Michigan Finance Authority

(A Discretely Presented Component Unit of the State of Michigan)

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2015

NICK A. KHOURI
Chairman of Board

MARY G. MARTIN, C.P.A.
Executive Director

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INTRODUCTORY SECTION

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A KHOURI
STATE TREASURER

December 21, 2015

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

As required by Section 492, Public Act 431 of 1984, as amended, we are pleased to submit the *Michigan Finance Authority Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended September 30, 2015.

INTRODUCTION TO THE REPORT

Responsibility: The Department of Treasury, Bureau of State and Authority Finance, Michigan Finance Authority prepares the CAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the CAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain a reasonable understanding of the Authority's financial affairs have been included.

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

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

- The introductory section includes this letter, the Authority's organization chart, and the list of principal officials.
- The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial

statements for governmental funds, proprietary funds, and fiduciary funds, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and the supplemental financial data which includes the combining financial statements and schedules.

- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.
- The other information section includes: the independent auditor's report on internal controls over financial reporting and on compliance and other matters, and a glossary of abbreviations and terms.

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

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

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

Independent Auditors: The Michigan Office of the Auditor General (OAG) is the principal auditor of the CAFR. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2015 are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2015 are fairly presented in accordance with GAAP and issued unmodified opinions.

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

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

PROFILE OF THE GOVERNMENT

The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

Reporting Entity: The financial reporting entity of the Authority includes all of the funds of the Authority. The transmittal letter, MD&A, and the financial statements focus on the Authority and its activities.

Budgetary Reporting and Control: All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the direction and supervision of the State Treasurer. The Authority is governed by its own Board of Directors, composed of seven members, consisting of the State Treasurer as chair and six appointees of the Governor with the advice and consent of the State Senate. The Board provides overall governing direction for the Authority.

MAJOR INITIATIVES

The Michigan Finance Authority continues to carry out its mission in assisting school districts, cities and local governments, hospitals, colleges, and access to higher education in fiscal year 2015 by issuing 44 bond and note transactions totaling $4.8 billion in order to provide current and future funding for the Authority's various programs.

School Districts: Through its School Loan Revolving Subfund, Local Municipalities Subfund, Public School Academy Facilities Fund, and Michigan Strategic Fund, the Authority issued $398.4 million of bonds, $13.7 million of tax anticipation notes, and $792.4 million of state aid notes for the purpose of assisting school districts and public school academies with specialized financing needs for capital improvements and other projects.

Cities and Local Governments: Through its Local Municipalities Subfund and its State Revolving Subfund, the Authority issued $1,095.0 million of bonds for the purpose of assisting cities, townships, and local municipalities with specialized financing needs.

Hospitals: Through its Healthcare Finance Fund, the Authority issued $1,921.8 million of bonds for the purpose of assisting eligible healthcare providers and facilities with financing for capital improvements.

Colleges: Through its Higher Education Facilities Fund, the Authority issued $113.2 million of bonds for the purpose of assisting eligible higher education institutions within the state with financing for capital improvements.

Higher Education Access: Through its Student Loan Fund, the Authority issued $168.0 million of bonds and $311.6 of notes for the purpose of enhancing access to higher education for students and parents in Michigan.

Michigan Guaranty Agency: Through the Michigan Guaranty Agency, a fiduciary fund, the Authority paid $108.2 million of claims during fiscal year 2015 to qualified lenders for loans guaranteed under the Federal Family Education Loan Program made to qualified students and parents of qualified students in Michigan.

ACKNOWLEDGEMENTS

The preparation of this report requires the collective efforts of the management and staff of the Michigan Finance Authority, as well as the management and staff of the Michigan Office of the Auditor General. We sincerely appreciate the dedicated efforts of all of these individuals that have allowed MFA to establish its position as a leader in quality and efficiency for financial reporting.

Sincerely,

Mary G. Martin

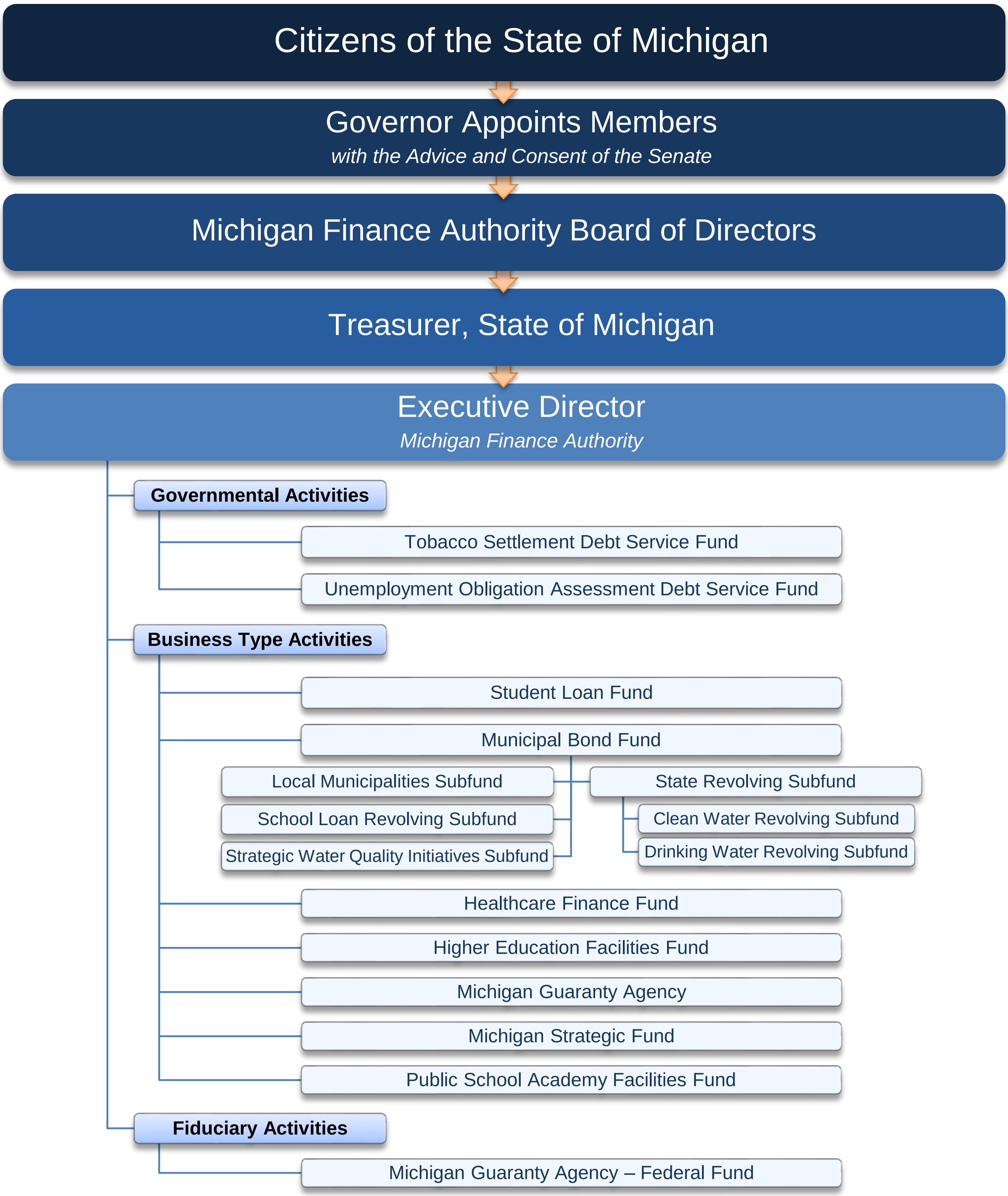
Mary G. Martin
Director, Bureau of State and Authority Finance

Nick A. Khouri
State Treasurer

MICHIGAN FINANCE AUTHORITY

(A Component Unit of the State of Michigan)

ORGANIZATIONAL STRUCTURE



PRINCIPAL OFFICIALS

MICHIGAN FINANCE AUTHORITY BOARD OF DIRECTORS

(As of September 30, 2015)

Nick A. Khouri
State Treasurer
Chair of Board, Michigan Finance Authority

Thomas F. Saxton
Chief Deputy State Treasurer
State Treasurer Representative, Michigan Finance Authority

Mary G. Martin
Director, Bureau of State and Authority Finance
Executive Director, Michigan Finance Authority

Board Members

MaryLee Davis
Professor of Higher Education
Administration, Emerita
Michigan State University
Term expires: 9/30/2017

Charlotte P. Edwards
Retired Banker
Term expires: 9/30/2018

Donald H. Gilmer
Retired Administrator
Kalamazoo County
Term expires: 9/30/2016

Timothy A. Hoffman
Director of Regulatory Affairs,
Consumers Energy
Term expires: 9/30/2018

Travis D. Jones
Senior Vice-President and CFO,
GreenStone Farm Credit Services
Term expires: 9/30/2017

JulieAnn Karkosak
Vice-President and General Counsel,
Toyota Boshoku America, Inc.
Term expires: 9/30/2018

FINANCIAL SECTION

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

Independent Auditor's Report on the Financial Statements
and Other Reporting Required by *Government Auditing Standards*

Mr. Nick A. Khouri, State Treasurer and Chair
Michigan Finance Authority Board of Directors
and
Mary G. Martin, CPA, CIA, Director, Bureau of State and Authority Finance and
Executive Director, Michigan Finance Authority
Richard H. Austin Building
Lansing, Michigan

Dear Mr. Khouri and Ms. Martin:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority, a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2015 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.

Auditor's 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority as of September 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements present only the Michigan Finance Authority. Accordingly, these financial statements do not purport to, and do not, present fairly the financial position and changes in financial position and, where applicable, cash flows of the State of Michigan or its component units as of and for the fiscal year ended September 30, 2015 in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the Michigan Finance Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the fiscal year ended September 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and corresponding note, schedule of the Michigan Finance Authority's proportionate share of net pension liability, schedule of the Michigan Finance Authority's contributions, and note to required supplementary information - pension liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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.

Doug A. Ringler, CPA, CIA
Auditor General

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental financial statements and supplemental financial schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental financial statements and supplemental financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental financial statements and supplemental financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
December 21, 2015

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Management's Discussion and Analysis

The following is management's discussion and analysis of the Michigan Finance Authority's (the Authority's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2015. Please read it with the Authority's financial statements, which follow this section.

HIGHLIGHTS

- The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

- The Authority's total net long-term secured debt as of September 30, 2015 was $9,566.7 million, an increase of $682.5 million from the prior year. The increase represents the net difference between new issuances, payments, and refundings of debt. In addition, the Authority also has $7,977.5 million of conduit debt obligations outstanding as of September 30, 2015. The Authority itself has limited obligation for the conduit debt, and therefore does not record a liability in the financial statements. During the fiscal year ended September 30, 2015, the Authority issued new and refunding debt of $4.8 billion, of which $2.0 billion was conduit debt obligations and, therefore, was not recorded as debt of the Authority (Notes 9 and 10).

