9
Total Restricted Net Position - Primary Government	$ 2,921.3	$ 3,346.0	$ 6,267.3

NOTE 23 – DISAGGREGATION OF PAYABLES

The line "Current Liabilities: Accounts payable and other liabilities," as presented on the government-wide Statement of Net Position as of September 30, consisted of the following (in millions):

	General Fund	School Aid Fund	Non-Major Governmental Funds	Other Funds	State Lottery Fund	Michigan Unemployment Compensation Funds	Non-Major Enterprise Funds	Total
Medicaid programs	$ 883.2	$ -	$ -	$ -	$ -	$ -	$ -	$ 883.2
Non-Medicaid health programs	180.8	-	-	-	-	-	-	180.8
Human Services programs	176.7	-	0.4	-	-	-	-	177.1
Transportation programs	-	-	449.7	-	-	-	-	449.7
School Aid programs	-	129.8	-	-	-	-	-	129.8
Other state programs	255.8	-	23.5	-	-	-	-	279.4
Merit Award scholarships	-	-	0.8	-	-	-	-	0.8
Payroll and withholdings	138.5	-	17.7	-	0.6	-	0.4	157.3
Tax refunds other than income tax	683.3	7.8	9.3	-	-	-	-	700.4
Unearned receipts	73.0	0.2	0.5	-	-	-	-	73.6
Amounts held for others	26.9	-	42.0	-	4.7	-	-	73.6
Capital Projects - Non Transportation	-	-	25.6	-	-	-	-	25.6
Prize awards	-	-	-	-	99.0	-	-	99.0
Liquor purchase	-	-	-	-	-	-	78.7	78.7
Unemployment payments	-	-	-	-	-	20.9	-	20.9
Internal Service Fund liabilities	-	-	-	94.2	-	-	-	94.2
Due to fiduciary funds*	-	-	-	83.9	-	-	-	83.9
Miscellaneous	-	-	-	-	11.1	-	0.4	11.5
Total	$ 2,418.3	$ 137.8	$ 569.4	$ 178.1	$ 115.4	$ 20.9	$ 79.5	$ 3,519.4

*This amount represents amounts due to fiduciary funds that are reclassified as external payables on the government-wide Statement of Net Position.

Effective January 1, 2008, the State replaced the Single Business Tax with the Michigan Business Tax (MBT). Effective January 1, 2012, the MBT was replaced by the Corporate Income Tax (CIT). However, a small number of taxpayers with certificated credits may continue to file under the MBT provisions until their credits expire. Beginning in fiscal year 2008, the State did not estimate a business tax liability on the accrual basis of accounting due to the lack of information. The State is still unable to estimate an accrual because the data needed to compare tax payments received to the total tax liability is not available. Therefore, any potential tax refunded (payable), or tax overpayments that will be applied by taxpayers against subsequent tax liability periods (carried forward), is not measurable and has not been recorded in this fiscal year.

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Primary Government

Litigation

In the government-wide and proprietary fund financial statements, the State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the governmental fund financial statements, liabilities are accrued when cases are settled and the amount is due and payable.

The State is a party to various legal proceedings seeking damages, injunctive, or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of corrections; tax collection; commerce and budgetary reductions to school districts and governmental units; and court funding. Relief sought generally includes damages in tort cases; improvement of prison medical and mental health care and refund claims for State taxes. The State is also a party to various legal proceedings that, if resolved in the State's favor, would result in contingency gains to the State, but without material effect upon fund balance/net position. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of any single proceeding or all legal proceedings collectively should not themselves, except as listed below, in the opinion of the Attorney General of the State and the State Budget Office, have a material adverse effect on the State's financial position. Those lawsuits pending which may have a significant impact or substantial effect on State programs or finances, if resolved in a manner unfavorable to the State, include the following:

Durant et al v State of Michigan: On November 15, 2000, more than 365 Michigan school districts and individuals filed two suits in the Michigan Court of Appeals. The first suit, Durant et al v State et al ("Durant III"), asserts that the State School Aid appropriation act, P.A. 297 of 2000, violates the State Constitution, Article 9, Sections 25-34 (the "Headlee Amendment"), because it allegedly transfers per pupil revenue guaranteed to school districts under the Constitution of 1963, Article 9, Section 11, for unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, Section 29. The State won this case in the Court of Appeals, and the Supreme Court denied the plaintiffs' application for leave to appeal.

The second suit, Adair et al v State et al ("Adair"), was filed on November 15, 2000, by more than 400 school districts and asserts that the State has, by operation of law, increased the level of various specified activities and services beyond that which was required by State law as of December 23, 1978 and, subsequent to December 23, 1978, added various specified new activities or services by State law, including mandatory increases in student instruction time, without providing funding for these new activities and services, all in violation of the Headlee Amendment. The Adair plaintiffs sought an unspecified money judgment equal to the reduction in the State financed proportion of necessary costs incurred by the plaintiff school districts for each school year from 1997-1998 through the date of any judgment and for attorneys' fees and litigation costs. The Adair plaintiffs also sought a declaratory judgment that the State has failed to meet its funding responsibility under the Headlee Amendment to provide the plaintiff school districts with revenues sufficient to pay for the necessary increased costs for activities and services first required by State law after December 23, 1978, and to pay for increases in the level of required activities and services beyond that which was required by State law as of December 23, 1978.

On January 2, 2001, plaintiffs filed a first amended complaint in both Durant III and Adair increasing the number of school district plaintiffs to 443. On February 22, 2001, plaintiffs filed a second amended complaint in Durant III increasing the number of school district plaintiffs to 457. On April 16, 2001, plaintiffs filed a second amended complaint in Adair increasing the number of school district plaintiffs to 463. The second amended complaint includes a request for declaratory relief, attorneys' fees and litigation costs but does not include a request for money judgment.

On April 23, 2002, the Court of Appeals dismissed the complaint in its entirety and with prejudice. Plaintiffs filed an application for leave to appeal in the Michigan Supreme Court on May 14, 2002, which was granted on December 18, 2002.

On June 9, 2004, the Michigan Supreme Court issued its opinion in Adair. The court held that, with three exceptions, all of the plaintiffs' claims were barred by the doctrines of *res judicata* and release. The court ruled that all but three of the claims that plaintiffs alleged were new or increased activities could have been included in the Durant I litigation because the activities existed during the time that the Durant I litigation was pending.

The other three claims involve statutes that were enacted after the court's 1997 Durant I decision. The court ruled that two of these post-Durant I statutes are not new mandates because the activities are either not new or are merely permissive. The third claim involves the record keeping activities and the operation of the Center for Educational Performance and Information (CEPI), which was created by executive order in 2000 (Michigan Compiled Laws (MCL) Section 388.1752; Executive Order (EO) 2000-9). Plaintiffs alleged that the statute and executive order require districts to create and maintain student data following State-specified data-gathering procedures and transmit the data electronically to the State. The Supreme Court ruled that the plaintiffs' allegation that districts had to now actively participate in maintaining data that the State requires for its own purposes presents a colorable claim under the Headlee Amendment. The court reversed the Court of Appeals' dismissal of the claim and remanded the issue to the Court of Appeals to determine whether this claim constitutes a new State-mandated activity in violation of the Headlee Amendment.

On August 4, 2005, the Court of Appeals held that the school districts failed to present documentary support from which it can be inferred that either MCL Section 388.1752 or EO 2000-9 mandates the school districts to actively participate in the maintenance of data that the State requires for its purposes. Further, the record keeping claim cannot survive summary disposition in the absence of any factual support, either expressed or implied, demonstrating that a genuine issue of material fact exists with regard to whether the dictates of the statute and the EO impermissibly shift a State obligation to the school districts to avoid the costs of obligation. The Court of Appeals granted summary disposition in the State's favor. Plaintiffs estimated their claim to be $30 million plus ongoing costs. The plaintiff school districts filed an application for leave to appeal with the Michigan Supreme Court. A brief in opposition was filed on October 11, 2005.

On March 8, 2006, the Supreme Court issued an order vacating the August 4, 2005, Court of Appeals decision and remanded the issue to the Court of Appeals for reevaluation of the record keeping claim. The Court of Appeals appointed a Special Master to oversee discovery and make proposed findings to the Court of Appeals. An evidentiary hearing before the Special Master was held in the summer of 2007.

On January 27, 2008, the Special Master issued her opinion. She found that the increased recordkeeping and reporting requirements imposed upon the school districts by the State was an attempt to shift the burden to comply with additional requirements to the districts without appropriating the necessary costs to comply. She concluded that this was a shifting of the recordkeeping and reporting requirement burden from the State to the local units of government in violation of the Headlee Amendment.

The State filed objections to the Special Master's Opinion in the Court of Appeals. The school districts sought attorney fees in the Court of Appeals.

On July 3, 2008, the Court of Appeals issued its Opinion on Second Remand, essentially adopting the conclusions of law and factual findings of the Special Master. The court entered a declaratory judgment in favor of the plaintiff school districts, requiring the State to fund the "necessary costs associated with the data collection reporting mandates" associated with CEPI. The court denied plaintiff's request for attorney fees.

Both parties filed applications for leave to appeals in the Michigan Supreme Court. On April 3, 2009, the Michigan Supreme Court granted leave on two issues: (1) whether the prohibition of unfunded mandates in Article 9, Section 29 of the State Constitution, requires plaintiffs to prove specific costs, either through reallocation of funds or out-of-pocket expenses in order to establish their entitlement to a declaratory judgment; and (2) whether plaintiffs are entitled to recover the "costs incurred in maintaining" this suit pursuant to Article 9, Section 32, of the State Constitution.

Following the submission of briefs, the Michigan Supreme Court heard oral arguments on October 6, 2009.

On July 14, 2010, the Michigan Supreme Court issued a 4-3 decision in favor of the plaintiffs on both issues. The court held that the school district record keeping requirements was an increase in the level of activities or services mandated by the State and therefore, subject to Headlee. The court also held that in a declaratory judgment action under Headlee, where no legislative appropriation is made, a plaintiff is not required to show a quantified dollar amount increase in necessary costs, and the State has the burden to demonstrate that the school district's costs were not necessary under one or more of the exceptions in MCL 21.233(6) (a) through (d). In evaluating whether the costs from an increased level of activity were necessary, the question is what would be the cost to the State if it performed the mandated activity. The court also held that plaintiffs are entitled to attorney fees sustained in maintaining this action.

The case was remanded to the Court of Appeals to determine cost and attorney fees. An evidentiary hearing before the court-appointed Special Master occurred in June 2011. On November 6, 2012, the Court of Appeals declined to award attorney fees for the original action concluding that Plaintiffs failed to carry their burden of proving the hours reasonably expended in litigating the recordkeeping claim. The Court of Appeals also determined that Plaintiffs were not entitled to costs or attorney fees for post-judgment proceedings. The Court of Appeals remanded to the Special Master for additional proofs and calculation of other costs. On remand the parties stipulated that other costs incurred up to July 14, 2010, were $175,000. On May 24, 2013, in lieu of granting leave to appeal, the Michigan Supreme Court reversed the portion of the Court of Appeals decision denying all attorney fees for Phase II of the litigation (recordkeeping claim only) and remanded to the Court of Appeals to make findings regarding the amount of attorney fees during that phase of the case. The Court denied leave to appeal the denial of attorney fees for Phase I while the case involved multiple claims that were successfully defended, and Phase III for substantial post-trial costs and attorney fees relating to the attorney fee proceedings.

On August 9, 2013, the Court of Appeals issued an Order awarding attorney fees in the amount of $1,348,677.60 for the Adair I trial (Phase II). But, on August 28, 2013, before the Order was effective, the plaintiff school districts filed an application for leave to appeal in the Michigan Supreme Court alleging that the Court of Appeals made several errors in its determination of the reasonable attorney fees. Because the plaintiffs filed an application for leave to appeal, the attorney fee award did not become effective. On November 4, 2013, the Adair plaintiffs filed a motion for immediate payment of the attorney fee award in the Michigan Supreme Court. The Michigan Supreme Court denied plaintiffs' application for leave. The Michigan Department of Education processed the attorney fee payment on January 21, 2014.

The Legislature allocated up to $1.0 million in Section 22b(6) of the State School Aid Act, MCL 388.1622b(6) for this anticipated expense. The Legislature appropriated $25.6 million in fiscal year 2011, and $34 million in fiscal year 2012 to be used solely for the purpose of paying necessary costs related to the state-mandated collection, maintenance, and reporting of data to this state.

On January 19, 2011, the Adair plaintiffs filed a new complaint seeking, among other things, a declaratory judgment that the appropriation is insufficient to pay the full costs of the imposed record keeping requirements, and that the new requirements for teacher and administrator evaluations enacted in the Race to the Top legislation, 2009 Public Acts 201-205, also violate the Headlee Amendment. The complaint also sought compensable damages for the amount of costs incurred by the school districts to provide required data and attorney fees, injunctive relief to cease requiring school districts from complying with the record keeping requirements, and injunctive relief to enjoin Defendants from enforcing the Race to the Top legislation.

On October 10, 2011, plaintiffs filed a second amended complaint primarily based on the changes in the teacher and administrator evaluation provisions contained in 2011 PA 100-102, the July 2011 amendments to Section 1249 of the School Code, MCL 380.1249, as well as the changes to the Tenure Act. In addition, the districts added a count related to the Teacher Student Data Link (TSDL) and allege that Section 94a of the School Aid Act mandates that schools collect and report new data without an appropriation to pay the districts for costs of the new activity including: "costs incurred for their staff members necessary to perform the required services for the purpose of TSDL data acquisition, maintenance and reporting to CEPI, to acquire necessary software to track, record and report the required data, and to train school district staff in order to otherwise implement the new TSDL reporting requirements, all of which have never before been required by the State."

On August 10, 2012, the Adair plaintiffs filed a new original action in the Court of Appeals seeking, among other things, a declaratory judgment that the appropriation for 2012-13 in 2012 PA 201 is insufficient to pay the full costs of the imposed record keeping requirements adding allegations concerning information collected or reported in the Michigan Electronic Information System (MEIS). As with the 2011 case, the complaint again alleges that the current funding method improperly reduced aid to districts. The complaint again alleges that the requirements for teacher and administrator evaluations enacted in the Race to the Top legislation, 2009 Public Acts 201-205, and 2011 PA 100-102, the July 2011 amendments to section 1249 of the School Code, MCL 380.1249, as well as the changes to the Tenure Act, violate the Headlee Amendment and alternatively that the definitions of activity and service in the MCL 21.232(1) and MCL 21.234(1) are unconstitutional and contrary to the intent of the voters. Plaintiffs allege this is occurring in direct violation of the provisions of the second sentence of the Constitution of 1963, Article 9, Section 29, the Headlee Amendment. The complaint seeks declaratory relief, injunctive relief to cease requiring school districts from complying with the record keeping requirements, and injunctive relief to enjoin Defendants from enforcing the educator evaluation provisions. The complaint also seeks compensatory damages related to the funding mechanism and the educator evaluation claims. This case is held in abeyance pending the decision in the 2011 case.

On August 23, 2013, the Court rejected the Adair plaintiffs' challenge to the funding scheme which reallocated funds to provide a specific allocation for the recordkeeping requirements but did not provide a net increase in funding to districts. The Court of Appeals also granted declaratory relief in favor of the State and determined the teacher evaluation claims did not implicate Headlee. First, the Tenure Act changes merely modify existing protections and, thus, still provide a level of protection to tenured public teachers against the arbitrary and capricious employment practices of administrators and school boards. Under such circumstances, the new requirements imposed by the amended tenure act do not constitute activities under MCL 21.232(1) and, hence, the Prohibition of Unfunded Mandates (POUM) clause. Second, the Court determined that the revisions to the School Code do not implicate the POUM. It rejected the districts' facial challenge to the constitutionality of the implementing definitions. Next, the Court determined that the revision in the Public Employment Relations Act merely modified prohibited subjects of collective bargaining and did not impose any new requirements that implicate Headlee.

With regard to the adequacy of the funding appropriations, the Court remanded the case to the Special Master for further hearing and findings. The Court acknowledge the plaintiffs higher burden once a mandated activity is funded, but concluded that "the higher burden borne by plaintiffs is the burden to present evidence of a sufficient nature to allow the trier of fact to conclude that the methodology employed by the Legislature to determine the amount of the appropriation was so flawed that it fails to reflect the actual cost to the state if the state were to provide the activity or service mandated as a state requirement."

Both parties filed applications for leave to appeal in the Michigan Supreme Court. On February 5, 2014, the Michigan Supreme Court granted the State Defendants' application for leave to appeal. The Michigan Supreme Court directed that the parties shall include among the issues to be briefed: (1) which party has the burden of proving underfunding of a legislative mandate in a challenge under Const 1963, art 9, § 29, (2) what elements of proof are necessary to sustain such a claim and, (3) whether acceptance of a general appropriation from the Legislature which is specifically conditioned on compliance with reporting requirements pursuant to MCL 388.1622b(1)(c) waives any challenge to the funding level for those requirements under Const 1963, art 9, § 29. At the same time, the Michigan Supreme Court denied the plaintiff school districts' cross-application for leave appeal dismissal of their remaining claims.

As a result, the Court of Appeals' dismissal of the Plaintiffs' claims that the State's funding method violated the Headlee Amendment and Proposal A because it merely shifted revenue from other school aid allocations, and that the State violated Const 1963, art 9, § 29 by enacting changes to teacher and administrator evaluation requirements without an appropriation to fund them, remains intact.

Subsequent to the fiscal year end, on December 22, 2014, the Michigan Supreme Court reversed the Court of Appeals and reinstated the special master's involuntary dismissal of the case. The Court concluded that in a case alleging underfunding of a Headlee mandate that the plaintiff must allege and prove the specific amount of the funding shortfall i.e., the extent of the necessary increased costs of the new or increased activity or service, in order to establish the extent of the harm caused by the Legislature's inadequate funding. The decision did not disturb the balance of the Court of Appeals' holdings not addressed in the decision.

The August 10, 2012, original action in the Court of Appeals remains in abeyance at this time. Plaintiffs allege this is occurring in direct violation of the provisions of the second sentence of the Constitution of 1963, Article 9, Section 29, the Headlee Amendment. Although this is a declaratory judgment action, if the suit is sustained plaintiffs are entitled to costs including attorney fees estimated between $1.2 million and $4 million. Plaintiffs claim cost of compliance with the reporting is over $50 million annually.

Federal Grants
The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. Disallowances are recognized as liabilities in the governmental fund financial statements when the loss becomes due and payable. As of September 30, 2014, the State had been notified of various disallowances and penalties totaling in excess of $100 million. The State believes the possibility of full repayment of these disallowances and penalties is remote. In addition, the State estimates that any additional disallowances of recognized revenue will not be material to the general purpose financial statements.

Gain Contingencies
Certain contingent receivables related to the Department of Human Services (DHS) are not recorded as assets in these statements. Amounts recoverable from DHS grant recipients for grant overpayments or from responsible third parties are recorded as receivables only if the amount is reasonably measurable, expected to be received within 12 months, and not contingent upon future grants or the completion of major collection efforts by the State. If recoveries are accrued and the program involves federal participation, a liability for the federal share of the recovery is also accrued. The unrecorded amount of potential recoveries, which are ultimately collectible, cannot be reasonably determined.

In 1998, the major United States tobacco product manufacturers entered into the Master Settlement Agreement ("MSA" or "Agreement") with the State of Michigan and separately with each of 51 other jurisdictions (the "Settling States") comprised of 46 states, the District of Columbia, Puerto Rico, and four U.S. territories. The MSA is the product of extensive negotiations between the Settling States and Participating Manufacturers ("PMs"). The Ingham County Circuit Court approved the MSA by entry of a Consent Decree on December 11, 1998. The Agreement releases the PMs from Michigan's claims that the PMs had conspired to conceal from the public the health risks related to smoking, and had specifically targeted minors in their marketing efforts. In return for the release, the MSA obligates the PMs to make annual payments to the states, and requires substantial changes in the companies' advertising and marketing practices, with the intention of reducing underage smoking. The MSA provides that an accounting firm ("Independent Auditor," or "Auditor") calculates the PMs' payments annually, using a specified formula. The payment is computed as an aggregate figure, which is then divided among the states according to percentages specified in the MSA. The Agreement requires the PMs to make their payments by April 15th of each year, in perpetuity, with Michigan receiving an allocable share of 4.3519476% of the total.

In December 2012, the State of Michigan along with several other states signed a term sheet intending to settle litigation over the application and interpretation of the market share adjustment and diligent enforcement provisions of the MSA. As a result of the settlement, the uncertainty regarding the State's disputed payment account and whether the State was diligently enforcing its collection legislation pursuant to the MSA during years 2003 through 2012 has been substantially eliminated. The State of Michigan will avoid any further reduction of its tobacco payments for those years, and the State's share of those funds has been released. The settlement provides a more definitive framework for avoiding any similar disputes for subsequent years, but there is the potential for additional disputes concerning diligent enforcement. The settlement makes the MSA current, eliminating approximately 10 years of disputed payment withholdings.

It is impossible to calculate with precision Michigan's share of this 2014 sales-based payment, but is expected to be in the range of $250 million.

Contingent Liability for Local School District Bonds
Article 9, Section 16, of the Michigan Constitution resulted in a contingent liability for the bonds of any school district which are “qualified” by the State Treasurer. If, for any reason, a qualified school district will be, or is, unable to pay the principal and interest on its qualified bonds when due, the school district shall borrow, and the State shall lend to it, any amount necessary for the school district to avoid a default on its qualified bonds. In the event that adequate funds are not available in the School Loan Revolving Fund to make such a loan, the State is required to make loans from the General Fund. As of September 30, 2014, the principal amount of qualified bonds outstanding was $12.9 billion. Total debt service requirements on these bonds including interest will be approximately $1.5 billion in 2015. The amount of loans by the State (related to local school district bonds qualified under this program), outstanding to local school districts as of September 30, 2014, is $1.4 billion. Interest due on these loans as of September 30, 2014, is $358.9 million.

Venture Michigan Fund Tax Vouchers
As of September 30, 2014, the State had issued $450 million in tax vouchers as collateral for loans to early stage venture investment businesses as a mechanism to promote a healthy economic climate in Michigan. The vouchers are expected to be sold and redeemed beginning in fiscal year 2015 with the expected sale and repayment of $50 million in fiscal year 2015; $50 million in fiscal year 2016; $40 million in fiscal year 2017; and the remainder in subsequent fiscal years.

Other Contingent Liabilities

The State is involved in a number of court cases related to the apportionment formulas a taxpayer must use under the Michigan Business Tax. These cases are in varying stages in the Court of Claims, the Michigan Tax Tribunal, or within the Department of Treasury's hearings division. The State believes there is a remote possibility of the decisions in these cases being unfavorable to the State. However, if the decisions are unfavorable to the State, the potential liability related to these cases could be in excess of $1 billion.

In addition, the State is involved in a court case challenging the requirement that active members of the State Employees Retirement System (SERS) defined benefit pension plan contribute four percent of their compensation to SERS. The State believes there is a remote possibility of an unfavorable decision in this case. However, if the decision is unfavorable to the State, the amount that would be required to be refunded to SERS members was approximately $100 million as of September 30, 2014.

Commitments and Encumbrances

The Department of Transportation has construction and consultant commitments that will be paid with transportation related funds. As of September 30, 2014, these commitments equaled $603.3 million; a portion of this balance, $90.5 million, has been encumbered.

Encumbrance balances are comprised of grant agreements and other contracts the State of Michigan has entered into with vendors for services or goods not yet performed or received as of year-end. A portion of these commitments will be funded with current fund balances. These amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance classifications. Resources provided by future bond proceeds, taxes, federal grants, and local and private revenues will fund the remaining commitments. The following table shows total governmental fund encumbrances as of September 30 (in millions):

	General Fund	School Aid Fund	Other Funds	Total
Restricted				
Education	$ 0.6	$ 8.5	$ -	$ 9.1
Public safety and corrections	17.8	-	-	17.8
Conservation, environment, recreation and agriculture	63.2	-	61.7	124.9
Health and human services	67.7	-	-	67.7
Transportation	-	-	343.2	343.2
Labor, commerce, and regulatory	9.1	-	1.0	10.0
Other purposes	45.1	-	12.4	57.5
Committed				
Education	0.1	-	-	0.1
Public safety and corrections	10.4	-	-	10.4
Conservation, environment, recreation and agriculture	4.1	-	-	4.1
Health and human services	22.5	-	-	22.5
Transportation	0.2	-	-	0.2
Labor, commerce, and regulatory	5.4	-	-	5.4
Other purposes	30.1	-	-	30.1
Assigned				
Education	1.7	-	-	1.7
Public safety and corrections	63.8	-	-	63.8
Conservation, environment, recreation and agriculture	8.7	-	-	8.7
Health and human services	30.1	-	-	30.1
Transportation	62.4	-	-	62.4
Labor, commerce, and regulatory	1.6	-	-	1.6
Other purposes	51.7	-	-	51.7
Total Encumbrances	$ 496.5	8.5	418.2	923.2

Discretely Presented Component Units

Student Loan Guarantees
The Michigan Guaranty Agency (MGA), a fiduciary fund of the Michigan Finance Authority, is contingently liable for student loans made by financial institutions that qualify for guaranty. The State, other than MGA, is not liable for these loans. The default ratio for loans guaranteed by MGA is below 5% for the fiscal year ended September 30, 2014. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2014, is 100% for loans made prior to October 1, 1993, 98% for loans made from October 1, 1993 to September 30, 1998, and 95% for loans made on or after October 1, 1998. In the event of future adverse default experience, MGA could be liable for up to 25% of defaulted loans. While management believes the MGA expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% is $562.6 million as of September 30, 2014. Management does not expect that all guaranteed loans could default in one year.

The MGA has entered into commitment agreements with all lenders that provide, among other things, that the MGA will maintain cash and marketable securities at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended. The MGA was in compliance with this requirement as of September 30, 2014.

Multi-Family Mortgage Loans
As of June 30, 2014, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of $56.5 million and single-family mortgage loans in the amount of $13.7 million.

MSHDA has committed up to approximately $1.1 million per year for up to 30 years from the date of completion of the respective developments (subject to three years advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under MSHDA's multi-family program.

NOTE 25 – RISK MANAGEMENT

Primary Government

General
The State has elected not to purchase commercial insurance for many of the risks of losses to which it is exposed. The State is self-insured for most general liability and property losses, portions of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment compensation claims. Areas of risk where some level of insurance coverage is purchased include: aircraft liability, property and loss rental insurance that may be required by bond or lease agreements, portions of the State employee insurance benefits program, certain State artifacts, builder's risk coverage, boiler and machinery coverage, and employee bonding. Settled claims have not exceeded commercial coverage in any of the past ten fiscal years.

The State has established two internal service funds, which are described below, to account for certain aspects of the risk management program. Fund expenditures (expenses) are recognized in the paying funds in a manner similar to purchased commercial insurance. For other uninsured losses not covered by an internal service fund program, such as general liability and property losses, the State recognizes fund liabilities in the fund incurring the loss as follows: governmental funds record an expenditure when a loss is due and payable; proprietary funds record an expense when it is probable that a loss has occurred and the amount can be reasonably estimated. As explained more fully in Note 15, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the government-wide financial statements.

For unemployment claims, the Unemployment Insurance Agency (UIA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UIA through September 30. During fiscal year 2014, expenditures for payments to former State employees (not including university employees) totaled $10.3 million. The potential liability for future payments cannot be estimated.

The State's two internal service funds, which account for certain areas of risk management, such as portions of its employee insurance benefits, employee bonding, and automobile liability, follow accounting standards established by the Governmental Accounting Standards Board (GASB). This results in a reporting which is very similar to that used in the private insurance industry. The various component programs within the two funds may incur deficits during a given year, but each program's surplus and unrestricted net position balance is considered in calculating future charges or benefit levels.

Risk Management Fund
This fund was established during fiscal year 1990 to account for insurance management activities implemented within the Department of Technology, Management and Budget. The automobile liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of $7.7 million. This includes a long-term portion, which is recorded at $6.2 million.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2014 and 2013 are as follows (in millions):

	2014	2013
Balance - beginning	$ 7.5	$ 7.1
Current year claims and changes in estimates	0.6	0.7
Claim payments	(0.4)	(0.3)
Balance - ending	$ 7.7	$ 7.5

Workers' compensation payments for State agencies are processed centrally through the Risk Management Fund. Changes in Workers' compensation claims for the fiscal years ending September 30, 2014 and 2013 are as follows (in millions):

	2014	2013
Balance - beginning	$ 92.0	$ 100.8
Current year claims and changes in estimates	7.9	13.6
Claim payments	(20.5)	(22.4)
Balance - ending	$ 79.4	$ 92.0

Workers' compensation is further described in Note 15.

State Sponsored Group Insurance Fund

The Department of Technology, Management and Budget and the Civil Service Commission use this fund to account for employee benefit programs, which are largely self-funded. In compliance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the retiree insurance benefits programs are no longer reported in this fund. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $129.0 million. This includes a long-term portion, which is recorded at a discounted present value of $91.0 million. For all claims incurred prior to October 1, 2014, the discounted present value of the long-term disability liability was calculated over a 20-year period using a discount rate of approximately 0.80%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net position has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was $39.7 million at September 30, 2014. Unrestricted net position totaled $164.6 million at September 30, 2014.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2014 and 2013 are as follows (in millions):

	2014	2013
Balance - beginning	$ 131.1	$ 132.9
Current year claims and changes in estimates	705.6	689.2
Claim payments	(707.7)	(691.0)
Balance - ending	$ 129.0	$ 131.1

Discretely Presented Component Units

State Universities

The State university component units participate with the other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC), which provides indemnity to its members against comprehensive general liability, errors and omissions losses, and property damage commonly covered by insurance. Loss coverages for comprehensive general liability and property are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer, and commercial carriers covering the third layer. For all policy years through June 30, 1993, errors and omissions coverage was structured on a two-layer basis with no excess insurance provided. Effective July 1, 1993, MUSIC obtained excess insurance coverage from commercial carriers covering the third layer. For automobile liability there is no member retention. Comprehensive general liability, property and automobile liability coverage is provided on an occurrence basis; errors and omissions coverage is provided on a claims-made basis.

NOTE 26 – PLEDGED REVENUES

As authorized by legislation, certain revenues of the primary government are pledged to secure debt of the State's discretely presented component units, and to pay the debt service on those bond issuances. In 2006, the Michigan Tobacco Settlement Finance Authority (MTSFA) was created to issue tobacco settlement bonds, the proceeds of which were used to provide funding for the 21st Century Jobs Trust Fund, as well as the School Aid Fund, the General Fund, and a reserve fund. MTSFA was reported as a blended component unit of the State; MTSFA subsequently was transferred by Executive Order 2010-2 to the Michigan Finance Authority (MFA), a discretely presented component unit of the State. The bonds were securitized by a portion of the State's Tobacco Settlement Revenues (TSRs), which were payable to the State under the Master Settlement Agreement entered into by participating cigarette manufacturers in 1998. Beginning April 1, 2008, 13.34% of the State's share of the TSRs was pledged to pay tobacco settlement bonds issued in 2006; beginning April 1, 2010, 10.77% of TSRs was pledged to pay tobacco settlement bonds issued as part of the 2007 tobacco securitization. The State's share of the settlement is $310.9 million per year until 2017; from 2018-2025 the State's share is $348.3 million per year. The actual amount received by the State is less, and is affected by market and other factors related to cigarette manufacturing.

