

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, 2014
with Report of Independent Auditors*

State Building Authority of
the State of Michigan

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2014

Contents

Report of Independent Auditors.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements	
Statement of Net Position	7
Statement of Activities.....	8
Statement of Net Position and Governmental Funds Balance Sheet	9
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	10
Notes to Financial Statements.....	11
Other Supplementary Information	
Commercial Paper Program, Series 6:	
Project Balance Sheet	23
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	24
2003 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	25
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	26
2003 Revenue Refunding Revenue Bonds, Series II:	
Project Balance Sheet	27
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	28
2004 Revenue and Revenue Refunding Bonds, Series I:	
Project Balance Sheet	29
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	30

2005 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	31
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	32
2005 Revenue and Revenue Refunding Bonds, Series II:	
Project Balance Sheet	33
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	34
2006 Revenue Refunding Bonds, Series IA and IB:	
Project Balance Sheet	35
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	36
2007 Multi-Modal Revenue Bonds, Series I:	
Project Balance Sheet	37
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	38
2008 Revenue and Revenue Refunding Bonds, Series I:	
Project Balance Sheet	39
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	40
2009 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	41
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	42
2009 Revenue Refunding Bonds, Series II:	
Project Balance Sheet	43
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	44
2011 Revenue and Revenue Refunding Bonds, Series I:	
Project Balance Sheet	45
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	46
2011 Revenue and Revenue Refunding Bonds, Series II:	
Project Balance Sheet	47
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	48
2013 Revenue and Revenue Refunding Bonds, Series I:	
Project Balance Sheet	49
Schedule of Project Revenue, Expenditures and Changes in Project Equity.....	50
Schedule of Bonds Payable at Par Including Mandatory Redemption Provisions	51
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 <i>Government Auditing Standards</i>	53

Report of Independent Auditors

Mr. Patrick Devlin, Chair, State Building Authority Board of Trustees
Mr. Doug A. Ringler, CPA, CIA, 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 (the “Authority”), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2014, 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 to 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, 2014, and the respective changes in financial position thereof 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 basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates 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. 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 5, 2014, 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

Okemos, Michigan
December 5, 2014

Management's Discussion and Analysis

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

September 30, 2014

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, 2014. 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	
	2014	2013
Total net position, as restated for 2013	\$ (57,617,118)	\$ (72,046,265)
Total assets, as restated for 2013	\$ 3,301,614,766	\$ 3,256,642,194
Deferred outflows of resources	\$ 4,411,983	\$ -
Short-term debt	\$ 99,105,000	\$ 13,175,000
Long-term liabilities	\$ 3,056,149,553	\$ 3,148,917,675
Total liabilities	\$ 3,352,176,289	\$ 3,328,688,459
Deferred inflows of resources	\$ 11,467,578	\$ -
Revenues:		
Program revenues, primarily lease revenue	\$ 162,323,353	\$ 100,468,801
General revenues, entirely investment earnings	\$ 11,940	\$ 24,209
Total revenues	\$ 162,335,293	\$ 100,493,010
Expenses and transfers to other funds	\$ 147,906,146	\$ 142,727,458
Change in net position	\$ 14,429,147	\$ (42,234,448)

Total net position and total assets as of September 30, 2013 have been restated to recognize debt issuance costs as expense in the period incurred in accordance with GASB Statement No. 65, which was adopted during fiscal year 2014. Expenses and transfers to other funds and change in net position for the year ended September 30, 2013 have not been restated.

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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 increased \$14,429,147 to an ending balance of \$(57,617,118). As a result of GASB Statement No. 65, beginning net position was restated by \$(18,469,196) resulting in a prior period ended balance of \$(72,046,265). GASB Statement No. 65, paragraphs 14 and 15 require that bond issuance costs be recognized in the year incurred. These costs were previously being amortized by the Authority over the lives of the bonds.

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, unassigned 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 \$119,673,704, a decrease of \$83,603,500 in comparison with the prior year. This amount was comprised of debt service fund balance of \$223,105,749 and a fund balance deficit in the capital projects fund of \$103,432,045. 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

Further information on long-term debt can be found in Note 5 of the financial statements.

Recent Events

On October 9, 2014, the Authority issued \$114,115,000 of commercial paper notes at an interest rate of .07% per annum maturing December 11, 2014.

On December 17, 2014, the State Building Authority will enter 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 anticipated to be December 17, 2017.