- More detailed information regarding the government-wide, fund-level, and long-term debt activities can be found beginning on page 19.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of four components: 1) government-wide financial statements, 2) governmental and proprietary fund financial statements, 3) fiduciary fund financial statements, and 4) notes to the financial statements.

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all non-fiduciary activities of the Authority using the accrual basis of accounting. Authority activities are distinguished between governmental and business-type activities. The current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both statements report two activities:

- *Governmental Activities* - The statements report information on all non-fiduciary and non-business-type activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

- *Business-Type Activities* - The Authority charges fees to customers to help it cover the cost of services it provides. Program revenues include charges to users who directly benefit from the services, grants, and contributions that are restricted to meeting the requirements of a function.

Fund Financial Statements

The fund financial statements provide detailed information about the major individual funds and aggregate information about non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to account for specific sources of funding and spending for a particular purpose. The Authority's funds are divided into three categories (governmental, proprietary, and fiduciary) and use different accounting methodologies, which are driven by required governmental accounting standards and pronouncements:

- *Governmental Funds* - The Authority's major governmental funds include the General Fund, the Tobacco Settlement Debt Service Fund, and the Unemployment Obligation Assessment Debt Service Fund. These funds are reported using the modified accrual basis of accounting, which focuses on near-term (generally 60 days) inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

- *Proprietary Funds* - The Authority's major proprietary funds include the Municipal Bond Fund and the Student Loan Fund. These funds are reported using the full accrual basis of accounting, which provides short-term and long-term financial information about the activities of the Authority.

- *Fiduciary Fund* - The Authority's fiduciary fund is the Michigan Guaranty Agency Federal Fund that is used to account for funds received from various sources and held by the Authority on behalf of the U.S. Department of Education (USDOE). These funds are reported using the full accrual basis of accounting. The government-wide financial statements exclude fiduciary fund activities and balances because these assets do not represent resources of the Authority to finance its operations, restricted or otherwise, and are held in trust.

Additional Required Supplementary Information

Following the basic financial statements is additional required supplementary information that explains and supports the information in the Authority's General Fund financial statements as well as provides additional information on the Authority’s share of the State’s net pension liability and related Authority annual contribution activity. The required supplementary information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end as well as includes information on the Authority's employee pension contributions compared to overall payroll costs.

Other Supplemental Information

Other supplemental information provided at the end of the report includes combining financial statements and schedules for each non-major proprietary fund and each subfund of major proprietary funds. These funds are combined, by fund type, and presented in single columns in the basic financial statements.

Financial Analysis of the Authority as a Whole

The following statement of net position presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2015 and September 30, 2014:

Statement of Net Position

As of September 30
(In Millions)

	Governmental Activities		Business-Type Activities		Total Authority	
	2015	2014	2015	2014	2015	2014
Total assets	$ 425.8	$ 425.0	$12,169.2	$11,104.2	$ 12,595.0	$ 11,529.1
Deferred outflows of resources	$ 1.1	$ 1.1	$ 25.1	$ 28.2	$ 26.2	$ 29.3
Total liabilities	$ 3,264.4	$ 3,677.9	$ 8,301.4	$ 7,457.0	$ 11,565.8	$ 11,134.9
Deferred inflows of resources	$ 0.0	$ 0.0	$ 2.8	$ 2.6	$ 2.8	$ 2.6
Net position:						
Restricted	$ 0.0	$ 0.0	$ 3,889.9	$ 3,532.8	$ 3,889.9	$ 3,532.8
Unrestricted	(2,837.5)	(3,251.8)	0.3	140.0	(2,837.2)	(3,111.8)
Total net position	$ (2,837.5)	$ (3,251.8)	$ 3,890.2	$ 3,672.8	$ 1,052.7	$ 421.0

The Authority's total assets increased by $1.1 billion (9.2%) during fiscal year 2015. The governmental activities total assets remained consistent with the prior fiscal year increasing by $0.8 million (0.2%), the consistency primarily due from comparable investment balances on hand from revenue collections that were being held as the balance sheet date for the next scheduled debt service payments. The business-type activities total assets increased by $1.1 billion (9.6%) primarily from increased activity in the Municipal Bond Fund – Local Municipalities Subfund in bond receivables and increased Cash and Cash Equivalent balances from increased loan collections within the Municipal Bond Fund – School Loan Revolving Fund.

The Authority's total liabilities increased by $430.9 million (3.9%) during fiscal year 2015. The governmental activities liabilities decreased by $413.5 million (11.2%) primarily from using the funds received from the Department of Talent and Economic Development (TED) to pay down the Unemployment Obligation

Assessment Revenue Bonds during the fiscal year. The business-type activities liabilities increased by $844.4 million (11.3%) primarily from issuing new bonds within the Municipal Bond Fund - Local Municipalities Subfund through the local government loan program.

The Authority's net position in unrestricted net assets of negative $2.8 billion as of September 30, 2015 is the result of the Authority recording liabilities for the entire amount of outstanding bonds for its tobacco settlement bonds and unemployment obligation assessment bonds. The tobacco settlement bonds are payable from proceeds from the Authority's share of future Master Settlement Agreement (MSA) receipts, and the unemployment obligation assessment bonds are payable from future collections of the unemployment obligation assessment as collected by TED. However, accounting principles preclude the Authority from recording the anticipated receipt of these proceeds because the underlying economic events have not yet occurred.

The Authority's net position in restricted net assets of $3.9 billion as of September 30, 2015 represents resources that can be used only in accordance with external restrictions or enabling legislation.

The following condensed financial information was derived from the government-wide statement of activities and reflects the Authority's change in net position during the fiscal year:

Changes in Net Position

For the Fiscal Years Ended September 30

(In Millions)

	Governmental Activities		Business-Type Activities		Total Authority	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	$ 523.2	$ 520.0	$ 332.7	$ 240.6	$ 855.9	$ 760.6
Operating grants and contributions	3.0	3.4	235.2	267.6	238.2	271.0
Total revenues	$ 526.2	$ 523.4	$ 567.9	$ 508.2	$ 1,094.1	$ 1,031.6
Expenses						
Total expenses	111.9	130.2	344.0	243.6	455.9	373.8
Increase (Decrease) in net position	$ 414.3	$ 393.1	$ 223.8	$ 264.6	$ 638.2	$ 657.8
Net position - Beginning of fiscal year - Restated (Note 2)	(3,251.8)	(3,645.0)	3,666.4*	3,408.2	414.5*	(236.8)
Net position - End of fiscal year	$ (2,837.5)	$ (3,251.8)	$ 3,890.2	$ 3,672.8	$ 1,052.7	$ 421.0

*Restated for 2015; more detailed information regarding the restatement is in Note 2.

The Authority's total revenue for fiscal year 2015 increased by $62.5 million (6.1%) over the prior year, primarily as a result of an increase in interest revenue in the Municipal Bond Fund – Local Municipalities Subfund from increased bonding activity.

The Authority's total expenses in fiscal year 2015 increased by $82.1 million (22.0%) from fiscal year 2014 expenses, primarily from an increase in interest expense in the Municipal Bond Fund – Local Municipalities Subfund from increased bonding activity.

FINANCIAL ANALYSIS OF THE AUTHORITY'S MAJOR FUNDS

General Fund

The General Fund accounts for the administrative expenditures for the Tobacco Settlement Debt Service Fund and the Unemployment Obligation Assessment Debt Service Fund. General Fund total assets decreased by $26,000 (1.3%) primarily because the Authority expended available fund balance restricted for administrative expenditures. General Fund revenues increased by $19,000 (5.2%), primarily because the scheduled allocation of resources available for administrative expenditures increased from the prior fiscal year.

General Fund total liabilities remained consistent to the prior year and increased by $6,000 (2.1%) as a result of economics and administrative expenditures that were payable at the balance sheet date.

Other administrative expenditures increased by $19,000 (4.5%) because of an increase in the costs allocated to the General Fund for MFA employee time, support activities, and legal and audit fees needed to administer the funds during fiscal year 2015.

There are no variances between the General Fund original budget and final budget, nor are there variances between the final budget and actual results. The Authority does not estimate revenue for budget purposes, and the Authority is allowed to spend the collected revenue without restrictions. Therefore, the original budget reflects the final budget, and the actual revenue reflects the budgeted revenue. There were no changes from the original budget to the final budget.

Tobacco Settlement Debt Service Fund

Tobacco Settlement Debt Service Fund total assets decreased by $0.2 million (0.1%) and total liabilities remained at $0 during fiscal year 2015. The changes in assets and liabilities are affected by the unavailable revenue and receivable for tobacco settlement revenue expected to be received in fiscal year 2016.

Tobacco Settlement Debt Service Fund revenues increased by $0.3 million (0.5%) and expenditures increased by $0.4 million (0.6%). All TSR collections are contingent upon actual tobacco product sales and are subject to various adjustments as outlined in the MSA. No large special releases or adjustments were received during fiscal year 2015 and revenues received were similar to historical norms.

Unemployment Obligation Assessment Debt Service Fund

Unemployment Obligation Assessment Debt Service Fund total assets increased by $9.9 million (3.8%), and the Fund had no liabilities on September 30, 2015. The increase in assets was primarily from an increase in the investments that were on hand at the balance sheet date that are reserved for the next debt service date. Unemployment Obligation Assessment Debt Service Fund revenues increased by $14.6 million (3.2%). Collections are driven by TED quarterly billings and rates that are reset annually. Expenditures in fiscal year 2015 decreased by $4.4 million (0.9%) from expenditures in fiscal year 2014 and are driven based on resources on hand prior to scheduled redemption dates on the bonds for debt service.

Municipal Bond Fund

Municipal Bond Fund total assets increased by $1.1 billion (11.6%) and total liabilities increased by $0.9 billion (14.4%) during fiscal year 2015. These increases are attributed primarily to the bonds receivable and related bonds payable for new bond issues for the Local Municipalities Subfund through the local government loan program.

Municipal Bond Fund operating revenues increased by $102.7 million (48.6%) during fiscal year 2015. This increase was primarily a result of an increase in interest revenue because of new bond issues in the Local Municipalities Subfund local government loan program. Operating expenses increased by $81.1 million (48.1%) in fiscal year 2015 primarily because of additional interest expense and debt issuance costs from new bond issues in the Local Municipalities Subfund local government loan program.

Municipal Bond Fund nonoperating revenues decreased by $60.1 million (29.4%) primarily as a result of a decrease in operating subsidies received during the fiscal year, which represent resources for current and future use to administer the program.