For the period ended September 30, 2014, the State's pledged revenue to MFA was $61.1 million. Of that amount $60.9 million was received in MFA's tobacco settlement debt service fund to contribute to annual debt service requirements of $63.8 million. Shortfalls in the receipt of pledged revenue are made up by investment income if available or other resources; debt service on these bonds is payable solely from pledged TSRs.

The State Legislature issued Public Acts 267 and 268 of 2011, which permitted MFA to issue bonds to repay Federal advances to the State's Unemployment Trust Account, avoid additional advances, pay unemployment benefits, and minimize the impact on unemployment insurance tax rates. This legislation also created the Unemployment Obligation Trust Fund to receive unemployment obligation assessment revenue created by the legislation and assessed on employers as long as obligations are outstanding. The assessment rate shall be an amount sufficient to ensure timely payment of debt service on the Unemployment Obligation Trust bonds. All revenue collected or earned in the fund is pledged to MFA for payment of the bonds or for other purposes specified in the legislation. During fiscal year 2014, $455.8 million was recognized as revenue in the State's Unemployment Obligation Trust Fund and $455.7 million was paid to MFA's unemployment obligation assessment debt service fund; debt service of $465.3 million was paid from the fund during the current fiscal year. Remaining principal and interest requirements of the secured bonds totaled $2.9 billion at September 30, 2014.

NOTE 27 – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The following table provides additional detail regarding deferred outflows of resources and deferred inflows of resources reported on the government-wide Statement of Net Position (in millions):

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	$ -	$ -	$ -	$ 150.9
Refunding of debt	66.4	-	66.4	53.5
Total deferred outflows of resources	$ 66.4	$ -	$ 66.4	$ 204.4
Deferred inflows of resources:				
Accumulated increase in fair value of hedging derivatives	$ -	$ -	$ -	$ 18.3
Loan origination fees	-	-	-	11.7
Refunding of debt	11.5	-	11.5	4.0
Total deferred inflows of resources	$ 11.5	$ -	$ 11.5	$ 34.1

The following table provides additional detail regarding deferred inflows of resources reported in the governmental funds (in millions):

	General Fund	School Aid Fund	Non-Major Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
Taxes considered unavailable	$ 1,259.1	$ 504.7	$ 11.0	$ -	$ 1,774.8
Tobacco settlement receivables	-	-	159.6	-	159.6
School loan revolving program	358.9	-	-	-	358.9
Other	21.6	-	16.3	0.2	38.0
Total deferred inflows of resources	$ 1,639.5	$ 504.7	$ 187.0	$ 0.2	$ 2,331.3

NOTE 28 – SUBSEQUENT EVENTS

Short-Term Borrowing

On October 9, 2014, the State Building Authority (SBA) issued $114.1 million of commercial paper notes bearing an interest rate of .07%. The notes matured on December 11, 2014.

On December 11, 2014, SBA issued $128.6 million of commercial paper notes bearing an interest rate of .07%. The notes will mature on February 19, 2015.

On December 17, 2014, SBA entered into an alternative letter of credit for the 2007 Series I and 2011 Series IIB bonds. The new stated expiration date for both issues is December 15, 2017.

Short-Term Borrowing – Discretely Presented Component Units

On December 4, 2014, the Michigan Finance Authority issued $13.7 million of tax anticipation revenue notes bearing an interest rate of 3.185%. The notes will mature on October 6, 2015.

Long-Term Borrowing – Discretely Presented Component Units

Subsequent to their respective year-ends, the following discretely presented component units issued long-term debt, some of which are for purposes of refinancing (in millions):

	Bonds Issued
Central Michigan University	$ 66.8
Eastern Michigan University	9.9
Ferris State University	12.9
Grand Valley State University	36.9
Michigan Finance Authority	1,580.5
Michigan State Housing Development Authority	38.4
Oakland University	28.1
Western Michigan University	30.0
Total	$ 1,803.5

Executive Reorganization

Executive Order 2014-12, effective March 2, 2015, will create the Department of Talent and Economic Development and the Michigan Talent Investment Agency, as well as a restructuring that includes several State departments.

Michigan Settlement Administration Authority

On December 22, 2014, the Michigan Settlement Administration Authority approved the payment of $194.8 million from the Michigan Settlement Administration Authority Fund to the City of Detroit's two pension funds as part of the Detroit Bankruptcy "Grand Bargain". The funds were released for payment after the requirements set forth by Michigan Compiled Laws Section 141.1608 were met. The payment is expected to be made on February 9, 2015.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning Budgetary				
Fund Balance Restated	$ 2,464,395	$ 2,464,395	$ 2,464,395	$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	8,744,400	8,393,353	8,393,353	-
Federal	20,000	30,870	30,870	-
Local	1,000	99	99	-
Licenses and permits	20,000	14,359	14,359	-
Services	11,000	7,214	7,214	-
Miscellaneous	107,700	160,931	160,931	-
Transfers in	172,700	179,764	179,764	-
Restricted Revenues:				
Taxes	3,455,510	4,066,949	4,066,949	-
Federal	15,554,822	15,333,828	15,333,828	-
Local	184,599	223,453	223,453	-
Licenses and permits	409,622	296,285	296,285	-
Services	330,327	311,266	311,266	-
Miscellaneous	1,074,393	529,478	529,478	-
Bonds issued	-	85,295	85,295	-
Premium on bonds issued	-	12,356	12,356	-
Proceeds from sale of capital assets	-	1,626	1,626	-
Transfers in	79,274	54,473	54,473	-
Total Revenue Inflows	30,165,346	29,701,599	29,701,599	-
Amounts Available for Appropriation	32,629,742	32,165,994	32,165,994	-
Charges to Appropriations (outflows):				
Legislative Branch	157,301	143,414	143,034	380
Judicial Branch	287,657	258,209	254,962	3,247
Executive Branch:				
Agriculture and Rural Development	80,475	73,495	73,141	354
Attorney General	88,974	84,183	84,041	142
Civil Rights	15,198	14,315	14,124	191
Colleges and Universities Grants	1,365,810	1,361,129	1,360,857	272
Community Health	15,302,945	15,577,764	15,391,993	185,771
Corrections	2,048,021	2,003,741	1,991,722	12,018
Education	528,366	404,658	400,521	4,137
Environmental Quality	492,497	293,901	293,899	2
Executive Office	5,370	5,540	5,059	481
Human Services	5,985,970	5,542,553	5,529,222	13,332
Insurance and Financial Services	75,336	64,487	64,487	-
Licensing and Regulatory Affairs	305,727	263,505	258,319	5,185
Military and Veterans Affairs	169,592	159,882	158,785	1,097
Natural Resources	110,094	80,946	80,864	81
State	221,582	210,998	209,582	1,416
State Police	608,493	587,246	586,817	428
Technology, Management and Budget	699,803	1,298,455	1,290,819	7,637
Transportation	180,403	277,497	277,497	-
Treasury	1,950,014	3,018,634	2,971,475	47,159
Intrafund expenditure reimbursements	-	(911,029)	(911,029)	-
Total Charges to Appropriations	30,679,629	30,813,521	30,530,191	283,330
Reconciling Items:				
Change in noncurrent assets	-	30,589	30,589	-
Net Reconciling Items	-	30,589	30,589	-
Ending Budgetary				
Fund Balance	$ 1,950,113	$ 1,383,063	$ 1,666,393	$ 283,330

SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
$ 536,300	$ 536,300	$ 536,300	$ -
10,729,982	10,868,783	10,868,783	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	30,889	30,889	-
867,400	775,703	775,703	-
-	-	-	-
1,764,421	1,623,283	1,623,283	-
-	-	-	-
-	-	-	-
-	-	-	-
-	338	338	-
-	-	-	-
-	-	-	-
-	-	-	-
-	117,104	117,104	-
13,361,804	13,416,100	13,416,100	-
13,898,104	13,952,400	13,952,400	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
398,080	398,080	398,080	-
-	-	-	-
-	-	-	-
13,413,541	13,152,833	13,026,459	126,374
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	17,442	17,442	-
-	-	-	-
13,811,621	13,568,355	13,441,980	126,374
-	(520)	(520)	-
-	(520)	(520)	-
$ 86,483	$ 383,525	$ 509,899	$ 126,374

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

SEPTEMBER 30, 2014
(In Thousands)

	GENERAL FUND	SCHOOL AID FUND
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	$ 32,165,994	$ 13,952,400
Differences - budget to GAAP:		
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(2,464,395)	(536,300)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,626)	-
Bonds issued are inflows of budgetary resources but are not revenues for financial reporting purposes.	(97,651)	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(234,237)	(892,807)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 29,368,085	$ 12,523,293
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	$ 30,530,191	$ 13,441,980
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	(101,062)	5,156
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(954,325)	(126,249)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP.	18,371	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 29,493,175	$ 13,320,888

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Statutory/Budgetary Presentation

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most "operating" funds. Note 2 of the basic financial statements identifies the annually budgeted operating funds.

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2014, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2013, and includes multi-year projects budgetary carry-forwards from the prior fiscal year.

The budgetary fund balance represents total fund balance, net of noncurrent assets and prior year encumbrances. Noncurrent assets do not represent current financial resources available for appropriation and are removed for budgetary purposes. Prior year encumbrances are considered uses of spending authority in the year the State incurs an obligation and are also removed.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the "final budget" column, therefore updated revenue estimates available for appropriations as of November 30, rather than the amounts shown in the original budget, are reported. The November 30 date is used because P.A. 431 of 1984, as amended, permits budget adjustments by the Legislature through 60 days after year-end.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, carry-backs (i.e., current year appropriations for prior year overdrafts), approved transfers, executive order reductions, and timing differences. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by department rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budget process. Appropriations include interagency expenditure reimbursement, in which one agency provides funding to another agency within the same fund. The final budget and actual amounts are adjusted to eliminate the duplication.

The timing differences result from unspent authorizations for multi-year projects, such as capital outlay and work projects, and from restricted revenues that had not been appropriated for expenditure in the current year. Such authorization balances remaining at year-end are removed from the final budget column to provide an "annualized" budget.

Positive "variances" reflect restricted revenues that were appropriated and available for expenditure in the current year and unused general purpose spending authority (lapses); negative "variances" reflect budgetary overdrafts. If both positive and negative variances exist for a particular line, the amount shown is the net variance.

Statutory/Budgetary Reconciliation

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance.

For budgetary reporting purposes, expenditures and transfers out in the "Actual" column include recorded encumbrances, because they are considered uses of spending authority in the year the State incurs an obligation. Therefore, the "Original" and "Final Budget" columns do not include encumbrance authorization balances carried over from the prior fiscal year. In the GAAP basis statements, expenditures do not include encumbrances. The effect of this difference is reflected as a reconciling item on the Budgetary Comparison Schedule for the major funds and the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the non-major special revenue funds and permanent funds.

For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

Statewide Authorization Dispositions

Subsequent to the release of this report, the State publishes "Statewide Authorization Dispositions" to demonstrate its compliance with the legal level of budgetary control. The report includes line-item appropriation details for the General Fund and budgeted operating funds, and is available by contacting the Office of Financial Management at (517) 373-1010.

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,459 lane miles of roads and 4,807 bridges (spans in excess of 20 feet).

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Roads

Measurement Scale

The Michigan Department of Transportation (MDOT) uses numerous methods to determine the condition of roadway pavements; however, the Sufficiency Rating serves as the State's primary method to measure and monitor pavement conditions. In use since 1961, the Sufficiency Rating is a visual analysis conducted by an engineer and includes a 5-point scale, as follows:

Rating	Bituminous Surface	Concrete Surface
1.0 = Excellent	Pavement shows no visible deterioration. Distresses are non-existent.	Same
2.0 = Good	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items include the start of small transverse and/or longitudinal cracks. Slight rutting may be apparent in the wheel path.	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items may include the start of small transverse and/or longitudinal cracks, or slight seam and joint separation. Joints may show very small amounts of deterioration.
3.0 = Fair	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Rutting may be a little more severe and hold small amounts of water.	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Through-lanes and shoulders may begin to show separation from failing tie bars.
4.0 = Poor	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. Severe "shallow cracking" could be evident if the pavement is composite. If the segment has been patched, the cracks may be showing through. Rutting is severe and may effect driving.	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. If the segment has been patched, cracks may be showing through. Joint repairs could begin to fail. Shoulder and/or through-lane separation may be apparent. Popouts or spalling could also be present in the section.
5.0 = Very Poor/ Failed	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking or severe alligator cracking. Shadow cracking in composite pavement is wider than one inch. Rutting in wheel path may be severe and patching is no longer beneficial to pavement condition.	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking, joints failing, and the patching is no longer beneficial to pavement condition. Spalling and edge cracking could also be severe.

Established Condition Level

No more than 30% of the pavements shall be rated as "Poor" or "Very Poor."

Assessed Conditions

The State assesses condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Good" or "Poor," for the past three years. "Good" represents ratings of 1.0 through 3.0 above and "Poor" represents ratings of 4.0 and 5.0.

Rating	2013	2012	2011
Good	78.1%	78.8%	81.3%
Poor	21.9%	21.2%	18.7%

Bridges

Measurement Scale
MDOT utilizes the National Bridge Inventory (NBI) to monitor the condition of bridges (spans in excess of 20 feet) under its jurisdiction. The inventory rates bridges, including the deck, superstructure and substructure, using a 10-point scale:

Rating	Description
9	Excellent (no specific definition).
8	Very good. No problems noted.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action.

Established Condition Level
No more than 35% of the highway bridges shall be rated as “structurally deficient.”

Assessed Conditions
A highway bridge is classified as structurally deficient if the deck, superstructure, substructure, or culvert is rated in “poor” condition (0 to 4 on the NBI rating scale). A bridge can also be classified as structurally deficient if its load carrying capacity is significantly below current design standards or if a waterway below frequently overtops the bridge during floods. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient,” in the stated year:

Fiscal Year	Structurally Deficient
2014	6.1%
2013	6.0%
2012	6.4%

Bridges that are not intended to carry highway traffic are not included in MDOT’s condition assessment. As a result, the number of bridges that were evaluated (4,462) in fiscal year 2014 is less than the total (4,807) maintained by the department.

Estimated and Actual Costs to Maintain
The following table presents the State’s estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the “Established Condition Levels” cited above, and the actual amount spent during the past five fiscal years (in millions):

Fiscal Year	Estimated Spending	Actual Spending
2015	$ 729.3	$ -
2014	689.0	784.5
2013	737.0	837.8
2012	719.0	772.4
2011	766.0	752.4
2010	1,162.0	829.6

FINANCIAL SECTION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES – NON-MAJOR FUNDS

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
SEPTEMBER 30, 2014
(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 197	$ -	$ 91	$ -	**$ 289**
Equity in common cash	975,365	1,869	902,935	122,458	**2,002,628**
Taxes, interest, and penalties receivable	95,491	-	466	-	**95,957**
Amounts due from other funds	5,881	-	36,837	-	**42,717**
Amounts due from component units	-	-	1,777	-	**1,777**
Amounts due from federal agencies	81,814	-	212,386	-	**294,200**
Amounts due from local units	2,259	-	49,153	293	**51,705**
Inventories	427	-	7,685	-	**8,113**
Investments	-	223,664	26,576	-	**250,240**
Other current assets	234,997	1	3,472	8,516	**246,986**
Total Current Assets	1,396,432	225,535	1,241,378	131,267	**2,994,612**
Taxes, interest, and penalties receivable	2,540	-	-	-	**2,540**
Amounts due from local units	16,854	-	31,011	-	**47,866**
Investments	237,759	-	-	875,611	**1,113,370**
Other noncurrent assets	4,167	-	58	-	**4,226**
Total Assets	$ 1,657,753	$ 225,535	$ 1,272,448	$ 1,006,878	**$ 4,162,613**
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ 5,461	$ -	$ 9,129	$ 28	**$ 14,617**
Accounts payable and other liabilities	248,069	401	309,321	11,644	**569,435**
Amounts due to other funds	19,387	457	42,429	237	**62,509**
Amounts due to component units	54,925	-	206	-	**55,131**
Bonds and notes payable	-	-	99,105	-	**99,105**
Interest payable	-	-	8	-	**8**
Unearned revenue	6,819	-	5,614	-	**12,433**
Total Current Liabilities	334,661	858	465,811	11,908	**813,238**
Long-Term Liabilities:					
Unearned revenue	67	-	34	-	**101**
Total Liabilities	334,727	858	465,845	11,908	**813,338**
DEFERRED INFLOWS OF RESOURCES	186,959	-	153	-	**187,112**
FUND BALANCES					
Nonspendable	221,369	-	7,685	763,527	**992,581**
Restricted	367,232	224,677	904,892	231,442	**1,728,244**
Committed	547,466	-	-	-	**547,466**
Unassigned	-	-	(106,128)	-	**(106,128)**
Total Fund Balances	1,136,066	224,677	806,449	994,970	**3,162,162**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,657,753	$ 225,535	$ 1,272,448	$ 1,006,878	**$ 4,162,613**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	**TOTALS**
REVENUES					
Taxes	$ 2,001,646	$ -	$ 5,056	$ -	$ **2,006,702**
From federal agencies	271,687	-	1,264,974	6	**1,536,667**
From local agencies	-	-	10,727	-	**10,727**
From services	3,791	-	4,289	-	**8,080**
From licenses and permits	183,951	-	16,821	-	**200,772**
Miscellaneous	836,539	3,259	49,643	103,501	**992,941**
Total Revenues	3,297,613	3,259	1,351,511	103,506	**4,755,890**
EXPENDITURES					
Current:					
General government	176,055	256	-	1,898	**178,208**
Education	-	1,128	62,075	-	**63,203**
Human services	32,883	-	-	-	**32,883**
Public safety and corrections	812	-	-	3,342	**4,154**
Conservation, environment, recreation, and agriculture	220,993	-	29	24,982	**246,003**
Labor, commerce, and regulatory	663,902	-	-	-	**663,902**
Health services	85,835	-	-	-	**85,835**
Transportation	1,314,724	1,188	1,077,797	-	**2,393,709**
Capital outlay	11,539	-	992,682	50,393	**1,054,614**
Debt Service:					
Bond principal retirement	-	452,631	-	-	**452,631**
Bond interest and fiscal charges	-	317,873	-	-	**317,873**
Capital lease payments	583	-	791	-	**1,374**
Total Expenditures	2,507,326	773,075	2,133,373	80,615	**5,494,389**
Excess of Revenues over (under) Expenditures	790,287	(769,817)	(781,862)	22,891	**(738,500)**
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	295,085	-	-	**295,085**
Premium on bond issuance	-	35,223	-	-	**35,223**
Payment to refunded bond escrow agent	-	(299,121)	-	-	**(299,121)**
Capital lease acquisitions	-	-	475	-	**475**
Proceeds from sale of capital assets	-	-	1,820	20	**1,840**
Transfers from other funds	514,157	751,241	961,708	-	**2,227,106**
Transfers to other funds	(1,049,558)	-	(279,617)	(313)	**(1,329,488)**
Total Other Financing Sources (Uses)	(535,401)	782,428	684,385	(293)	**931,120**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	254,886	12,612	(97,477)	22,599	**192,621**
Fund Balances - Beginning of fiscal year	881,180	212,065	903,926	972,371	**2,969,542**
Fund Balances - End of fiscal year	$ 1,136,066	$ 224,677	$ 806,449	$ 994,970	$ **3,162,162**

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 2014
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ -	$ 191	$ 6	$ -	**$ 197**
Equity in common cash	195,899	153,132	74,300	552,034	**975,365**
Taxes, interest, and penalties receivable	95,290	200	-	-	**95,491**
Amounts due from other funds	1,788	-	4,093	-	**5,881**
Amounts due from federal agencies	68,995	3,847	8,973	-	**81,814**
Amounts due from local units	623	1,636	-	-	**2,259**
Inventories	-	427	-	-	**427**
Other current assets	2,388	7,294	65,220	160,095	**234,997**
Total Current Assets	364,983	166,728	152,591	712,130	**1,396,432**
Taxes, interest, and penalties receivable	2,527	13	-	-	**2,540**
Amounts due from local units	938	15,917	-	-	**16,854**
Investments	-	214,364	-	23,395	**237,759**
Other noncurrent assets	316	309	-	3,542	**4,167**
Total Assets	$ 368,764	$ 397,330	$ 152,591	$ 739,067	**$ 1,657,753**
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ 4,650	$ 191	$ 421	$ 199	**$ 5,461**
Accounts payable and other liabilities	215,547	16,112	15,179	1,232	**248,069**
Amounts due to other funds	8,178	1,883	9,285	41	**19,387**
Amounts due to component units	-	-	54,925	-	**54,925**
Unearned revenue	336	1,332	5,151	-	**6,819**
Total Current Liabilities	228,710	19,518	84,961	1,472	**334,661**
Long-Term Liabilities:					
Unearned revenue	67	-	-	-	**67**
Total Liabilities	228,777	19,518	84,961	1,472	**334,727**
DEFERRED INFLOWS OF RESOURCES	11,343	571	12,444	162,600	**186,959**
FUND BALANCES					
Nonspendable	-	197,945	-	23,424	**221,369**
Restricted	128,643	179,296	52,397	6,896	**367,232**
Committed	-	-	2,790	544,676	**547,466**
Total Fund Balances	128,643	377,241	55,186	574,995	**1,136,066**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 368,764	$ 397,330	$ 152,591	$ 739,067	**$ 1,657,753**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	**TOTALS**
REVENUES					
Taxes	$ 2,001,417	$ 229	$ -	$ -	**$ 2,001,646**
From federal agencies	123,939	6,896	140,080	772	**271,687**
From services	3,785	-	6	-	**3,791**
From licenses and permits	34,317	139,716	9,919	-	**183,951**
Miscellaneous	8,505	93,908	528,294	205,832	**836,539**
Total Revenues	2,171,961	240,749	678,299	206,604	**3,297,613**
EXPENDITURES					
Current:					
General government	-	2,731	26,923	146,401	**176,055**
Human services	-	-	-	32,883	**32,883**
Public safety and corrections	-	-	-	812	**812**
Conservation, environment, recreation, and agriculture	-	220,993	-	-	**220,993**
Labor, commerce, and regulatory	-	-	647,665	16,237	**663,902**
Health services	-	-	-	85,835	**85,835**
Transportation	1,314,724	-	-	-	**1,314,724**
Capital outlay	-	11,539	-	-	**11,539**
Debt Service:					
Capital lease payments	-	-	583	-	**583**
Total Expenditures	1,314,724	235,263	675,171	282,168	**2,507,326**
Excess of Revenues over (under) Expenditures	857,237	5,486	3,128	(75,563)	**790,287**
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	167,315	30,374	19,167	297,300	**514,157**
Transfers to other funds	(1,011,777)	(20,343)	(17,398)	(40)	**(1,049,558)**
Total Other Financing Sources (Uses)	(844,461)	10,031	1,768	297,260	**(535,401)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	12,776	15,517	4,896	221,697	**254,886**
Fund Balances - Beginning of fiscal year	115,867	361,724	50,290	353,298	**881,180**
Fund Balances - End of fiscal year	$ 128,643	$ 377,241	$ 55,186	$ 574,995	**$ 1,136,066**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 2,001,417	$ 2,001,417	$ -	$ 229	$ 229	$ -
From federal agencies	123,939	123,939	-	6,509	6,509	-
From services	3,785	3,785	-	-	-	-
From licenses and permits	34,317	34,317	-	139,716	139,716	-
Miscellaneous	8,505	8,505	-	45,974	45,974	-
Transfers in	167,315	167,315	-	30,374	30,374	-
Total Revenues and Other Sources	2,339,277	2,339,277	-	222,803	222,803	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Licensing and Regulatory Affairs	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Natural Resources	-	-	-	225,962	222,190	3,772
Transportation	2,421,330	2,415,991	5,339	-	-	-
Treasury	-	-	-	2,668	2,643	25
Total Expenditures, Transfers Out, and Encumbrances	2,421,330	2,415,991	5,339	228,631	224,833	3,798
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (82,053)	(76,714)	$ 5,339	$ (5,828)	(2,030)	$ 3,798
Reconciling Items:						
Encumbrances at September 30		89,490			7,259	
Funds not annually budgeted		-			10,288	
Net Reconciling Items		89,490			17,547	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		12,776			15,517	
FUND BALANCES (GAAP BASIS)						
Beginning balances		115,867			361,724	
Ending balances (GAAP Basis)		$ 128,643			$ 377,241	

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -	$ 2,001,646	$ 2,001,646	$ -
140,080	140,080	-	772	772	-	271,300	271,300	-
6	6	-	-	-	-	3,791	3,791	-
9,919	9,919	-	-	-	-	183,951	183,951	-
45,223	45,223	-	193,284	193,284	-	292,986	292,986	-
19,167	19,167	-	102,500	102,500	-	319,357	319,357	-
214,395	214,395	-	296,556	296,556	-	3,073,030	3,073,030	-
-	-	-	681	446	235	681	446	235
-	-	-	85,835	85,835	-	85,835	85,835	-
-	-	-	32,942	32,890	53	32,942	32,890	53
177,868	175,508	2,360	-	-	-	177,868	175,508	2,360
-	-	-	1,001	74	927	1,001	74	927
-	-	-	750	750	-	750	750	-
-	-	-	-	-	-	225,962	222,190	3,772
-	-	-	-	-	-	2,421,330	2,415,991	5,339
43,956	41,656	2,300	420,903	145,970	274,933	467,527	190,269	277,258
221,824	217,164	4,660	542,112	265,964	276,148	3,413,897	3,123,952	289,944
$ (7,429)	(2,769)	$ 4,660	$ (245,556)	30,592	$ 276,148	$ (340,866)	(50,922)	$ 289,944
	518			2			97,269	
	7,148			191,103			208,539	
	7,666			191,105			305,808	
	4,896			221,697			254,886	
	50,290			353,298			881,180	
	$ 55,186			$ 574,995			$ 1,136,066	

SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

MICHIGAN TRANSPORTATION FUND

Established pursuant to Michigan Compiled Laws Section 247.660, this fund accounts for the receipt and distribution of several tax revenues dedicated for highway purposes. Transfers are made to the General Fund, State Trunkline Fund, and the Comprehensive Transportation Fund. Expenditures include grants to counties, cities, and villages for highway purposes.

COMPREHENSIVE TRANSPORTATION FUND

Established pursuant to Michigan Compiled Laws Section 247.660, this fund accounts for the planning and development of public transportation systems within the State. Federal revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund provide financing for expenditures.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	**TOTALS**
ASSETS			
Current Assets:			
Equity in common cash	$ 107,270	$ 88,629	**$ 195,899**
Taxes, interest, and penalties receivable	95,290	-	**95,290**
Amounts due from other funds	-	1,788	**1,788**
Amounts due from federal agencies	-	68,995	**68,995**
Amounts due from local units	-	623	**623**
Other current assets	4	2,384	**2,388**
Total Current Assets	202,565	162,418	**364,983**
Taxes, interest, and penalties receivable	2,527	-	**2,527**
Amounts due from local units	-	938	**938**
Other noncurrent assets	-	316	**316**
Total Assets	$ 205,092	$ 163,672	**$ 368,764**
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 3,854	$ 796	**$ 4,650**
Accounts payable and other liabilities	182,133	33,414	**215,547**
Amounts due to other funds	8,078	100	**8,178**
Unearned revenue	-	336	**336**
Total Current Liabilities	194,065	34,645	**228,710**
Long-Term Liabilities:			
Unearned revenue	-	67	**67**
Total Liabilities	194,065	34,712	**228,777**
DEFERRED INFLOWS OF RESOURCES	11,027	316	**11,343**
FUND BALANCES			
Restricted	-	128,643	**128,643**
Total Fund Balances	-	128,643	**128,643**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 205,092	$ 163,672	**$ 368,764**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	**TOTALS**
REVENUES			
Taxes	$ 1,899,391	$ 102,026	**$ 2,001,417**
From federal agencies	-	123,939	**123,939**
From services	3,785	-	**3,785**
From licenses and permits	33,658	659	**34,317**
Miscellaneous	594	7,911	**8,505**
Total Revenues	1,937,427	234,534	**2,171,961**
EXPENDITURES			
Current:			
Transportation	945,334	369,390	**1,314,724**
Total Expenditures	945,334	369,390	**1,314,724**
Excess of Revenues over (under) Expenditures	992,093	(134,855)	**857,237**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	477	166,838	**167,315**
Transfers to other funds	(992,570)	(19,207)	**(1,011,777)**
Total Other Financing Sources (Uses)	(992,093)	147,631	**(844,461)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	12,776	**12,776**
Fund Balances - Beginning of fiscal year	-	115,867	**115,867**
Fund Balances - End of fiscal year	$ -	$ 128,643	**$ 128,643**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN TRANSPORTATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 1,899,391	$ 1,899,391	$ -
From federal agencies	-	-	-
From services	3,785	3,785	-
From licenses and permits	33,658	33,658	-
Miscellaneous	594	594	-
Transfers in	477	477	-
Total Revenues and Other Sources	1,937,904	1,937,904	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	1,940,084	1,937,904	2,180
Total Expenditures, Transfers Out, and Encumbrances	1,940,084	1,937,904	2,180
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (2,180)	-	$ 2,180
Reconciling Items:			
Encumbrances at September 30		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-	
FUND BALANCES (GAAP BASIS)			
Beginning balances		-	
Ending balances (GAAP Basis)		$ -	

COMPREHENSIVE TRANSPORTATION FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ 102,026	$ 102,026	$ -	$ 2,001,417	$ 2,001,417	$ -
123,939	123,939	-	123,939	123,939	-
-	-	-	3,785	3,785	-
659	659	-	34,317	34,317	-
7,911	7,911	-	8,505	8,505	-
166,838	166,838	-	167,315	167,315	-
401,373	401,373	-	2,339,277	2,339,277	-
481,246	478,087	3,159	2,421,330	2,415,991	5,339
481,246	478,087	3,159	2,421,330	2,415,991	5,339
$ (79,873)	(76,714)	$ 3,159	$ (82,053)	(76,714)	$ 5,339
	89,490			89,490	
	89,490			89,490	
	12,776			12,776	
	115,867			115,867	
	$ 128,643			$ 128,643	

SPECIAL REVENUE FUNDS – CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

MICHIGAN CONSERVATION AND RECREATION LEGACY FUND

This fund ("Legacy Fund") was created by Article 9, Section 40, of the State Constitution, an amendment approved by voters in November 2006. The purpose of the amendment was to constitutionally prevent the diversion of certain funds and revenues for purposes other than those for which they were created. Section 40 created the following accounts within the Legacy Fund: Forest Recreation, Game and Fish Protection, Off-Road Vehicle, Recreation Improvement, Snowmobile, State Park Improvement, and Waterways.

The implementing legislation related to this amendment, found in Sections 324.2002 – 324.2035 of the Michigan Compiled Laws, transferred a number of special revenue funds and certain restrictively financed activities within the General Fund to the Legacy Fund. The following special revenue funds were transferred into the fund: Game and Fish Protection Fund, Michigan State Waterways Fund, Marine Safety Fund, and State Park Improvement Fund. The restrictively financed activities transferred into the fund from the General Fund were related to various outdoor recreation activities including snowmobiles, off-road vehicles, recreation trails, and State forest recreation.