There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2014 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, 2014

	Governmental Activities
ASSETS	
Current assets	
Investments	\$ 250,239,775
Accrued interest receivable	1,321
Current portion of leases receivable	96,481,292
Project costs in progress	107,264,018
Total current assets	453,986,406
Noncurrent assets	
Leases receivable, net of current portion	2,847,628,360
Total assets	3,301,614,766
DEFERRED OUTFLOWS OF RESOURCES	
Losses on debt refunding issues	4,411,983
Total assets and deferred outflows of resources	\$ 3,306,026,749
LIABILITIES	
Current liabilities	
Accounts payable and other liabilities	\$ 434,475
Due to State of Michigan	31,020,315
Accrued interest payable	56,426,946
Short-term debt	99,105,000
Current portion of long-term debt	109,040,000
Total current liabilities	296,026,736
Noncurrent liabilities	
Long-term debt, net of current portion	3,056,149,553
Total liabilities	3,352,176,289
DEFERRED INFLOWS OF RESOURCES	
Gains on debt refunding issues	11,467,578
Total liabilities and deferred inflows of resources	3,363,643,867
NET POSITION	
Unrestricted (deficit)	\$ (57,617,118)

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, 2014

	Governmental Activities
Expenses	
General government - administration	\$ 1,216,715
Interest on long-term debt	146,689,431
	147,906,146
Program revenues	
Charges for services:	
Lease revenue	159,076,444
Other revenue	3,246,909
	162,323,353
Total program revenues	162,323,353
Net revenue	14,417,207
General revenues	
Unrestricted investment earnings	11,940
	11,940
Change in net position	14,429,147
Net Position	
Beginning of year (deficit), as restated	(72,046,265)
	(72,046,265)
End of year (deficit)	\$ (57,617,118)

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, 2014

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Current assets					
Investments	\$ 223,664,145	\$ 26,575,630	\$ 250,239,775	\$ -	\$ 250,239,775
Accrued interest receivable	1,175	146	1,321	-	1,321
Current portion of leases receivable	-	-	-	96,481,292	96,481,292
Project costs in progress	-	-	-	107,264,018	107,264,018
Total current assets	<u>223,665,320</u>	<u>26,575,776</u>	<u>250,241,096</u>	<u>203,745,310</u>	<u>453,986,406</u>
Noncurrent assets					
Leases receivable, net of current portion	-	-	-	2,847,628,360	2,847,628,360
Total assets	<u>223,665,320</u>	<u>26,575,776</u>	<u>250,241,096</u>	<u>3,051,373,670</u>	<u>3,301,614,766</u>
DEFERRED OUTFLOWS OF RESOURCES					
Losses on debt refunding issues	-	-	-	4,411,983	4,411,983
Total assets and deferred outflows of resources	<u>\$ 223,665,320</u>	<u>\$ 26,575,776</u>	<u>\$ 250,241,096</u>	<u>\$ 3,055,785,653</u>	<u>\$ 3,306,026,749</u>
LIABILITIES					
Current liabilities					
Accounts payable and other liabilities	\$ 102,926	\$ 331,549	\$ 434,475	\$ -	\$ 434,475
Due to State of Michigan	456,645	30,563,670	31,020,315	-	31,020,315
Accrued interest payable	-	7,602	7,602	56,419,344	56,426,946
Short-term debt	-	99,105,000	99,105,000	-	99,105,000
Current portion of long-term debt	-	-	-	109,040,000	109,040,000
Total current liabilities	<u>559,571</u>	<u>130,007,821</u>	<u>130,567,392</u>	<u>165,459,344</u>	<u>296,026,736</u>
Long-term liabilities					
Long-term debt, net of current portion	-	-	-	3,056,149,553	3,056,149,553
Total liabilities	<u>559,571</u>	<u>130,007,821</u>	<u>130,567,392</u>	<u>3,221,608,897</u>	<u>3,352,176,289</u>
DEFERRED INFLOWS OF RESOURCES					
Gains on debt refunding issues	-	-	-	11,467,578	11,467,578
FUND BALANCES					
Restricted	223,105,749	-	223,105,749	(223,105,749)	-
Unassigned (deficit)	-	(103,432,045)	(103,432,045)	103,432,045	-
Total fund balances	<u>223,105,749</u>	<u>(103,432,045)</u>	<u>119,673,704</u>	<u>(119,673,704)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 223,665,320</u>	<u>\$ 26,575,776</u>	<u>\$ 250,241,096</u>		
NET POSITION					
Unrestricted (deficit)				<u>\$ (57,617,118)</u>	<u>\$ (57,617,118)</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, 2014