Student Loan Fund

Student Loan Fund total assets decreased by $74.7 million (6.4%) primarily from redemption of $90.9 million of notes and bonds. Cash and cash equivalents increased by $54.9 million due to refinancing bonds and notes and the student loan principal receipts. Loans receivable decreased by $138.0 million because new loans have not been originated since June 30, 2010, $2.7 million of loans receivable were written off because of loan defaults, and $151.6 million of student loan principal has been paid during the fiscal year. Notes receivable of $9 million was obtained this fiscal year (see Note 6).

Student Loan Fund total liabilities decreased by $81.0 million (8.2%) primarily due to redemptions of bonds and notes totaling $475.5 million in mandatory redemptions, $25.9 million in optional redemptions, $69.2 million of redemptions due to refinancing, less issuance of $479.5 million of bonds and notes. In addition, net pension liabilities increased from $0 to $1.6 million per GASB 68 (see Note 2).

Arbitrage payable pertains to Series 22 bonds payable and both payables are now reported as current liabilities because if funds are drawn using the Series 22 letter of credit and the bonds cannot be remarketed by 180 days of the draw, then the Student Loan Fund must refinance or pay the bonds (see Note 9f).

Per GASB 34, paragraph 34, the net position of the Bond/Note Fund is reported as restricted (see Note 1).

The Student Loan Fund interest revenue decrease of $5.5 million (11.6%) was primarily attributable to the decrease of the student loan portfolio and the $2.7 million provision of loan loss.

In fiscal year 2015, Student Loan Fund operating expenses decreased by $8.3 million (26.4%) primarily because of $11.3 million for non-recurring settlement and legal expenses in fiscal year 2014. In addition, operating expenses decreased by $2.0 million because the bad debt expense was renamed, "provision for loan loss", and moved from operating expenses to operating revenues per GASB 34. GASB 34, paragraph 100, note 41, recommends reporting discounts and allowances directly beneath the related gross revenue amount. The bond issuance costs increase of $1.1 million was due to issuance of Series 25 and Series 26. The interest expense increase of $5.7 million was primarily attributable to higher interest rates and a $4.5 million decrease in the amortization of deferred gains on the bonds refunded with the Straight-A Funding Student Loan note, which was fully amortized on November 14, 2013.

CONTACTING THE MICHIGAN FINANCE AUTHORITY

Additional information about the Authority as well as annual statistical and audit reports can be found at www.michigan.gov/mfa.

The contact information for the Authority is:

Michigan Finance Authority
Richard H. Austin Building
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BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	$	$ 909,991,640	$ 909,991,640
Receivable - Tobacco settlement revenue	50,373,074		50,373,074
Receivable from federal government		1,577,868	1,577,868
Receivable from primary government (Note 5)	60,815,688		60,815,688
Receivable from other funds		2,456,889	2,456,889
Interest receivable	945,658	67,362,704	68,308,362
Investments (Note 4)	259,758,441	1,169,362,787	1,429,121,228
Notes receivable (Note 6)		725,979,831	725,979,831
Loans receivable, net (Note 7)		377,825,231	377,825,231
Bonds receivable (Note 8)		174,742,545	174,742,545
Other current assets		1,420,579	1,420,579
Total current assets	$ 371,892,861	$ 3,430,720,074	$ 3,802,612,935
Noncurrent assets:			
Receivable from primary government (Note 5)	$	$ 1,354,540,858	$ 1,354,540,858
Investments (Note 4)	53,903,473	698,023,528	751,927,001
Notes receivable (Note 6)		9,000,000	9,000,000
Loans receivable, net (Note 7)		3,188,283,259	3,188,283,259
Bonds receivable (Note 8)		3,488,629,217	3,488,629,217
Total noncurrent assets	$ 53,903,473	$ 8,738,476,862	$ 8,792,380,335
Total assets	$ 425,796,334	$12,169,196,936	$ 12,594,993,270
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding (Note 1)	$ 1,115,921	$ 23,919,125	$ 25,035,046
Deferred outflows related to pensions (Note 14)		1,212,358	1,212,358
Total deferred outflows of resources	$ 1,115,921	$ 25,131,483	$ 26,247,404
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	$ 279,382	$ 11,088,972	$ 11,368,354
Bonds and notes payable, net (Note 9)	218,185,000	1,586,233,000	1,804,418,000
Interest payable	43,334,865	103,032,833	146,367,698
Arbitrage payable		25,773,772	25,773,772
Compensated absences	1,610	71,565	73,175
Total current liabilities	$ 261,800,857	$ 1,726,200,142	$ 1,988,000,999
Noncurrent liabilities:			
Bonds and notes payable, net (Note 9)	$ 3,002,605,859	$ 6,564,097,708	$ 9,566,703,567
Arbitrage payable		3,790,553	3,790,553
Compensated absences	7,894	629,257	637,151
Net pension liability (Note 14)		6,637,870	6,637,870
Total noncurrent liabilities	$ 3,002,613,753	$ 6,575,155,388	$ 9,577,769,141
Total liabilities	$ 3,264,414,610	$ 8,301,355,530	$ 11,565,770,140
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding (Note 1)	$	$ 1,981,183	$ 1,981,183
Deferred inflows related to pensions (Note 14)		778,564	778,564
Total deferred inflows of resources	$ 0	$ 2,759,747	$ 2,759,747
NET POSITION			
Restricted for (Note 1):			
Municipal Bond Fund	$	$ 3,713,607,165	$ 3,713,607,165
Student Loan Fund		126,189,650	126,189,650
Other purposes		50,065,109	50,065,109
Unrestricted (deficit) (Note 3)	(2,837,502,355)	351,221	(2,837,151,134)
Total net position	$ (2,837,502,355)	$ 3,890,213,145	$ 1,052,710,790

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Tobacco Settlement	$ 77,582,442	$ 61,722,514	$ 2,589,188
Unemployment Obligation	34,323,310	461,541,373	391,598
Total Governmental Activities	$ 111,905,752	$ 523,263,887	$ 2,980,786
Business-Type Activities:			
Municipal Bond Fund	$ 304,789,190	$ 279,473,753	$ 234,922,141
Student Loan Fund	23,144,961	30,530,557	93,258
Non-Major Funds:			
Michigan Guaranty Agency - Operating Fund	13,408,081	20,340,185	167,532
Michigan Finance Authority - Operating Fund	1,932,148	1,521,791	1,840
Public School Academy Facilities Fund	732,586	804,097	292
Total Business-Type Activities	$ 344,006,966	$ 332,670,383	$ 235,185,063
Total Michigan Finance Authority	$ 455,912,718	$ 855,934,270	$ 238,165,849

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

	General Revenues			
Net (Expenses) Revenues	Transfers	Changes in Net Position	Net Position Beginning of Fiscal Year Restated (Note 2)	Net Position End of Fiscal Year
$ (13,270,740)	$	$ (13,270,740)	$ (965,151,661)	$ (978,422,401)
427,609,661		427,609,661	(2,286,689,615)	(1,859,079,954)
$ 414,338,921	$ 0	$ 414,338,921	$ (3,251,841,276)	$ (2,837,502,355)
$ 209,606,704	$ (666,293)	$ 208,940,411	$ 3,416,797,988	$ 3,625,738,399
7,478,854		7,478,854	193,213,812	200,692,666
7,099,636		7,099,636	40,373,100	47,472,736
(408,517)	690,357	281,840	16,368,334	16,650,174
71,803	(24,064)	47,739	(388,569)	(340,830)
$ 223,848,480	$ 0	$ 223,848,480	$ 3,666,364,665	$ 3,890,213,145
$ 638,187,401	$ 0	$ 638,187,401	$ 414,523,389	$ 1,052,710,790

GOVERNMENTAL FUNDS
BALANCE SHEET

September 30, 2015

	Major Funds			
	General Fund	Tobacco Settlement Debt Service Fund	Unemployment Obligation Assessment Debt Service Fund	Totals
ASSETS				
Current assets:				
Receivable - Tobacco settlement revenue	$ 296,595	$ 50,076,479	$	$ 50,373,074
Receivable from primary government (Note 5)			57,179,660	57,179,660
Interest receivable		945,658		945,658
Investments (Note 4)	1,768,119	47,573,064	210,417,258	259,758,441
Total current assets	$2,064,714	$ 98,595,201	$ 267,596,918	$ 368,256,833
Noncurrent assets:				
Investments (Note 4)	$	$ 53,903,473	$	$ 53,903,473
Total noncurrent assets	$ 0	$ 53,903,473	$ 0	$ 53,903,473
Total assets	$2,064,714	$ 152,498,674	$ 267,596,918	$ 422,160,306
DEFERRED OUTFLOWS OF RESOURCES	$	$	$	$ 0
Total assets and deferred outflows of resources	$2,064,714	$ 152,498,674	$ 267,596,918	$ 422,160,306
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 279,382	$	$	$ 279,382
Total current liabilities	$ 279,382	$ 0	$ 0	$ 279,382
Total liabilities	$ 279,382	$ 0	$ 0	$ 279,382
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1)	$ 296,595	$ 50,076,479	$	$ 50,373,074
FUND BALANCE				
Fund balance:				
Restricted for debt service	$	$ 102,422,195	$ 267,596,918	$ 370,019,113
Restricted for administrative expenditures	1,488,737			1,488,737
Total fund balance	$1,488,737	$ 102,422,195	$ 267,596,918	$ 371,507,850
Total liabilities, deferred inflows of resources, and fund balance	$2,064,714	$ 152,498,674	$ 267,596,918	$ 422,160,306

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

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

September 30, 2015

Total fund balances for governmental funds	$	371,507,850
Amounts reported for governmental activities in the statement of net position are different because:		
Receivable from the primary government for the unemployment obligation assessment revenue is recognized by the Authority when the primary government recognizes revenue and a liability to the Authority. The primary government recognizes additional revenue that is assessed for the statement of activities but is not available for governmental funds.		3,636,028
Deferred loss on refunding is the difference between the carrying value of refunded bonds and their reacquisition price, which is recognized as an expenditure in the governmental fund when the bonds are refunded, whereas the loss is amortized and expensed over the shorter of the life of the refunded or refunding bonds in the statement of activities.		1,115,921
Interest payable on bonds is not due and payable in the current period and therefore is not reported in the governmental funds, whereas a liability is established for bond interest when incurred in the statement of net position.		(43,334,865)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds, whereas a liability for the bonds is established when the bonds are issued in the statement of net position.		(3,220,790,859)
Unavailable revenue is recorded in governmental funds for tobacco settlement revenue that has been earned but is not available, whereas revenue is recognized when earned in the statement of net position.		50,373,074
Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds, whereas a liability is established for absences when earned in the statement of net position.		(9,504)
Net position (deficit)	$	(2,837,502,355)