Financing consists primarily of hunting and fishing licenses; camping and park entrance fees; 2% of gasoline taxes dedicated for boating, snowmobiling, off-road vehicles and other trails; watercraft and snowmobile registration fees; and trail use permits. The fund also receives funding from the Michigan Game and Fish Protection Trust Fund. Expenditures are limited to those activities specified in Section 40 and include forest recreation activities, wildlife and fisheries programs, off-road vehicle and snowmobile trails and facilities, State parks and recreation areas, improvement of lake harbors and inland waterways, and water safety education programs.

MICHIGAN GAME AND FISH PROTECTION TRUST FUND

The former Game and Fish Protection Trust Fund was established in 1986 to restrict certain assets for the purpose of generating interest and earnings for transfer to the former Game and Fish Protection Fund (now accounted for within the Michigan Conservation and Recreation Legacy Fund). Article 9, Section 41, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Game and Fish Protection Trust Fund.

The fund operates under Sections 324.43702 – 324.43704 of the Michigan Compiled Laws. The Legislature may appropriate up to $6 million annually for use by the Game and Fish Protection Account of the Michigan Conservation and Recreation Legacy Fund. Mineral royalties from lands acquired by the Game and Fish Protection Account; direct sale proceeds; and other revenues, which, by statute, are retained for permanent investment, provide additional investment funding.

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND

The former Michigan Nongame Fish and Wildlife Fund was established in 1983 to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. Article 9, Section 42, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Nongame Fish and Wildlife Trust Fund.

The fund operates under Sections 324.43902 – 324.43907 of the Michigan Compiled Laws. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales.

FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and operates under Michigan Compiled Laws Section 324.50507. The primary revenue source of the fund is timber revenue from State forest lands. Expenditures from the fund are for forest management activities and forest fire protection. The Authority is authorized to, but thus far has not, issued bonds.

BOTTLE DEPOSITS FUND

Michigan Compiled Laws (MCL) Section 445.573c created the Bottle Deposits Fund to provide for the disposition of unredeemed bottle deposits. The Department of Treasury and the Department of Environmental Quality (DEQ) jointly administer the fund. The law mandates that an annual distribution of the funds be made as follows: 25% returned to the dealers and 75% to fund several sub-funds.

The 75% distribution to DEQ is initially deposited into the Cleanup and Redevelopment Trust Sub-Fund (CRTF), and if not further distributed, remains there until the principal amount reaches $200 million. Of funds received annually by the CRTF, 80% is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10% to the Community Pollution Prevention Sub-Fund.

MCL Section 324.20108 moved the former Environmental Response Fund (ERF) to a sub-fund of the CRF. The law mandates that proceeds of all cost recovery actions taken and settlements entered into pursuant to the ERF (excluding natural resource damages) by DEQ or the Attorney General, or both, shall be credited to the ERF.

Several DEQ sub-funds are administratively housed within the Bottle Deposits Fund, although they receive no bottle deposits revenue. Included is the State Sites Cleanup Sub-Fund, established in accordance with MCL Section 324.20108c to provide for response activities at facilities where the State is liable as an owner or operator. The following loan programs administered by DEQ are also included: the Brownfield Revolving Loan Fund created by MCL Section 324.19608a, the Revitalization Revolving Loan Fund created by MCL Section 324.20108a, and the Federal Brownfield Cleanup and Revolving Loan Fund.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
ASSETS		
Current Assets:		
Cash	$ 73	$ 104
Equity in common cash	68,325	15,973
Taxes, interest, and penalties receivable	200	-
Amounts due from federal agencies	3,831	-
Amounts due from local units	165	-
Inventories	427	-
Other current assets	5,353	1,348
Total Current Assets	78,375	17,425
Taxes, interest, and penalties receivable	13	-
Amounts due from local units	-	-
Investments	1,514	206,652
Other noncurrent assets	-	-
Total Assets	$ 79,901	$ 224,077
LIABILITIES		
Current Liabilities:		
Warrants outstanding	$ 118	$ -
Accounts payable and other liabilities	13,049	-
Amounts due to other funds	1,377	-
Unearned revenue	1,332	-
Total Current Liabilities	15,876	-
Total Liabilities	15,876	-
DEFERRED INFLOWS OF RESOURCES	13	-
FUND BALANCES		
Nonspendable	-	187,243
Restricted	64,012	36,833
Total Fund Balances	64,012	224,077
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 79,901	$ 224,077

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ 14	$ -	**$ 191**
723	11,769	56,341	**153,132**
-	-	-	**200**
-	16	-	**3,847**
-	-	1,471	**1,636**
-	-	-	**427**
45	35	514	**7,294**
768	11,834	58,326	**166,728**
-	-	-	**13**
-	-	15,917	**15,917**
6,198	-	-	**214,364**
-	-	309	**309**
$ 6,966	$ 11,834	$ 74,552	**$ 397,330**
$ -	$ 23	$ 50	**$ 191**
18	2,275	770	**16,112**
3	334	170	**1,883**
-	-	-	**1,332**
21	2,632	990	**19,518**
21	2,632	990	**19,518**
-	-	558	**571**
6,000	-	4,702	**197,945**
946	9,203	68,302	**179,296**
6,946	9,203	73,004	**377,241**
$ 6,966	$ 11,834	$ 74,552	**$ 397,330**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
REVENUES		
Taxes	$ 229	$ -
From federal agencies	6,484	-
From licenses and permits	139,713	-
Miscellaneous	4,975	26,211
Total Revenues	151,401	26,211
EXPENDITURES		
Current:		
General government	2,643	88
Conservation, environment, recreation, and agriculture	166,176	117
Capital outlay	11,505	-
Total Expenditures	180,324	204
Excess of Revenues over (under) Expenditures	(28,923)	26,007
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	30,374	-
Transfers to other funds	(2,883)	(13,855)
Total Other Financing Sources (Uses)	27,492	(13,855)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,432)	12,152
Fund Balances - Beginning of fiscal year	65,444	211,925
Fund Balances - End of fiscal year	$ 64,012	$ 224,077

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	**$ 229**
-	25	387	**6,896**
-	3	-	**139,716**
603	40,396	21,722	**93,908**
603	40,424	22,109	**240,749**
-	-	-	**2,731**
420	33,449	20,831	**220,993**
-	35	-	**11,539**
420	33,483	20,831	**235,263**
183	6,941	1,278	**5,486**
-	-	-	**30,374**
(7)	(457)	(3,142)	**(20,343)**
(7)	(457)	(3,142)	**10,031**
177	6,484	(1,864)	**15,517**
6,769	2,718	74,868	**361,724**
$ 6,946	$ 9,203	$ 73,004	**$ 377,241**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND			MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 229	$ 229	$ -	$ -	$ -	$ -
From federal agencies	6,484	6,484	-	-	-	-
From licenses and permits	139,713	139,713	-	-	-	-
Miscellaneous	4,975	4,975	-	603	603	-
Transfers in	30,374	30,374	-	-	-	-
Total Revenues and Other Sources	181,775	181,775	-	603	603	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	190,568	187,093	3,475	553	459	94
Treasury	2,668	2,643	25	-	-	-
Total Expenditures, Transfers Out and Encumbrances	193,237	189,736	3,500	553	459	94
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (11,461)	(7,961)	$ 3,500	$ 51	144	$ 94
Reconciling Items:						
Encumbrances at September 30		6,529			32	
Funds not annually budgeted		-			-	
Net Reconciling Items		6,529			32	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(1,432)			177	
FUND BALANCES (GAAP BASIS)						
Beginning balances		65,444			6,769	
Ending balances (GAAP Basis)		$ 64,012			$ 6,946	

FUNDS NOT ANNUALLY BUDGETED							
FOREST DEVELOPMENT FUND			MICHIGAN GAME AND FISH PROTECTION TRUST FUND	BOTTLE DEPOSITS FUND	TOTALS		
BUDGET	ACTUAL	VARIANCE	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ 229	$ 229	$ -
25	25	-	-	-	6,509	6,509	-
3	3	-	-	-	139,716	139,716	-
40,396	40,396	-	-	-	45,974	45,974	-
-	-	-	-	-	30,374	30,374	-
40,424	40,424	-	-	-	222,803	222,803	-
34,841	34,638	203	-	-	225,962	222,190	3,772
-	-	-	-	-	2,668	2,643	25
34,841	34,638	203	-	-	228,631	224,833	3,798
$ 5,583	5,786	$ 203	-	-	$ (5,828)	(2,030)	$ 3,798
	698		-	-		7,259	
	-		12,152	(1,864)		10,288	
	698		12,152	(1,864)		17,547	
	6,484		12,152	(1,864)		15,517	
	2,718		211,925	74,868		361,724	
	$ 9,203		$ 224,077	$ 73,004		$ 377,241	

SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Michigan Compiled Laws (MCL) Section 570.1201 created the Homeowner Construction Lien Recovery Fund to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. MCL 570.1201 was repealed effective August 23, 2010 and as of September 30, 2014, final disposition of the remaining fund balance had not occurred as a result of pending litigation.

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

Michigan Compiled Laws Section 421.10 created this fund to account for administrative costs of the Unemployment Insurance Agency, which is administered by the Department of Licensing and Regulatory Affairs. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (reported as part of the Michigan Unemployment Compensation Funds, an enterprise fund). Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from funds accumulated from employer premiums. These activities are reported in the Michigan Unemployment Compensation Funds.

SAFETY EDUCATION AND TRAINING FUND

Michigan Compiled Laws Section 408.1055 imposes an annual levy on each insurance carrier licensed to write workers' disability compensation business in the State and on each self-insured employer. The Safety Education and Training Fund was established to receive these assessments for support of the Department of Licensing and Regulatory Affairs' Consultation Education and Training Division.

SECOND INJURY FUND

Michigan Compiled Laws Section 418.501, created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The administrator, appointed by the fund's Board of Trustees, supervises the fund. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers licensed or authorized in Michigan.

SELF-INSURERS' SECURITY FUND

Established by Michigan Compiled Laws Section 418.501, the Self-Insurers' Security Fund pays workers' compensation benefits to injured employees of insolvent, private self-insured employers. Revenues are generated through annual assessments of insurance carriers.

Funds held in trust per court orders to pay obligations due under the Michigan Workers' Disability Compensation Act are reported as liabilities of this fund.

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

Established by Michigan Compiled Laws Section 418.501, the Silicosis, Dust Disease, and Logging Industry Compensation Fund reimburses insurance carriers who pay benefits to employees injured from certain dust diseases, and employees who have sustained personal injury or death while being employed in the logging industry. Revenues are generated through annual assessments of insurance carriers.

STATE CONSTRUCTION CODE FUND

Michigan Compiled Laws Section 125.1522 created the State Construction Code Fund. Fees received for building permit applications and other funds collected under this legislation are appropriated by the Legislature for the operation of the Department of Licensing and Regulatory Affairs' Bureau of Construction Codes and related indirect overhead expenditures.

UTILITY CONSUMER REPRESENTATION FUND

Established by Michigan Compiled Laws Section 460.6m, the Utility Consumer Representation Fund provides funding, on behalf of residential gas, fuel, and electric customers, for energy cost recovery hearings before the Michigan Public Service Commission. Revenues are generated through annual assessments of regulated utility companies.

UNEMPLOYMENT OBLIGATION TRUST FUND

This fund was created by Michigan Compiled Laws (MCL) Section 421.10a to facilitate the repayment of debt incurred through a bond issuance authorized under the Employment Security Financing Act (MCL 12.271 et seq.) and MCL 421.26a. This debt was issued in order to repay advances received from the Federal Government that were provided to temporarily assist Michigan with unemployment payments that exceeded current revenue collections. Revenues within the Obligation Trust Fund are generated from annual assessments on employers. Payments are made to the Michigan Finance Authority, a discretely presented component unit, which currently holds the bonds and makes regular payments to the bond holders.

STATE CASINO GAMING FUND

Created by Michigan Compiled Laws (MCL) Section 432.212, this fund provides the licensing, regulation, and control of casino gaming activities in Michigan via the five-member gaming control board created under MCL 432.204. Additional responsibilities include the performance of authorized inspections of tribal Class III gaming facilities and records pursuant to and in accordance with the provisions of the various tribal/state compacts as delegated by the Governor in November 2002; the regulation of live horse racing per Executive Order 2009-45; and the licensing and regulation of Millionaire Party charitable gaming events per Executive Order 2012-4.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 2014
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
ASSETS					
Current Assets:					
Cash	$ -	$ -	$ -	$ -	$ -
Equity in common cash	208	-	6,973	13,698	33,445
Amounts due from other funds	-	2,773	-	-	-
Amounts due from federal agencies	-	8,973	-	-	-
Other current assets	-	3	-	300	1,042
Total Current Assets	208	11,748	6,973	13,998	34,487
Total Assets	$ 208	$ 11,748	$ 6,973	$ 13,998	$ 34,487
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ -	$ 7	$ 3	$ 289	$ 106
Accounts payable and and other liabilities	-	2,859	252	1,350	9,429
Amounts due to other funds	-	8,882	89	16	9
Amounts due to component units	-	-	-	-	-
Unearned revenue	-	-	-	3,326	1,588
Total Current Liabilities	-	11,748	344	4,980	11,132
Total Liabilities	-	11,748	344	4,980	11,132
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Restricted	208	-	6,630	9,018	23,355
Committed	-	-	-	-	-
Total Fund Balances	208	-	6,630	9,018	23,355
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 208	$ 11,748	$ 6,973	$ 13,998	$ 34,487

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	**TOTALS**
$ -	$ -	$ -	$ -	$ 6	**$ 6**
1,573	2,574	2,328	2,502	11,000	**74,300**
-	-	-	1,320	-	**4,093**
-	-	-	-	-	**8,973**
130	130	-	63,546	68	**65,220**
1,704	2,704	2,328	67,369	11,073	**152,591**
$ 1,704	$ 2,704	$ 2,328	$ 67,369	$ 11,073	**$ 152,591**
$ 1	$ 2	$ 12	$ -	$ 1	**$ 421**
345	226	94	-	625	**15,179**
4	89	7	-	189	**9,285**
-	-	-	54,925	-	**54,925**
226	-	-	-	11	**5,151**
576	317	113	54,925	826	**84,961**
576	317	113	54,925	826	**84,961**
-	-	-	12,444	-	**12,444**
1,128	2,387	2,215	-	7,457	**52,397**
-	-	-	-	2,790	**2,790**
1,128	2,387	2,215	-	10,247	**55,186**
$ 1,704	$ 2,704	$ 2,328	$ 67,369	$ 11,073	**$ 152,591**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
REVENUES					
From federal agencies	$ -	$ 140,080	$ -	$ -	$ -
From services	-	-	-	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	30	-	9,831	13,082	11,829
Total Revenues	30	140,080	9,831	13,082	11,829
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Labor, commerce, and regulatory	-	153,403	9,645	12,522	4,968
Debt Service:					
Capital lease payments	-	583	-	-	-
Total Expenditures	-	153,986	9,645	12,522	4,968
Excess of Revenues over (under) Expenditures	30	(13,906)	186	560	6,861
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	15,508	-	-	-
Transfers to other funds	-	(1,602)	(133)	(23)	(13)
Total Other Financing Sources (Uses)	-	13,906	(133)	(23)	(13)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	30	-	52	536	6,848
Fund Balances - Beginning of fiscal year	178	-	6,577	8,481	16,507
Fund Balances - End of fiscal year	$ 208	$ -	$ 6,630	$ 9,018	$ 23,355

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	**TOTALS**
$ -	$ -	$ -	$ -	$ -	**$ 140,080**
-	6	-	-	-	**6**
-	8,868	-	-	1,050	**9,919**
1,201	2	1,207	455,751	35,360	**528,294**
1,201	8,877	1,207	455,751	36,410	**678,299**
-	-	740	-	26,184	**26,923**
1,278	9,480	617	455,751	-	**647,665**
-	-	-	-	-	**583**
1,278	9,480	1,357	455,751	26,184	**675,171**
(77)	(603)	(149)	-	10,226	**3,128**
-	-	-	-	3,659	**19,167**
(6)	(144)	(5)	-	(15,472)	**(17,398)**
(6)	(144)	(5)	-	(11,813)	**1,768**
(83)	(747)	(154)	-	(1,587)	**4,896**
1,211	3,134	2,369	-	11,833	**50,290**
$ 1,128	$ 2,387	$ 2,215	$ -	$ 10,247	**$ 55,186**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND			MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ 140,080	$ 140,080	$ -
From services	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	30	30	-	-	-	-
Transfers in	-	-	-	15,508	15,508	-
Total Revenues and Other Sources	30	30	-	155,588	155,588	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Licensing and Regulatory Affairs	-	-	-	155,588	155,588	-
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	155,588	155,588	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 30	30	$ -	$ -	-	$ -
Reconciling Items:						
Encumbrances at September 30		-			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		30			-	
FUND BALANCES (GAAP BASIS)						
Beginning balances		178			-	
Ending balances (GAAP Basis)		$ 208			$ -	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	6	6	-
-	-	-	8,868	8,868	-
9,831	9,831	-	2	2	-
-	-	-	-	-	-
9,831	9,831	-	8,877	8,877	-
11,019	9,869	1,151	11,260	10,051	1,209
-	-	-	-	-	-
11,019	9,869	1,151	11,260	10,051	1,209
$ (1,189)	(38)	$ 1,151	$ (2,384)	(1,174)	$ 1,209
	90			427	
	-			-	
	90			427	
	52			(747)	
	6,577			3,134	
	$ 6,630			$ 2,387	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	STATE CASINO GAMING FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From services	-	-	-
From licenses and permits	1,050	1,050	-
Miscellaneous	35,360	35,360	-
Transfers in	3,659	3,659	-
Total Revenues and Other Sources	40,069	40,069	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Licensing and Regulatory Affairs	-	-	-
Treasury	43,956	41,656	2,300
Total Expenditures, Transfers Out, and Encumbrances	43,956	41,656	2,300
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (3,887)	(1,587)	$ 2,300
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(1,587)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		11,833	
Ending balances (GAAP Basis)		$ 10,247	

FUNDS NOT ANNUALLY BUDGETED							
SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	TOTALS		
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ 140,080	$ 140,080	$ -
-	-	-	-	-	6	6	-
-	-	-	-	-	9,919	9,919	-
-	-	-	-	-	45,223	45,223	-
-	-	-	-	-	19,167	19,167	-
-	-	-	-	-	214,395	214,395	-
-	-	-	-	-	177,868	175,508	2,360
-	-	-	-	-	43,956	41,656	2,300
-	-	-	-	-	221,824	217,164	4,660
-	-	-	-	-	$ (7,429)	(2,769)	$ 4,660
-	-	-	-	-		518	
536	6,848	(83)	(154)	-		7,148	
536	6,848	(83)	(154)	-		7,666	
536	6,848	(83)	(154)	-		4,896	
8,481	16,507	1,211	2,369	-		50,290	
$ 9,018	$ 23,355	$ 1,128	$ 2,215	$ -		$ 55,186	

SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

21st CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21st Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. Executive Order 2010-2 moved the Authority to the Michigan Finance Authority. The bonds were issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 2016, the fund will also receive a portion of the tobacco settlement revenue received by the State.

MICHIGAN MERIT AWARD TRUST FUND

This fund was created by Michigan Compiled Laws (MCL) Section 12.259 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Fund expenditures are used for the Michigan Merit Award Scholarship, Michigan Promise Scholarship, and other programs as determined by the Legislature.

All assets and liabilities of the Tobacco Settlement Trust Fund, established by MCL Section 12.253 and repealed as part of tobacco securitization legislation passed in November 2005, were transferred to the Michigan Merit Award Trust Fund in fiscal year 2006.

MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY

Michigan Compiled Laws Section 141.1604 created the Michigan Settlement Administration Authority (MSAA) as a public body corporate. The purpose of the Authority is to provide funding to the retirement systems of the City of Detroit pursuant to certain requirements being fulfilled. If the requirements are not fulfilled by May 1, 2015, then the money of the Authority will be returned to the Counter-Cyclical Budget and Economic Stabilization Fund (a subfund of the General Fund). The MSAA's three-member governing board consists of the State Treasurer, the State Budget Director, and one member appointed by the Governor.

CHILDREN'S TRUST FUND

Michigan Compiled Laws (MCL) Section 21.171 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under MCL Section 722.603 to coordinate and fund activities for the prevention of child abuse and neglect in the State. Not more than one-half the money contributed to the trust fund each year, plus the interest and earnings, excluding unrealized gains and losses, credited to the trust fund during the previous fiscal year are available for disbursement. Money received as gifts or donations to the trust fund shall be available for disbursement upon appropriation. Funds that are not available for disbursement are reported as nonspendable fund balance.

This fund is also used to account for the Foster Care Trust Fund that was established under MCL Section 722.1023 and transferred to the State Child Abuse and Neglect Prevention Board with Executive Order 2010-17. Funds in the Foster Care Trust Fund are not expendable until the balance reaches $800 thousand.

MILITARY FAMILY RELIEF FUND

Michigan Compiled Laws Section 35.1213 created this fund to provide assistance to families of certain members of the reserve components of the United States armed forces on active duty. A qualified individual or the individual's family shall apply to the Department of Military and Veterans Affairs for a grant from the fund. Funds are received primarily from taxpayer contributions on his or her annual State tax return designating $1 or more of his or her refund to be credited to this fund.

MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Children's Institute Trust, Special Assessment Deferment, and Intrastate Switched Toll Restructuring.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY
ASSETS			
Current Assets:			
Equity in common cash	$ 274,682	$ 75,754	$ 194,803
Other current assets	56,250	103,599	-
Total Current Assets	330,932	179,353	194,803
Investments	-	-	-
Other noncurrent assets	-	2,683	-
Total Assets	$ 330,932	$ 182,036	$ 194,803
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ -
Accounts payable and other liabilities	-	809	-
Amounts due to other funds	-	24	-
Total Current Liabilities	-	833	-
Total Liabilities	-	833	-
DEFERRED INFLOWS OF RESOURCES	56,250	106,012	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	274,682	75,191	194,803
Total Fund Balances	274,682	75,191	194,803
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 330,932	$ 182,036	$ 194,803

CHILDREN'S TRUST FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ 1,478	$ 2,446	$ 2,871	**$ 552,034**
166	-	80	**160,095**
1,644	2,446	2,952	**712,130**
23,395	-	-	**23,395**
-	-	859	**3,542**
25,039	$ 2,446	$ 3,811	**$ 739,067**
$ 2	$ 1	$ 196	**$ 199**
408	2	14	**1,232**
11	-	6	**41**
421	3	215	**1,472**
421	3	215	**1,472**
-	-	338	**162,600**
23,424	-	-	**23,424**
1,195	2,443	3,258	**6,896**
-	-	-	**544,676**
24,619	2,443	3,258	**574,995**
$ 25,039	$ 2,446	$ 3,811	**$ 739,067**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY
REVENUES			
From federal agencies	$ -	$ -	$ -
Miscellaneous	75,000	115,975	3
Total Revenues	75,000	115,975	3
EXPENDITURES			
Current:			
General government	145,097	1,303	-
Human services	-	30,100	-
Public safety and corrections	-	739	-
Labor, commerce, and regulatory	-	-	-
Health services	-	85,835	-
Total Expenditures	145,097	117,977	-
Excess of Revenues over (under) Expenditures	(70,097)	(2,002)	3
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	102,500	-	194,800
Transfers to other funds	-	(26)	-
Total Other Financing Sources (Uses)	102,500	(26)	194,800
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	32,403	(2,028)	194,803
Fund Balances - Beginning of fiscal year	242,279	77,219	-
Fund Balances - End of fiscal year	$ 274,682	$ 75,191	$ 194,803

CHILDREN'S TRUST FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ 772	$ -	$ -	**$ 772**
2,177	132	12,546	**205,832**
2,949	132	12,546	**206,604**
-	-	-	**146,401**
2,783	-	-	**32,883**
-	73	-	**812**
-	-	16,237	**16,237**
-	-	-	**85,835**
2,783	73	16,237	**282,168**
166	59	(3,692)	**(75,563)**
-	-	-	**297,300**
(6)	-	(8)	**(40)**
(6)	-	(8)	**297,260**
159	59	(3,699)	**221,697**
24,459	2,384	6,957	**353,298**
$ 24,619	$ 2,443	$ 3,258	**$ 574,995**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	21ST CENTURY JOBS TRUST FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
Miscellaneous	75,000	75,000	-
Transfers in	102,500	102,500	-
Total Revenues and Other Sources	177,500	177,500	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Attorney General	-	-	-
Community Health	-	-	-
Human Services	-	-	-
Military and Veterans Affairs	-	-	-
State Police	-	-	-
Treasury	419,779	145,097	274,682
Total Expenditures, Transfers Out, and Encumbrances	419,779	145,097	274,682
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (242,279)	32,403	$ 274,682
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		32,403	
FUND BALANCES (GAAP BASIS)			
Beginning balances		242,279	
Ending balances (GAAP Basis)		$ 274,682	

MICHIGAN MERIT AWARD TRUST FUND			CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 772	$ 772	$ -	$ -	$ -	$ -
115,975	115,975	-	2,177	2,177	-	132	132	-
-	-	-	-	-	-	-	-	-
115,975	115,975	-	2,949	2,949	-	132	132	-
681	446	235	-	-	-	-	-	-
85,835	85,835	-	-	-	-	-	-	-
30,100	30,100	-	2,842	2,790	53	-	-	-
-	-	-	-	-	-	1,001	74	927
750	750	-	-	-	-	-	-	-
1,124	873	251	-	-	-	-	-	-
118,489	118,003	486	2,842	2,790	53	1,001	74	927
$ (2,514)	(2,028)	$ 486	$ 107	159	$ 53	$ (870)	58	$ 927
	1			-			1	
	-			-			-	
	1			-			1	
	(2,028)			159			59	
	77,219			24,459			2,384	
	$ 75,191			$ 24,619			$ 2,443	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED				
	MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS		
Statutory/Budgetary Basis	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES					
From federal agencies	$ -	$ -	$ 772	$ 772	$ -
Miscellaneous	-	-	193,284	193,284	-
Transfers in	-	-	102,500	102,500	-
Total Revenues and Other Sources	-	-	296,556	296,556	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY					
Attorney General	-	-	681	446	235
Community Health	-	-	85,835	85,835	-
Human Services	-	-	32,942	32,890	53
Military and Veterans Affairs	-	-	1,001	74	927
State Police	-	-	750	750	-
Treasury	-	-	420,903	145,970	274,933
Total Expenditures, Transfers Out, and Encumbrances	-	-	542,112	265,964	276,148
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	$ (245,556)	30,592	$ 276,148
Reconciling Items:					
Encumbrances at September 30	-	-		2	
Funds not annually budgeted	194,803	(3,699)		191,103	
Net Reconciling Items	194,803	(3,699)		191,105	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	194,803	(3,699)		221,697	
FUND BALANCES (GAAP BASIS)					
Beginning balances	-	6,957		353,298	
Ending balances (GAAP Basis)	$ 194,803	$ 3,258		$ 574,995	

DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all State Trunkline Fund (STF) related bond issues allowed for under Michigan Compiled Laws Section 247.661. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in STF. Debt service requirements are funded by annual appropriations in STF.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all Comprehensive Transportation Fund (CTF) related bond issues allowed for under Michigan Compiled Laws Section 247.660b. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in CTF. Debt service requirements are funded by annual appropriations in CTF.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

This fund was established pursuant to Michigan Compiled Laws (MCL) Sections 324.19506, 324.71506, and 324.95102 to service recreation and environmental protection bond issues. This fund also reflects debt service transactions related to State Park Improvement Fund (SPIF) revenue bonds, issued pursuant to MCL Section 324.74106.

Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund, transfers from SPIF representing state park revenues pledged for the payment of State Park Gross Revenue Bonds, and transfers from other funds as required by legislative appropriation or executive order.

Included in the restricted fund balance on the balance sheet is a $300 thousand reserve account required by the State Park Gross Revenue Bonds document for additional security to pay bond principal and interest.

SCHOOL LOAN BOND REDEMPTION FUND

Michigan Compiled Laws Section 388.922 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund or School Aid Fund.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment.

SBA projects are financed by revenue bonds, the proceeds of which can only be used for construction and debt service on projects related to particular bond issues. During construction, debt service requirements are financed by a portion of the bond proceeds that are dedicated for that purpose. For completed projects, the resources to finance bond interest and redemption are provided by transfers from the General Fund and from investment earnings of this fund. When a project is completed, the remaining assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in common cash	$ 298	$ -	$ 1,572
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	298	-	1,572
Total Assets	$ 298	$ -	$ 1,572
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	$ 298	$ -	$ -
Amounts due to other funds	-	-	-
Total Current Liabilities	298	-	-
Total Liabilities	298	-	-
FUND BALANCES			
Restricted	-	-	1,571
Total Fund Balances	-	-	1,571
Total Liabilities and Fund Balances	$ 298	$ -	$ 1,572

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	**TOTALS**
$ -	$ -	$ **1,869**
-	223,664	**223,664**
-	1	**1**
-	223,665	**225,535**
$ -	$ 223,665	**$ 225,535**
$ -	$ 103	**$ 401**
-	457	**457**
-	560	**858**
-	560	**858**
-	223,106	**224,677**
-	223,106	**224,677**
$ -	$ 223,665	**$ 225,535**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	$ -	$ -	$ 1
Total Revenues	-	-	1
EXPENDITURES			
Current:			
General government	-	-	256
Education	-	-	-
Transportation	1,187	-	-
Debt Service:			
Bond principal retirement	114,955	14,535	143,965
Bond interest and fiscal charges	104,155	7,877	38,135
Total Expenditures	220,297	22,412	182,356
Excess of Revenues over (under) Expenditures	(220,297)	(22,412)	(182,355)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	265,085	-	30,000
Premium on bond issuance	35,223	-	-
Payment to refunded bond escrow agent	(299,121)	-	-
Transfers from other funds	219,110	22,412	152,468
Total Other Financing Sources (Uses)	220,297	22,412	182,468
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	113
Fund Balances - Beginning of fiscal year	-	-	1,458
Fund Balances - End of fiscal year	$ -	$ -	$ 1,571

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	**TOTALS**
$ -	$ 3,257	**$ 3,259**
-	3,257	**3,259**
-	-	**256**
-	1,128	**1,128**
-	-	**1,188**
77,006	102,170	**452,631**
49,243	118,463	**317,873**
126,249	221,761	**773,075**
(126,249)	(218,503)	**(769,817)**
-	-	**295,085**
-	-	**35,223**
-	-	**(299,121)**
126,249	231,002	**751,241**
126,249	231,002	**782,428**
-	12,499	**12,612**
-	210,607	**212,065**
$ -	$ 223,106	**$ 224,677**

CAPITAL PROJECTS FUNDS

STATE TRUNKLINE FUND

Established pursuant to Michigan Compiled Laws Section 247.661, this fund accounts for highway construction and maintenance. Its annual budget is subject to legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. The majority of projects in this fund are owned by the State. Financing consists primarily of federal aid, local participation, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations.

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund.

STATE AERONAUTICS FUND

Established pursuant to Michigan Compiled Laws Section 259.34, this fund accounts for airport improvement projects, of which a majority are locally owned. Financing consists primarily of aviation fuel taxes and federal contributions.

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668b, this fund accounts for the proceeds of State trunkline revenue dedicated bonds. These bonds are used in part to finance the costs of road and bridge construction. All projects accounted for by this fund are owned by the State.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668b, this fund accounts for the proceeds of comprehensive transportation revenue dedicated bonds. These bonds are used in part to finance the costs of locally owned comprehensive transportation projects.