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues					
Investment income	\$ 10,399	\$ 1,541	\$ 11,940	\$ -	\$ 11,940
Lease revenue	231,001,920	-	231,001,920	(71,925,476)	159,076,444
Other revenue	3,246,909	-	3,246,909	-	3,246,909
Total revenues	234,259,228	1,541	234,260,769	(71,925,476)	162,335,293
Expenditures / Expenses					
Current - general government	1,127,854	88,413	1,216,267	448	1,216,715
Capital outlay	-	90,266,406	90,266,406	(90,266,406)	-
Capital outlay reimbursed to State of Michigan	-	5,703,850	5,703,850	(5,703,850)	-
Debt service:					
Principal	102,170,000	-	102,170,000	(102,170,000)	-
Interest and fiscal charges	118,462,776	44,970	118,507,746	28,181,685	146,689,431
Total expenditures / expenses	221,760,630	96,103,639	317,864,269	(169,958,123)	147,906,146
Excess of revenues over (under) expenditures / expenses	12,498,598	(96,102,098)	(83,603,500)	98,032,647	14,429,147
Fund balances / Net position					
Beginning of year (deficit), as restated	210,607,151	(7,329,947)	203,277,204	(275,323,469)	(72,046,265)
End of year (deficit)	<u>\$ 223,105,749</u>	<u>\$ (103,432,045)</u>	<u>\$ 119,673,704</u>	<u>\$ (177,290,822)</u>	<u>\$ (57,617,118)</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, 2014

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, 2014. 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 government-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 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.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

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.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time.

The Authority has one item that qualifies for reporting as deferred inflows of resources and deferred outflows of resources. Gains and losses on bond refunding issues, which result from the difference between the carrying value of the refunded debt and its reacquisition price, qualify for reporting as deferred inflows of resources and deferred outflows of resources, respectively. Gains and losses on bond refunding issues are amortized over the remaining life of the existing debt or the life of the new debt, whichever is shorter.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

Debt Issuance Costs – Debt issuance costs on bonds are expensed as incurred.

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, 2014.

Long-Term Liabilities – Long-term liabilities are reported on the Authority's statement of net position, net of the applicable bond premiums and discounts, 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 excess escrow funds from previously defeased bonds returned to the Authority.

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.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

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.

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.

As of September 30, 2014, the Authority had no deposits and had investments totaling \$250,239,775, 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 as of September 30, 2014:

Total minimum lease payments to be received	\$ 5,275,619,073
Less – Unearned income	<u>2,331,509,421</u>
Net leases receivable	<u><u>\$ 2,944,109,652</u></u>
Statement of Net Position classification:	
Current portion of leases receivable	\$ 96,481,292
Leases receivable, net of current portion	<u>2,847,628,360</u>
Total	<u><u>\$ 2,944,109,652</u></u>

Minimum lease payments to be received from the State of Michigan as of September 30, 2014, are as follows:

2015	\$ 231,427,188
2016	231,873,714
2017	231,873,714
2018	231,873,714
2019	231,873,714
2020 through 2048	<u>4,116,697,029</u>
Total	<u><u>\$ 5,275,619,073</u></u>

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, 2014 is .07 percent.

Short-term debt activity for the fiscal year ended September 30, 2014 was as follows (in thousands):

Beginning balance	\$	13,175
Additions		85,930
Reductions		-
Ending balance	\$	99,105

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 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, 2014 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
Revenue Bonds Payable (in thousands)									
2003 Series I Refunding	07/30/03	19	\$ 659,420	3.789%	\$ 56,550	\$ -	\$ (56,550)	\$ -	\$ -
2005 Series I Refunding	05/26/05	16	293,395	4.852%	178,520	-	(7,420)	171,100	8,540
2005 Series II Revenue and Refunding	10/26/05	7	242,805	4.678%	224,330	-	(4,395)	219,935	5,020
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%	551,409	26,475	(3,065)	574,819	3,175
2006 Series I B	09/06/06	n/a	13,735	4.804%	110	-	(110)	-	-
2007 Series I Multi-Modal	12/19/07	15	96,500	Variable	37,985	-	(1,000)	36,985	4,500
2008 Series I Revenue and Refunding	11/20/08	17	192,275	6.083%	187,095	-	(1,855)	185,240	1,935
2009 Series I Refunding	08/19/09	n/a	222,080	4.884%	182,100	-	(9,985)	172,115	10,480
2009 Series II Refunding	12/10/09	10	113,480	4.989%	106,350	-	(2,830)	103,520	2,915
2011 Series IA Revenue and Refunding	07/28/11	13	409,550	5.162%	398,855	-	(6,130)	392,725	6,445
2011 Series IB Taxable Revenue Bonds	07/28/11	n/a	12,195	5.694%	11,775	-	(425)	11,350	430
2011 Series IIA Revenue and Refunding	07/28/11	6	180,700	5.227%	179,395	-	(1,185)	178,210	1,205
2011 Series IIB Refunding (variable)	07/28/11	n/a	45,790	Variable	45,790	-	(500)	45,290	-
2013 Series IA Revenue and Revenue Refunding	07/18/13	13	531,290	4.760%	531,290	-	-	531,290	19,405
2013 Series IB Federally Taxable Revenue Refunding	07/18/13	n/a	51,710	1.412%	51,710	-	(6,720)	44,990	44,990
Total revenue bonds payable			<u>\$ 3,898,556</u>		3,181,564	26,475	(102,170)	3,105,869	<u>\$ 109,040</u>
Accrued compensated absences					23	-	-	23	
Arbitrage payable					-	-	-	-	
Add (deduct) deferred amounts:									
For issuance discounts					(842)	-	33	(809)	
For issuance premiums					63,644	-	(3,538)	60,106	
Total long-term debt					<u>\$ 3,244,389</u>	<u>\$ 26,475</u>	<u>\$ (105,675)</u>	<u>\$ 3,165,189</u>	
Current portion								\$ 109,040	
Long-term portion								3,056,149	
								<u>\$ 3,165,189</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, 2014 of .04%. 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, 2014, the Letter of Credit Agreements had a stated expiration date of December 19, 2014. An alternative letter of credit agreement is in process as disclosed in Note 9.