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2015

	Major Funds			
	General Fund	Tobacco Settlement Debt Service Fund	Unemployment Obligation Assessment Debt Service Fund	Totals
REVENUES				
Tobacco settlement revenue	$ 383,942	$ 61,663,216	$	$ 62,047,158
Unemployment obligation assessment revenue	8,300		470,350,018	470,358,318
Investment income	70	2,589,162	382,822	2,972,054
Total revenues	$ 392,312	$ 64,252,378	$ 470,732,840	$ 535,377,530
EXPENDITURES				
Interest and principal on bonds and notes	$	$ 64,119,169	$ 460,860,200	$ 524,979,369
Other administrative expenditures	432,966			432,966
Total expenditures	$ 432,966	$ 64,119,169	$ 460,860,200	$ 525,412,335
Excess of revenues over (under) expenditures	$ (40,654)	$ 133,209	$ 9,872,640	$ 9,965,195
Change in fund balance	$ (40,654)	$ 133,209	$ 9,872,640	$ 9,965,195
Fund balance - Beginning of fiscal year	1,529,391	102,288,986	257,724,278	361,542,656
Fund balance - End of fiscal year	$ 1,488,737	$ 102,422,195	$ 267,596,918	$ 371,507,850

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2015

Net change in fund balance - Total governmental funds	$ 9,965,195
Amounts reported for governmental activities in the statement of net position are different because:	
Tobacco settlement revenue is not recognized as revenue until earned and available by governmental funds and is recorded as deferred inflows of resources. Revenue is recognized when earned in the statement of activities.	(324,644)
Unemployment obligation assessment revenue does not provide current financial resources for governmental funds because the revenue is not available, whereas revenue is recognized when assessed for the statement of activities.	(8,808,213)
Bond proceeds and principal payments - Bond proceeds are current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Bond proceeds are increased/decreased for bond premiums/discounts when bonds are issued, whereas the premiums/discounts are amortized and expensed over the life of the bonds in the statement of activities.	
Repayment of bond principal	356,375,000
Amortization of bond premiums	71,786,354
Amortization of bond discounts	(313,934)
Bond interest is recognized as an expenditure when due and payable by governmental funds, whereas it is expensed when incurred for the statement of activities.	(14,349,000)
Compensated absences are recorded as expenditures in governmental funds when due and payable, whereas they are accrued and expensed when these absences are earned in the statement of activities.	8,163
Net change in net position	$ 414,338,921

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

September 30, 2015

	Business-Type Activities			
	Major Funds			
	Municipal Bond Fund	Student Loan Fund	Non-Major Funds	Totals
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	$ 694,235,290	$ 188,920,812	$ 26,835,538	$ 909,991,640
Receivable from federal government	261,561	902,271	414,036	1,577,868
Receivable from other funds			2,456,889	2,456,889
Interest receivable	51,401,061	15,602,970	358,673	67,362,704
Investments (Note 4)	1,152,437,729		16,925,058	1,169,362,787
Notes receivable (Note 6)	689,928,831		36,051,000	725,979,831
Loans receivable, net (Note 7)	239,828,212	137,997,019		377,825,231
Bonds receivable (Note 8)	174,742,545			174,742,545
Other current assets		737,529	683,050	1,420,579
Total current assets	$ 3,002,835,229	$ 344,160,601	$ 83,724,244	$ 3,430,720,074
Noncurrent assets:				
Receivable from primary government (Note 5)	$ 1,354,540,858	$	$	$ 1,354,540,858
Investments (Note 4)	673,653,874		24,369,654	698,023,528
Notes receivable (Note 6)		9,000,000		9,000,000
Loans receivable, net (Note 7)	2,442,024,100	746,259,159		3,188,283,259
Bonds receivable (Note 8)	3,488,629,217			3,488,629,217
Total noncurrent assets	$ 7,958,848,049	$ 755,259,159	$ 24,369,654	$ 8,738,476,862
Total assets	$ 10,961,683,278	$ 1,099,419,760	$ 108,093,898	$ 12,169,196,936
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding (Note 1)	$ 21,047,205	$ 2,871,920	$	$ 23,919,125
Deferred outflows related to pensions (Note 14)		300,500	911,858	1,212,358
Total deferred outflows of resources	$ 21,047,205	$ 3,172,420	$ 911,858	$ 25,131,483
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 6,174,627	$ 4,912,845	$ 1,500	$ 11,088,972
Bonds and notes payable, net (Note 9)	1,105,957,545	441,240,455	39,035,000	1,586,233,000
Interest payable	99,552,345	3,443,863	36,625	103,032,833
Arbitrage payable		25,773,772		25,773,772
Compensated absences		3,201	68,364	71,565
Total current liabilities	$ 1,211,684,517	$ 475,374,136	$ 39,141,489	$ 1,726,200,142
Noncurrent liabilities:				
Bonds and notes payable, net (Note 9)	$ 6,139,535,834	$ 424,561,874	$	$ 6,564,097,708
Arbitrage payable	3,790,553			3,790,553
Compensated absences		197,687	431,570	629,257
Net pension liability (Note 14)		1,580,445	5,057,425	6,637,870
Total noncurrent liabilities	$ 6,143,326,387	$ 426,340,006	$ 5,488,995	$ 6,575,155,388
Total liabilities	$ 7,355,010,904	$ 901,714,142	$ 44,630,484	$ 8,301,355,530
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding (Note 1)	$ 1,981,183	$	$	$ 1,981,183
Deferred inflows related to pensions (Note 14)		185,372	593,192	778,564
Total deferred inflows of resources	$ 1,981,183	$ 185,372	$ 593,192	$ 2,759,747
NET POSITION				
Restricted for (Note 1):				
Local Municipalities Subfund	$ 59,685,566	$	$	$ 59,685,566
State Revolving Subfund	2,362,272,753			2,362,272,753
Strategic Water Quality Initiatives Subfund	65,135,806			65,135,806
School Loan Revolving Subfund	1,226,513,040			1,226,513,040
Student Loan Fund		126,189,650		126,189,650
Michigan Guaranty Agency - Operating Fund			47,472,736	47,472,736
Public School Academy Facilities Fund			2,592,373	2,592,373
Unrestricted	(87,868,766)	74,503,016	13,716,971	351,221
Total net position	$ 3,625,738,399	$ 200,692,666	$ 63,782,080	$ 3,890,213,145

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2015

	Business-Type Activities			
	Major Funds			
	Municipal Bond Fund	Student Loan Fund	Non-Major Funds	Totals
OPERATING REVENUES				
Federal revenue, net of special allowance (Notes 1 and 12)	$ 693,124	$ (11,022,732)	$ 18,826,553	$ 8,496,945
Interest revenue	277,363,682	41,600,276	787,701	319,751,659
Provision for loan losses		(2,694,474)		(2,694,474)
Investment income	33,741,615	93,258	169,664	34,004,537
Fees			1,650,015	1,650,015
Miscellaneous	2,110,071	2,647,487	1,401,804	6,159,362
Total operating revenues	$ 313,908,492	$ 30,623,815	$ 22,835,737	$ 367,368,044
OPERATING EXPENSES				
Arbitrage expense	$ (237,717)	$ (659,192)	$	$ (896,909)
Interest expense (Note 9d.)	231,986,286	11,129,687	329,202	243,445,175
Debt issuance costs	11,866,791	3,986,231	403,384	16,256,406
Other administrative expense	5,957,483	8,688,235	15,340,229	29,985,947
Total operating expenses	$ 249,572,843	$ 23,144,961	$ 16,072,815	$ 288,790,619
Operating income (loss)	$ 64,335,649	$ 7,478,854	$ 6,762,922	$ 78,577,425
NONOPERATING REVENUES (EXPENSES)				
Operating subsidies	$ 200,487,402	$	$	$ 200,487,402
American Recovery and Reinvestment Act principal forgiveness expense	396,228			396,228
Program principal forgiveness, net	(14,175,207)			(14,175,207)
Grant expense	(41,437,368)			(41,437,368)
Total nonoperating revenues (expenses)	$ 145,271,055	$ 0	$ 0	$ 145,271,055
Income before transfers	$ 209,606,704	$ 7,478,854	$ 6,762,922	$ 223,848,480
TRANSFERS				
Transfers from other funds	$	$	$ 690,357	$ 690,357
Transfers to other funds	(666,293)		(24,064)	(690,357)
Total transfers	$ (666,293)	$ 0	$ 666,293	$ 0
Change in net position	$ 208,940,411	$ 7,478,854	$ 7,429,215	$ 223,848,480
Net position - Beginning of fiscal year - Restated (Note 2)	3,416,797,988	193,213,812	56,352,865	3,666,364,665
Net position - End of fiscal year	$ 3,625,738,399	$ 200,692,666	$ 63,782,080	$ 3,890,213,145

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2015

	Business-Type Activities			
	Major Funds			
	Municipal Bond Fund	Student Loan Fund	Non-Major Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Bonds, notes, and loans receivable made	$ (1,991,270,088)	$	$ (40,155,227)	$ (2,031,425,315)
Principal received on bonds, notes, and loans	1,355,461,418	151,576,783	45,133,000	1,552,171,201
Interest received on bonds, notes, and loans	299,510,132	32,574,291	794,167	332,878,590
Cash payments to employees and suppliers for goods and services	(7,055,313)	(11,144,989)	(17,335,412)	(35,535,714)
Net special allowance payment to federal government		(14,852,611)		(14,852,611)
Other operating revenues	630,077	2,072,402	24,562,235	27,264,714
Net cash provided by (used in) operating activities	$ (342,723,774)	$ 160,225,876	$ 12,998,763	$ (169,499,135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes, net	$ 1,786,309,385	$ 478,015,051	$ 39,035,000	$ 2,303,359,436
Payment of debt issuance costs	(7,205,127)	(2,784,311)	(401,884)	(10,391,322)
Principal paid on bonds and notes	(1,028,217,243)	(570,545,000)	(45,580,000)	(1,644,342,243)
Interest paid on bonds and notes	(244,652,168)	(10,132,535)	(330,064)	(255,114,767)
Operating subsidies	155,338,272			155,338,272
American Recovery and Reinvestment Act principal forgiveness expense	396,228			396,228
Grant expense	(55,612,575)			(55,612,575)
Other	3,234,114		666,293	3,900,407
Net cash provided by (used in) noncapital financing activities	$ 609,590,886	$ (105,446,795)	$ (6,610,655)	$ 497,533,436
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases of) proceeds from sale and maturities of investment securities	$ 87,941,717	$	$ (24,689,180)	$ 63,252,537
Interest and dividends on investments	29,079,518	91,719	17,768	29,189,005
Net cash provided by (used in) investing activities	$ 117,021,235	$ 91,719	$ (24,671,412)	$ 92,441,542
Net increase (decrease) in cash	$ 383,888,347	$ 54,870,800	$ (18,283,304)	$ 420,475,843
Cash and cash equivalents - Beginning of fiscal year	310,346,943	134,050,012	45,118,842	489,515,797
Cash and cash equivalents - End of fiscal year	$ 694,235,290	$ 188,920,812	$ 26,835,538	$ 909,991,640
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	$ 64,335,649	$ 7,478,854	$ 6,762,922	$ 78,577,425
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Investment income	(33,741,615)	(93,258)	(169,664)	(34,004,537)
Other income	(2,110,071)		(1,500)	(2,111,571)
Interest expense	248,419,033	11,129,687	329,202	259,877,922
Debt issuance cost	11,866,791	4,009,031	403,384	16,279,206
Pension expense		(76,122)	(193,847)	(269,969)
Changes in assets and liabilities:				
(Increase) decrease in other receivables	63,825,051	600,978	1,050,491	65,476,520
Increase (decrease) in other payables	9,200	(816,572)	(159,998)	(967,370)
(Increase) decrease in bonds, notes, and loans receivable	(695,327,812)	137,993,278	4,977,773	(552,356,761)
Net cash provided by (used in) operating activities	$ (342,723,774)	$ 160,225,876	$ 12,998,763	$ (169,499,135)

