

State Building Authority of  
the State of Michigan  
(a blended component unit of  
the State of Michigan)

Audited Financial Statements  
and Other Supplementary Information

*Year Ended September 30, 2013  
with Report of Independent Auditors*

State Building Authority of  
the State of Michigan

Audited Financial Statements  
and Other Supplementary Information

Year Ended September 30, 2013

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## Report of Independent Auditors

Mr. John E. Nixon, CPA, Director, Department of Technology, Management & Budget  
Mr. Patrick Devlin, Chair, State Building Authority Board of Trustees  
Mr. Thomas H. McTavish, CPA, Auditor General, Office of the Auditor General

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the State Building Authority (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority'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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 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 an opinion on the financial statements that collectively comprise the State Building Authority's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the State Building Authority'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 Building Authority's internal control over financial reporting and compliance.

*Andrews Hooper Pavlik PLC*

December 6, 2013  
Okemos, Michigan

## Management's Discussion and Analysis

State Building Authority of the State of Michigan  
Management's Discussion and Analysis

September 30, 2013

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2013. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements consist of 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a blended component unit of the State of Michigan, all the statements presented in this discussion focus on the Authority, an individual part of the government, reporting only on that one component within the State of Michigan.

- The financial statements and management's discussion and analysis provide both long and short-term information about the Authority's overall financial status.
- Management's discussion and analysis provides a narrative overview of the financial statements from management's perspective.
- The basic financial statements provide information about the Authority's overall financial status.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

**Condensed Financial Information**

Fiscal year ended September 30	Governmental Activities	
	2013	2012
Total net position	\$ (53,577,069)	\$ (11,342,621)
Total assets	\$ 3,275,111,390	\$3,380,212,119
Short-term debt	\$ 13,175,000	\$ 131,180,000
Long-term liabilities	\$ 3,148,917,675	\$3,061,184,857
Total liabilities	\$ 3,328,688,459	\$3,391,554,740
Revenues:		
Program revenues, primarily lease revenue	\$ 100,468,801	\$ 152,006,774
General revenues, entirely investment earnings	\$ 24,209	\$ 17,500
Expenses and transfers to other funds	\$ 142,727,458	\$ 151,148,162
Change in net position	\$ (42,234,448)	\$ 876,112

State Building Authority of the State of Michigan  
Management's Discussion and Analysis (continued)

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 9 and 10 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 22 of this report.

State Building Authority of the State of Michigan  
Management's Discussion and Analysis (continued)

**Financial Analysis of the Authority**

Net position of the Authority decreased \$42,234,448 to an ending balance of (\$53,577,069). The decrease in net position is the result of the issuance of the 2013 Revenue and Revenue Refunding Bonds, Series IA and Series IB. The proceeds of the bonds were used to refund or defease the Authority's 2003 Revenue Refunding Bonds, Series I, 2003 Revenue and Revenue Refunding Bonds, Series II, and the 2004 Revenue and Revenue Refunding Bonds, Series I.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported a combined ending fund balance of \$203,277,204, and increase of \$110,677,150 in comparison with the prior year. This amount was comprised of debt service fund balance of \$210,607,151 and a fund balance deficit in the capital projects fund of \$7,329,947. This deficit has been and continues to be largely the result of the Authority's use of short-term debt to finance certain project costs in advance of bonding.

**Long-Term Debt Activity**

During the current year, the Authority issued \$583,000,000 in revenue bonds and revenue refunding bonds. The bonds were issued to primarily fund various projects previously financed on a short-term basis through the Authority's commercial paper program and refinance previously outstanding bonds. Further information on long-term debt can be found in Note 5 of the financial statements.

**Recent Events**

On October 24, 2013, the Authority issued \$23,780,000 of commercial paper notes at an interest rate of .11% per annum maturing December 19, 2013.

On October 31, 2013, both Letter of Credit Agreements for the 2007 Series I and 2011 Series IIB Bonds have been extended. The new stated expiration date for both issues is December 19, 2014.

There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2013 through the date of this report that are expected to effect the Authority's financial position or results of operations.

## Basic Financial Statements

**State Building Authority of the State of Michigan**  
**Statement of Net Position**  
**September 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Investments	\$ 229,312,101
Accrued interest receivable	1,203
Current portion of leases receivable	93,010,215
Project costs in progress	16,683,852
Total current assets	339,007,371
<b>Noncurrent assets</b>	
Debt issuance costs, net	18,469,196
Leases receivable, net of current portion	2,917,634,823
Total noncurrent assets	2,936,104,019
<b>Total assets</b>	\$ 3,275,111,390
 <b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and other liabilities	\$ 388,234
Due to State of Michigan	12,470,895
Accrued interest payable	51,566,655
Short-term debt	13,175,000
Current portion of long-term debt	102,170,000
Total current liabilities	179,770,784
<b>Noncurrent liabilities</b>	
Long-term debt, net of current portion	3,148,917,675
<b>Total liabilities</b>	3,328,688,459
 <b>NET POSITION</b>	
Unrestricted (deficit)	\$ (53,577,069)

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

**State Building Authority of the State of Michigan**  
**Statement of Activities**  
**Year Ended September 30, 2013**

	<b>Governmental Activities</b>
<b>Expenses</b>	
General government - administration	\$ 1,371,789
Interest on long-term debt	140,118,473
Amortization of debt issuance costs	1,237,196
Total expenses	142,727,458
<b>Program revenues</b>	
Charges for services:	
Lease revenue	100,221,747
Other revenue	247,054
Total program revenues	100,468,801
Net revenue (expense)	(42,258,657)
<b>General revenues</b>	
Unrestricted investment earnings	24,209
Change in net position	(42,234,448)
<b>Net Position</b>	
Beginning of year (deficit)	(11,342,621)
End of year (deficit)	\$ (53,577,069)