The 2006 Series IA bonds include both serial and capital appreciation bonds. As of September 30, 2014, the capital appreciation bonds have an ultimate maturity value of \$888.7 million with final maturity on October 15, 2030; the accreted value as of September 30, 2014 is \$574.8 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
2015	\$ 109,040	\$ 121,732	\$ 230,772
2016	105,875	117,809	223,684
2017	111,390	112,888	224,278
2018	116,160	108,138	224,298
2019	120,890	104,652	225,542
2020-2024	641,555	484,211	1,125,766
2025-2029	702,085	388,875	1,090,960
2030-2034	690,120	276,109	966,229
2035-2039	519,845	128,702	648,547
2040-2044	241,545	36,741	278,286
2045-2048	61,255	6,622	67,877
	<u>\$ 3,419,760</u>	<u>\$ 1,886,479</u>	<u>\$ 5,306,239</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 as of September 30, 2014 (in thousands) with the expected final payment date:

2004 MPSCS	\$ 45,475	October 1, 2014
------------	-----------	-----------------

Note 6 Net Position Deficit and Capital Projects Fund Balance Deficit

The Authority is reporting a net position deficit balance of \$57,617,118 as of September 30, 2014. The net position deficit is primarily due to the issuance of the 2013 Revenue and Refunding Bonds, Series IA and IB in the prior year and the implementation of GASB Statement No. 65, which requires that bond issue costs be recognized in the year incurred. To implement GASB Statement No. 65, the prior year net position was restated by \$18,469,196.

The capital projects fund is reporting a fund balance deficit of \$103,432,045. 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:

Fund balances	\$ 119,673,704
Adjustments:	
Leases receivable are not current financial resources and therefore are not reported in the governmental funds	2,944,109,652
Project costs financed by short-term borrowings are temporarily capitalized for net position until lease agreements are executed	107,264,018
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(3,105,869,200)
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)	(60,105,519)
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)	808,961
Gains on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and reported as deferred inflows of resources)	(11,467,578)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and reported as deferred outflows of resources)	4,411,983
Accrued compensated absences and arbitrage payable are not recorded by governmental funds	(23,795)
Accrued interest payable on bonds is not recorded by governmental funds	(56,419,344)
Net position	\$ (57,617,118)

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:

Net change in fund balances	\$ (83,603,500)
Adjustments:	
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.	(71,925,476)
Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for net position	102,170,000
Construction costs are recorded as expenditures in the funds, but increase leases receivable or project costs in progress for net position	95,970,256
Accrued interest expense on bonds, accretion of capital appreciation bonds, and the amortization of discounts, 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	(4,854,660)
Accretion of capital appreciation bonds	(26,474,829)
Amortization of premiums on bonds	3,538,456
Amortization of discounts on bonds	(32,688)
Amortization of gain on refunding	990,129
Amortization of loss on refunding	(1,348,093)
Estimated liability for accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining net position	(448)
Change in net position	<u><u>\$ 14,429,147</u></u>

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

Note 9 **Subsequent Events**

On October 9, 2014, the Authority issued \$114,115,000 of commercial paper notes at an interest rate of .07% per annum maturing December 11, 2014.

On December 17, 2014, the State Building Authority expects to enter into an alternative letter of credit for the 2007 Series I and 2011 Series IIB bonds. The agreement is in process and the new stated expiration date for both issues is anticipated to be December 17, 2017.

Note 10 **Restatement**

The Authority adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the beginning of year net position was decreased by \$18,469,196 to eliminate the unamortized bond issuance costs, which no longer meet the definition of an asset and are now required to be recognized as expense in the period incurred.