Noncash capital and financing activities:

The Authority issued State Revolving Fund Revenue Bonds to refund debt issued in 2005. The $149.6 million in proceeds were deposited immediately into an escrow account for the defeasance of $142.7 million of outstanding revenue bond principal (Note 9).

The Authority issued State Revolving Fund Revenue Bonds to refund debt issued in 2006. The $88.6 million in proceeds were deposited immediately into an escrow account for the defeasance of $83.0 million of outstanding revenue bond principal (Note 9).

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

FIDUCIARY FUND – PRIVATE PURPOSE TRUST
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2015

		Michigan Guaranty Agency Federal Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	$	12,739,105
Receivable from federal government		14,271,070
Total current assets	$	27,010,175
Total assets	$	27,010,175
DEFERRED OUTFLOWS OF RESOURCES	$	0
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	$	9,627,979
Payable to other funds		1,956,662
Student loan claims payable		9,778,196
Loan loss provision (Note 13)		666,385
Total current liabilities	$	22,029,222
Noncurrent liabilities:		
Loan loss provision (Note 13)	$	4,183,435
Total noncurrent liabilities	$	4,183,435
Total liabilities	$	26,212,657
DEFERRED INFLOWS OF RESOURCES	$	0
NET POSITION		
Net position held in trust (Notes 1b.(5) and 1d.(1))	$	797,518

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

FIDUCIARY FUND – PRIVATE PURPOSE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended September 30, 2015

		Michigan Guaranty Agency Federal Fund
Additions:		
Federal revenue	$	105,925,890
Loans recovered, repurchased, and rehabilitated		92,493,126
Investment income		25
Fees		1,176,806
Total additions	$	199,595,847
Deductions:		
Student loan claims paid to lenders	$	108,167,586
Payments to federal government		89,652,173
Loss (gain) on loan loss provision		(2,683,419)
Other expense		132,925
Total deductions	$	195,269,265
Net increase (decrease)	$	4,326,582
Net position - Beginning of fiscal year		(3,529,064)
Net position - End of fiscal year	$	797,518

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Significant Accounting Policies

The accounting policies of the Michigan Finance Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

a. Reporting Entity

The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

The Authority is governed by its own Board of Directors, composed of seven members, consisting of the State Treasurer as chair and six appointees of the Governor with the advice and consent of the State Senate. The Board provides overall governing direction for the Authority. All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the direction and supervision of the State Treasurer.

The Authority is not empowered to create, in any fashion, debt or liabilities on behalf of the State or to pledge the full faith and credit of the State; however, the Authority may borrow money and issue bonds and notes to provide sources of funding for loans to governmental units and school districts. In addition, the Authority may issue bonds and notes to provide sources of funding for private or nonpublic, nonprofit institutions of higher education; governmental units; and eligible healthcare providers and facilities and to undertake or continue public and capital improvements by assisting governmental units in financing and marketing municipal debt and tax-exempt bonds.

The Authority is also empowered to complement and supplement the student loan efforts of Michigan private lenders by making loans and acquiring loans made to students and their parents, thereby enhancing access to higher education. However, due to the enactment of legislation by the U.S. Congress, effective June 30, 2010, the Authority is no longer originating or acquiring loans. The Authority's Michigan Guaranty Agency (MGA) was formed for the purpose of guaranteeing loans made to qualified students and parents of qualified students through approved financial institutions.

The accompanying financial statements report the financial position and the changes in financial position and, where applicable, cash flows of the Authority. They do not purport to, and do not, fairly present the financial position and the changes in financial position and cash flows of the State of Michigan or its component units in conformity with GAAP. The financial statements of the Authority are included in the *State of Michigan Comprehensive Annual Financial Report* as a discretely presented component unit.

b. Authority Programs

(1) The Authority's Tobacco Settlement Debt Service Fund (formerly known as the Michigan Tobacco Settlement Finance Authority) was authorized by the provisions of Public Act 226 of 2005, and amended by Public Act 18 of 2007. The purpose of the Act is to provide for the sale by the State and the purchase by the Authority of all or a portion of tobacco settlement assets and to authorize the issuance of bonds. During fiscal years 2006, 2007, and 2008, the Authority issued bonds secured by a pledge of a percentage of the State of Michigan's tobacco settlement revenue (TSR) and deposited the bond proceeds in the State of Michigan's General Fund, School Aid Fund, and 21st Century Jobs Trust Fund.

(2) The Authority's Unemployment Obligation Assessment Debt Service Fund was created pursuant to Public Act 267 of 2011, to account for bonds issued for the purpose of repaying federal advances to the State's unemployment trust account. Under the Act, the bonds are secured by an unemployment obligation assessment, which is collected by the Department of Talent and Economic Development (TED) from employers and is deposited into the fund.

(3) The Authority's Municipal Bond Fund (formerly known as the Michigan Municipal Bond Authority) was created pursuant to Public Act 227 of 1985, to provide alternative sources of funding for governmental units within the State to undertake or continue public improvements by assisting those governmental units in financing and marketing municipal debt. The Municipal Bond Fund includes the Local Municipalities Subfund, State Revolving Subfund, Strategic Water Quality Initiatives Subfund, and School Loan Revolving Subfund:

(a) The Local Municipalities Subfund includes the financing activities for municipalities, excluding those activities for school districts, water pollution control, and drinking water projects reported in the other subfunds.

(b) The State Revolving Subfund, which includes the Clean Water Program and Drinking Water Program, and the Strategic Water Quality Initiatives Subfund are co-administered by the Authority and the Department of Environmental Quality. The Authority provides reduced interest loans for the construction of water pollution control and drinking water projects.

(c) The Authority's School Loan Revolving Subfund is a self-sustaining fund and was established by Public Act 93 of 2005, to make loans to school districts to assist in paying debt service on qualified bonds issued by school districts for capital improvement projects. Any money repaid by school districts on loans is deposited back into the revolving fund for future use in funding new loans.

(4) The Authority's Student Loan Fund (formerly known as the Michigan Higher Education Student Loan Authority) was created and organized under Public Act 222 of 1975, as amended, to complement and supplement the student loan efforts of private lenders by making loans and acquiring loans made to students and their parents, thereby enhancing access to higher education.

(5) The Authority's Michigan Guaranty Agency (MGA) was formed for the purpose of guaranteeing loans made to qualified students and parents of qualified students through approved financial institutions. The Michigan Guaranty Agency Federal Fund, a fiduciary fund, accounts for money received from various sources and held by the Authority on behalf of the U.S. Department of Education (USDOE). With the passage of the Health Care and Education Reconciliation Act of 2010 on March 26, 2010, no new loan guarantees were permitted to be made by MGA after June 30, 2010.

(6) The Authority's Public School Academy Facilities Fund (formerly known as the Michigan Public Educational Facilities Authority) was authorized by Executive Reorganization Order No. 2002-3 (Section 12.192 of the *Michigan Compiled Laws*) to issue bonds for the purpose of making loans through the purchase of municipal obligations in fully marketable form of a governmental unit or making loans to a nonprofit entity for the benefit of a public school academy. All Public School Academy Facilities Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

c. Other Authority Operations

(1) The Authority's Healthcare Finance Fund (formerly known as the Michigan State Hospital Finance Authority) was organized under Public Act 38 of 1969, as amended, to facilitate the ability of eligible healthcare providers and facilities to obtain financing and refinancing for capital improvements by obtaining loans from the Authority. The Authority issues bonds for facility equipment loans through the Healthcare Equipment Loan Program and issues revenue bonds and bonds for other capital needs of the facilities. All Healthcare Finance Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

(2) The Authority's Higher Education Facilities Fund (formerly known as the Michigan Higher Education Facilities Authority) was organized under Public Act 295 of 1969, as amended, to issue tax-exempt bonds and lend the proceeds to private or nonpublic, nonprofit institutions of higher education within the State for capital improvements. All Higher

Education Facilities Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

(3) The Michigan Strategic Fund was organized under Public Act 270 of 1984, as amended, to issue tax-exempt bonds and lend the proceeds to private schools to finance facilities. All Michigan Strategic Fund program bonds issued through the Authority are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

d. Basis of Presentation

The basic financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The Authority follows the governmental and business-type activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* as amended. These requirements provide a comprehensive one-line look at the Authority's financial activities, which are presented in the following financial statements:

(1) Government-Wide Financial Statements

The Authority's statement of net position and statement of activities report information on all non-fiduciary activities of the Authority. The Michigan Guaranty Agency Federal Fund, a fiduciary fund, is excluded from the government-wide financial statements because these assets are held by the Authority on behalf of the USDOE and do not represent discretionary assets of the Authority to finance its operations. The Authority's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by charges to external parties for goods or services. The statement of net position presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources represents the Authority's net position. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program revenues include charges to users who directly benefit from the services, grants, and contributions that are restricted to meeting the requirements of a function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

(2) Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual funds are reported as separate columns in the fund financial statements, with non-major proprietary funds being combined into a single column.