TRANSPORTATION RELATED TRUST FUNDS

The Michigan Department of Transportation is recognized as the legal representative of the State, including all governmental subdivisions, in the administration of the Federal Highway Administration programs. The financing accounted for in this fund consists primarily of revenues from the federal Highway Trust Fund utilized to reimburse municipalities for road and bridge program activities with very little State funds. All projects accounted for in this fund are locally owned.

COMBINED RECREATION BOND FUND

Established in 1988, this fund has operated under Michigan Compiled Law Sections 324.19601 – 324.19616, 324.71303, 324.71501 – 324.71514, and 324.74106 – 324.74113. The balances in the fund are derived from proceeds and investment earnings remaining from $50 million of general obligation bonds approved by voters in November 1998 as part of a $675 million bond package known as the “Clean Michigan Initiative” for both State and local projects. The balance retained in the fund is currently being appropriated for post completion inspection of local projects.

A 1988 bond package, which has been fully expended, provided $70 million of general obligation bonds to finance State and local public recreation projects to construct, expand, and develop recreational facilities at State parks, provide grants and loans to local units of government for recreation projects and to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package have been used to improve State parks with the installation or upgrade of drinking water systems or restroom facilities and provide grants and loans to local units of government for recreation projects.

In fiscal year 2011, bond balances related to the 1998 bond package used to improve State parks were transferred to the State Park Improvement Account within the Michigan Conservation and Recreation Legacy Fund pursuant to Public Act 50 of 2011, Section 303. A significant portion of the remaining bond balances related to the 1998 bond package used for grants to local units of government were transferred to the Michigan Natural Resources Trust Fund pursuant to Public Act 50 of 2011, Section 302.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment. The SBA's five-member board is appointed by the Governor.

This capital projects fund accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the SBA Advance Financing Fund, and the transfer of assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

ADVANCE FINANCING FUNDS

The Advance Financing Funds reflects the activities of two sub-funds: the State Building Authority (SBA) Advance Financing Fund and the Site Preparation Economic Development Fund.

The SBA Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of SBA bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of SBA are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as an interfund liability. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to the SBA projects are recorded in this fund.

SBA, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from SBA is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. SBA will reimburse this fund by recording a transfer and the deficit attributable to the bonded projects will be eliminated when SBA issues bonds or obtains commercial paper.

The Site Preparation Economic Development Fund is created through the annual appropriations process to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
ASSETS				
Current Assets:				
Cash	$ 91	$ -	$ -	$ -
Equity in common cash	848,564	12,059	28,094	11,765
Taxes, interest, and penalties receivable	-	466	-	-
Amounts due from other funds	6,290	-	-	-
Amounts due from component units	1,777	-	-	-
Amounts due from federal agencies	140,461	26,455	4,015	-
Amounts due from local units	9,618	3,653	1,680	-
Inventories	7,685	-	-	-
Investments	-	-	-	-
Other current assets	3,341	130	-	-
Total Current Assets	1,017,828	42,764	33,789	11,765
Amounts due from local units	30,868	144	-	-
Other noncurrent assets	58	-	-	-
Total Assets	$ 1,048,754	$ 42,908	$ 33,789	$ 11,765
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 4,252	$ 4,834	$ -	$ 35
Accounts payable and other liabilities	184,772	18,387	3,645	1,818
Amounts due to other funds	3,802	74	-	-
Amounts due to component units	206	-	-	-
Bonds and notes payable	-	-	-	-
Interest payable	-	-	-	-
Unearned revenue	2,562	-	174	-
Total Current Liabilities	195,594	23,295	3,819	1,854
Long-Term Liabilities:				
Unearned revenue	34	-	-	-
Total Liabilities	195,628	23,295	3,819	1,854
DEFERRED INFLOWS OF RESOURCES	150	3	-	-
FUND BALANCES				
Nonspendable	7,685	-	-	-
Restricted	845,291	19,609	29,970	9,911
Unassigned	-	-	-	-
Total Fund Balances	852,976	19,609	29,970	9,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,048,754	$ 42,908	$ 33,789	$ 11,765

TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	**TOTALS**
$ -	$ -	$ -	$ -	**$ 91**
2,342	111	-	-	**902,935**
-	-	-	-	**466**
-	-	-	30,546	**36,837**
-	-	-	-	**1,777**
41,455	-	-	-	**212,386**
34,202	-	-	-	**49,153**
-	-	-	-	**7,685**
-	-	26,576	-	**26,576**
-	-	-	-	**3,472**
77,999	111	26,576	30,546	**1,241,378**
-	-	-	-	**31,011**
-	-	-	-	**58**
$ 77,999	$ 111	$ 26,576	$ 30,546	**$ 1,272,448**
$ 7	$ -	$ -	$ -	**$ 9,129**
75,115	-	326	25,258	**309,321**
-	-	30,569	7,984	**42,429**
-	-	-	-	**206**
-	-	99,105	-	**99,105**
-	-	8	-	**8**
2,878	-	-	-	**5,614**
77,999	-	130,008	33,242	**465,811**
-	-	-	-	**34**
77,999	-	130,008	33,242	**465,845**
-	-	-	-	**153**
-	-	-	-	**7,685**
-	111	-	-	**904,892**
-	-	(103,432)	(2,696)	**(106,128)**
-	111	(103,432)	(2,696)	**806,449**
$ 77,999	$ 111	$ 26,576	$ 30,546	**$ 1,272,448**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
REVENUES				
Taxes	$ -	$ 5,056	$ -	$ -
From federal agencies	818,219	74,101	58,450	-
From local agencies	10,518	61	149	-
From services	3,501	789	-	-
From licenses and permits	16,518	303	-	-
Miscellaneous	42,767	646	4,608	366
Total Revenues	891,522	80,956	63,207	366
EXPENDITURES				
Current:				
Education	-	-	-	-
Conservation, environment, recreation, and agriculture	-	-	-	-
Transportation	660,071	89,836	5,308	7,124
Capital outlay	889,858	371	71,371	250
Debt service:				
Capital lease payments	791	-	-	-
Total Expenditures	1,550,719	90,207	76,679	7,374
Excess of Revenues over (under) Expenditures	(659,198)	(9,250)	(13,472)	(7,009)
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions	475	-	-	-
Proceeds from sale of capital assets	1,820	-	-	-
Transfers from other funds	950,012	6,000	-	-
Transfers to other funds	(224,650)	(3,464)	(45,799)	-
Total Other Financing Sources (Uses)	727,657	2,536	(45,799)	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	68,459	(6,715)	(59,271)	(7,009)
Fund Balances - Beginning of fiscal year	784,517	26,324	89,242	16,920
Fund Balances - End of fiscal year	$ 852,976	$ 19,609	$ 29,970	$ 9,911

TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	**TOTALS**
$ -	$ -	$ -	$ -	**$ 5,056**
314,204	-	-	-	**1,264,974**
-	-	-	-	**10,727**
-	-	-	-	**4,289**
-	-	-	-	**16,821**
1,255	-	2	-	**49,643**
315,459	-	2	-	**1,351,511**
-	-	61,145	930	**62,075**
-	29	-	-	**29**
315,459	-	-	-	**1,077,797**
-	-	29,255	1,576	**992,682**
-	-	-	-	**791**
315,459	29	90,400	2,506	**2,133,373**
-	(28)	(90,398)	(2,506)	**(781,862)**
-	-	-	-	**475**
-	-	-	-	**1,820**
-	-	-	5,696	**961,708**
-	-	(5,704)	-	**(279,617)**
-	-	(5,704)	5,696	**684,385**
-	(28)	(96,102)	3,190	**(97,477)**
-	140	(7,330)	(5,886)	**903,926**
$ -	$ 111	$ (103,432)	$ (2,696)	**$ 806,449**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	STATE TRUNKLINE FUND			STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 5,056	$ 5,056	$ -
From federal agencies	818,219	818,219	-	74,101	74,101	-
From local agencies	10,518	10,518	-	61	61	-
From services	3,501	3,501	-	789	789	-
From licenses and permits	16,518	16,518	-	303	303	-
Miscellaneous	42,767	42,767	-	646	646	-
Proceeds from sale of capital assets	1,820	1,820	-	-	-	-
Transfers in	950,012	950,012	-	6,000	6,000	-
Total Revenues and Other Sources	1,843,353	1,843,353	-	86,956	86,956	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Transportation	1,852,524	1,807,297	45,227	98,242	95,858	2,384
Total Expenditures, Transfers Out, and Encumbrances	1,852,524	1,807,297	45,227	98,242	95,858	2,384
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (9,171)	36,056	$ 45,227	$ (11,286)	(8,901)	$ 2,384
Reconciling Items:						
Encumbrances at September 30		32,403			2,186	
Funds not annually budgeted		-			-	
Net Reconciling Items		32,403			2,186	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		68,459			(6,715)	
FUND BALANCES (GAAP BASIS)						
Beginning balances		784,517			26,324	
Ending balances (GAAP Basis)		$ 852,976			$ 19,609	

FUNDS NOT ANNUALLY BUDGETED

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(59,271)	(7,009)	-	(28)	(96,102)	3,190
(59,271)	(7,009)	-	(28)	(96,102)	3,190
(59,271)	(7,009)	-	(28)	(96,102)	3,190
89,242	16,920	-	140	(7,330)	(5,886)
$ 29,970	$ 9,911	$ -	$ 111	$ (103,432)	$ (2,696)

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	TOTALS		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 5,056	$ 5,056	$ -
From federal agencies	892,320	892,320	-
From local agencies	10,579	10,579	-
From services	4,289	4,289	-
From licenses and permits	16,821	16,821	-
Miscellaneous	43,413	43,413	-
Proceeds from sale of capital assets	1,820	1,820	-
Transfers in	956,012	956,012	-
Total Revenues and Other Sources	1,930,310	1,930,310	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	1,950,766	1,903,155	47,611
Total Expenditures, Transfers Out, and Encumbrances	1,950,766	1,903,155	47,611
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (20,456)	27,155	$ 47,611
Reconciling Items:			
Encumbrances at September 30		34,590	
Funds not annually budgeted		(159,221)	
Net Reconciling Items		(124,631)	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(97,477)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		903,926	
Ending balances (GAAP Basis)		$ 806,449	

PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund (MNRTF). The fund, established in 1985, operates under Sections 324.1901 - 324.1908 of the Michigan Compiled Laws. The State Treasurer directs fund investments, which include fixed income and equity investments.

In May of 2011, the MNRTF reached the constitutional limit of $500 million on the investment corpus. As a result, the MNRTF no longer receives revenue generated from oil and gas bonuses, rentals, and royalties from State owned land. Constitutionally, these revenue sources are now deposited into the Michigan State Parks Endowment Fund.

Constitutional provisions limit all future MNRTF appropriations to investment and other miscellaneous income of the fund. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to fund payments in lieu of property taxes on State lands acquired by the fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, the Michigan State Parks Endowment Fund (MSPEF) is governed by the provisions of Michigan Compiled Laws Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a $40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. Currently all revenues previously attributable to the Michigan Natural Resources Trust Fund from oil and gas bonuses, rentals, and royalties from State-owned land are deposited in the MSPEF until its accumulated principal is capped at $800 million.

The legislature is limited to appropriating no more than 50% of revenues from oil and gas bonuses, rentals, and royalties from State-owned land plus interest and earnings and any private contributions or other revenue to the endowment fund. When the endowment fund's principal balance reaches $800 million, only the interest and earnings in excess of the amount needed to maintain the $800 million principal limit, annually adjusted for inflation, may be expended.

MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

COMBINING BALANCE SHEET
PERMANENT FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
ASSETS				
Current Assets:				
Equity in common cash	$ 74,024	$ 46,914	$ 1,521	$ **122,458**
Amounts due from local units	-	-	293	**293**
Other current assets	2,739	5,499	279	**8,516**
Total Current Assets	76,762	52,413	2,092	**131,267**
Investments	619,471	203,939	52,201	**875,611**
Total Assets	$ 696,233	$ 256,351	$ 54,294	**$ 1,006,878**
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 4	$ 22	$ 1	**$ 28**
Accounts payable and other liabilities	9,606	2,022	15	**11,644**
Amounts due to other funds	15	216	6	**237**
Total Current Liabilities	9,625	2,261	22	**11,908**
Total Liabilities	9,625	2,261	22	**11,908**
FUND BALANCES				
Nonspendable	500,000	213,527	50,000	**763,527**
Restricted	186,607	40,563	4,272	**231,442**
Total Fund Balances	686,607	254,090	54,272	**994,970**
Total Liabilities and Fund Balances	$ 696,233	$ 256,351	$ 54,294	**$ 1,006,878**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
REVENUES				
From federal agencies	$ -	$ 6	$ -	**$ 6**
Miscellaneous	41,376	57,932	4,193	**103,501**
Total Revenues	41,376	57,938	4,193	**103,506**
EXPENDITURES				
Current:				
General government	1,814	82	1	**1,898**
Public safety and corrections	-	-	3,342	**3,342**
Conservation, environment, recreation, and agriculture	2,372	22,610	-	**24,982**
Capital outlay	44,401	5,992	-	**50,393**
Total Expenditures	48,588	28,684	3,343	**80,615**
Excess of Revenues over (under) Expenditures	(7,212)	29,254	850	**22,891**
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	20	-	-	**20**
Transfers to other funds	(17)	(287)	(9)	**(313)**
Total Other Financing Sources (Uses)	3	(287)	(9)	**(293)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(7,209)	28,966	841	**22,599**
Fund Balances - Beginning of fiscal year	693,816	225,124	53,430	**972,371**
Fund Balances - End of fiscal year	$ 686,607	$ 254,090	$ 54,272	**$ 994,970**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PERMANENT FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ 6	$ 6	$ -
Miscellaneous	41,376	41,376	-	57,932	57,932	-
Proceeds from sale of capital assets	20	20	-	-	-	-
Total Revenues and Other Sources	41,396	41,396	-	57,938	57,938	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	97,829	86,318	11,510	31,481	31,462	20
Treasury	1,842	1,814	28	82	82	-
Total Expenditures, Transfers Out, and Encumbrances	99,671	88,132	11,538	31,564	31,544	20
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (58,275)	(46,736)	$ 11,538	$ 26,374	26,394	$ 20
Reconciling Items:						
Encumbrances at September 30		39,528			2,573	
Net Reconciling Items		39,528			2,573	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(7,209)			28,966	
FUND BALANCES (GAAP BASIS)						
Beginning balances		693,816			225,124	
Ending balances (GAAP Basis)		$ 686,607			$ 254,090	

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 6	$ 6	$ -
4,193	4,193	-	103,501	103,501	-
-	-	-	20	20	-
4,193	4,193	-	103,527	$ 103,527	$ -
5,195	3,353	1,842	5,195	3,353	1,842
-	-	-	129,310	117,780	11,530
1	1	-	1,925	1,898	28
5,196	3,354	1,842	136,430	123,030	13,400
$ (1,003)	839	$ 1,842	$ (32,904)	(19,503)	$ 13,400
	2			42,102	
	2			42,102	
	841			22,599	
	53,430			972,371	
	$ 54,272			$ 994,970	

ENTERPRISE FUNDS

ATTORNEY DISCIPLINE SYSTEM

The Attorney Discipline System (ADS) consists of the Attorney Grievance Commission and the Attorney Discipline Board. This system provides the courts, legal profession, and the general public with a means to ensure that complaints against attorneys for potential violations of the Court Rules and the Michigan Rules of Professional Conduct are properly heard and investigated, and that sanctions are imposed where required. ADS is under the supervision of the Michigan Supreme Court which also approves the two agencies' budgets.

ADS receives revenue in the form of mandatory annual assessments on members of the State Bar of Michigan, provided for by Court Rules. This system also receives other revenue, primarily through the assessment of administrative fees and the recovery of costs, including subpoena fees and transcript costs.

LIQUOR PURCHASE REVOLVING FUND

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, within the Department of Licensing and Regulatory Affairs, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the net income of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	**TOTALS**
ASSETS			
Current Assets:			
Cash	$ 939	$ -	**$ 940**
Equity in common cash	-	71,525	**71,525**
Inventories	-	7,939	**7,939**
Investments	5,246	-	**5,246**
Other current assets	207	6,440	**6,647**
Total Current Assets	6,392	85,904	**92,296**
Capital Assets:			
Buildings and equipment	548	-	**548**
Allowance for depreciation	(514)	-	**(514)**
Total capital assets	34	-	**34**
Other noncurrent assets	35	-	**35**
Total Assets	$ 6,461	$ 85,904	**$ 92,365**
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ -	$ 4,561	**$ 4,561**
Accounts payable and other liabilities	392	79,121	**79,513**
Amounts due to other funds	-	288	**288**
Unearned revenue	505	-	**505**
Current portion of other long-term obligations	-	661	**661**
Total Current Liabilities	897	84,631	**85,528**
Long-Term Liabilities:			
Amounts due to other funds	-	25	**25**
Noncurrent portion of other long-term obligations	-	373	**373**
Total Liabilities	897	85,029	**85,925**
NET POSITION			
Net investment in capital assets	$ 34	$ -	**$ 34**
Unrestricted	5,530	876	**6,406**
Total Net Position	$ 5,564	$ 876	**$ 6,440**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	**TOTALS**
OPERATING REVENUES			
Operating revenues	$ 4,867	$ 957,054	**$ 961,921**
Total Operating Revenues	4,867	957,054	**961,921**
OPERATING EXPENSES			
Salaries, wages, and other administrative	4,761	78,891	**83,652**
Depreciation	37	-	**37**
Purchases for resale	-	698,828	**698,828**
Premiums and claims	-	24	**24**
Other operating expenses	-	1,532	**1,532**
Total Operating Expenses	4,798	779,276	**784,074**
Operating Income (Loss)	69	177,778	**177,846**
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	20	67	**87**
Other nonoperating expense	-	3	**3**
Total Nonoperating Revenues (Expenses)	20	70	**90**
Income (Loss) Before Transfers	89	177,848	**177,936**
TRANSFERS			
Transfers to other funds	-	(177,848)	**(177,848)**
Change in net position	89	-	**89**
Total net position - Beginning of fiscal year	5,475	876	**6,351**
Total net position - End of fiscal year	$ 5,564	$ 876	**$ 6,440**

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	**TOTALS**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ -	$ 957,054	**$ 957,054**
Membership dues	4,818	-	**4,818**
Payments to employees	(3,692)	(21,050)	**(24,743)**
Payments to suppliers	(869)	(764,768)	**(765,637)**
Other receipts	101	(251)	**(150)**
Other payments	(288)	(1,557)	**(1,845)**
Net cash provided (used) by operating activities	$ 70	$ 169,428	**$ 169,498**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	$ -	$ (177,848)	**$ (177,848)**
Net cash provided (used) by noncapital financing activities	$ -	$ (177,848)	**$ (177,848)**
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	$ (13)	$ -	**$ (13)**
Net cash provided (used) by capital and related financing activities	$ (13)	$ -	**$ (13)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	$ (26)	$ -	**$ (26)**
Interest and dividends on investments	20	67	**87**
Net cash provided (used) by investing activities	$ (6)	$ 67	**$ 61**
Net cash provided (used) - all activities	$ 51	$ (8,353)	**$ (8,302)**
Cash and cash equivalents at beginning of year	889	75,317	**76,206**
Cash and cash equivalents at end of year	$ 939	$ 66,964	**$ 67,904**
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Position Classifications:			
Cash	$ 939	$ -	**$ 940**
Equity in common cash	-	71,525	**71,525**
Warrants outstanding	-	(4,561)	**(4,561)**
Cash and cash equivalents at end of year	$ 939	$ 66,964	**$ 67,904**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 69	$ 177,778	**$ 177,846**
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	37	-	**37**
Other nonoperating revenue	-	3	**3**
Net Changes in Assets and Liabilities:			
Inventories	-	(725)	**(725)**
Other assets (net)	(73)	356	**283**
Accounts payable and other liabilities	(37)	(7,984)	**(8,021)**
Unearned revenue	73	-	**73**
Net cash provided (used) by operating activities	$ 70	$ 169,428	**$ 169,498**

INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Authorized by Michigan Compiled Laws (MCL) Section 800.325, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. MCL Section 800.326 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, a foreign government or agencies of a foreign government, a private vendor that operates the youth correctional facility, and certain tax-exempt organizations.

Executive Order 1992-13 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The minimum required payment was made in fiscal year 2014.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the financial statements entitled "Risk Management" provides additional information about this fund.

The amounts reflected as amounts due from other funds include reclassifications of other funds' negative balances in the common cash pool.

INFORMATION TECHNOLOGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 2002, the use of this fund was expanded to account for all information technology activities of the executive branch as prescribed in Executive Order 2001-03.

OFFICE SERVICES REVOLVING FUND

Created in 1952, this fund operates under Michigan Compiled Laws Section 18.1269 to provide services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

MOTOR TRANSPORT FUND

This fund was created by Michigan Compiled Laws Section 18.1213 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Technology, Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
ASSETS			
Current Assets:			
Equity in common cash	$ -	$ 297,425	$ 4,953
Amounts due from other funds	-	2,646	-
Amounts due from component units	-	27	-
Inventories	7,531	-	365
Other current assets	358	7,192	7,520
Total Current Assets	7,889	307,290	12,838
Capital Assets:			
Land and other non-depreciable assets	-	-	9,170
Buildings and equipment	28,370	-	996,572
Allowance for depreciation	(15,625)	-	(628,718)
Total capital assets	12,745	-	377,023
Other noncurrent assets	-	700	-
Total Assets	$ 20,634	$ 307,990	$ 389,861
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 26	$ 2	$ 623
Accounts payable and other liabilities	1,086	14,243	67,394
Amounts due to other funds	6,691	-	3,684
Amounts due to component units	-	-	25
Interest payable	2,150	-	-
Unearned revenue	-	112	30,748
Current portion of other long-term obligations	466	38,083	17,850
Total Current Liabilities	10,419	52,441	120,323
Long-Term Liabilities:			
Advances from other funds	2,702	-	-
Amounts due to other funds	2	-	235
Unearned revenue	-	-	199,380
Noncurrent portion of other long-term obligations	227	90,953	20,684
Total Liabilities	$ 13,351	$ 143,394	$ 340,621
NET POSITION			
Net investment in capital assets	$ 12,745	$ -	$ 358,993
Restricted for other purposes	-	-	-
Unrestricted	(5,462)	164,596	(309,754)
Total Net Position	$ 7,283	$ 164,596	$ 49,240

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	**TOTALS**
$ 6,588	$ 7,740	$ 6,311	**$ 323,017**
-	-	6,569	**9,215**
-	-	-	**27**
2,234	362	-	**10,492**
5,210	1,560	1,500	**23,340**
14,032	9,662	14,380	**366,091**
-	-	-	**9,170**
16,053	8,926	-	**1,049,920**
(10,904)	(8,803)	-	**(664,050)**
5,149	123	-	**395,040**
-	-	50	**750**
$ 19,182	$ 9,785	$ 14,430	**$ 761,881**
$ 51	$ 7	$ 16	**$ 726**
8,235	2,411	825	**94,194**
301	55	10	**10,742**
-	-	-	**25**
-	-	-	**2,150**
70	-	-	**30,930**
612	152	1,527	**58,690**
9,270	2,625	2,378	**197,457**
-	-	-	**2,702**
35	3	1	**276**
88	-	-	**199,467**
578	247	6,185	**118,873**
$ 9,970	$ 2,876	$ 8,564	**$ 518,776**
$ 5,149	$ 123	$ -	**$ 377,010**
-	6,786	-	**6,786**
4,062	-	5,866	**(140,691)**
$ 9,211	$ 6,909	$ 5,866	**$ 243,105**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
OPERATING REVENUES			
Operating revenues	$ 24,442	$ 755,536	$ 628,547
Total Operating Revenues	24,442	755,536	628,547
OPERATING EXPENSES			
Salaries, wages, and other administrative	13,121	22,398	557,464
Interest expense	-	-	3
Depreciation	920	-	75,890
Purchases for resale	-	-	-
Purchases for prison industries	10,138	-	-
Premiums and claims	-	715,136	-
Other operating expenses:			
Leased vehicles expense	-	-	-
Vehicle maintenance expense	-	-	-
Total other operating expenses	-	-	-
Total Operating Expenses	24,178	737,534	633,358
Operating Income (Loss)	264	18,002	(4,810)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	230	-
Other nonoperating revenues	-	-	252
Interest expense	(7)	-	(469)
Other nonoperating expense	(1,680)	-	-
Total Nonoperating Revenues (Expenses)	(1,687)	230	(217)
Income (Loss) Before Transfers	(1,423)	18,233	(5,027)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers from other funds	-	-	2,500
Transfers to other funds	(216)	-	(2,962)
Total Transfers In (Out)	(216)	-	(462)
Change in net position	(1,639)	18,233	(5,489)
Total net position - Beginning of fiscal year	8,922	146,363	54,729
Total net position - End of fiscal year	$ 7,283	$ 164,596	$ 49,240

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	**TOTALS**
$ 120,418	$ 66,667	$ 4,818	**$ 1,600,430**
120,418	66,667	4,818	**1,600,430**
27,792	6,320	2,917	**630,012**
-	-	-	**3**
1,171	29	-	**78,009**
90,341	-	-	**90,341**
-	-	-	**10,138**
-	943	465	**716,545**
-	26,653	-	**26,653**
-	33,463	-	**33,463**
-	60,116	-	**60,117**
119,304	67,408	3,382	**1,585,164**
1,114	(741)	1,437	**15,265**
-	-	-	**230**
-	33	-	**285**
-	-	-	**(476)**
-	-	-	**(1,680)**
-	33	-	**(1,641)**
1,114	(708)	1,437	**13,625**
-	-	-	**2,500**
(217)	(60)	(31)	**(3,485)**
(217)	(60)	(31)	**(985)**
897	(769)	1,406	**12,639**
8,314	7,678	4,461	**230,466**
$ 9,211	$ 6,909	$ 5,866	**$ 243,105**

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 24,499	$ 756,036	$ 717,104
Payments to employees	(9,746)	-	(206,546)
Payments to suppliers	(8,660)	(371,661)	(339,478)
Claims paid	-	(375,544)	-
Other receipts	-	-	-
Other payments	(3,827)	-	-
Net cash provided (used) by operating activities	$ 2,266	$ 8,832	$ 171,080
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	$ 6,569	$ -	$ -
Loans or loan repayments to other funds	(8,518)	-	(5,664)
Transfers from other funds	-	-	2,500
Transfers to other funds	(216)	-	(2,962)
Net cash provided (used) by noncapital financing activities	$ (2,165)	$ -	$ (6,125)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	$ (25)	$ -	$ (147,321)
Interest paid	(7)	-	-
Capital lease payments (including imputed interest expense)	-	-	(13,083)
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	$ (32)	$ -	$ (160,404)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	$ -	$ 230	$ -
Net cash provided (used) by investing activities	$ -	$ 230	$ -
Net cash provided (used) - all activities	$ 69	$ 9,062	$ 4,551
Cash and cash equivalents at beginning of year	(96)	288,360	(221)
Cash and cash equivalents at end of year	$ (26)	$ 297,422	$ 4,330
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Position Classifications:			
Equity in common cash	$ -	$ 297,425	$ 4,953
Warrants outstanding	(26)	(2)	(623)
Cash and cash equivalents at end of year	$ (26)	$ 297,422	$ 4,330
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 264	$ 18,002	$ (4,810)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	920	-	75,890
Net Changes in Assets and Liabilities:			
Inventories	1,547	-	(86)
Other assets (net)	57	4,133	(1,148)
Accounts payable and other liabilities	(520)	(13,270)	12,979
Unearned revenue	-	(33)	88,256
Net cash provided (used) by operating activities	$ 2,266	$ 8,832	$ 171,080
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	$ -	$ -	$ 7,653
Capital lease liabilities entered into during the year	-	-	(7,653)
Gain (loss) on disposal of capital assets	(1,680)	-	-
Total noncash investing, capital, and financing activities	$ (1,680)	$ -	$ -

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	**TOTALS**
$ 118,824	$ 66,570	$ 4,818	**$ 1,687,851**
(11,711)	(3,238)	(582)	**(231,822)**
(107,940)	(64,550)	(2,548)	**(894,837)**
-	-	(329)	**(375,873)**
-	96	-	**96**
-	-	-	**(3,827)**
$ (827)	$ (1,122)	$ 1,359	**$ 181,588**
$ -	$ 5,664	$ 8,130	**$ 20,362**
-	-	(6,569)	**(20,751)**
-	-	-	**2,500**
(217)	(60)	(31)	**(3,485)**
$ (217)	$ 5,603	$ 1,530	**$ (1,374)**
(1,576)	$ -	$ -	**$ (148,922)**
-	-	-	**(7)**
-	-	-	**(13,083)**
-	33	-	**33**
$ (1,576)	$ 33	$ -	**$ (161,980)**
$ -	$ -	$ -	**$ 230**
$ -	$ -	$ -	**$ 230**
$ (2,620)	$ 4,514	$ 2,889	**$ 18,465**
9,158	3,220	3,406	**303,827**
$ 6,538	$ 7,733	$ 6,295	**$ 322,292**
$ 6,588	$ 7,740	$ 6,311	**$ 323,017**
(51)	(7)	(16)	**(726)**
$ 6,537	$ 7,733	$ 6,295	**$ 322,291**
$ 1,114	$ (741)	$ 1,437	**$ 15,265**
1,171	29	-	**78,009**
638	25	-	**2,124**
(1,574)	85	-	**1,552**
(2,333)	(520)	(77)	**(3,742)**
158	-	-	**88,380**
$ (827)	$ (1,122)	$ 1,359	**$ 181,588**
$ -	$ -	$ -	**$ 7,653**
-	-	-	**(7,653)**
-	-	-	**(1,680)**
$ -	$ -	$ -	**$ (1,680)**

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans," "Pension Benefits," and "Other Postemployment Benefits," include additional information regarding the following funds and plans.

STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS

The State of Michigan 457 Plan and the State of Michigan 401k Plan are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years.

LEGISLATIVE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws (MCL) Section 38.1001. LRS's pension plan provides benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

MCL Section 38.1018 amended LRS's enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws Section 38.1001. LRS's health plan provides its members with health, dental, vision, and hearing insurance coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE POLICE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605, which is administered by a nine-member board under the direction of a chairperson elected from the membership. MSPRS's pension plan provides retirement, survivor and disability benefits to Michigan State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

As a result of contract negotiations, a pension plus plan was created which pairs a guaranteed retirement income (Defined Benefit pension) with a flexible and transferable retirement savings (Defined Contribution) account for employees first hired on or after June 10, 2012.

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605. MSPRS's health plan provides retirees hired before June 10, 2012 with the option of receiving health, dental, and vision coverage. Employees hired on or after June 10, 2012 are accounted for within the State of Michigan Defined Contribution Personal Health Care Fund.

STATE EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws (MCL) Section 38.2, which is administered by a nine-member board under the direction of an Executive Secretary. SERS's pension plan provides retirement, survivor and disability benefits to State employees.

Effective March 31, 1997, MCL Section 38.13 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The law also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws Section 38.2. SERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPSERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

Employer contributions and investment earnings provide financing for the fund. Under MCL Section 38.1343a, employees may contribute additional amounts into a "member investment plan".

Various MCLs, beginning with Section 38.1304, were amended to create a new "pension plus" plan which pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account for employees first hired after June 30, 2010.

PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws Section 38.1321. MPSERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

Effective July 1, 2010, MCL Section 38.1343e requires employees to contribute a percentage of their compensation into a funding account established under the public employee retirement health care fund act.

JUDGES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws (MCL) Section 38.2201. MJRS's pension plan provides retirement, survivor and disability benefits to judges in the judicial branch of State government. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

MCL Section 38.2401a, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws Section 38.2201. MJRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by Michigan Compiled Laws Section 38.11 as a defined contribution pension plan. Membership within the plan includes all State employees hired after March 31, 1997, Public School Reporting Units members hired after July 1, 2010, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elect to transfer to this plan. This fund also includes the State of Michigan Personal Healthcare subfund created by Public Act 264 of 2011 for all employees hired after January 1, 2012, and those who elected to transfer to this plan.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ASSETS				
Equity in common cash	$ 1,296	$ 1,237	$ 185	$ 10,485
Receivables:				
From participants	73,030	-	-	34
From employer	-	-	-	2,751
Other	152	-	-	-
Interest and dividends	-	41	-	160
Due from other funds	-	82	-	-
Due from component unit	-	-	-	-
Due from other governmental	-	-	161	-
Sale of investments	-	268	-	-
Investments at Fair Value:				
Short-term investments	-	-	-	68,598
Fixed Income	-	-	-	145,482
Domestic equities	-	60,984	9,277	370,466
Real estate	-	-	-	114,796
Alternative investments	-	16,870	2,556	214,743
International equities	-	2,030	269	190,356
Absolute return	-	-	-	135,299
Mutual funds	558,507	74,016	11,213	-
Pooled investment funds	1,275,615	-	-	-
Separate accounts	1,751,122	-	-	-
Securities lending collateral	-	-	-	83,652
Total Assets	$ 3,659,722	$ 155,527	$ 23,660	$ 1,336,822
LIABILITIES				
Warrants outstanding	$ -	$ 31	$ -	$ 25
Accounts payable and other liabilities	883	509	35	60
Amounts due to other funds	-	4	-	-
Obligations under security lending	-	-	-	86,569
Unearned revenue	-	-	-	-
Total Liabilities	$ 883	$ 544	$ 35	$ 86,654
NET POSITION				
Restricted for pension, postemployment health-care, and deferred compensation participants	$ 3,658,839	$ 154,983	$ 23,625	$ 1,250,168
Reconciliation of Net Position:				
Restricted for pension benefits	$ -	$ 154,983	$ -	$ 1,250,168
Restricted for postemployment health-care benefits	-	-	23,625	-
Restricted for deferred compensation participants	3,658,839	-	-	-
Total net position restricted for benefits	$ 3,658,839	$ 154,983	$ 23,625	$ 1,250,168

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
$ 3,640	$ 117,593	$ 16,698	$ 160,797	$ 85,878	$ 5,040
-	344	-	1,359	-	23
2,133	73,136	30,632	224,010	44,636	57
916	-	14,038	-	94,139	8
9	1,385	126	5,728	396	37
-	130	-	-	-	-
-	739	480	-	-	-
1,152	-	33,056	-	-	-
-	-	-	-	-	-
2,182	573,185	38,442	2,560,195	706,762	14,943
8,677	1,271,343	118,702	5,072,380	354,833	42,085
22,236	3,266,962	306,708	13,058,737	912,449	74,709
6,856	1,004,241	93,937	4,014,913	280,638	27,394
12,752	1,873,670	174,860	7,502,176	523,822	40,837
11,371	1,664,428	155,438	6,657,986	466,563	38,074
7,979	1,153,387	106,350	4,622,297	326,516	28,773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,746	725,740	66,014	2,946,448	202,650	19,613
$ 84,650	$ 11,726,282	$ 1,155,481	$ 46,827,027	$ 3,999,282	$ 291,594
$ -	$ 32	$ 2	$ 603	$ 2	$ -
2,074	396	29,135	1,450	255,342	1
-	-	-	-	-	-
4,912	751,048	68,316	3,049,197	209,717	20,297
-	-	9	2,590	-	-
$ 6,986	$ 751,476	$ 97,462	$ 3,053,838	$ 465,061	$ 20,298
$ 77,664	$ 10,974,806	$ 1,058,019	$ 43,773,189	$ 3,534,221	$ 271,296
$ -	$ 10,974,806	$ -	$ 43,773,189	$ -	$ 271,296
77,664	-	1,058,019	-	3,534,221	-
-	-	-	-	-	-
$ 77,664	$ 10,974,806	$ 1,058,019	$ 43,773,189	$ 3,534,221	$ 271,296

This statement continued on next page.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)
SEPTEMBER 30, 2014
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
ASSETS			
Equity in common cash	$ 1	$ 4,612	**$ 407,460**
Receivables:			
From participants	-	178,122	**252,912**
From employer	4	-	**377,360**
Other	16	1,495	**110,764**
Interest and dividends	-	-	**7,880**
Due from other funds	-	-	**212**
Due from component unit	-	-	**1,219**
Due from other governmental	20	-	**34,389**
Sale of investments	-	-	**268**
Investments at Fair Value:			
Short-term investments	33	-	**3,964,342**
Fixed Income	132	-	**7,013,635**
Domestic equities	235	-	**18,082,763**
Real estate	86	-	**5,542,861**
Alternative investments	128	-	**10,362,413**
International equities	120	-	**9,186,635**
Absolute return	90	-	**6,380,691**
Mutual funds	-	422,400	**1,066,136**
Pooled investment funds	-	1,527,245	**2,802,860**
Separate accounts	-	621,167	**2,372,289**
Securities lending collateral	60	-	**4,048,924**
Total Assets	$ 925	$ 2,755,041	**$ 72,016,012**
LIABILITIES			
Warrants outstanding	$ -	$ -	**$ 694**
Accounts payable and other liabilities	39	2,746	**292,669**
Amounts due to other funds	-	-	**4**
Obligations under security lending	62	-	**4,190,118**
Unearned revenue	-	-	**2,598**
Total Liabilities	$ 101	$ 2,746	**$ 4,486,084**
NET POSITION			
Restricted for pension, postemployment health-care, and deferred compensation participants	$ 824	$ 2,752,295	**$ 67,529,928**
Reconciliation of Net Position:			
Restricted for pension benefits	$ -	$ 2,752,295	**$ 59,176,737**
Restricted for postemployment health-care benefits	824	-	**4,694,353**
Restricted for deferred compensation participants	-	-	**3,658,839**
Total net position restricted for benefits	$ 824	$ 2,752,295	**$ 67,529,928**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ADDITIONS				
Contributions:				
From participants	$ 88,081	$ 6	$ 118	$ 2,174
From employers	448	-	3,452	58,391
From other governmental	-	-	167	-
From other systems	1,530	-	-	-
Investment Income:				
Net increase (decrease) in the fair value of investments	221,479	12,322	1,824	153,425
Interest, dividends, and other	50,439	3,067	440	23,687
Securities lending income	-	-	-	2,109
Less Investment Expense:				
Investment activity expense	-	521	77	3,719
Securities lending expense	-	-	-	1,417
Net investment income (loss)	271,918	14,868	2,187	174,085
Miscellaneous income	1,280	105	1,072	0
Total Additions	363,257	14,979	6,997	234,650
DEDUCTIONS				
Benefits paid to participants or beneficiaries	103,593	13,631	-	110,543
Medical, dental, and life insurance for retirants	-	-	6,114	-
Refunds and transfers to other systems	132,917	21	-	8
Administrative and other expenses	8,990	430	64	573
Transfers to other funds	-	-	-	2
Total Deductions	245,500	14,082	6,178	111,126
Change in net position	117,757	897	819	123,524
Net position - Beginning of fiscal year	3,541,082	154,086	22,806	1,126,643
Net position - End of fiscal year	$ 3,658,839	$ 154,983	$ 23,625	$ 1,250,168
Reconciliation of change in net position:				
Change in net position restricted for pension benefits	$ -	$ 897	$ -	$ 123,524
Change in net position restricted for postemployment benefits	-	-	819	-
Change in net position restricted for deferred compensation participants	117,757	-	-	-
Change in net position	$ 117,757	$ 897	$ 819	$ 123,524

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
$ 1,199	$ 47,527	$ 40,441	$ 405,444	$ 390,844	$ 1,025
46,615	705,100	700,938	1,600,375	1,000,032	-
1,758	-	54,945	-	138	-
-	-	-	-	-	-
7,589	1,349,252	101,445	5,461,865	310,068	32,290
1,180	206,964	15,613	835,369	48,328	5,497
119	18,326	1,659	74,617	5,083	463
171	32,640	2,285	131,548	6,987	798
81	12,319	1,123	49,854	3,429	304
8,637	1,529,583	115,308	6,190,449	353,064	37,147
-	43	60	2,262	531	3,182
58,207	2,282,254	911,692	8,198,530	1,744,609	41,354
-	1,222,881	-	4,388,329	-	22,536
31,373	-	487,662	-	669,240	-
-	152	3,930	28,841	69	-
1,410	6,931	25,536	23,527	133,623	288
-	-	-	184	-	-
32,783	1,229,964	517,128	4,440,880	802,932	22,825
25,424	1,052,290	394,564	3,757,649	941,676	18,530
52,240	9,922,516	663,455	40,015,540	2,592,545	252,766
$ 77,664	$ 10,974,806	$ 1,058,019	$ 43,773,189	$ 3,534,221	$ 271,296
$ -	$ 1,052,290	$ -	$ 3,757,649	$ -	$ 18,530
25,424	-	394,564	-	941,676	-
-	-	-	-	-	-
$ 25,424	$ 1,052,290	$ 394,564	$ 3,757,649	$ 941,676	$ 18,530

This statement continued on next page.

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
ADDITIONS			
Contributions:			
From participants	$ 447	$ 142,055	**$ 1,119,361**
From employers	-	170,811	**4,286,163**
From other governmental	69	-	**57,076**
From other systems	-	7,582	**9,112**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	101	198,048	**7,849,708**
Interest, dividends, and other	17	30,644	**1,221,245**
Securities lending income	1	-	**102,377**
Less Investment Expense:			
Investment activity expense	2	-	**178,747**
Securities lending expense	1	-	**68,527**
Net investment income (loss)	116	228,692	**8,926,055**
Miscellaneous income	1	1,166	**9,701**
Total Additions	634	550,306	**14,407,469**
DEDUCTIONS			
Benefits paid to participants or beneficiaries	-	70,608	**5,932,121**
Medical, dental, and life insurance for retirants	530	-	**1,194,920**
Refunds and transfers to other systems	-	73,275	**239,213**
Administrative and other expenses	59	11,358	**212,790**
Transfers to other funds	-	-	**186**
Total Deductions	589	155,241	**7,579,229**
Change in net position	44	395,065	**6,828,239**
Net position - Beginning of fiscal year	779	2,357,230	**60,701,689**
Net position - End of fiscal year	$ 824	$ 2,752,295	**$ 67,529,928**
Reconciliation of change in net position:			
Change in net position restricted for pension benefits	$ -	$ 395,065	**$ 5,347,955**
Change in net position restricted for postemployment benefits	44	-	**1,362,528**
Change in net position restricted for deferred compensation participants	-	-	**117,757**
Change in net position	$ 44	$ 395,065	**$ 6,828,239**

PRIVATE PURPOSE TRUST FUNDS

MICHIGAN EDUCATION SAVINGS PROGRAM

Michigan Compiled Laws Section 390.1473 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes limited contributions into the program as prescribed by law. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

ESCHEATS FUND

The Escheats Fund operates under the authority of Sections 567.221 – 567.265 of the Michigan Compiled Laws and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the laws are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the laws.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended in accordance with applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

HOSPITAL PATIENTS' TRUST FUND

The Hospital Patients' Trust Fund operates under the authority of Michigan Compiled Laws Section 330.1730 and is used to account for funds of patients receiving services in State hospitals. The Department of Community Health (DCH), in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. DCH distributes interest on a monthly basis to patients meeting minimum balance requirements.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	**TOTALS**
ASSETS					
Cash	$ 509	$ -	$ 1,342	$ 11	**$ 1,862**
Equity in common cash	-	86,958	15,661	97	**102,716**
Receivables:					
Interest and dividends	2,163	-	112	-	**2,275**
Investments at Fair Value:					
Fixed income	-	-	20,330	-	**20,330**
Mutual funds	3,703,155	-	12	-	**3,703,167**
Guaranteed funding agreements	531,036	-	-	-	**531,036**
Other current assets	2,789	1,056	9,373	2	**13,219**
Other noncurrent assets	-	-	550	-	**550**
Total Assets	$ 4,239,651	$ 88,014	$ 47,380	$ 110	**$ 4,375,156**
LIABILITIES					
Warrants outstanding	$ -	$ 4,084	$ 294	$ 8	**$ 4,386**
Accounts payable and other liabilities	5,958	281	2,099	13	**8,351**
Total Liabilities	$ 5,958	$ 4,364	$ 2,393	$ 21	**$ 12,736**
NET POSITION					
Restricted for other purposes	$ 4,233,693	$ 83,650	$ 44,987	$ 90	**$ 4,362,419**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	**TOTALS**
ADDITIONS					
Contributions:					
From participants	$ 475,135	$ -	$ -	$ -	**$ 475,135**
From clients	-	-	63,252	729	**63,981**
From gifts, bequests, and endowments	-	-	42,200	-	**42,200**
Investment Income:					
Net increase (decrease) in the fair value of investments	245,059	-	(90)	-	**244,969**
Interest, dividends, and other	78,593	-	519	-	**79,112**
Net investment income (loss)	323,652	-	429	-	**324,082**
Escheated property	-	97,339	-	-	**97,339**
Miscellaneous income	-	-	1,276	-	**1,276**
Total Additions	798,787	97,339	107,157	729	**1,004,013**
DEDUCTIONS					
Benefits paid to participants or beneficiaries	281,701	-	-	-	**281,701**
Amounts distributed to clients, claimants, or third parties	-	101,471	102,450	740	**204,661**
Administrative expense	6,764	6,433	14	-	**13,210**
Total Deductions	288,465	107,904	102,463	740	**499,573**
Change in net position	510,322	(10,565)	4,694	(11)	**504,440**
Net position - Beginning of fiscal year - restated	3,723,371	94,215	40,292	101	**3,857,979**
Net position - End of fiscal year	$ 4,233,693	$ 83,650	$ 44,987	$ 90	**$ 4,362,419**
Reconciliation of change in net position:					
Change in net position restricted for other purposes	$ 510,322	$ (10,565)	$ 4,694	$ (11)	**$ 504,440**
Change in net position	$ 510,322	$ (10,565)	$ 4,694	$ (11)	**$ 504,440**

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Environmental Quality has legal custody. The bonds held by this fund include bond deposits from the hazardous waste program and the solid waste program as provided by Sections 324.11141 and 324.11523 of the Michigan Compiled Laws (MCL) and from the scrap tire program as provided in MCL Section 324.16903.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by Michigan Compiled Laws Section 500.411, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). The MISDU, administered by the Department of Human Services, was created to provide a single location within the State for the receipt and disbursement of child support payments.

SOCIAL WELFARE FUND

This fund was administratively created to provide a single location within the State for the receipts and disbursements related to county child care funds and local county funds. Participating counties provide funds to the Department of Human Services (DHS) on a quarterly basis to pay for court ward youth under DHS supervision. DHS uses the funds to pay for approved foster care individuals, private agencies, institutions, in-home care, and independent living based on receipt of child care invoices and supporting documentation.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	CHILD SUPPORT COLLECTION FUND	SOCIAL WELFARE FUND	**TOTALS**
ASSETS					
Cash	$ -	$ -	$ 40,217	$ -	**$ 40,217**
Equity in common cash	3,610	2,845	-	191	**6,646**
Other current assets	-	-	345	2	**347**
Other noncurrent assets	-	419,228	-	-	**419,228**
Total Assets	$ 3,610	$ 422,073	$ 40,563	$ 193	**$ 466,438**
LIABILITIES					
Accounts payable and other liabilities	$ 3,610	$ 2,845	$ 40,376	$ 193	**$ 47,024**
Amounts due to other funds	-	-	186	-	**186**
Other long-term liabilities	-	419,228	-	-	**419,228**
Total Liabilities	$ 3,610	$ 422,073	$ 40,563	$ 193	**$ 466,438**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	BALANCE OCTOBER 1, 2013	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2014**
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 2,305	$ 3,758	$ 2,453	**$ 3,610**
Total Assets	$ 2,305	$ 3,758	$ 2,453	**$ 3,610**
LIABILITIES				
Accounts payable and other liabilities	$ 2,305	$ 3,793	$ 2,489	**$ 3,610**
Total Liabilities	$ 2,305	$ 3,793	$ 2,489	**$ 3,610**
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 369	$ 49,503	$ 47,027	**$ 2,845**
Other noncurrent assets	393,915	101,952	76,639	**419,228**
Total Assets	$ 394,283	$ 151,455	$ 123,666	**$ 422,073**
LIABILITIES				
Accounts payable and other liabilities	$ 369	$ 49,503	$ 47,027	**$ 2,845**
Other long-term liabilities	393,915	101,952	76,639	**419,228**
Total Liabilities	$ 394,283	$ 151,455	$ 123,666	**$ 422,073**
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Cash	$ 42,562	$ 1,466,626	$ 1,468,971	**$ 40,217**
Other current assets	2	344	-	**345**
Total Assets	$ 42,564	$ 1,466,969	$ 1,468,971	**$ 40,563**
LIABILITIES				
Accounts payable and other liabilities	$ 41,797	$ 1,470,439	$ 1,471,859	**$ 40,376**
Amounts due to other funds	767	9,807	10,388	**186**
Total Liabilities	$ 42,564	$ 1,480,246	$ 1,482,248	**$ 40,563**

SOCIAL WELFARE FUND	BALANCE OCTOBER 1, 2013	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2014**
ASSETS				
Equity in common cash	$ -	$ 536	$ 345	**$ 191**
Other current assets	-	2	-	**2**
Total Assets	$ -	$ 538	$ 345	**$ 193**
LIABILITIES				
Accounts payable and other liabilities	-	475	282	**193**
Total Liabilities	$ -	$ 475	$ 282	**$ 193**

TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 42,562	$ 1,466,626	$ 1,468,971	**$ 40,217**
Equity in common cash	2,674	53,797	49,825	**6,646**
Other current assets	2	345	-	**347**
Other noncurrent assets	393,915	101,952	76,639	**419,228**
Total Assets	$ 439,153	$ 1,622,720	$ 1,595,435	**$ 466,438**
LIABILITIES				
Accounts payable and other liabilities	$ 44,471	$ 1,524,210	$ 1,521,657	**$ 47,024**
Amounts due to other funds	767	9,807	10,388	**186**
Other long-term liabilities	393,915	101,952	76,639	**419,228**
Total Liabilities	$ 439,153	$ 1,635,969	$ 1,608,684	**$ 466,438**

COMPONENT UNITS – AUTHORITIES

FARM PRODUCE INSURANCE AUTHORITY

Michigan Compiled Laws (MCL) Section 285.315 created the Farm Produce Insurance Authority (FPIA) as a public body corporate. Operating under Sections 285.311 – 285.331 of the MCL, FPIA is governed and administered by a ten-member board of directors. FPIA administers a program in which producers of dry beans, grain, or corn may contribute to the Farm Produce Insurance Fund, a percentage of their net proceeds from all farm produce sold by the producer to a licensee in this State. Under this program the producer may recover from the fund for losses caused by the licensed grain dealer's financial failure.

LAND BANK FAST TRACK AUTHORITY

Michigan Compiled Laws Section 124.765 created the Land Bank Fast Track Authority (LBFTA) to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of the property and to promote economic growth within the State. LBFTA receives public properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

Executive Order 2014-8 abolished the LBFTA board of directors and office of executive director and transferred all responsibilities and functions to the executive director of the Michigan State Housing Development Authority (MSHDA). Therefore, beginning in fiscal year 2015, LBFTA will be reported as a component unit of MSHDA.

MACKINAC BRIDGE AUTHORITY

Michigan Compiled Laws (MCL) Section 254.302 created the Mackinac Bridge Authority (MBA). MCL Section 254.314 empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MACKINAC ISLAND STATE PARK COMMISSION

Established in 1927, the Mackinac Island State Park Commission currently operates under Sections 324.76701 – 324.76709 of the Michigan Compiled Laws. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

The Michigan Early Childhood Investment Corporation was created by an interlocal agreement between the Department of Human Services and participating intermediate school districts. The interlocal agreement was entered into pursuant to Sections 124.501 – 124.512 of the Michigan Compiled Laws. The Corporation's primary objective is to administer activities related to early childhood development.

The governing body of each participant shall appoint one member of the Corporation Board to serve at the will of the participant. For each member of the Corporation Board appointed by the governing body of a participant, the Governor shall appoint up to two members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five participants, the Governor may appoint up to twelve additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participants. In addition, the Corporation shall have an Executive Committee of fifteen members, all appointed by the Governor. The committee shall exercise the powers of the Corporation.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article 7, Section 28 of the State Constitution of 1963 and Sections 124.501 – 124.512 of the Michigan Compiled Laws (MCL), is a public body corporate. Created by a ten-year contract (interlocal agreement) between participating local economic development corporations formed under Sections 125.1601 – 125.1636 of the MCL and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 20 members appointed to eight-year, staggered terms.

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The amount the purchaser is required to pay is based on several factors, among them are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

Michigan Compiled Laws Section 390.1425, the Michigan Education Trust Act, created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the law provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the law. The law and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its operations are financed solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
AUTHORITIES
SEPTEMBER 30, 2014
(In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	LAND BANK FAST TRACK AUTHORITY	MACKINAC BRIDGE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION
ASSETS				
Current Assets:				
Cash	$ 708	$ -	$ 936	$ 813
Equity in common cash	-	7,235	-	-
Amounts due from component units	-	-	-	-
Amounts due from primary government	-	-	-	-
Amounts due from federal government	-	1,269	-	-
Inventories	-	-	-	576
Investments	1,349	-	5,005	213
Other current assets	176	-	70	119
Total Current Assets	2,233	8,504	6,011	1,721
Restricted Assets:				
Cash and cash equivalents	-	-	-	1,166
Investments	-	-	-	2,157
Mortgages and loans receivable	-	5,900	-	-
Investments	3,972	-	60,436	-
Land and property held for resale	-	13,571	-	-
Capital Assets:				
Land and other non-depreciable assets	-	-	125	337
Buildings, equipment, and other depreciable assets	-	-	9,231	14,001
Less accumulated depreciation	-	-	(4,766)	(9,582)
Infrastructure	-	-	102,950	-
Construction in progress	-	-	-	80
Total capital assets	-	-	107,539	4,836
Other noncurrent assets	-	-	-	-
Total Assets	$ 6,206	$ 27,975	$ 173,986	$ 9,879
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ -	$ -
Accounts payable and other liabilities	6	4,917	807	149
Amounts due to component units	-	-	-	-
Amounts due to primary government	-	5	1,844	29
Bonds and notes payable	-	-	-	50
Interest payable	-	-	-	18
Unearned revenue	-	-	963	-
Current portion of other long-term obligations	-	14	106	-
Total Current Liabilities	6	4,937	3,720	247
Unearned revenue	-	-	1,253	-
Bonds and notes payable	-	-	-	1,685
Noncurrent portion of other long-term obligations	-	21	375	-
Total Liabilities	$ 6	$ 4,958	$ 5,348	$ 1,932
NET POSITION				
Net investment in capital assets	$ -	$ -	$ 107,539	$ 3,101
Restricted For:				
Construction and debt service	-	-	-	2,871
Other purposes	-	6,473	-	1,022
Unrestricted	6,199	16,544	61,099	954
Total Net Position	$ 6,199	$ 23,017	$ 168,638	$ 7,947

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN EDUCATION TRUST	STATE BAR OF MICHIGAN	**TOTALS**
$ 58	$ 10,219	$ 73,329	$ 2,548	**$ 88,611**
-	22,892	-	-	**30,127**
-	36,466	-	-	**36,466**
3,567	689	2,077	-	**6,333**
-	-	-	-	**1,269**
-	-	-	24	**600**
-	5,282	-	5,064	**16,912**
10	4,202	20,504	671	**25,753**
3,635	79,750	95,910	8,308	**206,072**
-	368	-	-	**1,534**
-	-	-	-	**2,157**
-	4,027	-	-	**9,927**
-	52,418	913,939	7,081	**1,037,846**
-	-	-	-	**13,571**
-	100	-	381	**943**
860	17,592	-	11,395	**53,079**
(446)	(10,160)	-	(7,353)	**(32,308)**
-	-	-	-	**102,950**
-	-	-	-	**80**
414	7,532	-	4,422	**124,743**
-	-	48,560	99	**48,659**
$ 4,049	$ 144,095	$ 1,058,408	$ 19,910	**$ 1,444,508**
$ -	$ 80	$ -	$ -	**$ 80**
2,484	10,166	-	1,348	**19,878**
-	621	-	-	**621**
-	253	-	-	**2,132**
-	-	-	-	**50**
-	-	-	-	**18**
-	-	-	1,402	**2,365**
59	1,212	109,043	-	**110,434**
2,543	12,333	109,043	2,750	**135,579**
-	-	-	-	**1,253**
-	-	-	-	**1,685**
-	1,104	895,884	-	**897,384**
$ 2,543	$ 13,436	$ 1,004,927	$ 2,750	**$ 1,035,900**
$ 414	$ 7,532	$ -	$ 4,422	**$ 123,008**
-	-	-	-	**2,871**
-	-	53,481	-	**60,976**
1,093	123,126	-	12,738	**221,753**
$ 1,507	$ 130,658	$ 53,481	$ 17,160	**$ 408,608**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	$ 242	$ 389	$ -	$ -	$ 147
Land Bank Fast Track Authority	30,010	-	42	2,035	(27,933)
Mackinac Bridge Authority	16,308	21,045	-	-	4,737
Mackinac Island State Park Commission	4,731	4,316	284	-	(131)
Michigan Early Childhood Investment Corporation	13,290	-	13,593	-	303
Michigan Economic Development Corporation	86,145	-	82,277	-	(3,868)
Michigan Education Trust	9,201	1,768	87,550	-	80,117
State Bar of Michigan	11,508	11,794	-	-	286
Total	$ 171,434	$ 39,311	$ 183,745	$ 2,035	$ 53,658

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
$ (15)	$ -	$ -	$ 131	$ 6,068	$ 6,199
12	-	1,750	(26,170)	49,188	23,017
1,176	-	-	5,913	162,725	168,638
30	-	-	(102)	8,049	7,947
-	-	26	329	1,177	1,507
(93)	-	5,141	1,180	129,478	130,658
-	-	-	80,117	(26,636)	53,481
107	-	-	393	16,767	17,160
$ 1,217	$ -	$ 6,918	$ 61,792	$ 346,816	$ 408,608

COMPONENT UNITS – STATE UNIVERSITIES

The State has 13 legally separate public universities, 10 of which are included in this report as component units and 3 of which are excluded. Included are the 10 universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by the Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. Excluded are those 3 that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The 3 that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the 10 universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2014. The universities include Western Michigan University presented as a major component unit and the following non-major component units: Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2014
(In Thousands)

	CENTRAL MICHIGAN UNIVERSITY	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	$ 43,431	$ 13,632	$ 56,740	$ 34,215
Amounts due from component units	-	-	-	-
Amounts due from primary government	52,517	17,084	8,530	57,244
Amounts due from federal government	946	1,628	106	2,510
Amounts due from local units	-	-	-	-
Inventories	6,910	847	904	2,353
Investments	-	56,634	42,444	26,093
Other current assets	24,531	13,737	11,204	15,152
Total Current Assets	128,334	103,562	119,928	137,567
Restricted Assets:				
Cash and cash equivalents	-	-	1,444	4,763
Investments	-	9,119	21,262	-
Mortgages and loans receivable	6,225	-	18,537	-
Mortgages and loans receivable	-	9,130	-	8,808
Investments	337,779	34,658	70,348	215,537
Capital Assets:				
Land and other non-depreciable assets	13,574	11,654	6,597	69,703
Buildings, equipment, and other depreciable assets	810,682	767,888	423,921	835,775
Less accumulated depreciation	(371,034)	(316,569)	(177,987)	(271,436)
Infrastructure	-	-	-	-
Construction in progress	20,835	2,073	18,592	36,228
Total capital assets	474,057	465,046	271,123	670,269
Other noncurrent assets	436	13,460	757	22,235
Total Assets	$ 946,830	$ 634,974	$ 503,400	$ 1,059,179
DEFERRED OUTFLOWS OF RESOURCES	$ 8,120	$ -	$ 808	$ 5,518
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 67,658	$ 38,041	$ 19,118	$ 72,031
Amounts due to primary government	430	221	-	53
Bonds and notes payable	24,064	2,475	4,996	12,910
Interest payable	1,218	2,404	1,197	1,466
Unearned revenue	12,998	6,607	8,237	12,400
Current portion of other long-term obligations	137	400	325	5,494
Total Current Liabilities	106,503	50,147	33,873	104,353
Unearned revenue	50	-	815	4,447
Bonds and notes payable	128,323	234,875	94,933	259,800
Noncurrent portion of other long-term obligations	21,260	52,140	33,329	28,257
Total Liabilities	$ 256,136	$ 337,162	$ 162,950	$ 396,857
DEFERRED INFLOWS OF RESOURCES	$ -	$ 13,460	$ -	$ -
NET POSITION				
Net investment in capital assets	$ 322,478	$ 184,803	$ 162,014	$ 388,131
Restricted For:				
Education	19,020	-	9,687	9,701
Construction and debt service	9,043	146	-	27,823
Other purposes	19	34,690	-	-
Funds Held as Permanent Investments:				
Expendable	26,734	-	14,298	41,232
Nonexpendable	43,429	42,130	21,262	52,299
Unrestricted	278,091	22,583	133,996	148,652
Total Net Position	$ 698,815	$ 284,352	$ 341,257	$ 667,839

LAKE SUPERIOR STATE UNIVERSITY	MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	**TOTALS**
$ 2,055	$ 8,475	$ 17,592	$ 28,509	$ 50,599	**$ 255,247**
-	-	4	-	-	**4**
2,244	8,542	19,203	19,180	16,955	**201,500**
277	2,472	124	2,350	864	**11,277**
-	-	11	5	-	**16**
431	1,491	1,319	914	1,456	**16,625**
11,867	-	-	-	2	**137,040**
1,468	8,758	7,530	12,140	7,209	**101,729**
18,342	29,738	45,783	63,099	77,085	**723,437**
-	3,975	-	29,117	-	**39,300**
-	113,831	-	58,594	-	**202,806**
-	-	-	1,467	-	**26,229**
2,328	11,865	6,584	-	19	**38,735**
19,278	14,404	112,662	156,848	78,013	**1,039,525**
2,717	15,835	7,304	4,625	2,506	**134,513**
146,278	406,740	384,857	463,386	447,482	**4,687,009**
(102,023)	(178,096)	(166,913)	(218,865)	(165,352)	**(1,968,274)**
-	-	-	60,268	-	**60,268**
-	1,607	29,392	141,229	20,727	**270,684**
46,973	246,085	254,640	450,643	305,364	**3,184,200**
752	17,395	2,806	6,882	6,842	**71,563**
$ 87,672	$ 437,293	$ 422,475	$ 766,649	$ 467,323	**$ 5,325,795**
$ -	$ -	$ 3,527	$ 12,463	$ 1,277	**$ 31,713**
$ 1,860	$ 8,994	$ 21,911	$ 43,145	$ 21,580	**$ 294,338**
189	447	240	600	-	**2,180**
1,245	2,520	4,736	6,413	6,325	**65,683**
92	819	-	2,536	-	**9,731**
1,067	3,250	3,977	14,585	9,511	**72,631**
657	6,293	1,518	1,049	100	**15,973**
5,110	22,323	32,382	68,328	37,516	**460,536**
-	-	-	115	1,491	**6,918**
20,320	79,298	96,869	228,510	115,310	**1,258,239**
2,077	6,646	10,166	18,439	4,132	**176,446**
$ 27,507	$ 108,268	$ 139,417	$ 315,391	$ 158,449	**$ 1,902,139**
$ -	$ -	$ -	$ 4,881	$ -	**$ 18,341**
$ 25,754	$ 164,400	$ 154,802	$ 236,419	$ 181,041	**$ 1,819,844**
17,936	39,551	2,861	27,233	16,724	**142,713**
1,568	-	633	-	283	**39,497**
3,019	-	-	-	1,600	**39,328**
-	36,714	24,588	17,557	-	**161,123**
6,226	72,488	4,846	23,430	50,325	**316,435**
5,662	15,873	98,854	154,199	60,177	**918,088**
$ 60,165	$ 329,025	$ 286,585	$ 458,839	$ 310,151	**$ 3,437,028**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2014
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Central Michigan University	$ 477,420	$ 335,125	$ 37,159	$ 1,955	$ (103,181)
Eastern Michigan University	349,301	217,523	23,328	925	(107,524)
Ferris State University	235,987	158,125	7,960	-	(69,902)
Grand Valley State University	414,826	302,288	34,714	12,007	(65,816)
Lake Superior State University	49,664	25,743	13,403	646	(9,872)
Michigan Technological University	230,838	114,968	67,152	5,152	(43,565)
Northern Michigan University	166,855	96,256	10,211	20,208	(40,181)
Oakland University	286,978	198,798	32,173	216	(55,791)
Saginaw Valley State University	141,229	98,401	9,678	-	(33,150)
Total	$ 2,353,098	$ 1,547,228	$ 235,778	$ 41,110	$ (528,983)

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
$ 21,598	$ 73,993	$ 27,347	$ 19,756	$ 679,059	$ 698,815
4,333	69,381	39,116	5,306	279,046	284,352
10,400	46,085	33,813	20,397	320,861	341,257
8,184	57,824	39,393	39,585	628,254	667,839
935	12,222	-	3,285	56,880	60,165
7,342	43,786	180	7,743	321,283	329,025
8,390	42,011	13,542	23,762	262,823	286,585
16,839	56,421	22,082	39,551	419,288	458,839
7,373	25,991	20,051	20,265	289,886	310,151
$ 85,394	$ 427,713	$ 195,523	$ 179,648	$ 3,257,380	$ 3,437,028

STATISTICAL SECTION

Index
STATISTICAL SECTION

This part of the State of Michigan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

CONTENTS: Page

Financial Trends
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Net Position by Component 234
Changes in Net Position 236
Fund Balances – Governmental Funds 240
Changes in Fund Balances – Governmental Funds 242

Revenue Capacity
These schedules contain information to help the reader assess the State's most significant revenue sources: personal income and sales taxes.