Other Supplementary Information

State Building Authority of the State of Michigan
Commercial Paper Program, Series 6
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ -	\$ 18,348,832	\$ 18,348,832
Accrued interest receivable	-	129	129
Total assets	\$ -	\$ 18,348,961	\$ 18,348,961
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ 331,549	\$ 331,549
Due to State of Michigan	-	26,210,910	26,210,910
Accrued interest payable	-	7,602	7,602
Short-term debt	-	99,105,000	99,105,000
Total liabilities	-	125,655,061	125,655,061
PROJECT EQUITY (DEFICIT)			
Unassigned (deficit)	-	(107,306,100)	(107,306,100)
Total liabilities and project equity (deficit)	\$ -	\$ 18,348,961	\$ 18,348,961
 OUTSTANDING DEBT (short-term)			 \$ 99,105,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ -	\$ 842	\$ 842
Lease revenue	-	-	-
Other revenue	-	-	-
Total revenues	-	842	842
Expenditures			
Current - general government	-	70,593	70,593
Capital outlay	-	84,801,728	84,801,728
Capital outlay reimbursed to State of Michigan	-	5,703,850	5,703,850
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	44,970	44,970
Total expenditures	-	90,621,141	90,621,141
Revenue over (under) expenditures	-	(90,620,299)	(90,620,299)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in project equity	-	(90,620,299)	(90,620,299)
Project equity (deficit)			
Beginning of year	-	(16,685,801)	(16,685,801)
End of year	\$ -	\$ (107,306,100)	\$ (107,306,100)

State Building Authority of the State of Michigan
2003 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014

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

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 312	\$ -	\$ 312
Lease revenue	18,046,783	-	18,046,783
Other revenue	-	-	-
Total revenues	18,047,095	-	18,047,095
Expenditures			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	56,550,000	-	56,550,000
Interest and fiscal charges	1,484,438	-	1,484,438
Total expenditures	58,034,438	-	58,034,438
Revenue over (under) expenditures	(39,987,343)	-	(39,987,343)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(35,345,826)	-	(35,345,826)
Total other financing sources (uses)	(35,345,826)	-	(35,345,826)
Net change in project equity	(75,333,169)	-	(75,333,169)
Project equity			
Beginning of year	75,333,169	-	75,333,169
End of year	\$ -	\$ -	\$ -

State Building Authority of the State of Michigan
2003 Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2014

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

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 22	\$ -	\$ 22
Lease revenue	2,181,645	-	2,181,645
Other revenue	-	-	-
Total revenues	2,181,667	-	2,181,667
Expenditures			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Revenue over (under) expenditures	2,181,667	-	2,181,667
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(4,271,575)	-	(4,271,575)
Total other financing sources (uses)	(4,271,575)	-	(4,271,575)
Net change in project equity	(2,089,908)	-	(2,089,908)
Project equity			
Beginning of year	2,089,908	-	2,089,908
End of year	\$ -	\$ -	\$ -

**State Building Authority of the State of Michigan
2004 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014**

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

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ -	\$ -	\$ -
Lease revenue	-	-	-
Other revenue	-	-	-
Total revenues	-	-	-
Expenditures			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Revenue over (under) expenditures	-	-	-
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(239)	-	(239)
Total other financing sources (uses)	(239)	-	(239)
Net change in project equity	(239)	-	(239)
Project equity			
Beginning of year	239	-	239
End of year	\$ -	\$ -	\$ -

State Building Authority of the State of Michigan
2005 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 19,839,152	\$ -	\$ 19,839,152
Accrued interest receivable	162	-	162
Total assets	\$ 19,839,314	\$ -	\$ 19,839,314
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	27,459	-	27,459
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	27,459	-	27,459
PROJECT EQUITY			
Restricted	19,811,855	-	19,811,855
Total liabilities and project equity	\$ 19,839,314	\$ -	\$ 19,839,314
OUTSTANDING DEBT (long-term)			\$ 171,100,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 1,411	\$ -	\$ 1,411
Lease revenue	20,193,000	-	20,193,000
Other revenue	-	-	-
Total revenues	20,194,411	-	20,194,411
Expenditures			
Current - general government	28,709	-	28,709
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,420,000	-	7,420,000
Interest and fiscal charges	8,712,150	-	8,712,150
Total expenditures	16,160,859	-	16,160,859
Revenue over (under) expenditures	4,033,552	-	4,033,552
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(3,861,294)	-	(3,861,294)
Total other financing sources (uses)	(3,861,294)	-	(3,861,294)
Net change in project equity	172,258	-	172,258
Project equity			
Beginning of year	19,639,597	-	19,639,597
End of year	<u>\$ 19,811,855</u>	<u>\$ -</u>	<u>\$ 19,811,855</u>

**State Building Authority of the State of Michigan
2005 Revenue and Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2014**

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 14,147,881	\$ -	\$ 14,147,881
Accrued interest receivable	115	-	115
Total assets	\$ 14,147,996	\$ -	\$ 14,147,996
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	34,505	-	34,505
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	34,505	-	34,505
PROJECT EQUITY			
Restricted	14,113,491	-	14,113,491
Total liabilities and project equity	\$ 14,147,996	\$ -	\$ 14,147,996
 OUTSTANDING DEBT (long-term)			 \$ 219,935,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 1,092	\$ -	\$ 1,092
Lease revenue	15,360,348	-	15,360,348
Other revenue	-	-	-
Total revenues	15,361,440	-	15,361,440
Expenditures			
Current - general government	35,455	-	35,455
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	4,395,000	-	4,395,000
Interest and fiscal charges	11,000,332	-	11,000,332
Total expenditures	15,430,787	-	15,430,787
Revenue over (under) expenditures	(69,347)	-	(69,347)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	590,000	-	590,000
Total other financing sources (uses)	590,000	-	590,000
Net change in project equity	520,653	-	520,653
Project equity			
Beginning of year	13,592,838	-	13,592,838
End of year	\$ 14,113,491	\$ -	\$ 14,113,491