The Authority's major governmental funds include the General Fund, Tobacco Settlement Debt Service Fund, and Unemployment Obligation Assessment Debt Service Fund. The Authority's major proprietary funds include the Municipal Bond Fund and the Student Loan Fund. The non-major proprietary funds include the Michigan Guaranty Agency - Operating Fund, Michigan Finance Authority - Operating Fund, and Public School Academy Facilities Fund. The Authority's fiduciary fund is the Michigan Guaranty Agency Federal Fund.

e. Measurement Focus and Basis of Accounting

The Authority follows the accounting rules promulgated by GASB. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

f. Major Account Classifications: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

(1) Cash and Cash Equivalents - The Authority's cash and cash equivalents include deposits with financial institutions and equity in common cash maintained by the State Treasurer. In addition, highly liquid short-term investments with original maturities of three months or less that are used by the Authority for cash management rather than investing activities are reported as cash equivalents.

(2) Receivable - Tobacco Settlement Revenue (TSR) - This receivable represents the revenue earned as a result of the sale by the State of a portion of its future TSR. The receivable is recognized as revenue in the government-wide financial statements but is recognized as unavailable revenue in the governmental General Fund and the debt service fund financial statements.

(3) Receivable From Primary Government - The receivable recorded in the School Loan Revolving Subfund is collateralized by two different sources: school districts that previously borrowed from the School Bond Loan Fund, which is a restricted subfund of the State of Michigan's General Fund, and school districts that have borrowed through the School Loan Revolving Subfund.

The receivable recorded in the Unemployment Obligation Assessment Debt Service Fund represents amounts owed to the Authority for obligation assessment collections made by TED but not yet transferred to the Authority. The receivable is recognized as revenue in the government-wide financial statements as well as the debt service fund financial statements because the cash will be received within 60 days after year-end.

(4) Interest Receivable - This represents interest income earned but not yet received at year-end. This includes interest income earned on investments, notes, loans, and bonds.

(5) Investments - The Authority invests funds that will not be needed for program use in the near term in investments that include money market funds, commercial paper, U.S. Treasury obligations, repurchase agreements, and bonds. The investment objective is the preservation of capital while managing the cash flow requirements for making debt service payments to bondholders when due and paying other Authority obligations as required pertaining to rating agency, trustee, and servicer charges.

(6) Notes Receivable - The Authority issues State aid notes and loans the proceeds to school districts and public school academies to meet cash flow needs for operating purposes. The Student Loan Fund retains Student Loan Asset-Backed notes in the Operating Subfund that may be retained or sold in the future.

(7) Loans Receivable - The Authority has outstanding loans with local units of government, public schools, and students and parents. Premiums on loans are included in loans receivable and amortized over the remaining life of the loans as a reduction to interest income.

(8) Bonds Receivable - Bonds receivable consist of the value of bonds purchased from governmental units that includes regular principal and interest payments over the life of the bonds.

(9) Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has two items that qualify for reporting in this category in the government-wide and proprietary fund financial statements: deferred losses on debt refundings and deferred outflows related to pensions.

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan State Employees' Retirement System (MSERS) and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Investments are reported at fair value. A loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

(10) Accounts Payable and Other Liabilities - The Authority's accounts payable relate to services provided by vendors and employees and other costs incurred but not yet paid as of year-end.

(11) Bonds Payable - The Authority issues bonds to provide funding for its various programs. In the government-wide and proprietary fund financial statements, bond premiums and discounts are amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The face amount of the debt issued, premiums, and discounts are reported as other financing sources and uses.

(12) Notes Payable - The Authority issues State aid, tax anticipation, and public school academy facilities notes that are payable by the Authority, through designated trustees, solely from funds received from each participating public school in payment of the school's notes and from investment earnings, undisbursed note proceeds, and other funds of each participating public school retained by the trustees on a note issue-specific basis.

(13) Interest Payable - This represents interest expense on the Authority's outstanding bonds that has been incurred but not paid at year-end.

(14) Arbitrage Payable - In accordance with provisions of the Internal Revenue Code and related regulations, interest income from investments related to the Authority's tax-exempt bond issues is generally limited to the bond yield of the related bond issue. Similarly, loan income on all tax-exempt bond issues that may be retained by the Authority is limited to the bond yield plus an allowable spread. Reserves are maintained for estimated future payments of excess loan and investment income. Payments of excess loan or investment income are required to be made to the federal government on a periodic basis during the term and at final maturity of the related bond issue.

(15) Compensated Absences - In the government-wide and proprietary fund financial statements, compensated absences are reported as liabilities. Compensated absences are accrued employee vacation, banked leave time, and sick leave time. In governmental fund financial statements, liabilities for compensated absences are accrued when they are considered due and payable and recorded in the fund only for separations or transfers that occur before year-end. The Authority is allocated a percentage of assigned employees of the Department of Treasury. The Authority allocates employee payroll costs among the various Authority operating funds as appropriate to where the employees' time resources are concentrated.

(16) Unavailable Revenue - The Authority records unavailable revenue when revenue has not met the recognition criteria for availability under GAAP, primarily for the TSR receivable recorded in the governmental fund financial statements.

(17) Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category in the government-wide and proprietary fund financial statements: deferred gains on debt refundings and deferred inflows related to pensions.

For purposes of measuring the net pension liability, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of MSERS and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. A gain on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

The Authority also reports deferred inflows of resources in governmental fund financial statements for unavailable revenue that has not met the recognition criteria for availability under the modified accrual basis of accounting, primarily for TSR. These amounts are deferred and recognized as inflows of resources in the period that the revenue becomes available.

(18) Net Position - The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is net position on the government-wide, proprietary fund, and fiduciary fund financial statements. Substantially all of the assets of the Authority are pledged for payment against the various bond indentures. The State Revolving Subfund, Strategic Water Quality Initiatives Subfund, and School Loan Revolving Subfund restricted net positions are for the construction of water pollution control and drinking water projects, sewage system improvements, and qualified loans to school districts. The Student Loan Fund restricted net position is pledged by bond indentures that provide funds for student loans.

(19) Fund Balance - The difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is the fund balance on the governmental fund financial statements. Fund balances for the Authority's governmental funds are classified as restricted in the fund financial statements. Restricted fund balance reflects funds that have constraints placed on the use of the resources through enabling legislation or bond covenants.

g. Major Account Classifications: Revenues, Expenses/Expenditures, and Additions/Deductions

(1) Governmental Funds - Revenues are from two primary sources. The first revenue source is from the Authority's share of TSR received by the State of Michigan under the terms of the Master Settlement Agreement (MSA). The second revenue source is from unemployment obligation assessment revenue collections received from TED. Expenditures are primarily debt service principal and interest on outstanding bonds.

(2) Proprietary Funds - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

The Authority's primary operations include issuing bonds, providing and acquiring loans, purchasing local governmental units' municipal bonds, and guaranteeing qualified student loans. The operating revenues and expenses and the nonoperating revenues and expenses from the Authority's primary operations include:

(a) Operating Revenues - The principal operating revenues of the Authority are federal grants, interest earned on loans, provision for loan losses, investment income, and charges to customers for financing services. Federal revenue is for defaulted student loan recoveries, repurchased and rehabilitated loans, and account maintenance. Fees are generated from servicing outstanding loans.

(b) Operating Expenses - Operating expenses of the Authority include arbitrage expense, interest expense on bonds and notes, debt issuance costs, and other administrative expenses.

(c) Non-operating Revenues/Expenses - Non-operating revenues include U.S. Environmental Protection Agency capitalization grants and capital provided by the primary government and recognized as operating subsidies. Non-operating expenses represent the disbursement of grant funds and principal forgiveness.

(3) Fiduciary Fund - The activity within the fund and the resulting net position do not represent resources of the Authority to finance its operations, restricted or otherwise, and are held in trust by the Authority, on behalf of the USDOE. Additions include federal funds and recovery of funds from potentially defaulted loans, repurchased loans, or rehabilitated loans. Deductions include loan claims from financial institutions for loans on which the student defaulted and the unpaid loans have been acquired by MGA and payments to the federal government for recovered, repurchased, or rehabilitated loans for which the claim was already paid.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The Authority estimates the arbitrage liability. In addition, the use of estimates by the Authority is also disclosed in Note 7d. for Student Loan Fund receivables, Note 13a. for contingencies related to the TSR, and Note 13b. for contingencies related to the Michigan Guaranty Agency Federal Fund loan loss provision.

Note 2 Accounting Changes and Restatements

During fiscal year 2015, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, the financial statements now include a net pension liability for the Authority's unfunded defined benefit plan legacy costs. Some of the changes in this net pension liability each year will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to Note 14 for further details.

As a result of implementing this statement, the net position of the Authority as of October 1, 2014 has been restated by a negative $6,474,045 to $414,523,389. Of the negative $6,474,045 restatement, a negative $7,383,353 was related to the beginning of year net pension liability and $909,308 was related to the beginning of year deferred outflows for employer contributions made subsequent to the measurement date.

The overall restatement was allocated to the three operating funds of the Authority, which include the Student Loan Fund, a major fund, the Michigan Finance Authority - Operating Fund, a non-major fund, and Michigan Guaranty Agency - Operating Fund, a non-major fund.

The restatement was allocated according to the following table:

	Net Pension Liability	Employer Contributions Post Measurement Date	Total Restatement
Student Loan Fund - Operating Subfund	$ (1,757,941)	$ 216,502	$(1,541,439)
Michigan Guaranty Agency - Operating Fund	(3,750,275)	461,871	(3,288,404)
Michigan Finance Authority - Operating Fund	(1,875,137)	230,935	(1,644,202)
Total Adjustment	$ (7,383,353)	$ 909,308	$(6,474,045)

Note 3 Deficit Net Position

a. Governmental Activities

The Authority reported a deficit net position of $2.8 billion at September 30, 2015 on the government-wide statement of net position within governmental activities. The Tobacco Settlement Debt Service Fund and the Unemployment Obligation Assessment Debt Service Fund reported a deficit net position of $978.4 million and $1.9 billion, respectively, at September 30, 2015.

The payments to be received for the Tobacco Settlement Debt Service Fund under the MSA represent a share of anticipated future sales of tobacco products. Although the Authority expects to receive certain amounts under the MSA, the collections are not subject to accrual under GAAP.

The payments to be received by the Unemployment Obligation Assessment Debt Service Fund represent collections from Michigan businesses received by TED for the unemployment obligation assessment. Although the Authority expects to receive projected amounts under the inter-agency agreement with TED, accounting principles preclude the Authority from recording the anticipated receipt of these proceeds because the underlying economic event has not yet occurred. However, the Authority's bonds are recorded as a liability on the entity-wide financial statements, resulting in a net deficit in the Authority's governmental activities.

b. Business-Type Activities

The Authority reported a deficit net position of $340,830 at September 30, 2015 on the Non-Major Funds Combining Statement of Net Position for the Public School Academy Facilities Fund. In accordance with the Authority's implementation of GASB Statement No. 65 in fiscal year 2014, the fund's debt issuance costs must be recognized as expenses in the period in which the debt is issued. Previous to GASB Statement No. 65, debt issuance costs were amortized over the life of the debt and the unamortized balances were reported as deferred charges/financing costs in the assets of the financial statements. Implementation of this standard, which requires the Authority to expense all historical unamortized balances caused the fund to end in a deficit net position.