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

**State Building Authority of the State of Michigan**  
**Statement of Net Position and**  
**Governmental Funds Balance Sheet**  
**September 30, 2013**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>ASSETS</b>					
<b>Current assets</b>					
Investments	\$ 210,806,957	\$ 18,505,144	\$ 229,312,101	\$ -	\$ 229,312,101
Accrued interest receivable	1,164	39	1,203	-	1,203
Current portion of leases receivable	-	-	-	93,010,215	93,010,215
Project costs in progress	-	-	-	16,683,852	16,683,852
<b>Total current assets</b>	<b>210,808,121</b>	<b>18,505,183</b>	<b>229,313,304</b>	<b>109,694,067</b>	<b>339,007,371</b>
<b>Noncurrent assets</b>					
Debt issuance costs, net	-	-	-	18,469,196	18,469,196
Leases receivable, net of current portion	-	-	-	2,917,634,823	2,917,634,823
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,936,104,019</b>	<b>2,936,104,019</b>
<b>Total assets</b>	<b>\$ 210,808,121</b>	<b>\$ 18,505,183</b>	<b>\$ 229,313,304</b>	<b>\$ 3,045,798,086</b>	<b>\$ 3,275,111,390</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and other liabilities	\$ 200,970	\$ 187,264	\$ 388,234	\$ -	\$ 388,234
Due to State of Michigan	-	12,470,895	12,470,895	-	12,470,895
Accrued interest payable	-	1,971	1,971	51,564,684	51,566,655
Short-term debt	-	13,175,000	13,175,000	-	13,175,000
Current portion of long-term debt	-	-	-	102,170,000	102,170,000
<b>Total current liabilities</b>	<b>200,970</b>	<b>25,835,130</b>	<b>26,036,100</b>	<b>153,734,684</b>	<b>179,770,784</b>
<b>Long-term liabilities</b>					
Long-term debt, net of current portion	-	-	-	3,148,917,675	3,148,917,675
<b>Total liabilities</b>	<b>200,970</b>	<b>25,835,130</b>	<b>26,036,100</b>	<b>3,302,652,359</b>	<b>3,328,688,459</b>
<b>FUND BALANCES</b>					
Restricted	210,607,151	-	210,607,151	(210,607,151)	-
Unassigned (deficit)	-	(7,329,947)	(7,329,947)	7,329,947	-
<b>Total liabilities and fund balances</b>	<b>\$ 210,808,121</b>	<b>\$ 18,505,183</b>	<b>\$ 229,313,304</b>		
<b>NET POSITION</b>					
Unrestricted (deficit)				<u>\$ (53,577,069)</u>	<u>\$ (53,577,069)</u>

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

**State Building Authority of the State of Michigan**  
**Statement of Activities and**  
**Governmental Funds Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended September 30, 2013**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Investment income	\$ 21,499	\$ 2,710	\$ 24,209	\$ -	\$ 24,209
Lease revenue	234,491,930	-	234,491,930	(134,270,183)	100,221,747
Other revenue	-	247,054	247,054	-	247,054
<b>Total revenues</b>	<b>234,513,429</b>	<b>249,764</b>	<b>234,763,193</b>	<b>(134,270,183)</b>	<b>100,493,010</b>
<b>Expenditures / Expenses</b>					
Current - general government	1,375,878	9,364	1,385,242	(13,453)	1,371,789
Capital outlay	-	45,360,750	45,360,750	(45,360,750)	-
Capital outlay reimbursed to State of Michigan	-	8,438,688	8,438,688	(8,438,688)	-
Debt service:					
Principal	126,664,876	-	126,664,876	(126,664,876)	-
Interest and fiscal charges	124,869,475	215,382	125,084,857	15,033,616	140,118,473
Debt issuance costs	1,819,567	798,608	2,618,175	(2,618,175)	-
Amortization of debt issuance costs	-	-	-	1,237,196	1,237,196
<b>Total expenditures/expenses</b>	<b>254,729,796</b>	<b>54,822,792</b>	<b>309,552,588</b>	<b>(166,825,130)</b>	<b>142,727,458</b>
Revenues over (under) expenditures/expenses	(20,216,367)	(54,573,028)	(74,789,395)	32,554,947	(42,234,448)
<b>Other financing sources (uses)</b>					
Long-term debt issued	-	177,325,677	177,325,677	(177,325,677)	-
Premiums on bonds issued	-	6,321,301	6,321,301	(6,321,301)	-
Refunding debt issued	405,674,323	-	405,674,323	(405,674,323)	-
Premiums on refunding debt	12,618,111	-	12,618,111	(12,618,111)	-
Payment to refunding escrow agent	(416,472,867)	-	(416,472,867)	416,472,867	-
Transfers from other funds	150,000	-	150,000	(150,000)	-
Transfers to other funds	-	(150,000)	(150,000)	150,000	-
<b>Total other financing sources (uses)</b>	<b>1,969,567</b>	<b>183,496,978</b>	<b>185,466,545</b>	<b>(185,466,545)</b>	<b>-</b>
Excess of revenues and other sources over (under) expenditures/expenses and other uses/changes in net position	(18,246,800)	128,923,950	110,677,150	(152,911,598)	(42,234,448)
<b>Fund balances / Net position</b>					
Beginning of year (deficit)	228,853,951	(136,253,897)	92,600,054	(103,942,675)	(11,342,621)
End of year (deficit)	<u>\$ 210,607,151</u>	<u>\$ (7,329,947)</u>	<u>\$ 203,277,204</u>	<u>\$ (256,854,273)</u>	<u>\$ (53,577,069)</u>

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

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2013

### Note 1 **Summary of Significant Accounting Policies**

#### **Reporting Entity**

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the "Authority"), a blended component unit of the State of Michigan (the "State"), as of and for the fiscal year ended September 30, 2013. The Authority's activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. In accordance with accounting principles generally accepted in the United States of America, there are no other component units included in this financial report.

The Authority was organized under Act 183, P.A. 1964, as amended, and is governed by a Board of Trustees consisting of five members appointed by the Governor, with the advice and consent of the Senate. The mission of the Authority is to construct, acquire, improve, enlarge, and lease facilities and equipment for use by the State or any of its agencies, including public institutions of higher education (universities and community colleges).

The Authority is authorized to issue and sell bonds in an aggregate principal amount outstanding not to exceed \$2.7 billion, excluding refunding bonds. Not included in this limitation is the principal amount of bonds allocated to capitalized interest, debt service reserves, bond issuance expenses, including discounts and bond insurance premiums, and bonds issued to refund outstanding bonds. The Authority is also authorized to issue and sell commercial paper notes as a short-term funding source for capital outlay projects prior to bonding. All bonds and commercial paper are limited obligations of the Authority and are not general obligations of the State or the Authority. The bonds are payable solely from equipment and facility lease payments, investment earnings, insurance proceeds, undisbursed bond proceeds retained by the Authority on a bond issue-specific basis, and any other assets pledged by the Authority to the bondholders.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority follows the accounting rules promulgated by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present only the State Building Authority. Accordingly, they do not purport to, and do not, present fairly the financial position and the changes in financial position of the State of Michigan or its component units in conformity with accounting principles generally accepted in the United States of America.

The Authority reports two major governmental funds: a debt service fund and a capital projects fund.

These notes relate directly to the Authority; the *SOMCAFR* provides more thorough disclosures of the State's significant accounting policies.

**Investments** - Investments are stated at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool share.

**Leases Receivable** - Leases receivable represent amounts due from the State of Michigan for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

**Project Costs in Progress** - Project costs consist of capital costs incurred to date on various building projects. As the building projects are completed, the assets will be leased to the State of Michigan.

**Debt Issuance Costs** - Debt issuance costs are being amortized using the straight-line method over the life of the related debt. Accumulated amortization was \$8,954,882 at September 30, 2013.

**Federal Arbitrage Liability** - Included in long-term debt is a provision for federal arbitrage rebate. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority had no estimated liability at September 30, 2013.