State Building Authority of the State of Michigan
2006 Revenue Refunding Bonds, Series IA and IB
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 20,271,919	\$ -	\$ 20,271,919
Accrued interest receivable	104	-	104
Total assets	\$ 20,272,023	\$ -	\$ 20,272,023
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 62	\$ -	\$ 62
Due to State of Michigan	128,223	-	128,223
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	128,285	-	128,285
PROJECT EQUITY			
Restricted	20,143,738	-	20,143,738
Total liabilities and project equity	\$ 20,272,023	\$ -	\$ 20,272,023

OUTSTANDING DEBT (long-term)* \$ 1,327,010,000

* 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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 937	\$ -	\$ 937
Lease revenue	25,090,291	-	25,090,291
Other revenue	3,246,895	-	3,246,895
Total revenues	28,338,123	-	28,338,123
Expenditures			
Current - general government	130,517	-	130,517
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	3,175,000	-	3,175,000
Interest and fiscal charges	21,917,942	-	21,917,942
Total expenditures	25,223,459	-	25,223,459
Revenue over (under) expenditures	3,114,664	-	3,114,664
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(1,971,231)	-	(1,971,231)
Total other financing sources (uses)	(1,971,231)	-	(1,971,231)
Net change in project equity	1,143,433	-	1,143,433
Project equity			
Beginning of year	19,000,305	-	19,000,305
End of year	<u>\$ 20,143,738</u>	<u>\$ -</u>	<u>\$ 20,143,738</u>

State Building Authority of the State of Michigan
2007 Multi-Modal Revenue Bonds, Series I
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 4,925,298	\$ -	\$ 4,925,298
Accrued interest receivable	22	-	22
Total assets	\$ 4,925,320	\$ -	\$ 4,925,320
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 46,276	\$ -	\$ 46,276
Due to State of Michigan	5,843	-	5,843
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	52,119	-	52,119
PROJECT EQUITY			
Restricted	4,873,201	-	4,873,201
Total liabilities and project equity	\$ 4,925,320	\$ -	\$ 4,925,320
 OUTSTANDING DEBT (long-term)			 \$ 36,985,000

**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, 2014**

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 178	\$ -	\$ 178
Lease revenue	6,897,000	-	6,897,000
Other revenue	-	-	-
Total revenues	6,897,178	-	6,897,178
Expenditures			
Current - general government	301,539	-	301,539
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,000,000	-	1,000,000
Interest and fiscal charges	21,672	-	21,672
Total expenditures	1,323,211	-	1,323,211
Revenue over (under) expenditures	5,573,967	-	5,573,967
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(3,075,000)	-	(3,075,000)
Total other financing sources (uses)	(3,075,000)	-	(3,075,000)
Net change in project equity	2,498,967	-	2,498,967
Project equity			
Beginning of year	2,374,234	-	2,374,234
End of year	<u>\$ 4,873,201</u>	<u>\$ -</u>	<u>\$ 4,873,201</u>

State Building Authority of the State of Michigan
2008 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 10,165,119	\$ -	\$ 10,165,119
Accrued interest receivable	42	-	42
	Total assets	\$ -	\$ 10,165,161
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	28,778	-	28,778
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	Total liabilities	-	28,778
PROJECT EQUITY			
Restricted	10,136,383	-	10,136,383
	Total liabilities and project equity	\$ -	\$ 10,165,161
 OUTSTANDING DEBT (long-term)			\$ 185,240,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 310	\$ -	\$ 310
Lease revenue	7,139,988	-	7,139,988
Other revenue	-	-	-
Total revenues	7,140,298	-	7,140,298
Expenditures			
Current - general government	34,655	-	34,655
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,855,000	-	1,855,000
Interest and fiscal charges	10,959,562	-	10,959,562
Total expenditures	12,849,217	-	12,849,217
Revenue over (under) expenditures	(5,708,919)	-	(5,708,919)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	5,807,693	-	5,807,693
Total other financing sources (uses)	5,807,693	-	5,807,693
Net change in project equity	98,774	-	98,774
Project equity			
Beginning of year	10,037,609	-	10,037,609
End of year	<u>\$ 10,136,383</u>	<u>\$ -</u>	<u>\$ 10,136,383</u>