Note 4 Deposits and Investments

The Authority reports investments at fair market value based on quoted market prices, consistent with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, except for commercial paper, U.S. Treasury notes, and U.S. Treasury bills, which are all reported at amortized cost if purchased within one year of maturity, and repurchase agreements, which are reported using cost-based measures because they are nonparticipating interest-earning investment contracts.

Deposits and investments held by the Authority at September 30, 2015 were as follows:

	Governmental Activities Governmental Funds	Business-Type Activities Proprietary Funds	Fiduciary Fund	Total
Deposits	$	$ 635,116,984	$ 25,000	$ 635,141,984
Investments	$ 313,661,914	$ 2,141,605,843	$ 9,139,441	$ 2,464,407,198

a. Authorized Investments

State statutes, board resolutions, and bond indentures authorize allowable investments for the various funds. The permissible investments for the various funds include:

(1) Governmental Activities

(a) General Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper.

(b) Tobacco Settlement Debt Service Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper. The Authority's bond indenture restricts the Authority to investments rated "A-1" or higher by Standard & Poor's (S&P), "P-1" by Moody's Investors Service, Inc. (Moody's), and "F1" by Fitch Ratings (Fitch).

(c) Unemployment Obligation Assessment Debt Service Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper. In addition, the Master Bond Indenture specifies eligible investments.

(2) Business-Type Activities

(a) Municipal Bond Fund

The Authority is authorized by State statute to direct and manage its investments within the provisions of law applicable to State funds or resolutions authorizing bonds or notes. In addition, the Master Bond and Note Indentures for the various programs within the Municipal Bond Fund further define eligible investments.

(b) Student Loan Fund

The Authority is authorized by State statute to invest in obligations of, or guaranteed by, the U.S. government or the State of Michigan; U.S. government or federal agency obligation repurchase agreements; mutual funds; common trust funds; bankers' acceptances; certificates of deposit; savings and deposit accounts; and commercial paper.

(c) Michigan Guaranty Agency - Operating Fund

Section 422B(b) of the Higher Education Act permits the Authority to invest Operating Fund funds at its own discretion in accordance with prudent investor standards.

(d) Michigan Finance Authority - Operating Fund

Cash and investments applicable to operations from the Local Municipalities Subfund, Public School Academy Facilities Fund, Healthcare Finance Fund, and Higher Education Facilities Fund are consolidated into the Michigan Finance Authority - Operating Fund. State statutes for these funds authorize the allowable investments. The authorized investments for the Local Municipalities Subfund are identified under the Municipal Bond Fund in part a.(2)(a) of this note, and the authorized investments for the Public School Academy Facilities Fund are identified in part a.(2)(e) of this note.

The authorized investments for the Healthcare Finance Fund are obligations of, or guaranteed by, the U.S. government or the State of Michigan; certificates of deposit; commercial paper; U.S. government repurchase agreements; mutual funds; bankers' acceptances; and other obligations approved by the State Treasurer. The authorized investments for the Higher Education Facilities Fund are obligations of, or guaranteed by, the U.S. government or the State of Michigan and certificates of deposit.

(e) Public School Academy Facilities Fund
The Authority is authorized by State statute to invest within the provisions of law applicable to State funds or resolutions authorizing bonds or notes. In addition, the Master Bond and Note Indentures may further define eligible investments.

(3) Fiduciary Fund - Michigan Guaranty Agency Federal Fund
Section 422A(b) of the Higher Education Act permits the Authority to invest in obligations issued or guaranteed by the United States or a state or in other similarly low-risk securities selected by the guaranty agency with the approval of the Secretary of Education.

b. Cash and Investment Risks

The Authority's cash and investments are subject to several types of risk:

(1) Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority had $635.1 million in deposits at September 30, 2015. Of this balance, $625.7 million was invested in the State of Michigan's common cash pool and $9.4 million was the carrying value of cash in financial institutions.

The common cash pool is managed by the State Treasurer and is authorized to invest surplus funds in depository accounts at financial institutions; bonds, notes, and other U.S. government debt; prime commercial paper; certificates of deposit; and special State investment programs. At September 30, 2015, the common cash pool held the majority of its funds in prime commercial paper (71%) and depository accounts (26%). The State Treasurer's policy for common cash depository accounts requires financial institutions to secure State funds with collateral, to be organized under federal or State law, and to maintain an office in Michigan. The policy also restricts deposits to a maximum of 50% of the financial institution's net worth. As of September 30, 2015, 99.9% of the State's common cash depository accounts were either covered by federal depository insurance or collateralized with securities held in the State's name by the State's agent. The State Treasurer's policy requires prime commercial paper to be rated "A-1" by S&P or "P-1" by Moody's or higher at purchase and places requirements and restrictions on the borrower.

The Authority does not have a policy for controlling custodial credit risk. Of the $9.4 million deposited in financial institutions, $0.6 million was insured by the Federal Depository Insurance Corporation and $8.9 million was uninsured and uncollateralized and, therefore, exposed to custodial credit risk at September 30, 2015.

(2) Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. The Authority does not have a policy for controlling custodial credit risk. At September 30, 2015, commercial paper of $4.1 million from business-type activities (0.2% of the Authority's investments) was exposed to custodial credit risk because it was uninsured, not registered, and held by the counterparty.

(3) Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority does not have a policy for controlling interest rate risk. The Authority's investment objective is the preservation of capital while managing the cash flow requirements for making debt service payments to bondholders and paying other obligations as required. Investment timing for managing cash flow requirements is relative to the rates in securities at the time each investment decision is required to be made. To the extent possible, the Authority considers laddering investment maturities to meet cash flow requirements. Other than to keep all funds not required for immediate use in cash, there is no practical method to mitigate interest rate risk to hedge the rise of interest rates. Also, the Authority makes investments in accordance with applicable statutory and bond indenture provisions.

At September 30, 2015, the average maturities of investments were as follows:

		Investment Maturities			
Type of Investment	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Governmental Activities					
Government money market funds	$ 168,350,156	$ 168,350,156	$	$	$
Repurchase agreement	37,801,532			37,801,532	
State of Illinois general obligation bonds	19,183,758	15,508,212	3,675,546		
U.S. Treasury bills	75,900,073	75,900,073			
Qualified municipal general obligation bonds	12,426,395			1,132,979	11,293,416
Total governmental Activities	$ 313,661,914	$ 259,758,441	$ 3,675,546	$ 38,934,511	$ 11,293,416
Business-Type Activities					
Government money market funds	$ 1,419,529,427	$ 1,419,529,427	$	$	$
Repurchase agreements	464,789,340			29,940,252	434,849,088
Commercial paper	4,651,991	4,651,991			
U.S. Treasury state and local government series	31,670,286	4,656,346	21,073,086	5,940,854	
U.S. government agency securities	132,547,543	14,744,673	48,172,873	69,629,997	
State of Michigan general obligation bonds	64,047,725		60,711,768	3,335,957	
Qualified municipal general obligation bonds	24,369,531		4,515,219	17,022,304	2,832,008
Total business-type activities	$ 2,141,605,843	$ 1,443,582,437	$ 134,472,946	$ 125,869,364	$ 437,681,096
Fiduciary Activities					
Government money market funds	$ 9,139,441	$ 9,139,441			

(4) Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy limits funds to $150 million with any single issuer, except when the investments are collateralized; requires investments to be in the top three rating categories provided by S&P, Moody's, or Fitch; requires Guaranteed Investment Contracts to have minimum levels of collateralization which are in compliance with bond indentures and underlying statutes; requires minimum levels of 102% of specific collateral for repurchase agreements; and allows exceptions to these requirements only with executive management approval.

At September 30, 2015, the credit quality ratings of debt securities, excluding U.S. government securities of $107.6 million that are not considered to have credit risk, were as follows:

Type of Investment	Fair Value	Rating	Rating Organization
Governmental Activities			
Governmental money market funds	$ 168,350,156	AAAm	S&P
Repurchase agreement	37,801,532	A-	S&P
State of Illinois general obligation bonds	19,183,758	A-	S&P
Qualified municipal general obligation bonds	1,132,979	AA	S&P
Qualified municipal general obligation bonds	3,219,441	Aa2	Moody's
Qualified municipal general obligation bonds	8,073,975	Aa1	Moody's
Total Governmental Activities	$ 237,761,841		
Business-Type Activities			
Governmental money market funds	$ 1,419,529,427	Aaa-mf	Moody's
Repurchase agreement	209,413,476	A	S&P
Repurchase agreement	156,556,988	A-	S&P
Repurchase agreement	29,940,252	Aa1	Moody's
Repurchase agreement	68,878,624	AA	S&P
Commercial paper	506,991	A-2	S&P
Commercial paper	4,145,000	A-1+	S&P
U.S. government agency securities	132,547,543	Aaa	Moody's
State of Michigan general obligation bonds	64,047,724	AA	S&P
Qualified municipal general obligation bonds	17,222,633	AA-	S&P
Qualified municipal general obligation bonds	7,146,898	Aa1	Moody's
Total Business-Type Activities	$ 2,109,935,557		
Fiduciary Activities			
Governmental money market funds	$ 9,139,441	AAAm	S&P

(5) Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investments with a single issuer. The Authority's policy limits funds to $150 million with any single issuer, except when the investments are collateralized; requires Guaranteed Investment Contracts to have minimum levels of

collateralization which are in compliance with bond indentures and underlying statutes; requires investments to be in the top three rating categories provided by S&P, Moody's, or Fitch; requires minimum levels of 102% of specific collateral for repurchase agreements; and allows exceptions to these requirements only with executive management approval.

At September 30, 2015, the Authority had investments of 5% or more of the Authority's total investments by fund activity type in the following issuers, excluding investments issued or explicitly guaranteed by the U.S. government and mutual funds, which are excluded from this requirement by GASB:

Type of Investment/Name of Issuer	Fair Value	Percent of Investments
Governmental Activities		
Repurchase agreement – Depfa Bank plc	$ 37,801,532	12%
State of Illinois general obligation bonds	$ 19,183,758	6%
Business-Type Activities		
Repurchase agreement - Citigroup Global Markets	$112,584,811	5%
Repurchase agreement – Depfa Bank plc	$156,556,988	7%

Note 5 Receivable From Primary Government

The receivable from primary government of $1.4 billion consisted of the following at September 30, 2015:

a. Unemployment Obligation Assessment Debt Service Fund

The receivable from primary government recorded in the Unemployment Obligation Assessment Debt Service Fund relates to amounts owed to the Authority for obligation assessment collections received by TED but not yet transferred to the Authority. The receivable to pay for the corresponding bonds payable disclosed in Note 9 was $57.2 million at September 30, 2015.