Personal Income by Industry 244
Taxable Sales by Industry 246
Personal Income Tax Filers and Liability by Income Level 248
Sales Tax Payers by Industry 249

Debt Capacity
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future. The State has no statutory limit on the amount of general obligation debt that may be authorized.

Ratios of Outstanding Debt by Type 250
Ratios of Net General Obligation Bonded Debt Outstanding 253
Debt Service Coverage – Comprehensive Transportation Fund Related Bonds 254
Debt Service Coverage – State Trunkline Fund Related Bonds 256
Debt Service Coverage – State Building Authority 258

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Demographic and Economic Indicators 260

Operating Information
These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

Classified Employees by Function 262
Operating Indicators by Function 264
Capital Assets by Function 268

SOURCES:
Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	$ 15,245,452	$ 15,827,600	$ 15,739,094	$ 15,909,317
Restricted	2,086,764	2,064,965	2,292,779	2,599,760
Unrestricted	(932,221)	(1,313,574)	(1,337,824)	(1,868,935)
Total governmental activities net position	$ 16,399,994	$ 16,578,992	$ 16,694,049	$ 16,640,142
Business-type activities				
Net investment in capital assets	$ 582	$ 412	$ 367	$ 807
Restricted	894,513	621,982	358,712	72,672
Unrestricted	6,891	7,827	4,798	(121,773)
Total business-type activities net position	$ 901,986	$ 630,220	$ 363,877	$ (48,294)
Primary government				
Net investment in capital assets	$ 15,246,033	$ 15,828,012	$ 15,739,461	$ 15,910,124
Restricted	2,981,277	2,686,947	2,651,490	2,672,432
Unrestricted	(925,330)	(1,305,747)	(1,333,025)	(1,990,708)
Total primary government net position	$ 17,301,980	$ 17,209,212	$ 17,057,926	$ 16,591,848
Reconciliation of net position				
Beginning net position	$ 17,166,569	$ 17,301,980	$ 17,209,212	$ 17,057,926
Restatement of beginning net position	75,489	188,188	-	(54,373)
Beginning net position - restated	17,242,058	17,490,168	17,209,212	17,003,554
Statement of Activities - changes in net position	59,922	(692,181)	(575,518)	(495,759)
Change in reporting entity	-	411,225	424,232	84,053
Ending net position	$ 17,301,980	$ 17,209,212	$ 17,057,926	$ 16,591,848

2009	2010	2011	2012	2013	2014
$ 16,313,696	$ 16,859,070	$ 17,782,073	$ 18,198,345	$ 19,649,694	$ 20,279,584
2,577,249	2,691,477	3,552,062	3,394,212	3,773,962	3,824,871
(3,928,376)	(4,860,007)	(5,325,636)	(5,349,668)	(5,192,624)	(5,876,457)
$ 14,962,570	$ 14,690,540	$ 16,008,499	$ 16,242,889	$ 18,231,031	$ 18,227,998
$ 735	$ 603	$ 578	$ 355	$ 813	$ 606
137,064	145,056	131,453	1,276,713	1,843,965	2,442,471
(2,425,221)	(3,163,457)	(2,911,176)	5,926	5,538	5,834
$ (2,287,423)	$ (3,017,798)	$ (2,779,145)	$ 1,282,994	$ 1,850,316	$ 2,448,910
$ 16,314,431	$ 16,859,673	$ 17,782,652	$ 18,198,700	$ 19,650,507	$ 20,280,190
2,714,313	2,836,533	3,683,515	4,670,926	5,617,926	6,267,342
(6,353,597)	(8,023,463)	(8,236,812)	(5,343,743)	(5,187,086)	(5,870,623)
$ 12,675,147	$ 11,672,743	$ 13,229,354	$ 17,525,883	$ 20,081,347	$ 20,676,909
$ 16,591,848	$ 12,675,147	$ 11,672,743	$ 13,229,354	$ 17,525,883	$ 20,081,347
(176,594)	-	(5,377)	(2,954)	6,459	(36,068)
16,415,254	12,675,147	11,667,366	13,226,400	17,532,342	20,045,279
(3,757,816)	(1,002,404)	1,561,989	4,299,483	2,549,005	631,630
17,709	-	-	-	-	-
$ 12,675,147	$ 11,672,743	$ 13,229,354	$ 17,525,883	$ 20,081,347	$ 20,676,909

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	$ 1,877,410	$ 2,289,294	$ 2,205,613	$ 1,671,584
Education	14,531,388	14,695,186	14,660,163	15,080,883
Human services	4,154,811	4,384,311	4,453,497	4,699,046
Public safety and corrections	2,320,406	2,541,630	2,583,916	2,895,133
Conservation, environment, recreation, and agriculture	652,326	688,407	596,972	572,755
Labor, commerce, and regulatory	936,467	951,519	963,444	995,714
Health services	10,179,705	9,963,373	10,832,862	11,622,966
Transportation	3,106,993	3,133,137	3,191,784	3,235,394
Tax credits (Note 16)	815,300	834,000	883,400	931,600
Intergovernmental-revenue sharing	1,112,931	1,103,625	1,071,104	1,076,445
Interest on long-term debt	287,519	293,128	304,702	318,654
Total governmental activities	39,975,258	40,877,610	41,747,457	43,100,174
Business-type activities:				
Liquor Purchase Revolving Fund	557,377	582,982	602,280	621,991
State Lottery Fund	1,447,285	1,584,186	1,654,823	1,636,858
Attorney Discipline System	3,856	4,122	4,282	4,976
Michigan Unemployment Compensation Funds	1,892,486	1,990,197	2,012,082	2,403,043
Total business-type activities	3,901,003	4,161,487	4,273,467	4,666,868
Total primary government expenses	$ 43,876,261	$ 45,039,097	$ 46,020,924	$ 47,767,042
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 983,124	$ 1,087,877	$ 1,195,965	$ 737,401
Education	4,858	9,306	10,377	6,616
Human services	53,400	56,367	59,285	57,963
Public safety and corrections	155,683	160,829	164,345	168,789
Conservation, environment, recreation, and agriculture	269,035	251,591	185,978	282,008
Labor, commerce, and regulatory	238,229	262,021	312,983	304,145
Health services	72,062	72,564	72,338	79,683
Transportation	201,598	84,280	79,459	72,651
Operating grants and contributions	11,792,127	11,623,141	12,295,825	12,956,983
Capital grants and contributions	805,580	779,269	627,057	719,518
Total governmental activities program revenues	$ 14,575,696	$ 14,387,246	$ 15,003,612	$ 15,385,756
Business-type activities:				
Charges for services:				
Liquor Purchase Revolving Fund	$ 688,928	$ 718,085	$ 742,959	$ 768,085
State Lottery Fund	2,082,229	2,232,204	2,363,001	2,351,082
Attorney Discipline System	4,588	4,631	4,782	4,885
Michigan Unemployment Compensation Funds	1,646,311	1,727,761	1,765,871	1,998,292
Operating grants and contributions	54,148	53,932	55,783	44,262
Total business-type activities program revenues	4,476,205	4,736,614	4,932,397	5,166,606
Total primary government program revenues	$ 19,051,901	$ 19,123,860	$ 19,936,008	$ 20,552,362
Net (Expenses)/Revenues				
Governmental activities	$ (25,399,562)	$ (26,490,364)	$ (26,743,845)	$ (27,714,418)
Business-type activities	575,202	575,127	658,929	499,738
Total primary government net expenses	$ (24,824,360)	$ (25,915,237)	$ (26,084,916)	$ (27,214,680)

2009	2010	2011	2012	2013	2014
$ 1,753,403	$ 1,752,504	$ 2,286,436	$ 2,491,270	$ 2,093,352	$ 2,455,999
15,251,821	14,989,964	15,269,638	14,601,171	14,617,662	14,941,366
5,410,078	6,136,852	6,423,345	5,953,946	5,931,424	5,508,011
2,994,466	2,859,301	2,863,890	2,816,575	2,663,440	2,638,272
617,768	577,952	575,118	657,527	593,446	714,019
1,187,368	1,261,908	1,178,970	956,357	965,696	956,256
12,334,951	13,250,231	13,917,219	13,722,762	13,853,422	15,036,289
3,244,824	2,947,845	2,460,553	2,840,961	2,914,884	3,309,442
963,500	1,351,500	1,271,900	1,226,300	689,900	676,500
1,040,031	994,196	1,091,527	1,032,243	1,077,514	1,120,593
350,421	362,626	217,014	196,040	178,561	174,522
45,148,632	46,484,880	47,555,610	46,495,152	45,579,303	47,531,269
633,093	634,925	660,861	696,723	742,611	779,276
1,710,718	1,676,994	1,631,489	1,654,234	1,758,718	1,868,607
5,026	4,733	4,941	4,818	4,846	4,798
6,215,392	6,803,393	4,350,158	2,991,500	2,188,132	1,246,507
8,564,229	9,120,044	6,647,450	5,347,275	4,694,307	3,899,188
$ 53,712,861	$ 55,604,924	$ 54,203,060	$ 51,842,428	$ 50,273,610	$ 51,430,457
$ 768,411	$ 775,018	$ 790,054	$ 844,661	$ 678,845	$ 688,044
5,790	5,320	5,491	15,688	7,206	9,388
46,903	38,797	34,810	69,219	38,648	85,213
157,751	168,141	166,034	158,707	164,019	161,447
254,128	360,261	266,062	269,307	271,119	299,073
306,657	313,368	316,941	548,543	750,517	754,054
84,647	72,036	90,558	59,850	69,009	67,298
69,685	75,466	92,045	91,690	96,842	96,727
16,755,408	19,150,043	19,608,970	17,373,332	17,194,905	17,981,852
921,847	964,605	1,061,715	845,873	867,155	850,174
$ 19,371,229	$ 21,923,056	$ 22,432,679	$ 20,276,870	$ 20,138,265	$ 20,993,270
$ 781,896	$ 780,265	$ 812,140	$ 856,717	$ 912,112	$ 957,054
2,398,995	2,379,975	2,357,417	2,430,281	2,491,131	2,608,920
4,943	4,977	5,114	5,166	4,887	4,867
3,922,144	6,012,375	4,441,664	3,529,515	2,776,790	1,809,854
104,154	79,966	172,038	251,786	21,710	59,881
7,212,131	9,257,558	7,788,373	7,073,466	6,206,631	5,440,576
$ 26,583,360	$ 31,180,614	$ 30,221,052	$ 27,350,336	$ 26,344,896	$ 26,433,845
$ (25,777,403)	$ (24,561,824)	$ (25,122,932)	$ (26,218,282)	$ (25,441,038)	$ (26,538,000)
(1,352,097)	137,514	1,140,924	1,726,190	1,512,324	1,541,388
$ (27,129,501)	$ (24,424,311)	$ (23,982,008)	$ (24,492,092)	$ (23,928,714)	$ (24,996,612)

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (Continued)
(In Thousands)
(Accrual Basis of Accounting)

	2005	2006	2007	2008
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General:				
Sales and use	$ 2,663,226	$ 2,665,614	$ 2,635,341	$ 2,701,052
Personal income	5,036,282	5,123,885	5,321,169	6,229,339
Single business, Michigan business, and corporate income	1,934,003	1,926,884	1,771,854	1,715,861
Tobacco products	712,218	690,234	678,826	652,609
Beer, wine, and liquor	117,990	119,429	123,592	126,040
Insurance company	250,966	218,104	223,753	223,398
Quality assurance assessment	509,857	676,923	832,562	1,026,698
Penalties and interest	173,290	146,807	155,789	167,297
Other	444,732	337,920	334,097	320,484
Restricted For Educational Purposes:				
Sales and use	5,283,583	5,240,334	5,230,217	5,424,253
Personal income	2,019,932	2,069,435	2,142,251	2,174,393
Michigan business	-	-	-	341,000
Corporate income	-	-	-	-
Education, property, and real estate transfers	2,236,159	2,320,578	2,336,474	2,266,377
Tobacco products	471,734	466,985	449,912	427,303
Beer, wine, and liquor	33,169	34,212	35,730	37,120
Casino Gaming Wagering	97,609	104,069	106,681	112,067
Other	151,918	154,173	154,917	101,666
Restricted For Transportation Purposes:				
Sales and use	56,924	66,405	67,678	82,114
Gasoline and diesel fuel	1,068,565	1,054,766	1,016,957	992,502
Motor vehicle weight	863,367	867,663	874,287	854,736
Other	6,719	5,974	6,339	5,675
Unrestricted investment and interest earnings	14,141	9,991	12,097	7,595
Miscellaneous	681,837	1,281,229	1,378,751	739,602
Contributions to permanent fund principal	41,033	35,153	26,165	57,937
Transfers	859,260	864,406	943,460	927,763
Total governmental activities	$ 25,728,514	$ 26,481,174	$ 26,858,903	$ 27,714,884
Business-type activities:				
Taxes	12,194	12,654	13,133	13,663
Investment earnings	2,784	4,861	5,055	2,192
Miscellaneous	50	-	-	-
Transfers	(859,260)	(864,406)	(943,460)	(927,763)
Total business-type activities	(844,232)	(846,892)	(925,273)	(911,909)
Total primary government	$ 24,884,282	$ 25,634,282	$ 25,933,630	$ 26,802,975
Changes in Net Position				
Governmental activities	$ 328,952	$ (9,190)	$ 115,057	$ 466
Business-type activities	(269,030)	(271,766)	(266,343)	(412,171)
Total primary government	$ 59,922	$ (280,956)	$ (151,286)	$ (411,705)

NOTES: In years prior to fiscal year 2012 a portion of the Michigan Business Tax was restricted for educational purposes. Tax law changes enacted during fiscal year 2012 eliminated that restriction.

Beginning in fiscal year 2012, a portion of the Corporate Income Tax was restricted for educational purposes.

2009	2010	2011	2012	2013	2014
$ 2,439,220	$ 2,651,757	$ 2,784,245	$ 2,735,674	$ 2,620,176	$ 2,993,426
4,639,740	4,931,508	5,822,443	6,119,213	6,946,947	6,078,008
1,372,597	1,107,589	1,456,727	1,283,584	825,044	528,174
631,339	612,414	593,462	586,108	587,598	578,154
126,475	126,269	128,574	133,276	139,728	143,105
261,006	257,359	271,198	290,383	302,015	362,287
858,512	845,612	884,412	955,029	974,563	971,377
145,675	135,939	132,724	163,496	172,049	117,734
244,166	239,425	239,306	412,904	503,413	514,504
4,848,489	5,006,696	5,399,478	5,515,083	5,668,592	5,872,729
1,855,533	1,756,587	1,999,556	2,121,630	2,479,897	2,276,581
669,341	604,395	611,433	-	-	-
-	-	-	10,703	34,568	34,566
2,163,883	2,047,056	2,015,369	1,939,493	1,908,481	2,033,711
410,590	392,113	377,288	371,774	373,296	357,389
37,717	37,476	39,165	41,065	44,069	45,722
108,080	101,816	114,017	115,753	110,667	106,903
55,764	74,083	66,231	59,568	56,503	65,172
82,887	76,778	90,025	98,101	212,970	102,026
970,794	956,999	959,479	940,099	953,108	958,745
839,648	841,840	859,783	875,952	906,633	940,637
5,591	5,188	5,621	5,027	5,034	5,052
4,911	1,464	696	710	1,204	990
568,855	495,556	648,297	659,801	628,204	517,297
30,091	101,587	28,773	20,359	22,847	23,865
905,523	882,287	917,966	1,000,841	945,115	942,883
$ 24,276,425	$ 24,289,795	$ 26,446,268	$ 26,455,626	$ 27,422,722	$ 26,571,035
14,093	14,107	14,855	15,737	-	-
763	276	191	139	112	87
3,636	16	649	3,320,915	-	3
(905,523)	(882,287)	(917,966)	(1,000,841)	(945,115)	(942,883)
(887,031)	(867,889)	(902,271)	2,335,949	(945,003)	(942,793)
$ 23,389,393	$ 23,421,906	$ 25,543,997	$ 28,791,575	$ 26,477,719	$ 25,628,241
$ (1,500,979)	$ (272,029)	$ 1,323,336	$ 237,344	$ 1,981,683	$ 33,035
(2,239,129)	(730,375)	238,653	4,062,139	567,322	598,595
$ (3,740,107)	$ (1,002,404)	$ 1,561,989	$ 4,299,483	$ 2,549,005	$ 631,630

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	2005	2006	2007	2008
General Fund				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ -	$ -	$ -	$ -
All Other Governmental Funds				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ -	$ -	$ -	$ -
General Fund				
Reserved	$ 1,232,856	$ 1,066,757	$ 722,948	$ 833,104
Unreserved	220,537	2,482	259,080	457,870
Total general fund	$ 1,453,393	$ 1,069,240	$ 982,028	$ 1,290,974
All Other Governmental Funds				
Reserved	$ 1,759,462	$ 1,657,248	$ 1,945,448	$ 1,968,781
Unreserved, reported in:				
Special revenue funds	303,226	779,910	689,356	483,130
Debt service funds	194,586	189,851	208,868	220,517
Capital projects funds	(349,643)	(87,918)	(239,869)	(238,718)
Permanent funds	43,259	43,791	41,361	54,791
Total all other governmental funds	$ 1,950,891	$ 2,582,883	$ 2,645,164	$ 2,488,501
Reconciliation of governmental fund balances				
Beginning fund balances	$ 3,330,844	$ 3,404,284	$ 3,652,123	$ 3,627,192
Restatement of beginning fund balances	-	-	-	-
Beginning fund balances - restated	3,330,844	3,404,284	3,652,123	3,627,192
Excess of revenues and other sources over (under) expenditures and other uses	73,440	336,067	35,653	131,789
Change in accounting entity	-	(88,228)	(60,583)	20,494
Ending fund balances	$ 3,404,284	$ 3,652,123	$ 3,627,192	$ 3,779,475

NOTE: Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing Governmental Accounting Standards Board Statement No. 54. Fund balance has not been restated for prior years.

2009	2010	2011	2012	2013	2014
$ -	$ -	$ 267,289	$ 237,955	$ 221,614	$ 189,095
-	-	351,551	364,497	376,977	383,025
-	-	463,685	805,402	933,666	998,674
-	-	67,021	68,583	137,947	206,875
-	-	553,746	979,205	1,186,647	306,382
$ -	$ -	$ 1,703,292	$ 2,455,642	$ 2,856,852	$ 2,084,052
$ -	$ -	$ 929,077	$ 951,453	$ 968,433	$ 992,581
-	-	2,269,086	2,086,927	2,200,564	2,250,773
-	-	137,910	196,931	322,056	547,466
-	-	(41,126)	(144,804)	(13,216)	(106,128)
$ -	$ -	$ 3,294,948	$ 3,090,508	$ 3,477,837	$ 3,684,691
$ 794,464	$ 828,553	$ -	$ -	$ -	$ -
177,244	187,220	-	-	-	-
$ 971,708	$ 1,015,773	$ -	$ -	$ -	$ -
$ 1,941,203	$ 2,048,256	$ -	$ -	$ -	$ -
605,513	379,140	-	-	-	-
207,916	222,322	-	-	-	-
(182,786)	(161,980)	-	-	-	-
40,473	75,486	-	-	-	-
$ 2,612,318	$ 2,563,224	$ -	$ -	$ -	$ -
$ 3,779,475	$ 3,584,026	$ 3,578,997	$ 4,998,240	$ 5,546,150	$ 6,334,689
-	-	-	(15,602)	-	-
3,779,475	3,584,026	3,578,997	4,982,638	5,546,150	6,334,689
(220,414)	(5,029)	1,419,243	563,512	788,538	(565,945)
24,965	-	-	-	-	-
$ 3,584,026	$ 3,578,997	$ 4,998,240	$ 5,546,150	$ 6,334,689	$ 5,768,743

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	2005	2006	2007	2008
Revenues				
Taxes	$ 23,936,964	$ 24,198,924	$ 24,370,884	$ 26,075,135
From federal agencies	11,974,006	12,160,022	12,655,930	13,432,638
From local agencies	262,875	124,101	139,429	126,550
From services	264,956	269,593	284,370	291,380
From licenses and permits	423,501	437,560	444,841	441,407
Special Medicaid reimbursements	467,970	93,621	102,670	115,797
Miscellaneous	1,475,377	1,948,214	2,271,059	1,667,798
Total revenues	38,805,648	39,232,034	40,269,182	42,150,705
Expenditures				
General government	1,307,448	1,631,483	1,590,733	1,553,671
Education	14,557,032	14,758,992	14,664,715	15,094,266
Human services	4,122,779	4,341,774	4,447,992	4,609,481
Public safety and corrections	2,287,452	2,455,145	2,467,512	2,617,048
Conservation, environment, recreation, and agriculture	614,939	642,815	568,398	597,267
Labor, commerce, and regulatory	924,876	952,921	957,023	966,091
Health services	10,126,544	9,958,104	10,741,285	11,588,207
Transportation	2,167,888	2,082,847	2,178,923	2,338,907
Tax credits	815,300	834,000	883,400	931,600
Capital outlay	1,274,247	1,462,405	1,376,891	1,234,427
Intergovernmental - revenue sharing	1,112,931	1,103,625	1,071,104	1,076,445
Debt service:				
Bond principal retirement	354,711	773,826	238,789	228,261
Bond interest and fiscal charges	276,216	294,093	295,878	285,333
Capital lease payments	49,530	49,183	46,074	50,176
Total expenditures	39,991,894	41,341,213	41,528,716	43,171,179
Excess of revenues over (under) expenditures	(1,186,245)	(2,109,179)	(1,259,534)	(1,020,474)
Other Financing Sources (Uses)				
Bonds and notes issued	365,164	963,105	485,115	121,500
Refunding bonds issued	1,528,539	1,494,050	-	208,780
Premium on bond issuance	97,857	46,234	18,662	16,811
Discount on bond issuance	-	(496,444)	-	-
Payment to refunded bond escrow agent	(1,609,886)	(563,776)	(240,280)	(223,319)
Capital lease acquisitions	6,778	34,059	20,906	110,838
Proceeds from sale of capital assets	10,643	13,974	5,347	30,505
Transfers from other funds	2,924,083	2,736,772	2,826,854	2,697,131
Transfers to other funds	(2,063,492)	(1,870,956)	(1,882,002)	(1,789,489)
Total other financing sources (uses)	1,259,686	2,357,018	1,234,604	1,172,757
Net change in fund balances	$ 73,440	$ 247,839	$ (24,930)	$ 152,283
Debt service as a percentage of noncapital expenditures	2%	3%	1%	1%

2009	2010	2011	2012	2013	2014
$ 23,348,354	$ 23,174,824	$ 24,691,957	$ 24,769,943	$ 25,239,420	$ 25,335,788
17,377,416	19,832,846	20,401,399	17,830,166	17,800,913	18,524,648
118,190	106,172	102,979	102,776	109,771	100,372
288,877	300,992	321,799	314,059	322,553	326,560
454,981	458,303	464,756	481,994	501,581	511,416
135,667	123,205	155,059	186,194	134,353	133,909
1,524,220	1,575,643	1,523,221	1,896,663	1,721,838	1,714,576
43,247,704	45,571,986	47,661,170	45,581,795	45,830,430	46,647,268
1,587,314	1,464,412	1,857,989	1,937,876	1,870,041	2,066,169
15,249,946	15,051,983	15,297,255	14,636,439	14,652,527	14,973,104
5,334,263	6,042,987	6,346,672	5,886,563	5,925,320	5,537,228
2,591,858	2,573,093	2,549,993	2,567,504	2,604,520	2,669,883
557,602	546,510	516,098	582,955	571,371	681,072
1,145,954	1,223,197	1,143,962	923,059	961,279	961,934
12,450,287	13,218,598	13,905,003	13,698,746	13,862,531	15,063,455
2,195,721	2,279,890	2,069,572	2,149,628	2,362,335	2,611,213
963,500	1,351,500	1,271,900	1,226,300	689,900	676,500
1,279,372	1,322,304	1,169,458	1,045,060	1,013,461	1,113,770
1,040,031	994,196	1,091,527	1,032,243	1,077,514	1,120,593
215,380	247,532	231,577	342,241	404,396	452,631
341,194	316,163	311,955	346,861	339,908	317,873
50,107	50,982	56,146	56,327	58,990	63,028
45,002,530	46,683,346	47,819,108	46,431,804	46,394,092	48,308,452
(1,754,825)	(1,111,361)	(157,938)	(850,008)	(563,662)	(1,661,184)
601,500	177,480	474,278	360,260	377,326	85,295
775,640	142,190	543,367	163,035	508,109	295,085
10,748	10,569	12,216	22,071	38,495	47,579
(4,263)	-	(150)	(1,339)	(14)	-
(777,179)	(150,488)	(549,296)	(172,223)	(537,743)	(299,121)
41,205	39,101	172,111	34,567	18,285	18,846
3,027	1,895	1,797	3,160	4,148	3,466
2,603,766	2,834,719	2,616,900	2,956,635	3,115,335	3,354,150
(1,695,068)	(1,949,134)	(1,694,043)	(1,952,646)	(2,171,741)	(2,410,062)
1,559,376	1,106,331	1,577,181	1,413,520	1,352,200	1,095,238
$ (195,449)	$ (5,029)	$ 1,419,243	$ 563,512	$ 788,538	$ (565,945)
1%	1%	1%	2%	2%	2%

PERSONAL INCOME BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

	2004	2005	2006
Farm earnings	$ 1,080	$ 1,087	$ 1,067
Forestry, fishing, and related activities	315	295	359
Mining	717	791	930
Utilities	2,163	2,234	2,482
Construction	15,211	15,286	15,256
Manufacturing	52,015	50,968	50,243
Wholesale trade	11,876	12,394	12,837
Retail trade	16,373	16,461	16,396
Transportation and warehousing	7,001	7,264	7,201
Information	4,898	4,803	4,714
Finance and insurance	11,417	12,047	12,168
Real estate and rental and leasing	3,485	3,353	3,064
Professional, scientific, and technical services	22,095	22,845	23,744
Management of companies and enterprises	7,271	7,289	6,997
Administrative and waste services	10,506	11,441	11,888
Educational services	2,249	2,323	2,472
Health care and social assistance	24,414	25,735	27,413
Arts, entertainment, and recreation	2,296	2,224	2,299
Accommodation and food services	6,104	6,190	6,256
Other services, except public administration	8,517	8,802	9,172
Government and government enterprises	36,830	38,256	38,931
Total earnings by place of work	246,831	252,084	255,888
Total earnings by place of work	246,831	252,084	255,888
less: Contributions for government social insurance	28,073	28,945	29,754
plus: Adjustment for residence	1,341	1,435	1,559
Net earnings by place of residence	220,099	224,574	227,693
Net earnings by place of residence	220,099	224,574	227,693
plus: Dividends, interest, and rent	51,782	53,625	55,468
plus: Personal current transfer receipts	48,798	51,530	54,807
Total Personal Income	$ 320,678	$ 329,730	$ 337,968
Statutory Tax Rate (blended rate)	3.98%	3.90%	3.90%

NOTES: Earnings presented are blended averages. Due to the use of averages and blended amounts, the totals may not equal the sum of the industry amounts presented.

Earnings includes wages and salaries, supplements to wages and proprietors' income.

Industries categorized using the North American Industry Classification System.

Fiscal year 2013 is the most recent year for which data is available.

SOURCES: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Office of Revenue and Tax Analysis, Michigan Department of Treasury.