State Building Authority of the State of Michigan
2009 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 19,643,063	\$ -	\$ 19,643,063
Accrued interest receivable	86	-	86
Total assets	\$ 19,643,149	\$ -	\$ 19,643,149
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	28,009	-	28,009
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	28,009	-	28,009
PROJECT EQUITY			
Restricted	19,615,140	-	19,615,140
Total liabilities and project equity	\$ 19,643,149	\$ -	\$ 19,643,149
 OUTSTANDING DEBT (long-term)			 \$ 172,115,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 598	\$ -	\$ 598
Lease revenue	3,153,000	-	3,153,000
Other revenue	-	-	-
Total revenues	3,153,598	-	3,153,598
Expenditures			
Current - general government	28,759	-	28,759
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	9,985,000	-	9,985,000
Interest and fiscal charges	9,044,839	-	9,044,839
Total expenditures	19,058,598	-	19,058,598
Revenue over (under) expenditures	(15,905,000)	-	(15,905,000)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	16,170,964	-	16,170,964
Total other financing sources (uses)	16,170,964	-	16,170,964
Net change in project equity	265,964	-	265,964
Project equity			
Beginning of year	19,349,176	-	19,349,176
End of year	<u>\$ 19,615,140</u>	<u>\$ -</u>	<u>\$ 19,615,140</u>

State Building Authority of the State of Michigan
2009 Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 7,717,614	\$ -	\$ 7,717,614
Accrued interest receivable	38	-	38
Total assets	<u>\$ 7,717,652</u>	<u>\$ -</u>	<u>\$ 7,717,652</u>
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	16,358	-	16,358
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	16,358	-	16,358
PROJECT EQUITY			
Restricted	7,701,294	-	7,701,294
Total liabilities and project equity	<u>\$ 7,717,652</u>	<u>\$ -</u>	<u>\$ 7,717,652</u>
 OUTSTANDING DEBT (long-term)			 <u>\$ 103,520,000</u>

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 324	\$ -	\$ 324
Lease revenue	8,522,016	-	8,522,016
Other revenue	-	-	-
Total revenues	8,522,340	-	8,522,340
Expenditures			
Current - general government	17,108	-	17,108
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	2,830,000	-	2,830,000
Interest and fiscal charges	5,083,162	-	5,083,162
Total expenditures	7,930,270	-	7,930,270
Revenue over (under) expenditures	592,070	-	592,070
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(49,640)	-	(49,640)
Total other financing sources (uses)	(49,640)	-	(49,640)
Net change in project equity	542,430	-	542,430
Project equity			
Beginning of year	7,158,864	-	7,158,864
End of year	\$ 7,701,294	\$ -	\$ 7,701,294

State Building Authority of the State of Michigan
2011 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 20,850,033	\$ 1,536,819	\$ 22,386,852
Accrued interest receivable	115	8	123
	Total assets	\$ 1,536,827	\$ 22,386,975
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	63,160	-	63,160
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	Total liabilities	-	63,160
PROJECT EQUITY			
Restricted	20,786,988	1,536,827	22,323,815
	Total liabilities and project equity	\$ 1,536,827	\$ 22,386,975
 OUTSTANDING DEBT (long-term)			 \$ 404,075,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 1,060	\$ 98	\$ 1,158
Lease revenue	40,913,508	-	40,913,508
Other revenue	-	-	-
Total revenues	40,914,568	98	40,914,666
Expenditures			
Current - general government	63,910	-	63,910
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	6,555,000	-	6,555,000
Interest and fiscal charges	21,147,011	-	21,147,011
Total expenditures	27,765,921	-	27,765,921
Revenue over (under) expenditures	13,148,647	98	13,148,745
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(12,999,311)	-	(12,999,311)
Total other financing sources (uses)	(12,999,311)	-	(12,999,311)
Net change in project equity	149,336	98	149,434
Project equity			
Beginning of year	20,637,652	1,536,729	22,174,381
End of year	\$ 20,786,988	\$ 1,536,827	\$ 22,323,815

**State Building Authority of the State of Michigan
2011 Revenue and Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2014**

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 8,943,286	\$ 343,712	\$ 9,286,998
Accrued interest receivable	68	9	77
Total assets	\$ 8,943,354	\$ 343,721	\$ 9,287,075
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 56,588	\$ -	\$ 56,588
Due to State of Michigan	34,637	-	34,637
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	91,225	-	91,225
PROJECT EQUITY			
Restricted	8,852,129	343,721	9,195,850
Total liabilities and project equity	\$ 8,943,354	\$ 343,721	\$ 9,287,075
OUTSTANDING DEBT (long-term)			\$ 223,500,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 617	\$ 107	\$ 724
Lease revenue	8,762,004	-	8,762,004
Other revenue	-	-	-
Total revenues	8,762,621	107	8,762,728
Expenditures			
Current - general government	396,779	-	396,779
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,685,000	-	1,685,000
Interest and fiscal charges	9,077,686	-	9,077,686
Total expenditures	11,159,465	-	11,159,465
Revenue over (under) expenditures	(2,396,844)	107	(2,396,737)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	3,271,294	-	3,271,294
Total other financing sources (uses)	3,271,294	-	3,271,294
Net change in project equity	874,450	107	874,557
Project equity			
Beginning of year	7,977,679	343,614	8,321,293
End of year	<u>\$ 8,852,129</u>	<u>\$ 343,721</u>	<u>\$ 9,195,850</u>