## State Building Authority of the State of Michigan

### Notes to Financial Statements (continued)

**Long-Term Liabilities** - Long-term liabilities are reported on the Authority's statement of net position, net of the applicable bond premiums and discounts, as well as gains or losses on refunding, which are deferred and amortized over the life of the bonds using the effective interest method.

**Lease Revenue** - Lease payments are collected from the State of Michigan to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset carrying values.

**Other Revenue** - Other revenue includes adjustments to prior year capital expenditures.

**Fund Balances** - Fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by the constitution, external resource providers, or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by formal action of the government's highest level of decision-making authority.
- d. Assigned fund balances comprise amounts that are constrained by the government's intent to use the fund balances for specific purposes, but are neither restricted nor committed.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose. The unassigned classification is also used for fund balance deficits.

The Authority has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement No. 54 applies expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources.

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

### **Note 2** **Investments**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them.

The Authority's investments are restricted by State statute to obligations of the State or U.S. government, obligations of which the principal and interest are guaranteed by the State or U.S. government, certificates of deposit of a financial institution, certain commercial paper, and repurchase agreements collateralized by U.S. government obligations and certain investment trusts. Certain other restrictions as to investments are contained in the bond resolution for each bond issue.

At September 30, 2013, the Authority had no deposits and had investments totaling \$229,312,101, which were entirely in U.S. Treasury money market accounts. The Authority's investments comply with State statutes.

Applicable risk disclosures under GASB Statement No. 40 for the Authority's investments are as follows.

Credit risk - Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's bond indentures restrict the Authority to investments rated in the highest category by Standard & Poor's and Moody's Investors Service. The Authority's investments in 2a7-like money market accounts with U.S. Bank and Bank of New York Mellon are both rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Because investments in money market accounts are not evidenced by securities that exist in physical or book entry form, they are not exposed to custodial credit risk.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Note 3 Leases Receivable**

The Authority's leasing operations consist of leasing of facilities and equipment for use by the State of Michigan or any of its agencies under direct financing arrangements expiring in various years through June 30, 2048.

Following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2013:

Total minimum lease payments to be received	\$ 5,506,620,994
Less - Unearned income	<u>2,495,975,956</u>
<b>Net leases receivable</b>	<b><u><u>\$ 3,010,645,038</u></u></b>
Statement of Net Position classification:	
Current portion of leases receivable	\$ 93,010,215
Long-term portion of leases receivable	<u>2,917,634,823</u>
<b>Total</b>	<b><u><u>\$ 3,010,645,038</u></u></b>

Minimum lease payments to be received from the State of Michigan as of September 30, 2013, are as follows:

2014	\$ 231,001,921
2015	231,427,188
2016	231,873,714
2017	231,873,714
2018	231,873,714
2019 through 2048	<u>4,348,570,743</u>
<b>Total</b>	<b><u><u>\$ 5,506,620,994</u></u></b>

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Note 4 Short-Term Debt - Notes Payable**

The Authority issues commercial paper notes to fund capital projects prior to bonding. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum stated amount of \$241,643,835, of which not more than \$225,000,000 may be drawn with respect to the payment of principal of notes, and of which not more than \$16,643,835 may be drawn with respect to the payment of up to 270 days of interest on the notes. The notes have a maximum interest rate of 10 percent per annum. Issuance costs are capitalized as part of project costs. The interest rate on commercial paper notes outstanding as of September 30, 2013 is .14 percent.

Short-term debt activity for the fiscal year ended September 30, 2013 was as follows (in thousands):

Beginning balance	\$	131,180
Additions		53,652
Reductions		(171,657)
<b>Ending balance</b>	<b>\$</b>	<b>13,175</b>

**Note 5 Long-Term Liabilities**

Each series of bonds and related lease contracts are financing transactions under which the Authority issues revenue bonds for the purpose of constructing or acquiring facilities and/or equipment for lease to the State or institutions of higher education. Each issue of bonds is secured by and payable from the rentals. Rentals may only be used for payment of the bonds to which such lease pertains and may not be used for the payment of any other issue of bonds or any other unrelated obligation of the Authority. Each such lease (prior to execution) has been approved by the State Administrative Board; by concurrent resolution of the Legislature adopted by majority vote of the members elected to and serving in each house; by resolution of the Board of Trustees of the Authority; and, where required, by the governing body of the appropriate institution of higher education. The lease payments for all of the facilities and equipment are appropriated as an annual operating cost by the State.

The bonds represent limited obligations of the Authority and do not constitute general obligations of the Authority or general obligations or debts of the State or of any of the institutions of higher education within the meaning of any constitutional or statutory limitation. The Authority has no taxing power. The bonds are payable from lease revenue to be paid by the State pursuant to the provisions of the leases and certain other funds and revenue provided for in the trust indenture.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Outstanding Debt**

Changes in long-term debt (excluding defeased bonds) for the fiscal year ended September 30, 2013 are as follows (in thousands):

	Date Sold	# of Projects	Original Amount Issued	Average Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Revenue Bonds Payable</b>									
<b>(in thousands)</b>									
2003 Series I Refunding	07/30/03	19	659,420	3.789%	\$ 294,895	\$ -	\$ (238,345)	\$ 56,550	\$ 56,550
2003 Series II Refunding	12/01/03	44	392,590	4.552%	174,530	-	(174,530)	-	-
2004 Series I Revenue and Refunding	05/27/04	5	155,350	4.208%	73,500	-	(73,500)	-	-
2005 Series I Refunding	05/26/05	16	293,395	4.852%	184,635	-	(6,115)	178,520	7,420
2005 Series II Revenue and Refunding	10/26/05	7	242,805	4.678%	230,375	-	(6,045)	224,330	4,395
2006 Series I A:									
Serial	09/06/06	n/a	438,300	4.804%	438,300	-	-	438,300	-
Capital appreciation	09/06/06	n/a	395,331	4.804%	526,042	25,367	-	551,409	3,065
2006 Series I B	09/06/06	n/a	13,735	4.804%	3,120	-	(3,010)	110	110
2007 Series I Multi-Modal	12/19/07	15	96,500	Variable	44,985	-	(7,000)	37,985	1,000
2008 Series I Revenue and Refunding	11/20/08	17	192,275	6.083%	188,885	-	(1,790)	187,095	1,855
2009 Series I Refunding	08/19/09	n/a	222,080	4.884%	191,625	-	(9,525)	182,100	9,985
2009 Series II Refunding	12/10/09	10	113,480	4.989%	109,100	-	(2,750)	106,350	2,830
2011 Series IA Revenue and Refunding	07/28/11	13	409,550	5.162%	404,810	-	(5,955)	398,855	6,130
2011 Series IB Taxable Revenue Bonds	07/28/11	n/a	12,195	5.694%	12,195	-	(420)	11,775	425
2011 Series IIA Revenue and Refunding	07/28/11	6	180,700	5.227%	180,545	-	(1,150)	179,395	1,185
2011 Series IIB Refunding (variable)	07/28/11	n/a	45,790	Variable	45,790	-	-	45,790	500
2013 Series IA Revenue and Revenue Refunding	07/18/13	13	531,290	4.760%	-	531,290	-	531,290	-
2013 Series IB Federally Taxable Revenue Refunding	07/18/13	n/a	51,710	1.412%	-	51,710	-	51,710	6,720
<b>Total revenue bonds payable</b>			<u>\$4,446,496</u>		\$3,103,332	\$ 608,367	\$ (530,135)	\$3,181,564	<u>\$ 102,170</u>
<b>Accrued compensated absences</b>					25	-	(2)	23	
<b>Arbitrage payable</b>					12	-	(12)	-	
<b>Add (deduct) deferred amounts:</b>									
For issuance discounts					(875)	-	33	(842)	
For issuance premiums					72,974	18,940	(28,270)	63,644	
(Loss) gain on refunding					(3,573)	(7,433)	17,704	6,698	
<b>Total long-term debt</b>					<u>\$ 3,171,895</u>	<u>\$ 619,874</u>	<u>\$ (540,682)</u>	<u>\$3,251,087</u>	
Current portion								\$ 102,170	
Long-term portion								3,148,917	
								<u>\$3,251,087</u>	