2007	2008	2009	2010	2011	2012	2013
$ 1,174	$ 1,761	$ 1,350	$ 1,641	$ 2,639	$ 2,184	$ 2,188
330	305	342	394	383	452	437
799	1,119	789	765	1,040	1,052	1,067
2,611	2,734	2,720	2,724	2,723	2,707	2,771
13,762	12,418	10,717	10,100	10,569	11,557	12,469
49,087	45,999	37,700	36,656	40,071	43,382	45,045
13,160	13,324	12,379	12,181	13,148	13,910	14,445
16,425	16,127	15,565	15,547	15,858	16,149	16,446
7,426	7,201	6,612	6,623	7,287	7,719	8,040
4,851	4,714	4,666	4,431	4,480	4,566	4,737
12,488	12,136	12,038	12,318	11,545	12,357	13,351
2,771	2,661	2,644	2,713	2,957	3,703	4,207
24,395	25,293	23,088	22,216	23,820	25,298	26,492
7,043	6,790	6,079	5,890	6,612	6,920	7,184
11,672	11,496	10,506	10,588	11,564	12,310	12,632
2,614	2,714	2,855	2,916	2,924	3,083	3,151
28,555	29,944	31,024	31,826	32,443	33,224	33,637
2,164	2,226	2,085	2,050	1,930	1,952	2,089
6,608	6,589	6,308	6,342	6,689	7,213	7,380
9,172	8,818	8,691	8,778	8,988	9,509	9,864
39,767	40,784	41,199	42,412	41,656	40,832	40,685
256,870	255,150	239,356	239,108	249,323	260,076	268,318
256,870	255,150	239,356	239,108	249,323	260,076	268,318
30,191	30,239	28,739	28,527	27,141	27,520	31,179
1,653	1,630	1,568	1,610	1,797	1,918	2,042
228,333	226,542	212,185	212,191	223,979	234,473	239,180
228,333	226,542	212,185	212,191	223,979	234,473	239,180
58,530	61,245	54,707	50,461	57,427	61,039	64,405
59,667	65,551	74,818	80,437	80,729	81,281	83,126
$ 346,530	$ 353,337	$ 341,710	$ 343,088	$ 362,135	$ 376,793	$ 386,711
3.90%	4.35%	4.35%	4.35%	4.35%	4.35%	4.25%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

	2004	2005	2006	2007
Farming	$ 77.2	$ 78.9	$ 78.5	$ 73.6
Agricultural	275.3	277.5	270.7	250.3
Mining	159.9	181.0	192.5	183.4
Construction	768.8	788.3	782.3	706.4
Manufacturing	3,315.5	3,577.2	3,424.2	3,283.3
Transportation and utilities	9,369.3	10,359.4	11,715.5	12,091.0
Wholesale trade	3,127.9	3,270.5	3,400.5	2,881.0
Retail trade	83,135.4	84,719.4	83,382.5	83,464.8
Finance, insurance, and real estate	472.3	460.8	435.6	333.3
Services	7,686.8	7,121.3	6,215.0	6,483.1
State and local government	162.0	184.3	197.7	202.6
Other classifications	951.9	1,021.3	806.4	1,091.1
Total	$ 109,502.2	$ 112,040.0	$ 110,901.4	$ 111,043.7
Direct Sales Tax Rate	6%	6%	6%	6%

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry.

Industries categorized by using the Standard Industrial Classification.

Fiscal year 2013 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

2008	2009	2010	2011	2012	2013
$ 70.4	$ 57.1	$ 56.1	$ 58.5	$ 61.7	$ 69.4
240.4	226.6	211.8	216.2	238.1	254.3
180.2	118.8	116.2	145.7	156.1	136.2
695.9	565.0	497.3	534.1	601.6	617.9
3,331.8	2,608.5	2,645.7	2,738.4	3,131.6	3,514.0
12,650.3	12,708.7	12,041.1	12,860.4	12,412.4	12,763.8
3,031.4	2,516.5	2,426.9	2,861.1	2,727.9	2,652.0
86,572.7	78,680.5	80,195.7	85,484.6	90,639.0	94,582.1
323.9	356.8	193.0	254.6	263.4	355.8
6,426.7	5,696.8	5,405.8	5,831.0	6,092.7	6,223.3
166.7	154.6	240.0	93.3	178.5	187.3
943.9	1,802.9	1,007.5	1,048.7	1,290.4	1,255.7
$ 114,634.3	$ 105,492.7	$ 105,036.9	$ 112,126.5	$ 117,793.5	$ 122,611.9
6%	6%	6%	6%	6%	6%

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
TAX YEARS 2003 AND 2012

	Tax Year 2003				Tax Year 2012			
Adjusted Gross Income (AGI) Group	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total
$50,000 and under	2,930,459	67.1%	$ 650	12.4%	2,903,305	64.3%	$ 672	9.6%
$50,001 - $100,000	1,023,715	23.4%	2,053	39.2%	996,144	22.1%	2,122	30.3%
$100,001 - $250,000	363,748	8.3%	1,609	30.7%	523,246	11.6%	2,452	35.1%
$250,001 - $1,000,000	45,506	1.0%	598	11.4%	79,076	1.8%	1,097	15.7%
$1,000,001 and higher	6,567	0.2%	322	6.2%	13,000	0.3%	651	9.3%
Total	4,369,995	100.0%	$ 5,233	100.0%	4,514,771	100.0%	$ 6,995	100.0%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's personal income tax revenue.

Tax year 2012 is the most recent year for which data is available.

Tax year 2003 personal income tax amount refers to tax amount net of nonrefundable credits, and net of Home Heating Credits (HHC), Homestead Property Tax Credits (HPTC), Farmland Preservation, and Adoption Credits.

Tax year 2012 personal income tax amount refers to tax amount net of nonrefundable credits, and net of HHC, HPTC, Michigan Earned Income Tax, Farmland Preservation, and Historic Preservation Credits.

SOURCE: Michigan Department of Treasury.

SALES TAX PAYERS BY INDUSTRY
FISCAL YEARS 2004 AND 2013

	2004				2013			
	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total
Farming	1,007	0.94%	$ 4.5	0.07%	581	0.61%	$ 3.7	0.05%
Agricultural	2,341	2.19%	16.5	0.26%	1,634	1.72%	14.3	0.21%
Mining	249	0.23%	10.5	0.16%	239	0.25%	9.4	0.14%
Construction	2,048	1.91%	44.5	0.69%	2,190	2.30%	36.1	0.52%
Manufacturing	4,928	4.60%	193.5	3.02%	6,008	6.31%	187.9	2.72%
Transportation and utilities	1,172	1.09%	433.0	6.76%	1,290	1.35%	592.3	8.57%
Wholesale trade	2,169	2.03%	187.3	2.93%	1,864	1.96%	163.7	2.37%
Retail trade	65,630	61.29%	4,945.1	77.23%	54,580	57.33%	5,438.3	78.64%
Finance, insurance, and real estate	401	0.37%	37.3	0.58%	432	0.45%	15.8	0.23%
Services	24,541	22.92%	484.6	7.57%	24,572	25.81%	365.6	5.29%
State and local government	340	0.32%	9.1	0.14%	362	0.38%	10.7	0.15%
Other classifications	2,247	2.10%	37.1	0.58%	1,451	1.52%	77.4	1.12%
Total	107,073	100.00%	$ 6,402.9	100.00%	95,203	100.00%	$ 6,915.2	100.00%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Fiscal year 2013 is the most recent year for which data is available.

Industries categorized using the Standard Industrial Classification.

SOURCE: Michigan Department of Treasury.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Millions)

	GOVERNMENTAL ACTIVITIES		
FISCAL YEAR	GENERAL OBLIGATION BONDS	STATE PARK REVENUE BONDS	TRANSPORTATION REVENUE BONDS
2005	$ 1,645	$ 15	$ 1,652
2006	1,794	14	1,889
2007	1,488	13	2,328
2008	1,487	13	2,257
2009	1,673	12	2,474
2010	1,680	12	2,369
2011	1,889	11	2,261
2012	2,018	10	2,226
2013	2,048	9	2,105
2014	1,942	9	1,960

NOTES: Article 9, Section 15 of the State Constitution allows for long-term borrowing by the State for specific purposes in amounts as may be provided by acts of the Legislature adopted by a vote of two-thirds of the members in each house, and approved by a majority of the bodies people voting at a general election. The debts of public bodies corporate and politic created by law are not general obligation debts and liabilities of the State of Michigan. Details regarding the State's debt can be found in the bonds and notes payable note of the financial statements.

SOURCES: U.S. Census Bureau, Population Division.
Department of Technology, Management and Budget.
U.S. Department of Commerce, Bureau of Economic Analysis.
Department of Treasury.

GOVERNMENTAL ACTIVITIES				
STATE BUILDING AUTHORITY BONDS	CAPITAL LEASES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
$ 2,615	$ 406	$ 6,333	1.91%	$ 630
3,449	252	7,398	2.18%	737
3,366	248	7,443	2.14%	744
3,375	320	7,452	2.10%	789
2,969	330	7,458	2.20%	753
3,008	345	7,414	2.14%	751
3,175	407	7,743	2.11%	784
3,103	416	7,773	2.04%	787
3,182	407	7,751	2.01%	783
3,106	394	7,411	Unavailable	Unavailable

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(In Millions)

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS DEBT SERVICE FUNDS	NET BONDED GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2005	$ 1,645	$ 1	$ 1,644	0.50%	$ 164
2006	1,794	1	1,793	0.53%	179
2007	1,487	1	1,486	0.43%	149
2008	1,487	1	1,486	0.42%	149
2009	1,673	1	1,672	0.49%	169
2010	1,680	1	1,678	0.48%	170
2011	1,889	1	1,888	0.51%	191
2012	2,018	1	2,017	0.53%	204
2013	2,048	1	2,046	0.53%	207
2014	1,942	2	1,941	Unavailable	Unavailable

SOURCES: U.S. Census Bureau, Population Division.
Department of Technology, Management and Budget.
U.S. Department of Commerce, Bureau of Economic Analysis.
Department of Treasury.

DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	2005	2006	2007	2008
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 1,069.1	$ 1,055.3	$ 1,027.8	$ 989.3
Registration Taxes	863.4	867.7	871.7	855.0
Miscellaneous Fees	37.3	36.0	35.7	36.2
Total	1,969.8	1,959.0	1,935.3	1,880.6
Less Deductions	125.4	149.5	137.9	138.3
Remaining Balance	1,844.4	1,809.5	1,797.4	1,742.3
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	167.3	165.4	164.7	159.9
Motor Vehicle Related Sales Tax Revenues	$ 1,115.4	$ 1,111.2	$ 1,117.5	$ 1,249.0
Allocation to Comprehensive Transportation Fund	56.9	66.4	67.7	82.1
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	$ 224.3	$ 231.8	$ 232.4	$ 242.0
Plus Other Revenues (primarily interest)	5.0	0.5	5.9	1.4
Money Available for Debt Service	$ 229.3	$ 232.3	$ 238.3	$ 243.5
Debt Service:				
Principal	$ 15.6	$ 19.1	$ 20.2	$ 21.3
Interest	13.4	12.0	12.9	12.0
Actual Annual Debt Service (1)	28.9	31.1	33.2	33.3
Debt Service Coverage	7.9 x	7.5 x	7.2 x	7.3 x

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

2009	2010	2011	2012	2013	2014
$ 964.0	$ 962.1	$ 957.7	$ 945.9	$ 950.9	$ 958.8
839.7	842.1	859.7	876.1	906.5	940.6
33.0	33.8	34.2	35.0	36.1	37.4
1,836.7	1,837.9	1,851.5	1,857.0	1,893.5	1,936.8
137.2	138.1	137.4	138.0	133.2	135.3
1,699.5	1,699.9	1,714.1	1,719.0	1,760.4	1,801.5
155.3	155.2	156.7	157.0	161.4	165.5
$ 1,188.3	$ 1,182.5	$ 1,290.7	$ 1,406.5	$ 1,476.3	$ 1,462.7
82.9	76.8	90.0	98.1	103.0	102.0
$ 238.2	$ 232.0	$ 246.7	$ 255.1	$ 264.4	$ 267.5
0.9	1.2	1.0	0.6	1.1	1.1
$ 239.1	$ 233.2	$ 247.8	$ 255.8	$ 265.4	$ 268.6
$ 7.5	$ 10.1	$ 10.2	$ 14.0	$ 13.9	$ 14.5
10.4	10.5	10.0	9.3	8.6	7.9
17.9	20.6	20.1	23.4	22.4	22.4
13.3 x	11.3 x	12.3 x	10.9 x	11.8 x	12.0 x

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	2005	2006	2007	2008
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 1,069.1	$ 1,055.3	$ 1,027.8	$ 989.3
Registration Taxes	863.4	867.7	871.7	855.0
Miscellaneous Fees	37.3	36.0	35.7	36.2
Total	1,969.8	1,959.0	1,935.3	1,880.6
Less Deductions:				
Critical Bridge Debt Service	2.2	2.5	2.8	2.8
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Collection Costs	44.5	57.1	46.2	48.1
Waterways/Recreational Improvement Fund	18.4	18.0	17.6	16.9
Comprehensive Transportation Fund (excluding interest)	167.3	165.4	164.7	159.9
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	17.2	28.9	28.3	27.5
Economic Development Fund	40.3	40.3	40.3	40.3
Total Deductions	366.0	388.2	375.9	371.5
Constitutionally Restricted Revenues Available for Distribution	1,603.8	1,570.8	1,559.4	1,509.1
Plus Other Revenues (primarily interest)	7.0	8.9	8.2	9.0
Total Money Available for Distribution	1,610.8	1,579.7	1,567.5	1,518.0
Distributions to:				
Cities and Villages	348.7	344.8	342.8	332.1
County Road Commissions	611.6	603.3	599.7	580.9
State Trunkline Fund	650.5	631.5	625.0	605.0
Money Available for Debt Service:				
State Trunkline Fund	650.5	631.5	625.0	605.0
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Economic Development Fund	40.3	40.3	40.3	40.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	2.2	2.5	2.8	2.8
Miscellaneous (1)	-	-	-	40.5
Total Available for Debt Service	769.0	750.3	744.1	764.6
Debt Service:				
Principal	$ 25.0	$ 19.9	$ 20.0	$ 43.5
Interest	49.5	74.7	84.8	91.5
Actual Annual Debt Service (2)	74.5	94.6	104.8	135.0
Debt Service Coverage	10.3 x	7.9 x	7.1 x	5.7 x

NOTES:

(1) Beginning fiscal year 2008, miscellaneous revenues were available for debt service.

(2) The table above excludes amounts related to refunded bonds and federally funded debt.

SOURCE: Michigan Department of Transportation.

2009	2010	2011	2012	2013	2014
$ 964.0	$ 962.1	$ 957.7	$ 945.9	$ 950.9	$ 958.8
839.7	842.1	859.7	876.1	906.5	940.6
33.0	33.8	34.2	35.0	36.1	37.4
1,836.7	1,838.0	1,851.5	1,857.0	1,893.5	1,936.8
2.8	3.3	3.3	3.3	3.0	2.4
43.0	43.0	43.0	43.0	43.0	43.0
47.8	47.9	47.8	48.6	43.9	46.4
16.6	16.7	16.5	16.4	16.4	16.5
155.3	155.2	156.7	157.0	161.4	165.5
33.0	33.0	33.0	33.0	33.0	33.0
27.0	27.2	26.9	26.8	26.8	26.9
40.3	40.3	40.3	40.3	40.3	40.3
365.7	366.6	367.4	368.4	367.8	374.1
1,471.0	1,471.4	1,484.1	1,488.6	1,525.7	1,562.8
2.3	2.2	0.6	1.2	1.1	1.1
1,473.3	1,473.6	1,484.7	1,489.8	1,526.8	1,563.8
322.4	322.4	324.6	326.0	334.2	342.3
563.7	563.8	568.4	569.3	584.5	598.9
587.2	587.4	591.7	592.5	607.7	622.6
587.2	587.4	591.7	592.5	607.7	622.6
43.0	43.0	43.0	43.0	43.0	43.0
40.3	40.3	40.3	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
2.8	3.3	3.3	3.3	3.0	2.4
27.1	36.4	39.5	35.4	133.0	35.7
733.3	743.4	750.7	747.4	860.1	777.0
$ 45.6	$ 79.2	$ 82.6	$ 86.3	$ 88.5	$ 106.5
90.1	80.9	77.5	75.6	73.2	59.8
135.7	160.1	160.1	161.9	161.8	166.3
5.4 x	4.6 x	4.7 x	4.6 x	5.3 x	4.7 x

DEBT SERVICE COVERAGE
STATE BUILDING AUTHORITY
LAST TEN FISCAL YEARS
(In Millions)

	2005	2006	2007	2008
Revenue - Lease and Rental Payments	$ 246.9	$ 255.5	$ 213.2	$ 219.4
Less: Operating Expenses	3.2	9.9	0.8	0.8
Net Available Revenue	243.7	245.6	212.4	218.6
Debt Service:				
Principal	119.9	82.1	83.6	87.1
Interest	128.7	140.8	117.5	123.4
Actual Annual Debt Service (1)	248.6	222.9	201.1	210.5
Debt Service Coverage	1.0 x	1.1 x	1.1 x	1.0 x

NOTE:
(1) The table above excludes amounts related to refunded bonds.

2009	2010	2011	2012	2013	2014
$ 230.4	$ 230.1	$ 233.1	$ 234.3	$ 234.4	$ 231.0
1.1	1.6	1.4	1.6	1.3	1.1
229.3	228.5	231.7	232.7	233.1	229.9
100.5	96.1	128.9	96.2	126.6	102.2
122.2	120.0	122.5	121.0	124.8	118.5
222.7	216.1	251.4	217.2	251.4	220.6
1.0 x	1.1 x	0.9 x	1.1 x	0.9 x	1.0 x

DEMOGRAPHIC AND ECONOMIC INDICATORS

LAST TEN CALENDAR YEARS

	2004	2005	2006	2007
Population (a)				
(in thousands)				
Michigan	10,055	10,051	10,036	10,001
United States	292,805	295,517	298,380	301,231
Total Personal Income (b)				
(in billions)				
Michigan	$ 323.0	$ 331.2	$ 339.7	$ 348.6
United States	$ 10,043.3	$ 10,605.6	$ 11,376.4	$ 11,990.1
Per Capita Income (b)				
Michigan	$ 32,119	$ 32,952	$ 33,851	$ 34,853
United States	$ 34,300	$ 35,888	$ 38,127	$ 39,804
Unemployment Rate (c)				
Michigan	7.1%	6.8%	6.9%	7.1%
United States	5.5%	5.1%	4.6%	4.6%
Michigan estimated wage and salary employees (c)				
(in thousands)				
Goods Producing:				
Mining and Logging	8.2	8.4	8.0	7.7
Construction	191.8	189.5	178.4	166.7
Manufacturing	698.3	677.5	648.2	617.3
Total Goods Producing	898.3	875.4	834.6	791.7
Service-Providing:				
Private Service-Providing				
Trade, Transportation, and Utilities:				
Wholesale Trade	170.5	170.7	170.6	169.0
Retail Trade	513.6	506.0	496.0	489.7
Transportation and Utilities	125.7	128.3	128.4	128.3
Information	65.7	64.9	63.9	62.9
Financial Activities:				
Finance and Insurance	159.6	159.9	158.9	156.2
Real Estate and Rental and Leasing	56.1	56.1	54.9	53.3
Professional and Business Services:				
Professional, Scientific, and Technical Services	245.5	247.7	246.2	246.2
Management of Companies and Enterprises	70.7	67.9	64.9	60.0
Administrative, Support Services, and Waste Management	270.1	277.5	275.1	274.5
Educational and Health Services:				
Educational Services	70.6	74.8	76.1	78.7
Health Care and Social Assistance	490.3	501.0	507.2	518.0
Leisure and Hospitality:				
Accommodation and Food Services	348.2	350.2	352.3	351.5
Other	54.9	55.4	54.5	55.5
Other Services	179.6	179.6	177.5	176.6
Total Private Service-Providing	2,821.0	2,840.2	2,826.6	2,820.4
Government	679.7	674.1	665.3	655.7
Total Service-Providing	3,500.7	3,514.3	3,491.9	3,476.1
Total Wage and Salary Employment	4,399.0	4,389.7	4,326.5	4,267.8

NOTES: Calendar year 2013 is the most recent year for which data is available.

Wage and Salary Employment based on North American Industry Classification System.

Components in Wage and Salary Employment may not total due to truncation.

SOURCES:

(a) U.S. Census Bureau, Population Division.
(b) U.S. Department of Commerce, Bureau of Economic Analysis.
(c) Michigan Department of Licensing and Regulatory Affairs and U.S. Department of Labor, Bureau of Labor Statistics.

2008	2009	2010	2011	2012	2013
9,947	9,902	9,876	9,875	9,883	9,896
304,094	306,772	309,326	311,583	313,874	316,129
$ 354.1	$ 338.5	$ 346.5	$ 367.0	$ 381.3	$ 386.5
$ 12,429.2	$ 12,080.2	$ 12,417.7	$ 13,189.9	$ 13,873.2	$ 14,151.4
$ 35,594	$ 34,190	$ 35,082	$ 37,163	$ 38,585	$ 39,055
$ 40,873	$ 39,379	$ 40,144	$ 42,332	$ 44,200	$ 44,765
8.3%	13.5%	12.7%	10.4%	9.1%	8.8%
5.8%	9.3%	9.6%	8.9%	8.1%	7.4%
7.9	6.9	7.1	7.4	7.8	8.0
153.5	127.6	121.6	125.3	128.2	132.4
572.0	463.1	473.9	509.7	537.6	555.1
733.3	597.6	602.6	642.4	673.6	695.4
167.8	152.9	150.7	155.0	159.5	163.6
478.1	451.4	446.5	448.6	449.3	455.2
124.5	112.9	113.5	118.2	121.5	125.1
60.2	56.3	54.8	53.2	53.3	55.3
149.9	142.6	139.8	144.2	148.3	152.4
52.0	48.8	48.3	48.9	48.2	49.6
243.9	220.9	222.6	235.0	247.9	260.2
56.9	51.1	51.0	53.6	55.3	57.7
262.8	229.5	242.4	265.7	277.7	284.0
80.5	79.2	77.3	73.5	73.3	74.1
526.9	530.1	534.5	548.2	559.0	563.4
345.6	330.8	329.0	332.8	341.9	350.3
54.3	50.9	48.6	47.7	46.9	47.2
175.6	168.8	166.3	167.3	169.3	171.5
2,778.8	2,626.2	2,625.1	2,691.9	2,751.2	2,809.5
650.0	646.8	635.6	617.4	608.5	599.6
3,428.8	3,272.9	3,260.7	3,309.3	3,359.7	3,409.1
4,162.1	3,870.5	3,863.3	3,951.8	4,033.3	4,104.5

CLASSIFIED EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2005	2006	2007	2008
General Government	7,138	7,144	7,264	7,347
Education	352	367	369	380
Human services	9,953	9,778	9,759	9,582
Public safety and corrections	20,175	20,060	19,948	19,451
Conservation, environment, recreation, and agriculture	3,729	3,662	3,586	3,439
Labor, commerce, and regulatory	3,994	4,128	3,967	3,781
Health services	4,424	4,241	4,225	3,964
Transportation	2,849	2,880	2,895	2,854
Total	52,614	52,259	52,013	50,799

NOTES: This report reflects classified employees who are full-time, part-time, permanent intermittent, limited term, seasonal, non-career, or on worker's compensation in primary positions only, except for the following non career appointments: student assistant, transportation aide, and state worker.

Each fiscal year in this schedule also includes approximately 2,000 classified employees for the business type activities and discretely presented component unit authorities. Although the expenses for the business type activities and component unit authorities are reported separately in the government-wide financial statements, the employee counts were combined in this schedule to ensure consistency with the Civil Service Commission reports and for administrative efficiency.

This schedule includes average employee counts. Employees who job share are divided in half. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Civil Service Commission, Annual Work Force Report.

2009	2010	2011	2012	2013	2014
7,328	6,995	6,645	7,026	7,273	7,377
405	445	446	476	518	518
10,168	10,414	10,365	11,052	11,772	11,388
19,310	18,388	17,508	16,689	16,561	16,154
3,466	3,359	3,041	3,049	3,033	3,050
4,056	4,298	3,727	3,756	2,899	2,817
4,075	3,873	3,448	3,003	3,113	3,128
2,892	2,844	2,639	2,632	2,570	2,573
51,699	50,615	47,818	47,683	47,739	47,003

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2005	2006	2007	2008
General government				
Tax forms processed (7)	8,059,355	8,259,132	8,245,905	8,335,760
Passenger, commercial, and recreational vehicle registrations	8,879,158	8,732,938	8,785,222	8,570,421
Driver licenses issued	1,913,530	1,724,108	1,875,932	1,915,459
Education				
K-12 students	1,708,584	1,697,936	1,678,579	1,648,585
Public university students	250,030	253,020	253,576	254,231
Community college students	131,150	133,359	139,219	146,234
Human services				
Food assistance program recipients (1)	1,047,594	1,133,793	1,204,409	1,262,951
Family independence program recipients (1)	212,252	217,318	237,102	210,181
Day care recipients (1)	118,939	114,758	106,062	97,856
Children in foster care	18,745	18,414	18,943	18,016
State disability assistance recipients (1)	10,560	10,591	11,015	10,427
Finalized adoptions (yearly total) (2)	2,910	2,621	2,638	2,899
Juvenile justice youth served	1,871	1,655	1,512	1,371
Open child support cases with support orders established	777,188	764,500	754,511	755,004
Public safety and corrections				
Inmates, parolees, and probationers (as of 9/30)	119,845	120,337	123,032	126,100
State police patrol miles driven	16,879,418	17,632,736	14,916,802	17,071,748
Criminal offender DNA samples entered into federal indexing database (calendar year)	23,099	41,888	30,519	25,263
National Guard members (as of 9/30)	11,125	11,768	11,862	11,991
Veteran homes average daily census	909	902	896	891
Conservation, environment, recreation and agriculture				
Hunting and/or fishing license holders (3)	2,004,577	1,950,676	1,981,382	1,964,480
Camping nights in State parks	1,005,437	956,030	929,753	891,607
Population impacted by water purification projects	3,994,970 (4)	1,046,379 (4)	490,298 (4)	1,331,867
Underground storage tank releases closed	265	320	233	159
Scrap tires collected (passenger tire equivalent)	5,942,164	6,081,447	3,736,086	3,772,376
Labor, commerce, and regulatory				
Processed applications for new and renewal occupational licenses	152,659	164,153	198,430	151,230
Building related permits issued	40,662	33,031	26,942	24,025
Building related safety inspections conducted	41,303	45,921	42,931	35,759
Occupational safety and health enforcement inspections conducted	4,492	5,102	5,001	5,032
Alleged occupational safety and health violations identified	17,621	17,311	16,712	15,781
Financial and insurance service providers chartered	281,668	297,662	323,791	334,685
Health services				
Medicaid recipients (1)	1,424,831	1,490,384	1,524,299	1,536,853
Women, Infants, and Children Food and Nutrition Program recipients (1)	226,601	229,770	232,280	239,145
Children's special health care services recipients (1)	30,232	30,449	30,898	31,452
Mentally ill/developmental disability service recipients (1)	200,424	207,407	213,257	219,238
Substance abuse service recipients	69,808	71,175	69,564	70,978

NOTES:
(1) Monthly average.
(2) Total adoptions were completed by the Department of Human Services (DHS) and private agencies under contract with DHS.
(3) The licensing season runs April 1 through March 31. Amounts reported under fiscal year 2014 are for the licensing year ending March 31, 2014.
(4) The increase in fiscal year 2005 resulted from a project benefiting users of the Detroit Water and Sewage Department.
(5) Amount estimated.
(6) Enhanced driver licenses were sold starting in fiscal year 2009.
(7) Numbers for fiscal years 2005 through 2008 are on a calendar year basis. Effective fiscal year 2009, the numbers are on a fiscal year basis.

SOURCES: Various State departments.

2009	2010	2011	2012	2013	2014
8,320,921	8,078,164	8,521,664	8,539,957	8,360,575	8,432,444
8,506,838	8,459,499	8,479,747	8,435,868	8,496,407	8,543,342
1,910,604 (6)	1,791,417	1,901,673	1,969,253	1,956,686	1,705,117
1,614,975	1,592,598	1,565,324	1,550,111	1,533,442	1,522,119
257,148	262,615	264,903	264,913	263,817	262,735
157,225	177,277	176,370	164,827	154,118	143,829
1,462,710	1,776,368	1,928,478	1,828,384	1,775,646	1,680,721
202,693	224,651	227,490	154,941	129,185	89,957
83,137	63,643	54,049	50,028	43,246	35,501
16,115	15,261	14,043	13,504	13,902	13,209
10,528	10,628	10,094	8,713	7,845	6,723
3,087	2,612	2,506	2,554	2,361	Unavailable
1,047	988	951	801	790	729
763,919	764,388	772,687	774,463	771,108	760,284 (5)
125,854	125,231	117,152	112,049	108,738	106,966
15,138,587	16,148,708	15,045,772	17,633,319	18,852,703	21,249,946
19,029	20,911	16,475	16,098	21,283	15,808 (5)
11,817	11,900	11,504	11,156	10,901	10,537
875	852	798	690	665	649
1,951,579	1,934,765	1,912,262	1,851,287	1,919,692	1,947,508
894,410	916,289	899,311	987,189	1,021,712	1,001,245 (5)
359,015	370,662	725,931	463,457	691,102	677,175
203	231	171	184	285	488
5,517,872	1,121,596	220,508	161,704	399,921	182,891 (5)
150,118	155,035	147,791	125,603	135,734	341,132
19,604	20,078	18,182	19,221	17,783	17,066
41,623	48,614	46,510	49,614	58,223	56,098
5,071	5,202	5,343	5,394	5,267	5,231
14,006	14,221	14,333	13,744	12,741	10,693
328,182	331,410	349,269	390,005	225,927	255,121
1,622,758	1,823,178	1,899,107	1,875,544	1,854,880	1,842,957
242,453	256,229	252,123	255,954	254,126	251,713
30,008	31,818	31,587	29,958	31,083	33,550
228,258	228,215	231,091	242,884	251,019	Unavailable
73,334	71,382	70,069	70,145	70,664	70,850 (5)

OPERATING INDICATORS BY FUNCTION - (Continued)
LAST TEN FISCAL YEARS

	2005	2006	2007	2008
Transportation				
Annual vehicle miles of travel on State Trunkline roads (12)	52,600,000,000	51,500,000,000	52,000,000,000	51,500,000,000
Miles of intercity bus travel receiving State funding	1,090,708	1,086,793	1,081,038	1,087,543
Miles of local bus travel receiving State funding	99,890,100	102,760,387	105,068,260	113,567,301
Railroad crossing maintenance/safety inspections	2,898	2,531	2,679	2,586
Tax credits				
Taxpayers claiming refundable credits (9) (11)	1,497,900	1,525,500	1,581,700	2,322,600
Intergovernmental-revenue sharing				
Township grants	1,241	1,241	1,241	1,241
City grants	274	274	274	274
Village grants	259	259	259	259
County grants (10)	-	-	-	1
Liquor Purchase Revolving Fund				
Annual retail liquor licenses issued	15,964	15,942	15,838	15,763
Liquor sales volume (cases)	6,110,122	6,293,797	6,464,739	6,611,415
Beer sales volume (barrels)	6,721,468	6,647,438	6,588,385	6,601,138
Wine sales volume (liters)	66,022,306	68,139,758	71,385,503	72,797,847
Pre-mixed spirit drink sales volume (liters)	1,065,146	871,900	1,008,073	811,286
State Lottery Fund				
Retailers	11,076	10,880	10,973	10,969
Winners greater than $600	44,692	52,124	49,585	44,962
Millionaire prizewinners	21	17	42	37
Michigan Unemployment Compensation Funds				
Individuals receiving benefits (calendar year)	547,376	569,721	547,950	633,558

NOTES:
(8) Amount estimated.
(9) Tax credits are reported based on the tax year. Credits claimed during tax year 2013, for example, are reported above in fiscal year 2013.
(10) County grants were suspended beginning in fiscal year 2005. Instead, each county expends from its revenue sharing reserve fund created by State statute in 2004. Each fiscal year, counties are allowed only to expend from the fund the amount the Department of Treasury certifies them to spend. Once a county has exhausted its revenue sharing reserve fund, the county will return to revenue sharing.
(11) Amount estimated and rounded to nearest hundred.
(12) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.