**State Building Authority of the State of Michigan
2013 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2014**

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 97,160,780	\$ 6,346,267	\$ 103,507,047
Accrued interest receivable	423	-	423
Total assets	\$ 97,161,203	\$ 6,346,267	\$ 103,507,470
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	89,673	4,352,760	4,442,433
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	89,673	4,352,760	4,442,433
PROJECT EQUITY			
Restricted	97,071,530	1,993,507	99,065,037
Total liabilities and project equity	\$ 97,161,203	\$ 6,346,267	\$ 103,507,470
 OUTSTANDING DEBT (long-term)			\$ 576,280,000

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, 2014

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 3,538	\$ 494	\$ 4,032
Lease revenue	74,742,337	-	74,742,337
Other revenue	14	-	14
	<hr/>	<hr/>	<hr/>
Total revenues	74,745,889	494	74,746,383
Expenditures			
Current - general government	90,423	17,820	108,243
Capital outlay	-	5,464,678	5,464,678
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	6,720,000	-	6,720,000
Interest and fiscal charges	20,013,982	-	20,013,982
	<hr/>	<hr/>	<hr/>
Total expenditures	26,824,405	5,482,498	32,306,903
Revenue over (under) expenditures	47,921,484	(5,482,004)	42,439,480
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	35,734,165	-	35,734,165
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	35,734,165	-	35,734,165
Net change in project equity	83,655,649	(5,482,004)	78,173,645
Project equity			
Beginning of year	13,415,881	7,475,511	20,891,392
	<hr/>	<hr/>	<hr/>
End of year	\$ 97,071,530	\$ 1,993,507	\$ 99,065,037
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**September 30, 2014
(in Thousands)**

Year Ending	2013 IB	2013 IA	2011 IIB	2011 IIA	2011 IB	2011 IA	2009 II
September 30	Taxable Bonds	Refunding Bonds	Refunding Bonds	Refunding Bonds	Taxable Bonds	Refunding Bonds	Revenue Bonds
2015	\$ 44,990	\$ 19,405	\$ -	\$ 1,205	\$ 430	\$ 6,445	\$ 2,915
2016		65,435		1,240	440	6,760	3,030
2017		56,265		1,280	450	7,105	3,150
2018		11,720		1,320	465	7,455	3,280
2019		2,885		1,360	480	7,830	3,385
2020		3,035		1,400	500	8,220	3,555
2021		3,185		1,455	520	8,630	3,690
2022		3,345		1,510	540	10,500	3,870
2023		22,335		1,570	565	10,825	4,395
2024		23,450		1,640	600	11,360	4,620
2025		24,625		12,685	640	11,925	4,850
2026		25,855		13,320	680	12,510	5,105
2027		27,145		13,990	720	22,435	11,675
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	\$ 44,990	\$ 531,290	\$ 45,290	\$ 178,210	\$ 11,350	\$ 392,725	\$ 103,520

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

	2009 I	2008 I	2007 I	2006 I A	2005 II	2005 I	
	Refunding	Refunding	Multi-Modal	Refunding *	Refunding	Refunding	Total
\$	10,480	\$ 1,935	\$ 4,500	\$ 3,175	\$ 5,020	\$ 8,540	\$ 109,040
	10,985	2,035		3,175	5,700	7,075	105,875
	11,535	3,130		14,615	6,430	7,430	111,390
	12,110	41,325		23,935	6,750	7,800	116,160
	12,720	1,530		75,420	7,090	8,190	120,890
	13,350	1,610		75,420	7,445	8,600	123,135
	14,015	1,695		75,420	7,815	9,030	125,455
	15,105			75,420	8,205	9,485	127,980
	15,765			56,595	8,615	9,960	130,625
	16,595			56,595	9,045	10,455	134,360
	17,425			56,595	9,500		138,245
	18,340			56,595	9,975		142,380
	3,690			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	15,145	119,740
			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
			6,760				31,095
							29,780
							19,635
							14,625
							13,830
							13,165
\$	172,115	\$ 185,240	\$ 36,985	\$ 1,327,010	\$ 219,935	\$ 171,100	\$ 3,419,760

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. Patrick Devlin, Chair, State Building Authority Board of Trustees
Mr. Doug A. Ringler, CPA, CIA, 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 (the "Authority"), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2014, 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 5, 2014.

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 Pavlik PLC

Okemos, Michigan
December 5, 2014