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

The 2007 Series I Multi-Modal variable bonds and the 2011 Variable Rate Revenue Refunding Bonds, Series IIB currently bear interest at a weekly rate as determined through remarketing. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements that follow, estimated interest was computed using the weekly rate as of September 30, 2013 of .06%. Associated annual lease rentals are fully pledged for the payment of bond principal and interest on outstanding bonds. Both the 2007 Series I and 2011 Series IIB bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2042 and October 15, 2043, respectively.

The 2007 Series I and the 2011 Series IIB are both subject to optional tender by the bond holders at a purchase price of 100% of the principal plus accrued interest to the date of purchase. Optional tenders are secured by each issue's direct-pay Letter of Credit Agreement, for the principal and interest, calculated up to the maximum interest rate of 12% for 47 and 49 days, respectively. As of September 30, 2013, the Letter of Credit Agreements had a stated expiration date of December 19, 2013, which was extended to December 19, 2014 effective October 31, 2013.

The 2006 Series IA bonds include both serial and capital appreciation bonds. The capital appreciation bonds have an ultimate maturity value of \$891.8 million on October 15, 2030; the accreted value as of September 30, 2013 is \$551 million. For purposes of the following schedule, the accreted maturities of the capital appreciation bonds are shown in the principal maturities column.

### **Debt Service Requirements**

The annual requirements to service the outstanding debt are as follows (in thousands):

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 102,170	\$ 118,464	\$ 220,634
2015	102,740	121,787	224,527
2016	105,875	117,899	223,774
2017	111,390	112,978	224,368
2018	116,160	108,228	224,388
2019-2023	628,085	498,955	1,127,040
2024-2028	698,750	410,349	1,109,099
2029-2033	708,075	302,993	1,011,068
2034-2038	563,730	156,117	719,847
2039-2043	293,920	48,472	342,392
2044-2048	91,035	10,543	101,578
	<u>\$ 3,521,930</u>	<u>\$ 2,006,785</u>	<u>\$ 5,528,715</u>

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

Interest to maturity for the bonds may be significantly less than the amount shown in the above table because many of the bonds (i.e., sinking fund bonds) will be called prior to their 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.

### **Defeased Debt**

The Authority has defeased certain bond issues by placing refunding bond proceeds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The following table summarizes the defeased bonds outstanding at September 30, 2013 (in thousands):

2002 (MSP Phase IV)	\$ 2,970
2003 Series I Refunding	184,615
2003 Series II Refunding*	133,500
2003 Series II Refunding	174,530
2004 MPSCS	60,280
<b>Total</b>	<b>\$ 555,895</b>

\* The 2003 Series II bond issue includes the 2006-2021 maturities only.

### **Note 6 Net Position Deficit and Capital Projects Fund Balance Deficit**

The Authority is reporting a net position deficit balance of \$53,577,069 at September 30, 2013. The net position deficit is primarily due to the issuance of the 2013 Revenue and Revenue Refunding Bonds, Series IA and Series IB. The proceeds of the bonds were used to refund or defease the Authority's 2003 Revenue Refunding Bonds, Series I, 2003 Revenue and Revenue Refunding Bonds, Series II, and the 2004 Revenue and Revenue Refunding Bonds.

The capital projects fund is reporting a fund balance deficit of \$7,329,947. The capital projects fund balance 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 7 Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan provides insurance coverage for the Authority.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Note 8 Adjustments**

Following is an explanation of the adjustments between the governmental funds balance sheet and the statement of net position, which reconciles fund balances to net position:

<b>Fund balances</b>	\$ 203,277,204
<b>Adjustments:</b>	
Leases receivable are not current financial resources and therefore are not reported in the governmental funds	3,010,645,038
Project costs financed by short-term borrowings are temporarily capitalized for net position until lease agreements are executed	16,683,852
Deferred charges for bond issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized for net position	18,469,196
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(3,181,564,371)
Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized for net position (and added to bonds payable)	(63,643,976)
Discounts on bonds are reported as other financing uses in the governmental funds, whereas they are capitalized and amortized for net position (and netted against bonds payable)	841,649
Gains on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and netted against bonds payable)	(6,697,630)
Accrued compensated absences and arbitrage payable are not recorded by governmental funds	(23,347)
Accrued interest payable on bonds is not recorded by governmental funds	(51,564,684)
<b>Net position</b>	<b>\$ (53,577,069)</b>

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net position:

<b>Net change in fund balances</b>	<b>\$ 110,677,150</b>
<b>Adjustments:</b>	
Amounts received for lease payments include both principal and interest for purposes of governmental funds. For the statement of activities, the principal portions are eliminated with that portion of the receipts that pertain to interest being recognized as lease revenues.	(134,270,183)
Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for net position	126,664,876
Construction costs are recorded as expenditures in the funds, but increase leases receivable or project costs in progress for net position	53,799,438
The issuance of bonds provides current financial resources and bond issuance costs and premiums are a use or source of current financial resources, respectively. These transactions do not affect net position and therefore are eliminated:	
Bond and refunding bond proceeds	(583,000,000)
Bond issuance costs	2,618,175
Premiums on bonds	(18,939,412)
Payment to refunding escrow agent	416,472,867
Position of escrow payments applicable to accrued interest	(5,569,408)
Accrued interest expense on bonds, accretion of capital appreciation bonds, and the amortization of bond issuance costs, premiums, and loss on refunding are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of net position:	
Change in accrued interest expense	6,944,075
Accretion of capital appreciation bonds	(25,367,680)
Amortization of bond issuance costs	(1,237,196)
Amortization of premiums on bonds	9,508,606
Amortization of discounts on bonds	(32,688)
Amortization of loss on refunding	(3,632,448)
Unamortized issuance costs of refunded debt	3,115,927
Estimated liability for arbitrage and accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining net position	13,453
<b>Change in net position</b>	<b>\$ (42,234,448)</b>

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Note 9** **Subsequent Events**

On October 24, 2013, the Authority issued \$23,780,000 of commercial paper notes at an interest rate of .11% per annum maturing December 19, 2013.