SOURCES: Various State departments.

2009	2010	2011	2012	2013	2014
48,700,000,000	48,700,000,000	49,800,000,000	48,700,000,000	49,400,000,000	50,000,000,000
1,080,543	1,080,444	1,086,022	1,094,911	1,110,733	1,112,793
112,642,720	108,426,363	105,267,567	104,317,459	101,203,565	108,188,216
1,932	1,454	2,563	2,644	1,970	1,624
2,566,100	2,454,200	2,363,800	1,899,300	1,854,300	Unavailable
1,240	1,240	1,240	1,240	1,240	1,240
275	277	277	277	277	277
258	256	256	256	256	256
7	20	36	50	62	63
15,771	15,898	15,870	15,961	16,026	15,989
6,734,253	6,877,873	7,117,299	7,373,714	7,532,846	7,709,480
6,465,495	6,448,197	6,250,673	6,318,295	6,206,452	6,221,433
73,200,249	79,440,328	81,504,221	84,253,865	88,096,394	92,044,380
787,948	983,029	954,712	1,076,369	1,058,511	1,074,364
10,680	10,797	10,746	10,879	10,848	10,684
53,986	60,543	48,567	44,904	52,365	56,735
40	39	28	31	36	39
913,568	825,858	636,493	527,507	449,388	375,000 (8)

CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

	2005	2006	2007	2008
General Government:				
Buildings	Unavailable	281	280	296
Vehicles	Unavailable	747	754	756
Education				
Buildings	Unavailable	27	27	27
Vehicles	Unavailable	28	21	21
Human services				
Buildings	Unavailable	208	208	210
Vehicles	Unavailable	838	844	931
Public safety and corrections				
Buildings	Unavailable	1,390	1,390	1,403
Vehicles	Unavailable	3,401	3,548	3,605
Conservation, environment, recreation, and agriculture				
Buildings	229	249	300	314
Vehicles	Unavailable	3,452	3,763	3,832
Environmental quality air-monitoring instruments	170	188	194	195
Environmental quality lab/analyzing equipment	127	131	153	147
Natural resources acres of land	4,557,246	4,562,444	4,566,708	4,574,274
Harbors	16	16	16	16
Hatcheries	6	6	6	6
State park & recreation areas	97	97	98	98
Labor, commerce, and regulatory				
Buildings	Unavailable	160	164	158
Vehicles	Unavailable	482	482	509
Health services				
Buildings	Unavailable	239	239	241
Vehicles	Unavailable	272	276	287
Transportation				
Buildings	Unavailable	437	437	439
Vehicles	1,448	1,841	1,872	1,777
Highway lane miles (calendar year)	27,557	27,521	27,514	27,478
Heavy equipment owned	2,117	2,162	2,184	2,164

NOTES: For years prior to 2006, capital assets information was not available by function.

Building and vehicle counts include both owned and leased assets with the exception of transportation vehicles for years prior to fiscal year 2006. Transportation vehicle counts for fiscal years prior to fiscal year 2006 include only owned vehicles.

Acres of land are on a tax year basis rather than a fiscal year basis.

Building counts for 2005 in the Conservation, environment, recreation, and agriculture function represent only those buildings owned by the Department of Natural Resources.

SOURCES: Michigan Departments of Technology, Management and Budget, Natural Resources, Environmental Quality, and Transportation.

2009	2010	2011	2012	2013	2014
279	261	247	239	240	240
772	812	762	783	927	974
27	27	27	27	27	28
23	23	24	28	27	29
207	193	188	177	216	202
926	930	997	1,104	1,338	1,457
1,393	1,389	1,386	1,255	1,254	1,254
3,542	3,568	3,448	3,433	3,547	3,700
326	340	339	335	325	327
3,850	3,912	3,829	3,853	3,985	4,053
198	202	202	202	231	229
147	144	150	156	159	143
4,582,771	4,588,442	4,586,891	4,586,922	4,595,866	4,592,910
17	17	18	19	19	19
6	6	6	6	6	6
98	98	99	101	101	102
154	173	166	112	45	45
510	492	490	585	484	495
241	241	241	243	243	241
290	305	300	213	208	225
436	436	435	374	373	373
1,764	1,770	1,729	1,707	1,692	1,682
27,438	27,432	27,439	27,437	27,424	27,459
2,173	2,184	2,211	2,150	2,150	2,156

OTHER INFORMATION

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales	$ 7,362,620	$ 1,910,694	$ 5,451,925
Personal income	8,696,554	6,338,838	2,357,716
Single business, Michigan business, corporate income	419,554	419,554	-
Use	1,639,442	1,093,295	546,148
State education (property)	1,804,238	-	1,804,238
Real estate transfer	233,416	-	233,416
Tobacco products	940,337	580,954	359,383
Beer and wine	51,249	51,249	-
Liquor	138,543	92,591	45,952
Horse race wagering	4,253	4,253	-
Casino gaming wagering	106,903	-	106,903
Telephone and telegraph company	47,953	47,953	-
Commercial mobile radio service	28,412	28,412	-
Insurance company	362,397	362,397	-
Health insurance claims assessment	271,861	271,861	-
Motor vehicle registration	943,548	2,992	940,556
Gasoline	820,982	-	820,982
Diesel fuel	138,082	-	138,082
Gas and oil severance	62,225	62,225	-
Industrial facilities	33,459	-	33,459
Convention hotel accommodation	22,240	22,240	-
Airport parking	22,433	22,433	-
Quality assurance assessment	975,786	975,786	-
Penalties and interest	115,439	115,439	-
Other	88,807	57,137	31,670
	25,330,732	12,460,302	12,870,429
FROM FEDERAL AGENCIES			
Department of Health and Human Services	11,866,988	11,866,039	949
Department of Education	1,292,232	148,358	1,143,874
Department of Agriculture	3,423,066	2,944,326	478,740
Department of Labor	165,128	25,048	140,080
Department of Housing and Urban Development	12,988	12,988	-
Department of Energy	11,329	11,329	-
Department of Transportation	149,948	26,009	123,939
Department of Interior	36,447	30,177	6,270
Department of Defense	60,884	60,884	-
Department of Justice	36,686	36,686	-
Environmental Protection Agency	48,874	48,459	415
Other	155,098	154,393	704
	17,259,668	15,364,698	1,894,970
FROM LOCAL AGENCIES			
Counties	65,717	65,717	-
Cities, villages, and townships	7,133	7,133	-
School districts	4,633	4,633	-
Other	12,162	12,162	-
	89,644	89,644	-
SPECIAL MEDICAID REIMBURSEMENTS	133,909	133,909	-
	133,909	133,909	-

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for providing vehicle and driver services	$ 135,745	$ 131,960	$ 3,785
Revenue for patient, ward, and inmate care	32,646	32,646	-
Other	153,879	153,873	6
	322,271	318,480	3,791
FROM LICENSES AND PERMITS			
Liquor retailer, manufacturer, and wholesaler licenses	16,541	16,541	-
Motor vehicle operator and chauffeur licenses	44,819	44,160	659
Examination fees - financial institutions and insurance industry	36,341	36,341	-
Concession and privilege fees - State parks	864	-	864
Motor vehicle related	35,513	2,582	32,931
Hunting, fishing, and trapping licenses	58,440	-	58,440
Public utility assessment fees	27,388	27,388	-
Regulatory licenses and permits	75,834	66,966	8,868
Auto repair facility and mechanic licenses and fees	3,552	3,552	-
Corporation franchise fees	22,622	22,622	-
Recreation user fees and permits	82,344	1,932	80,412
Other	90,338	88,561	1,776
	494,595	310,644	183,951
MISCELLANEOUS			
Income from investments	20,557	1,555	19,002
Tobacco settlement proceeds	192,192	-	192,192
Various fines, fees, and assessments	78,560	44,497	34,063
Court fines, fees, and assessments	253,260	242,256	11,004
Oil and gas royalties, fees, assignments, and rentals	15,724	11,263	4,461
Environmental pollution settlements	6,444	1,834	4,611
Child support	13,431	13,431	-
Unemployment obligation assessment	455,736	-	455,736
Other	522,269	375,573	146,695
	1,558,174	690,409	867,765
Total Revenues	45,188,992	29,368,085	15,820,906
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	97,651	97,651	-
Capital lease acquisitions	18,371	18,371	-
Proceeds from sale of capital assets	1,626	1,626	-
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	177,848	177,848	-
From State Lottery Fund	740,769	6,621	734,148
From other funds	722,584	49,769	672,816
Total Other Financing Sources	1,758,849	351,885	1,406,964
Total Revenue and Other Financing Sources (GAAP Basis)	$ 46,947,840	$ 29,719,970	$ 17,227,870

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
TAXES			
Sales	$ 1,910,694	$ 770,175	$ 1,140,519
Personal income	6,338,838	5,527,257	811,582
Single business, Michigan business, and corporate income	419,554	137,357	282,197
Use	1,093,295	1,091,440	1,854
Tobacco products	580,954	192,887	388,067
Beer and wine	51,249	51,249	-
Liquor	92,591	46,414	46,177
Horse race wagering	4,253	-	4,253
Telephone and telegraph company	47,953	47,953	-
Commercial mobile radio service	28,412	-	28,412
Insurance company	362,397	362,208	189
Health insurance claims assessment	271,861	-	271,861
Motor vehicle registration	2,992	-	2,992
Gas and oil severance	62,225	60,986	1,240
Convention hotel accommodation	22,240	-	22,240
Airport parking	22,433	-	22,433
Quality assurance assessment	975,786	-	975,786
Penalties and interest	115,439	103,499	11,941
Other	57,137	1,930	55,207
	12,460,302	8,393,353	4,066,949
FROM FEDERAL AGENCIES			
Department of Health and Human Services	11,866,039	18,912	11,847,127
Department of Education	148,358	2,123	146,235
Department of Agriculture	2,944,326	2,095	2,942,231
Department of Labor	25,048	906	24,142
Department of Housing and Urban Development	12,988	143	12,845
Department of Energy	11,329	120	11,209
Department of Transportation	26,009	1,367	24,642
Department of Interior	30,177	662	29,515
Department of Defense	60,884	56	60,828
Department of Justice	36,686	298	36,388
Environmental Protection Agency	48,459	2,197	46,262
Other	154,393	1,991	152,403
	15,364,698	30,870	15,333,828
FROM LOCAL AGENCIES			
Counties	65,717	-	65,717
Cities, villages, and townships	7,133	-	7,133
School districts	4,633	-	4,633
Other	12,162	99	12,062
	89,644	99	89,545
SPECIAL MEDICAID REIMBURSEMENTS	133,909	-	133,909
	133,909	-	133,909

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
FROM SERVICES			
Charges for providing vehicle and driver services	$ 131,960	$ 341	$ 131,619
Revenue for patient, ward, and inmate care	32,646	-	32,646
Other	153,873	6,872	147,001
	318,480	7,214	311,266
FROM LICENSES AND PERMITS			
Liquor retailer, manufacturer, and wholesaler licenses	16,541	1,374	15,166
Motor vehicle operator and chauffeur licenses	44,160	137	44,023
Examination fees - financial institutions and insurance industry	36,341	-	36,341
Motor vehicle related	2,582	13	2,568
Public utility assessment fees	27,388	-	27,388
Regulatory licenses and permits	66,966	11,620	55,346
Auto repair facility and mechanic licenses and fees	3,552	3	3,549
Corporation franchise fees	22,622	29	22,592
Recreation user fees and permits	1,932	337	1,595
Other	88,561	845	87,716
	310,644	14,359	296,285
MISCELLANEOUS			
Income from investments	1,555	291	1,264
Various fines, fees, and assessments	44,497	712	43,785
Court fines, fees, and assessments	242,256	82,514	159,742
Oil and gas royalties, fees, assignments, and rentals	11,263	-	11,263
Environmental pollution settlements	1,834	-	1,834
Child support	13,431	-	13,431
Other	375,573	77,414	298,160
	690,409	160,931	529,478
Total Revenues	29,368,085	8,606,827	20,761,259
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	97,651	-	97,651
Capital lease acquisitions	18,371	-	18,371
Proceeds from sale of capital assets	1,626	-	1,626
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	177,848	176,841	1,007
From State Lottery Fund	6,621	2,923	3,697
From other funds	49,769	-	49,769
Total Other Financing Sources	351,885	179,764	172,121
Total Revenue and Other Financing Sources (GAAP Basis)	29,719,970	8,786,591	20,933,380
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(18,371)	-	(18,371)
Total Revenue and Other Financing Sources (Budgetary Basis)	$ 29,701,599	$ 8,786,591	$ 20,915,008

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR	RESTRICTED REVENUE ADDITIONS	LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED/USED
Legislative Branch	$ 136,221	$ -	$ 271	$ 11,485	$ 8,127	$ -
Judicial Branch	184,758	-	-	19,333	73,417	(11,385)
Executive Branch:						
Agriculture and Rural Development	40,580	-	-	8,393	33,545	(7,573)
Attorney General	34,481	-	-	11,161	47,842	(8,061)
Civil Rights	12,338	-	-	1	1,977	-
Colleges and Universities Grants	1,268,654	-	-	205	92,300	-
Community Health	2,992,783	-	-	128,694	12,591,186	(121,685)
Corrections	1,972,725	-	-	64,316	39,493	(32,161)
Education	220,794	-	10	4,981	182,643	(1,968)
Environmental Quality	29,155	-	-	140,644	268,386	(138,251)
Executive Office	5,540	-	-	17	-	-
Human Services	992,197	-	-	31,085	4,545,390	(5,521)
Insurance and Financial Services	11,000	-	-	29,822	64,432	(40,768)
Licensing and Regulatory Affairs	25,005	-	-	104,791	236,321	(101,592)
Military and Veterans Affairs	56,903	-	-	14,847	105,996	(2,763)
Natural Resources	26,787	-	-	16,246	53,546	(7,850)
State	15,871	-	-	38,612	194,446	(33,258)
State Police	356,784	-	-	32,127	229,814	(26,375)
Technology, Management and Budget	691,365	-	-	588,974	582,602	(488,862)
Transportation	336,600	-	-	11,218	-	-
Treasury	500,645	-	-	176,766	2,474,573	(83,880)
Intrafund expenditure reimbursements	-	-	-	-	-	-
TOTAL	$ 9,911,186	$ -	$ 281	$ 1,433,717	$ 21,826,037	$ (1,111,953)

* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenue not authorized/used, which includes revenues that by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenue is subject to annual legislative appropriation. However, the restricted revenue may also be used in subsequent years to finance expenditures in multi-year appropriations and for encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs that could have been used in the current period but were not.

For budgetary purposes, encumbrance authorization are considered use of spending authority in the year the State incurs an obligation.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

		"BUDGET"	"ACTUAL"		"VARIANCES"		
GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
$ 156,104	$ (12,527)	$ 143,577	$ 142,066	$ 1,130	$ 80	$ 300	$ -
266,123	(4,243)	261,880	252,508	6,126	-	3,247	-
74,945	(291)	74,654	71,534	2,765	-	354	-
85,423	(1,066)	84,357	83,727	489	-	142	-
14,316	-	14,316	14,118	7	-	191	-
1,361,159	(30)	1,361,129	1,360,307	550	-	272	-
15,590,978	(3,431)	15,587,547	15,376,525	25,251	-	190,691	(4,920)
2,044,373	(9,431)	2,034,942	1,962,759	60,165	573	11,445	-
406,460	-	406,460	401,222	1,101	267	3,870	-
299,934	(6,000)	293,934	293,926	6	-	2	-
5,557	-	5,557	5,075	-	-	481	-
5,563,152	(948)	5,562,204	5,532,572	16,301	-	13,332	-
64,487	-	64,487	64,487	-	-	-	-
264,526	(237)	264,289	257,366	1,738	400	4,785	-
174,983	(9,595)	165,388	158,362	5,928	-	1,097	-
88,728	(3,997)	84,731	80,042	4,607	-	81	-
215,671	(2,033)	213,638	209,782	2,440	91	1,325	-
592,350	(2,424)	589,926	586,879	2,619	-	428	-
1,374,078	(67,103)	1,306,975	1,282,528	16,810	376	7,261	-
347,818	(59,103)	288,715	226,040	62,674	-	-	-
3,068,104	(27,769)	3,040,335	2,978,332	14,843	25,719	21,440	-
-	-	(911,029)	(911,029)	-	-	-	-
$ 32,059,268	$ (210,230)	$ 30,938,009	$ 30,429,128	$ 225,551	$ 27,507	$ 260,744	$ (4,920)
Prior Year encumbrances		(124,489)	(124,489)				
Amount reported on Budgetary Comparison Schedule		$ 30,813,521	$ 30,304,640	$ 225,551	$ 27,507	$ 260,744	$ (4,920)

SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2014
FISCAL YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION*	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT
Legislative Branch	$ 136,221	$ -	$ 271
Judicial Branch	184,758	-	-
Executive Branch:			
Agriculture and Rural Development	40,580	-	-
Attorney General	34,481	-	-
Civil Rights	12,338	-	-
Colleges and Universities Grants	1,268,654	-	-
Community Health	2,992,783	-	-
Corrections	1,972,725	-	-
Education	220,794	-	10
Environmental Quality	29,155	-	-
Executive Office	5,540	-	-
Human Services	992,197	-	-
Insurance and Financial Services	11,000	-	-
Licensing and Regulatory Affairs	25,005	-	-
Military and Veterans Affairs	56,903	-	-
Natural Resources	26,787	-	-
State	15,871	-	-
State Police	356,784	-	-
Technology, Management and Budget	691,365	-	-
Transportation	336,600	-	-
Treasury	500,645	-	-
TOTAL	$ 9,911,186	$ -	$ 281

* The amounts in the "Current Legislative Appropriation" column include certain appropriations that do not appear as line-item appropriations in the budget bills. These appropriations are authorized in narrative "boilerplate" language in the budget bills. "Boilerplate" appropriations include interfund borrowing, interest on general obligation notes and bonds, and certain interfund transfers.

"Boilerplate" appropriations accounted for $342.8 million of the "Current Legislative Appropriation" for the Appropriation Year 2014.

	"ACTUAL"			"VARIANCES"	
GROSS SPENDING AUTHORITY	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
$ 136,492	$ 126,349	$ 748	$ 9,121	$ 274	$ -
184,758	173,245	5,530	2,742	3,243	-
40,580	37,556	2,680	-	344	-
34,481	33,030	488	837	127	-
12,338	12,140	7	-	190	-
1,268,654	1,267,833	550	1	271	-
2,992,783	2,783,704	20,199	3,133	190,667	(4,920)
1,972,725	1,913,949	40,078	8,396	10,303	-
220,804	216,412	555	-	3,837	-
29,155	29,149	6	-	-	-
5,540	5,059	-	-	481	-
992,197	964,225	14,870	231	12,871	-
11,000	11,000	-	-	-	-
25,005	21,727	1,550	237	1,491	-
56,903	42,013	5,173	9,117	600	-
26,787	23,965	1,531	1,290	1	-
15,871	13,851	10	1,051	959	-
356,784	352,599	1,425	2,424	337	-
691,365	624,897	11,926	48,935	5,607	-
336,600	223,562	53,935	59,103	-	-
500,645	470,334	2,833	19,295	8,183	-
$ 9,911,467	$ 9,346,598	$ 164,094	$ 165,911	$ 239,784	$ (4,920)

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2014
(In Thousands)

SOURCE	2005	2006	2007	2008
TAXES:				
Sales	$ 6,599,138	$ 6,638,110	$ 6,552,240	$ 6,773,276
Personal Income (net of tax credits)	6,108,924	6,226,304	6,442,678	7,226,049
Amount reported as tax credits	815,300	834,000	883,400	931,600
Single Business, Michigan Business, and Corporate Income	1,907,190	1,886,168	1,786,213	2,482,035
Use	1,402,399	1,413,758	1,380,375	1,377,077
State Education (Property)	1,914,629	2,003,527	2,080,977	2,079,703
Real Estate Transfer	313,548	297,680	237,483	169,835
Tobacco Products	1,179,871	1,169,005	1,129,226	1,073,650
Beer, Wine, and Liquor	150,888	155,184	159,109	162,104
Casino Gaming Wagering	145,811	155,461	159,363	129,684
Insurance Company	249,524	219,538	223,754	223,198
Health Insurance Claims Assessment	-	-	-	-
Motor Vehicle and Fuel	1,935,732	1,926,069	1,902,811	1,847,540
Quality Assurance Assessment	509,857	676,923	827,776	1,023,766
Penalties and Interest	142,703	140,581	158,218	160,939
Other	554,732	450,642	440,925	409,333
TOTAL TAXES	23,930,245	24,192,949	24,364,549	26,069,791
FEDERAL AGENCIES	10,890,093	11,060,621	11,452,444	12,283,854
LOCAL AGENCIES	107,250	105,566	117,653	114,856
SPECIAL MEDICAID REIMBURSEMENTS	467,970	93,621	102,670	115,797
SERVICES	264,541	269,040	283,907	290,934
LICENSES AND PERMITS	407,862	419,753	427,915	435,108
MISCELLANEOUS	1,292,600	1,764,227	1,835,865	1,401,128
TOTAL REVENUE	37,360,562	37,905,776	38,585,002	40,711,468
PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES	182,441	234,738	18,662	26,215
CAPITAL LEASE ACQUISITIONS	6,778	34,059	20,906	110,374
PROCEEDS FROM SALE OF CAPITAL ASSETS	3,037	1,339	2,478	27,381
TOTAL REVENUE, BOND PROCEEDS, CAPITAL LEASE ACQUISITIONS, AND PROCEEDS FROM SALE OF CAPITAL ASSETS	$ 37,552,817	$ 38,175,912	$ 38,627,048	$ 40,875,439

NOTES: (1) Effective January 1, 2008, the State replaced the single business tax with the Michigan business tax. Effective January 1, 2012, the State replaced the Michigan business tax with the Corporate income tax.

(2) Legislation established the Health Insurance Claims Assessment, effective January 1, 2012.

2009	2010	2011	2012	2013	2014
$ 6,089,106	$ 6,176,843	$ 6,710,882	$ 6,955,198	$ 7,050,204	$ 7,362,620
5,856,753	5,531,348	6,417,078	6,921,033	8,271,838	8,020,054
963,500	1,351,500	1,271,900	1,226,300	689,900	676,500
2,285,237	1,853,557	2,098,407	1,321,782	721,602	419,554
1,283,685	1,573,667	1,548,914	1,428,284	1,300,590	1,639,442
2,040,647	1,930,480	1,845,086	1,789,672	1,771,083	1,804,238
125,294	121,632	123,254	150,106	202,323	233,416
1,041,541	1,006,527	968,512	963,181	957,485	940,337
164,068	164,071	167,487	175,181	182,878	189,792
121,363	101,816	114,017	115,753	110,667	106,903
261,002	257,511	271,257	290,385	301,883	362,397
-	-	-	176,419	270,489	271,861
1,806,694	1,807,185	1,820,367	1,825,091	1,860,582	1,902,612
859,482	840,254	882,600	959,267	969,767	975,786
150,334	137,793	139,251	167,882	171,092	115,439
293,955	315,218	307,324	299,383	292,011	309,781
23,342,662	23,169,402	24,686,336	24,764,916	25,124,393	25,330,732
16,040,813	18,351,960	18,972,659	16,612,723	16,598,202	17,259,668
102,040	89,633	85,674	85,394	87,578	89,644
135,667	123,205	155,059	186,194	134,353	133,909
288,373	300,362	320,469	310,275	318,403	322,271
450,009	452,620	448,012	464,072	484,059	494,595
1,362,184	1,293,772	1,387,068	1,716,779	1,594,097	1,558,174
41,721,749	43,780,955	46,055,277	44,140,354	44,341,085	45,188,992
144,225	60,583	211,001	270,001	200,000	97,651
41,205	39,101	171,094	34,567	17,224	18,371
2,209	1,576	1,742	2,848	3,064	1,626
$ 41,909,387	$ 43,882,215	$ 46,439,114	$ 44,447,770	$ 44,561,373	$ 45,306,640

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2014
(In Thousands)

	2005	2006	2007	2008
Current:				
General government	$ 1,303,020	$ 1,628,520	$ 1,580,973	$ 1,546,624
Education	14,488,870	14,710,682	14,572,261	15,029,489
Human services	4,122,779	4,341,774	4,447,992	4,609,481
Public safety and corrections	2,284,674	2,453,297	2,465,362	2,614,768
Conservation, environment, recreation, and agriculture	597,928	626,802	552,992	580,246
Labor, commerce, and regulatory	924,876	952,921	957,023	966,091
Health services	10,126,544	9,958,104	10,741,285	11,588,207
Transportation	1,195,941	1,182,924	1,183,513	1,162,196
Tax credits	815,300	834,000	883,400	931,600
Capital outlay	47,403	58,365	42,290	31,978
Intergovernmental - revenue sharing	1,112,931	1,103,625	1,071,104	1,076,445
Debt service:				
Bond interest and fiscal charges	-	174	-	-
Capital lease payments	49,370	49,032	45,997	50,086
Total Expenditures	$ 37,069,635	$ 37,900,220	$ 38,544,191	$ 40,187,211

2009	2010	2011	2012	2013	2014
$ 1,582,399	$ 1,463,926	$ 1,856,935	$ 1,935,857	$ 1,868,138	$ 2,064,016
15,195,462	14,995,595	15,216,151	14,540,137	14,604,622	14,909,901
5,334,263	6,042,987	6,346,672	5,886,563	5,925,320	5,537,228
2,589,942	2,571,390	2,547,868	2,564,921	2,601,307	2,666,541
539,796	528,387	501,050	563,310	545,565	656,061
1,145,954	1,223,197	1,143,962	923,059	961,279	961,934
12,450,287	13,218,598	13,905,003	13,698,746	13,862,531	15,063,455
1,137,584	1,154,659	1,149,640	1,180,615	1,395,444	1,532,228
963,500	1,351,500	1,271,900	1,226,300	689,900	676,500
38,429	38,136	21,659	26,765	35,676	70,695
1,040,031	994,196	1,091,527	1,032,243	1,077,514	1,120,593
-	-	-	-	-	-
49,936	50,811	55,803	55,867	58,357	62,237
$ 42,067,585	$ 43,633,381	$ 45,108,168	$ 43,634,383	$ 43,625,653	$ 45,321,388

INDEX OF FUNDS AND COMPONENT UNITS

	Page
21st Century Jobs Trust Fund	164
Advance Financing Funds	179
Attorney Discipline System	192
Bottle Deposits Fund	147
Central Michigan University	226
Child Support Collection Fund	215
Children's Trust Fund	165
Combined Comprehensive Transportation Bond and Interest Redemption Fund	172
Combined Comprehensive Transportation Bond Proceeds Fund	178
Combined Recreation Bond Fund	179
Combined State Trunkline Bond and Interest Redemption Fund	172
Combined State Trunkline Bond Proceeds Fund	178
Comprehensive Transportation Fund	140
Correctional Industries Revolving Fund	196
Eastern Michigan University	226
Environmental Quality Deposits Fund	215
Escheats Fund	212
Farm Produce Insurance Authority	220
Ferris State University	226
Forest Development Fund	147
General Fund	38
Gifts, Bequests, and Deposits Investment Fund	212
Grand Valley State University	226
Homeowner Construction Lien Recovery Fund	154
Hospital Patients' Trust Fund	212
Information Technology Fund	196
Insurance Carrier Deposits Fund	215
Judges' Other Postemployment Benefits Fund	206
Judges' Pension Benefits Fund	205
Lake Superior State University	227
Land Bank Fast Track Authority	220
Legislative Other Postemployment Benefits Fund	204
Legislative Pension Benefits Fund	204
Liquor Purchase Revolving Fund	192
Mackinac Bridge Authority	220
Mackinac Island State Park Commission	220
Michigan Conservation and Recreation Legacy Fund	146
Michigan Early Childhood Investment Corporation	221
Michigan Economic Development Corporation	221
Michigan Education Savings Program	212
Michigan Education Trust	221
Michigan Employment Security Act – Administration Fund	154
Michigan Finance Authority	54
Michigan Game and Fish Protection Trust Fund	146
Michigan Merit Award Trust Fund	164
Michigan Natural Resources Trust Fund	186

INDEX OF FUNDS AND COMPONENT UNITS (Continued)

	Page
Michigan Nongame Fish and Wildlife Trust Fund	147
Michigan Settlement Administration Authority	164
Michigan State Housing Development Authority	54
Michigan State Parks Endowment Fund	186
Michigan Strategic Fund	54
Michigan Technological University	227
Michigan Transportation Fund	140
Michigan Unemployment Compensation Funds	44
Michigan Veterans' Trust Fund	186
Military Family Relief Fund	165
Miscellaneous Special Revenue Funds	165
Motor Transport Fund	197
Northern Michigan University	227
Oakland University	227
Office Services Revolving Fund	197
Public School Employees' Other Postemployment Benefits Fund	205
Public School Employees' Pension Benefits Fund	205
Recreation and Environmental Protection Bond Redemption Fund	172
Risk Management Fund	197
Safety Education and Training Fund	154
Saginaw Valley State University	227
School Aid Fund	38
School Loan Bond Redemption Fund	173
Second Injury Fund	154
Self-Insurers' Security Fund	154
Silicosis, Dust Disease, and Logging Industry Compensation Fund	155
State Aeronautics Fund	178
State Bar of Michigan	221
State Building Authority	173 & 179
State Casino Gaming Fund	155
State Construction Code Fund	155
State Employees' Other Postemployment Benefits Fund	205
State Employees' Pension Benefits Fund	205
State Lottery Fund	44
State of Michigan Deferred Compensation Funds	204
State of Michigan Defined Contribution Retirement Fund	206
State Police Other Postemployment Benefits Fund	205
State Police Pension Benefits Fund	204
State Sponsored Group Insurance Fund	196
State Trunkline Fund	178
Social Welfare Fund	215
Transportation Related Trust Funds	179
Utility Consumer Representation Fund	155
Unemployment Obligation Trust Fund	155
Western Michigan University	55

ACKNOWLEDGMENTS

The *State of Michigan Comprehensive Annual Financial Report* is prepared by the Office of Financial Management, Accounting and Financial Reporting Division. Staff of the division for the fiscal year 2014 report included:

Management:

Lora J. Mikula, CPA, Director
Lisa S. Craft, CPA, Manager
Shawna M. Hessling, Manager
Daniel T. Jaroche, CPA, Manager

Staff:

Cindy S. Bloomer
Eric M. Bolyard
Derek R. Childs, CPA
Lorraine C. Couchman
Matthew L. Engels
Jane E. Hallitt
Chelsea W. Holmberg
Anna C. Lewis
John L. MacIntosh III
Angela K. McNulty
Alicia L. Paape
Kathleen R. Pietila
Tina L. Ray
Susan K. Ruff
Anthony J. Thelen

Special thanks are also extended to the State's CFO Council; the Financial Management Users Group; financial management personnel throughout Michigan State Government; and the staff of the Office of the Auditor General. Preparation of this report would not have been possible without the efforts of these individuals.

Fiscal Year Ended September 30, 2014
Governor Rick Snyder, CPA
Prepared by the State Budget Office