On October 31, 2013, both Letter of Credit Agreements for the 2007 Series I and 2011 Series IIB Bonds have been extended. The new stated expiration date for both issues is December 19, 2014.

## Other Supplementary Information

**State Building Authority of the State of Michigan  
Commercial Paper Program, Series 6  
Project Balance Sheet  
September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ -	\$ 3,998,611	\$ 3,998,611
Accrued interest receivable	-	22	22
<b>Total assets</b>	\$ -	\$ 3,998,633	\$ 3,998,633
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ 9,364	\$ 9,364
Due to State of Michigan	-	7,498,099	7,498,099
Accrued interest payable	-	1,971	1,971
Short-term debt	-	13,175,000	13,175,000
<b>Total liabilities</b>	-	20,684,434	20,684,434
<b>PROJECT EQUITY (DEFICIT)</b>			
Restricted (deficit)	-	(16,685,801)	(16,685,801)
<b>Total liabilities and project equity</b>	\$ -	\$ 3,998,633	\$ 3,998,633
<b>OUTSTANDING DEBT (short-term)</b>			\$ 13,175,000

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 6**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ 2,014	\$ 2,014
Lease revenue	-	-	-
Other revenue	-	132,594	132,594
	-	134,608	134,608
<b>Expenditures</b>			
Current - general government	-	9,364	9,364
Capital outlay	-	35,835,318	35,835,318
Capital outlay reimbursed to State of Michigan	-	8,438,688	8,438,688
<b>Debt service:</b>			
Principal	-	-	-
Interest and fiscal charges	-	215,382	215,382
Debt issuance costs	-	-	-
	-	44,498,752	44,498,752
Revenue over (under) expenditures	-	(44,364,144)	(44,364,144)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	166,379,776	166,379,776
	-	166,379,776	166,379,776
Net change in project equity	-	122,015,632	122,015,632
<b>Project equity (deficit)</b>			
Beginning of year	-	(138,701,433)	(138,701,433)
End of year	\$ -	\$ (16,685,801)	\$ (16,685,801)

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 75,332,777	\$ -	\$ 75,332,777
Accrued interest receivable	392	-	392
<b>Total assets</b>	<b>\$ 75,333,169</b>	<b>\$ -</b>	<b>\$ 75,333,169</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROJECT EQUITY</b>			
Restricted	75,333,169	-	75,333,169
<b>Total liabilities and project equity</b>	<b>\$ 75,333,169</b>	<b>\$ -</b>	<b>\$ 75,333,169</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 56,550,000</b>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 9,274	\$ -	\$ 9,274
Lease revenue	72,237,131	-	72,237,131
Other revenue	-	-	-
<b>Total revenues</b>	<b>72,246,405</b>	<b>-</b>	<b>72,246,405</b>
<b>Expenditures</b>			
Current - general government	501,836	-	501,836
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	53,730,000	-	53,730,000
Interest and fiscal charges	14,071,575	-	14,071,575
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>68,303,411</b>	<b>-</b>	<b>68,303,411</b>
Revenue over (under) expenditures	3,942,994	-	3,942,994
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	150,000	-	150,000
Transfers to other funds	(10,677,726)	-	(10,677,726)
<b>Total other financing sources (uses)</b>	<b>(10,527,726)</b>	<b>-</b>	<b>(10,527,726)</b>
Net change in project equity	(6,584,732)	-	(6,584,732)
<b>Project equity</b>			
Beginning of year	81,917,901	-	81,917,901
End of year	<u>\$ 75,333,169</u>	<u>\$ -</u>	<u>\$ 75,333,169</u>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 2,089,885	\$ -	\$ 2,089,885
Accrued interest receivable	23	-	23
	<b>Total assets</b>	<b>\$ -</b>	<b>\$ 2,089,908</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>PROJECT EQUITY</b>			
Restricted	2,089,908	-	2,089,908
	<b>Total liabilities and project equity</b>	<b>\$ -</b>	<b>\$ 2,089,908</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ -</b>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 765	\$ -	\$ 765
Lease revenue	8,726,582	-	8,726,582
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	8,727,347	-	8,727,347
<b>Expenditures</b>			
Current - general government	750	-	750
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	8,726,500	-	8,726,500
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	8,727,250	-	8,727,250
Revenue over (under) expenditures	97	-	97
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(4,679,488)	-	(4,679,488)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(4,679,488)	-	(4,679,488)
Net change in project equity	(4,679,391)	-	(4,679,391)
<b>Project equity</b>			
Beginning of year	6,769,299	-	6,769,299
	<hr/>	<hr/>	<hr/>
End of year	\$ 2,089,908	\$ -	\$ 2,089,908
	<hr/>	<hr/>	<hr/>

**State Building Authority of the State of Michigan  
2004 Revenue and Revenue Refunding Bonds, Series I  
Project Balance Sheet  
September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 239	\$ -	\$ 239
Accrued interest receivable	-	-	-
<b>Total assets</b>	<b>\$ 239</b>	<b>\$ -</b>	<b>\$ 239</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	239	-	239
<b>Total liabilities and project equity</b>	<b>\$ 239</b>	<b>\$ -</b>	<b>\$ 239</b>
 <b>OUTSTANDING DEBT (long-term)</b>			<b>\$ -</b>

**State Building Authority of the State of Michigan**  
**2004 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 873	\$ -	\$ 873
Lease revenue	14,191,660	-	14,191,660
Other revenue	-	-	-
<b>Total revenues</b>	<b>14,192,533</b>	<b>-</b>	<b>14,192,533</b>
<b>Expenditures</b>			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	13,220,000	-	13,220,000
Interest and fiscal charges	3,466,336	-	3,466,336
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>16,686,336</b>	<b>-</b>	<b>16,686,336</b>
Revenue over (under) expenditures	(2,493,803)	-	(2,493,803)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(12,623,043)	-	(12,623,043)
<b>Total other financing sources (uses)</b>	<b>(12,623,043)</b>	<b>-</b>	<b>(12,623,043)</b>
Net change in project equity	(15,116,846)	-	(15,116,846)
<b>Project equity</b>			
Beginning of year	15,117,085	-	15,117,085
End of year	\$ 239	\$ -	\$ 239

**State Building Authority of the State of Michigan**  
**2005 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 19,639,436	\$ -	\$ 19,639,436
Accrued interest receivable	161	-	161
<b>Total assets</b>	<b>\$ 19,639,597</b>	<b>\$ -</b>	<b>\$ 19,639,597</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	19,639,597	-	19,639,597
<b>Total liabilities and project equity</b>	<b>\$ 19,639,597</b>	<b>\$ -</b>	<b>\$ 19,639,597</b>
 <b>OUTSTANDING DEBT (long-term)</b>			 <b>\$ 178,520,000</b>

**State Building Authority of the State of Michigan**  
**2005 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 1,034	\$ -	\$ 1,034
Lease revenue	20,193,000	-	20,193,000
Other revenue	-	-	-
<b>Total revenues</b>	<b>20,194,034</b>	<b>-</b>	<b>20,194,034</b>
<b>Expenditures</b>			
Current - general government	36,682	-	36,682
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	6,115,000	-	6,115,000
Interest and fiscal charges	9,045,525	-	9,045,525
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>15,197,207</b>	<b>-</b>	<b>15,197,207</b>
Revenue over (under) expenditures	4,996,827	-	4,996,827
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(5,489,093)	-	(5,489,093)
<b>Total other financing sources (uses)</b>	<b>(5,489,093)</b>	<b>-</b>	<b>(5,489,093)</b>
Net change in project equity	(492,266)	-	(492,266)
<b>Project equity</b>			
Beginning of year	20,131,863	-	20,131,863
End of year	<u>\$ 19,639,597</u>	<u>\$ -</u>	<u>\$ 19,639,597</u>

**State Building Authority of the State of Michigan**  
**2005 Revenue and Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 13,592,785	\$ -	\$ 13,592,785
Accrued interest receivable	53	-	53
<b>Total assets</b>	<b>\$ 13,592,838</b>	<b>\$ -</b>	<b>\$ 13,592,838</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROJECT EQUITY</b>			
Restricted	13,592,838	-	13,592,838
<b>Total liabilities and project equity</b>	<b>\$ 13,592,838</b>	<b>\$ -</b>	<b>\$ 13,592,838</b>
 <b>OUTSTANDING DEBT (long-term)</b>			 <b>\$ 224,330,000</b>

**State Building Authority of the State of Michigan**  
**2005 Revenue and Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 669	\$ -	\$ 669
Lease revenue	14,955,324	-	14,955,324
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	14,955,993	-	14,955,993
<b>Expenditures</b>			
Current - general government	45,851	-	45,851
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	6,045,000	-	6,045,000
Interest and fiscal charges	11,254,425	-	11,254,425
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	17,345,276	-	17,345,276
Revenue over (under) expenditures	(2,389,283)	-	(2,389,283)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	2,910,000	-	2,910,000
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,910,000	-	2,910,000
Net change in project equity	520,717	-	520,717
<b>Project equity</b>			
Beginning of year	13,072,121	-	13,072,121
	<hr/>	<hr/>	<hr/>
End of year	\$ 13,592,838	\$ -	\$ 13,592,838
	<hr/>	<hr/>	<hr/>

**State Building Authority of the State of Michigan**  
**2006 Revenue Refunding Bonds, Series IA and IB**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 19,000,276	\$ -	\$ 19,000,276
Accrued interest receivable	92	-	92
<b>Total assets</b>	<b>\$ 19,000,368</b>	<b>\$ -</b>	<b>\$ 19,000,368</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 63	\$ -	\$ 63
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	63	-	63
<b>PROJECT EQUITY</b>			
Restricted	19,000,305	-	19,000,305
<b>Total liabilities and project equity</b>	<b>\$ 19,000,368</b>	<b>\$ -</b>	<b>\$ 19,000,368</b>

**OUTSTANDING DEBT (long-term)\*** \$ 1,330,185,000

\* The outstanding debt for 2006 Series IA includes the fully accreted value related to its capital appreciation bonds.

**State Building Authority of the State of Michigan**  
**2006 Revenue Refunding Bonds, Series IA and IB**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 2,094	\$ -	\$ 2,094
Lease revenue	25,090,291	-	25,090,291
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	25,092,385	-	25,092,385
<b>Expenditures</b>			
Current - general government	6,212	-	6,212
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	3,010,000	-	3,010,000
Interest and fiscal charges	22,001,101	-	22,001,101
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	25,017,313	-	25,017,313
Revenue over (under) expenditures	75,072	-	75,072
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(370,628)	-	(370,628)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(370,628)	-	(370,628)
Net change in project equity	(295,556)	-	(295,556)
<b>Project equity</b>			
Beginning of year	19,295,861	-	19,295,861
	<hr/>	<hr/>	<hr/>
End of year	\$ 19,000,305	\$ -	\$ 19,000,305
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 2,424,987	\$ -	\$ 2,424,987
Accrued interest receivable	28	-	28
<b>Total assets</b>	<b>\$ 2,425,015</b>	<b>\$ -</b>	<b>\$ 2,425,015</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 50,781	\$ -	\$ 50,781
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>50,781</b>	<b>-</b>	<b>50,781</b>
<b>PROJECT EQUITY</b>			
Restricted	2,374,234	-	2,374,234
<b>Total liabilities and project equity</b>	<b>\$ 2,425,015</b>	<b>\$ -</b>	<b>\$ 2,425,015</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 37,985,000</b>

**State Building Authority of the State of Michigan  
2007 Multi-Modal Revenue Bonds, Series I  
Schedule of Project Revenue, Expenditures  
and Changes in Project Equity  
Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 737	\$ -	\$ 737
Lease revenue	7,041,170	-	7,041,170
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	7,041,907	-	7,041,907
<b>Expenditures</b>			
Current - general government	337,047	-	337,047
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,000,000	-	7,000,000
Interest and fiscal charges	49,666	-	49,666
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	7,386,713	-	7,386,713
Revenue over (under) expenditures	(344,806)	-	(344,806)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(5,452,603)	-	(5,452,603)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(5,452,603)	-	(5,452,603)
Net change in project equity	(5,797,409)	-	(5,797,409)
<b>Project equity</b>			
Beginning of year	8,171,643	-	8,171,643
	<hr/>	<hr/>	<hr/>
End of year	\$ 2,374,234	\$ -	\$ 2,374,234
	<hr/>	<hr/>	<hr/>

**State Building Authority of the State of Michigan**  
**2008 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 10,037,573	\$ -	\$ 10,037,573
Accrued interest receivable	36	-	36
<b>Total assets</b>	<b>\$ 10,037,609</b>	<b>\$ -</b>	<b>\$ 10,037,609</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	10,037,609	-	10,037,609
<b>Total liabilities and project equity</b>	<b>\$ 10,037,609</b>	<b>\$ -</b>	<b>\$ 10,037,609</b>
 <b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 187,095,000</b>

**State Building Authority of the State of Michigan**  
**2008 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 740	\$ -	\$ 740
Lease revenue	7,139,988	-	7,139,988
Other revenue	-	-	-
<b>Total revenues</b>	<b>7,140,728</b>	<b>-</b>	<b>7,140,728</b>
<b>Expenditures</b>			
Current - general government	2,531	-	2,531
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,790,000	-	1,790,000
Interest and fiscal charges	11,032,463	-	11,032,463
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>12,824,994</b>	<b>-</b>	<b>12,824,994</b>
Revenue over (under) expenditures	(5,684,266)	-	(5,684,266)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	5,711,690	-	5,711,690
<b>Total other financing sources (uses)</b>	<b>5,711,690</b>	<b>-</b>	<b>5,711,690</b>
Net change in project equity	27,424	-	27,424
<b>Project equity</b>			
Beginning of year	10,010,185	-	10,010,185
End of year	<u>\$ 10,037,609</u>	<u>\$ -</u>	<u>\$ 10,037,609</u>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 19,349,120	\$ -	\$ 19,349,120
Accrued interest receivable	56	-	56
<b>Total assets</b>	<b>\$ 19,349,176</b>	<b>\$ -</b>	<b>\$ 19,349,176</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROJECT EQUITY</b>			
Restricted	19,349,176	-	19,349,176
<b>Total liabilities and project equity</b>	<b>\$ 19,349,176</b>	<b>\$ -</b>	<b>\$ 19,349,176</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 182,100,000</b>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 953	\$ -	\$ 953
Lease revenue	3,153,000	-	3,153,000
Other revenue	-	-	-
<b>Total revenues</b>	<b>3,153,953</b>	<b>-</b>	<b>3,153,953</b>
<b>Expenditures</b>			
Current - general government	750	-	750
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	9,525,000	-	9,525,000
Interest and fiscal charges	9,520,889	-	9,520,889
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>19,046,639</b>	<b>-</b>	<b>19,046,639</b>
Revenue over (under) expenditures	(15,892,686)	-	(15,892,686)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	16,127,015	-	16,127,015
<b>Total other financing sources (uses)</b>	<b>16,127,015</b>	<b>-</b>	<b>16,127,015</b>
Net change in project equity	234,329	-	234,329
<b>Project equity</b>			
Beginning of year	19,114,847	-	19,114,847
End of year	<u>\$ 19,349,176</u>	<u>\$ -</u>	<u>\$ 19,349,176</u>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 7,158,826	\$ -	\$ 7,158,826
Accrued interest receivable	38	-	38
<b>Total assets</b>	<b>\$ 7,158,864</b>	<b>\$ -</b>	<b>\$ 7,158,864</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROJECT EQUITY</b>			
Restricted	7,158,864	-	7,158,864
<b>Total liabilities and project equity</b>	<b>\$ 7,158,864</b>	<b>\$ -</b>	<b>\$ 7,158,864</b>
 <b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 106,350,000</b>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 872	\$ -	\$ 872
Lease revenue	8,719,516	-	8,719,516
Other revenue	-	-	-
<b>Total revenues</b>	<b>8,720,388</b>	<b>-</b>	<b>8,720,388</b>
<b>Expenditures</b>			
Current - general government	750	-	750
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	2,750,000	-	2,750,000
Interest and fiscal charges	5,166,863	-	5,166,863
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>7,917,613</b>	<b>-</b>	<b>7,917,613</b>
Revenue over (under) expenditures	802,775	-	802,775
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(981,647)	-	(981,647)
<b>Total other financing sources (uses)</b>	<b>(981,647)</b>	<b>-</b>	<b>(981,647)</b>
Net change in project equity	(178,872)	-	(178,872)
<b>Project equity</b>			
Beginning of year	7,337,736	-	7,337,736
End of year	<u>\$ 7,158,864</u>	<u>\$ -</u>	<u>\$ 7,158,864</u>

**State Building Authority of the State of Michigan  
2011 Revenue and Revenue Refunding Bonds, Series I  
Project Balance Sheet  
September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 20,637,525	\$ 1,586,316	\$ 22,223,841
Accrued interest receivable	127	8	135
<b>Total assets</b>	<b>\$ 20,637,652</b>	<b>\$ 1,586,324</b>	<b>\$ 22,223,976</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	49,595	49,595
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	49,595	49,595
<b>PROJECT EQUITY</b>			
Restricted	20,637,652	1,536,729	22,174,381
<b>Total liabilities and project equity</b>	<b>\$ 20,637,652</b>	<b>\$ 1,586,324</b>	<b>\$ 22,223,976</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 410,630,000</b>

**State Building Authority of the State of Michigan**  
**2011 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 2,837	\$ 280	\$ 3,117
Lease revenue	41,400,168	-	41,400,168
Other revenue	-	114,460	114,460
	<hr/>	<hr/>	<hr/>
Total revenues	41,403,005	114,740	41,517,745
<b>Expenditures</b>			
Current - general government	1,375	-	1,375
Capital outlay	-	93,954	93,954
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	6,375,000	-	6,375,000
Interest and fiscal charges	21,394,993	-	21,394,993
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	27,771,368	93,954	27,865,322
Revenue over (under) expenditures	13,631,637	20,786	13,652,423
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(13,544,139)	-	(13,544,139)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(13,544,139)	-	(13,544,139)
Net change in project equity	87,498	20,786	108,284
<b>Project equity</b>			
Beginning of year	20,550,154	1,515,943	22,066,097
	<hr/>	<hr/>	<hr/>
End of year	\$ 20,637,652	\$ 1,536,729	\$ 22,174,381
	<hr/>	<hr/>	<hr/>

**State Building Authority of the State of Michigan  
2011 Revenue and Revenue Refunding Bonds, Series II  
Project Balance Sheet  
September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 8,125,722	\$ 343,605	\$ 8,469,327
Accrued interest receivable	61	9	70
	<b>Total assets</b>	<b>\$ 343,614</b>	<b>\$ 8,469,397</b>
	<b>\$ 8,125,783</b>	<b>\$ 343,614</b>	<b>\$ 8,469,397</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 148,104	\$ -	\$ 148,104
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<b>Total liabilities</b>	<b>-</b>	<b>148,104</b>
	148,104	-	148,104
<b>PROJECT EQUITY</b>			
Restricted	7,977,679	343,614	8,321,293
	<b>Total liabilities and project equity</b>	<b>\$ 343,614</b>	<b>\$ 8,469,397</b>
	<b>\$ 8,125,783</b>	<b>\$ 343,614</b>	<b>\$ 8,469,397</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 225,185,000</b>

**State Building Authority of the State of Michigan**  
**2011 Revenue and Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 537	\$ 137	\$ 674
Lease revenue	8,762,004	-	8,762,004
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	8,762,541	137	8,762,678
<b>Expenditures</b>			
Current - general government	440,072	-	440,072
Capital outlay	-	588,116	588,116
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,150,000	-	1,150,000
Interest and fiscal charges	9,139,139	-	9,139,139
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	10,729,211	588,116	11,317,327
Revenue over (under) expenditures	(1,966,670)	(587,979)	(2,554,649)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	2,579,093	-	2,579,093
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,579,093	-	2,579,093
Net change in project equity	612,423	(587,979)	24,444
<b>Project equity</b>			
Beginning of year	7,365,256	931,593	8,296,849
	<hr/>	<hr/>	<hr/>
End of year	\$ 7,977,679	\$ 343,614	\$ 8,321,293
	<hr/>	<hr/>	<hr/>

**State Building Authority of the State of Michigan**  
**2013 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 13,417,806	\$ 12,576,612	\$ 25,994,418
Accrued interest receivable	97	-	97
<b>Total assets</b>	<b>\$ 13,417,903</b>	<b>\$ 12,576,612</b>	<b>\$ 25,994,515</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 2,022	\$ 177,900	\$ 179,922
Due to State of Michigan	-	4,923,201	4,923,201
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	2,022	5,101,101	5,103,123
<b>PROJECT EQUITY</b>			
Restricted	13,415,881	7,475,511	20,891,392
<b>Total liabilities and project equity</b>	<b>\$ 13,417,903</b>	<b>\$ 12,576,612</b>	<b>\$ 25,994,515</b>
 <b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 583,000,000</b>

**State Building Authority of the State of Michigan**  
**2013 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2013**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 114	\$ 279	\$ 393
Lease revenue	2,882,096	-	2,882,096
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	2,882,210	279	2,882,489
<b>Expenditures</b>			
Current - general government	2,022	-	2,022
Capital outlay	-	8,843,362	8,843,362
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	15,954,876	-	15,954,876
Interest and fiscal charges	-	-	-
Debt issuance costs	1,819,567	798,608	2,618,175
	<hr/>	<hr/>	<hr/>
Total expenditures	17,776,465	9,641,970	27,418,435
Revenue over (under) expenditures	(14,894,255)	(9,641,691)	(24,535,946)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	177,325,677	177,325,677
Premiums on bonds issued	-	6,321,301	6,321,301
Refunding debt issued	405,674,323	-	405,674,323
Premiums on refunding debt	12,618,111	-	12,618,111
Payment to refunding escrow agent	(416,472,867)	-	(416,472,867)
Transfers from other funds	-	-	-
Transfers to other funds	26,490,569	(166,529,776)	(140,039,207)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	28,310,136	17,117,202	45,427,338
Net change in project equity	13,415,881	7,475,511	20,891,392
<b>Project equity</b>			
Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
End of year	\$ 13,415,881	\$ 7,475,511	\$ 20,891,392
	<hr/>	<hr/>	<hr/>

State Building Authority of the State of Michigan  
Schedule of Bonds Payable at Par  
Including Mandatory Redemption Provisions

September 30, 2013  
(in Thousands)

Year Ending	2013 IB	2013 IA	2011 IIB	2011 IIA	2011 IB	2011 IA	2009 II	2009 I
September 30	Taxable Bonds	Refunding Bonds	Refunding Bonds	Refunding Bonds	Taxable Bonds	Refunding Bonds	Revenue Bonds	Refunding
2014	\$ 6,720	\$ -	\$ 500	\$ 1,185	\$ 425	\$ 6,130	\$ 2,830	\$ 9,985
2015	44,990	19,405		1,205	430	6,445	2,915	10,480
2016		65,435		1,240	440	6,760	3,030	10,985
2017		56,265		1,280	450	7,105	3,150	11,535
2018		11,720		1,320	465	7,455	3,280	12,110
2019		2,885		1,360	480	7,830	3,385	12,720
2020		3,035		1,400	500	8,220	3,555	13,350
2021		3,185		1,455	520	8,630	3,690	14,015
2022		3,345		1,510	540	10,500	3,870	15,105
2023		22,335		1,570	565	10,825	4,395	15,765
2024		23,450		1,640	600	11,360	4,620	16,595
2025		24,625		12,685	640	11,925	4,850	17,425
2026		25,855		13,320	680	12,510	5,105	18,340
2027		27,145		13,990	720	22,435	11,675	3,690
2028		28,505		14,690	765	16,700	8,795	
2029		29,930		15,425	810	15,325	8,065	
2030		26,205		210	860	17,210	7,030	
2031		5,185		65	915	18,025	5,860	
2032		5,440		65	970	16,135	6,140	
2033		5,715		65		10,240	6,630	
2034		5,970		1,740		11,395	3,480	
2035		6,120		17,575		13,465		
2036		6,420		15,600		5,525		
2037		6,760		23,990		5,780		
2038		7,125	14,255			65		
2039		7,550	175	14,200		70		
2040		7,945	15,145			40,220		
2041		8,365	1,855	14,200		44,150		
2042		8,805	1,145	6,410		20,330		
2043		16,370	7,965					
2044		9,850	4,750			15,180		
2045		10,395				9,240		
2046		12,955				1,670		
2047		13,830						
2048		13,165						
Total	\$ 51,710	\$ 531,290	\$ 45,790	\$ 179,395	\$ 11,775	\$ 398,855	\$ 106,350	\$ 182,100

\* Bonds Payable for 2006 Series IA includes the fully accreted values related to its capital appreciation bonds.

<b>2008 I</b>	<b>2007 I</b>	<b>2006 I B</b>	<b>2006 I A</b>	<b>2005 II</b>	<b>2005 I</b>	<b>2003 I</b>	
<b>Refunding</b>	<b>Multi Modal</b>	<b>Refunding</b>	<b>Refunding *</b>	<b>Refunding</b>	<b>Refunding</b>	<b>Facilities</b>	<b>Total</b>
						<b>Program</b>	
\$ 1,855	\$ 1,000	\$ 110	\$ 3,065	\$ 4,395	\$ 7,420	\$ 56,550	\$ 102,170
1,935			3,175	5,020	6,740		102,740
2,035			3,175	5,700	7,075		105,875
3,130			14,615	6,430	7,430		111,390
41,325			23,935	6,750	7,800		116,160
1,530			75,420	7,090	8,190		120,890
1,610			75,420	7,445	8,600		123,135
1,695			75,420	7,815	9,030		125,455
			75,420	8,205	9,485		127,980
			56,595	8,615	9,960		130,625
			56,595	9,045	10,455		134,360
			56,595	9,500			138,245
			56,595	9,975			142,380
			56,595	10,470			146,720
			56,595	10,995			137,045
			56,595	11,545			137,695
			61,820	12,125	15,980		141,440
			84,145	12,730	16,940		143,865
			84,145	13,365	17,790		144,050
			85,660	14,035	18,680		141,025
			67,275	14,735	16,945		121,540
	1,215		68,265	15,470			122,110
			71,675	12,875			112,095
12,110			61,280				109,920
70,595	6,025						98,065
49,275	6,385						77,655
	12,100						75,410
							68,570
							36,690
	11,260						35,595
							29,780
							19,635
							14,625
							13,830
							13,165
<u>\$ 187,095</u>	<u>\$ 37,985</u>	<u>\$ 110</u>	<u>\$ 1,330,075</u>	<u>\$ 224,330</u>	<u>\$ 178,520</u>	<u>\$ 56,550</u>	<u>\$ 3,521,930</u>

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Mr. John E. Nixon, CPA, Director, Department of Technology, Management & Budget  
Mr. Patrick Devlin, Chair, State Building Authority Board of Trustees  
Mr. Thomas H. McTavish, CPA, Auditor General, Office of the Auditor General

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the State Building Authority (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 6, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Andrews Hooper Paulik PLC*

Okemos, Michigan  
December 6, 2013