The statement of net position for the governmental activities reported a receivable from the primary government totaling $60.8 million. The additional receivable of $3.6 million when compared to the Unemployment Obligation Assessment Debt Service Fund receivable represents amounts recognized as earned under the economic resources measurement focus and the accrual basis of accounting in the statement of net position. The Unemployment Obligation Assessment Debt Service Fund utilizes the current financial resources measurement focus and the modified accrual basis of accounting, which does not provide for recognition of the $3.6 million in revenue because it is not available within the first 60 days after the balance sheet date.

b. Municipal Bond Fund - School Loan Revolving Subfund

The receivable from the State of Michigan recorded in the Municipal Bond Fund - School Loan Revolving Subfund is collateralized by loans to school districts that previously borrowed from the School Bond Loan Fund, which is a restricted subfund of the State of Michigan's General Fund, and school districts that have borrowed through the School Loan Revolving Subfund. The receivable to pay for the corresponding bonds payable disclosed in Note 9 was $1.4 billion at September 30, 2015.

Note 6 Notes Receivable

The notes receivable of $735.0 million consisted of the following at September 30, 2015:

a. Municipal Bond Fund

The Authority originated loans to public schools to meet the schools' immediate cash flow needs for spending purposes from the proceeds of its State aid and tax anticipation notes. Collections of the receivable for the notes outstanding are used to pay for the corresponding notes payable disclosed in Note 9. The balance of notes receivable was $689.9 million at September 30, 2015. The notes receivable bore interest ranging from 0.64% to 6.50% during fiscal year 2015.

b. Student Loan Fund

The Authority retained the Class B Notes from the Student Loan Asset-Backed Notes, Series 2015-1, Class A and Class B Taxable LIBOR Floating Rate Notes. The balance of notes receivable was $9 million at September 30, 2015. The notes receivable are a variable interest rate that reset monthly and is equal to the one-month LIBOR Rate plus 1.50%.

c. Non-Major Fund - Public School Academy Facilities Fund

The Authority originated loans to public school academies to meet the academies' immediate cash flow needs for operating purposes from the proceeds of its public school academy facilities notes. Collections of the receivable for the notes outstanding are used to pay for the corresponding notes payable disclosed in Note 9. The balance of notes receivable was $36.1 million at September 30, 2015. The notes receivable bore interest ranging from 3.20% to 4.25% during fiscal year 2015.

Note 7 Loans Receivable, Net

Net loans receivable of $3.6 billion consisted of the following at September 30, 2015:

a. Municipal Bond Fund - Local Municipalities Subfund

The loans receivable consist of $261.2 million from Detroit Public Schools and $16.9 million from Ypsilanti Community Schools for fiscal year 2015. Collections of the receivable for the loans outstanding are used to pay for the corresponding bonds payable disclosed in Note 9. Scheduled repayments of $42.8 million are expected to be collected during fiscal year 2016.

b. Municipal Bond Fund - State Revolving Subfund

The State Revolving Subfund has made commitments to municipalities to loan funds for construction of publicly owned water pollution control facilities and drinking water projects. These loans are primarily secured by system revenues of local municipalities, limited tax general obligation pledges, revenue-sharing pledge agreements, unlimited tax general obligations, and/or reserve funds. As of September 30, 2015, amounts committed for the Clean Water Program were $3.7 billion and loans of $2.0 billion were outstanding. As of September 30, 2015, amounts committed for the Drinking Water Program were $742.8 million and loans of $408.7 million were outstanding. Scheduled repayments of $195.9 million are expected to be collected during fiscal year 2016.

c. Municipal Bond Fund - Strategic Water Quality Initiatives Subfund

The Strategic Water Quality Initiatives Subfund has made commitments to municipalities to loan funds for purposes, such as footing drain disconnects and septic system upgrades that are generally not eligible to be financed through the State Revolving Subfund. These loans are primarily secured by local municipalities' limited or unlimited tax general obligations or system revenue, and some are additionally secured by revenue-sharing pledge agreements and/or reserve funds. Amounts committed were $32.0 million as of September 30, 2015, and receivables outstanding were $14.2 million. Scheduled repayments of $1.1 million are expected to be collected during fiscal year 2016.

d. Student Loan Fund

Loans include educational loans made under the Federal Family Education Loan (FFEL) Program to students (Stafford Loans), to parents of dependent undergraduates (PLUS Loans), and to borrowers consolidating certain student loans (Consolidation Loans). These loans are federally insured. The terms of federal loans, which vary, generally provide for repayment in monthly installments of principal and interest over a period of up to 10 years. Loans also include education loans made under the Authority's MI-LOAN Program, which are not federally insured. The following are descriptions of the loans and adjustments that comprise the net loans receivable of $884.3 million:

(1) Stafford Loans - Stafford Loans may be subsidized or unsubsidized. Interest is paid on subsidized Stafford Loans during the enrolled and grace periods by the USDOE, whereas borrowers must either pay interest from the time of the loan or capitalize the interest until repayment begins on unsubsidized Stafford Loans. Stafford Loans may bear fixed or variable rate interest with fixed rates ranging primarily from 5.6% to 6.8% and variable rates based on the bond equivalent rate for the 91-day U.S. Treasury bill, plus a factor of up to 3.25% depending on the status and/or date of disbursement of the loan.

(2) PLUS Loans - The PLUS interest rate has been a fixed rate of 8.5% since July 1, 2006. Prior to July 1, 2006, interest rates on the PLUS Loans varied annually each July 1, based on the bond equivalent rate for the 91-day U.S. Treasury bill or one-year constant maturity,

plus a factor of either 3.25% or 3.10%, depending on when borrowers obtained their first PLUS Loans.

(3) Consolidation Loans - Interest rates on Consolidation Loans are fixed, calculated by rounding the weighted average of the interest rates on the loans consolidated to the nearest 1/8 of 1%, or variable based on the 91-day U.S. Treasury bill, plus 3.10%, not to exceed 8.25%.

(4) MI-LOAN Program Loans - Under the Authority's MI-LOAN Program, loans are made to assist students in meeting the costs of education at a degree-granting college or university located in Michigan. Borrowers or eligible co-signers must meet standards of credit established by the Authority. As of September 30, 2015, the MI-LOAN Program balance outstanding was $144.1 million. The MI-LOAN Program's fixed interest rate loans ranged from 5.95% to 9.50%. The MI-LOAN Program's variable interest rate was 1.61% at September 30, 2015. Repayment begins within 60 days of the disbursement and extends over a maximum period of 25 years.

(5) Allowance - The Authority's Stafford Loans, PLUS Loans, and Consolidation Loans are guaranteed primarily by the Authority's Michigan Guaranty Agency and by Great Lakes Higher Education Guaranty Corporation and reinsured by the USDOE. Historically, the Authority has recorded an allowance to estimate the unguaranteed portion of future loan defaults. As of September 30, 2015, the Authority's recorded allowance for FFEL Program loans was $0.6 million.

MI-LOAN Program loans are not guaranteed or reinsured; therefore, the Authority estimates future loan defaults and records an allowance for the estimate. As of September 30, 2015, the Authority's recorded allowance for the MI-LOAN Program loans was $1.6 million.

(6) Status of Student Loan Programs - On February 15, 2008, origination of new MI-LOAN Program loans was suspended. Also, the U.S. Congress enacted legislation in the form of the Health Care and Education Reconciliation Act of 2010 on March 30, 2010 that eliminated the authorization to originate FFEL Program loans after June 30, 2010.

Note 8 Bonds Receivable

Bonds receivable consist of receivables from governmental units to pay corresponding Authority bonds as disclosed in Note 9. During the fiscal year, the Authority purchased local governmental units' municipal bonds for $1.1 billion from the proceeds of the Authority's bond issuance. The annual requirements for governmental units to repay their bonds to the Authority as of September 30, 2015, including principal and interest, were as follows:

Fiscal Years Ending	Principal	Interest	Total
2016	$ 174,742,545	$ 155,115,740	$ 329,858,285
2017	189,085,085	164,944,609	354,029,694
2018	203,418,865	156,071,499	359,490,364
2019	174,490,980	146,033,180	320,524,160
2020	197,859,740	137,734,516	335,594,256
2021 - 2025	910,087,980	546,310,818	1,456,398,798
2026 - 2030	692,429,805	341,670,926	1,034,100,731
2031 - 2035	534,970,000	179,315,778	714,285,778
2036 - 2040	243,360,000	75,950,549	319,310,549
2041 and thereafter	175,745,000	22,248,338	197,993,338
Total unadjusted bonds and interest	$ 3,496,190,000	$ 1,925,395,953	$ 5,421,585,953
Amortized premium/discounts	171,480,245		171,480,245
Unamortized accretion for capital appreciation bonds	(4,298,483)		(4,298,483)
Total	$ 3,663,371,762	$ 1,925,395,953	$ 5,588,767,715

Note 9 Bonds and Notes Payable, Net

a. **Net bonds and notes payable** of $11,371.1 million consisted of the following at September 30, 2015:

Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2015
<u>Tobacco Settlement Debt Service Fund</u>					
Tobacco Settlement Asset-Backed Bonds:					
Series 2006A - Serial	May 17, 2006	$ 363,115,000	7.31%	June 1, 2034	$ 309,685,000
Series 2007A - Serial	August 20, 2007	$ 480,125,000	5.125% to 6%	June 1, 2047	465,550,000
Series 2007B - Capital appreciation (b)	August 20, 2007	$ 35,649,948	7.25%	June 1, 2052	865,290,000
Series 2007C - Capital appreciation (b)	August 20, 2007	$ 7,216,749	7.5%	June 1, 2052	195,100,000
Series 2008A - Serial	July 7, 2008	$ 114,860,000	6.875%	June 1, 2024	114,860,000
Series 2008B - Capital appreciation (b)	July 7, 2008	$ 29,874,650	8.5%	June 1, 2046	700,625,000
Series 2008C - Capital appreciation (b)	July 7, 2008	$ 57,673,814	8.875%	June 1, 2058	4,395,870,000
Total Tobacco Settlement Asset-Backed Bonds					**$ 7,046,980,000**
<u>Unemployment Obligation Assessment Debt Service Fund</u>					
Unemployment Obligation Assessment Revenue Bonds:					
Series 2012A	June 27, 2012	$ 1,462,490,000	3% to 5%	July 1, 2019	$ 927,000,000
Series 2012B	June 27, 2012	$ 1,204,645,000	5%	January 1, 2023	1,007,595,000
Total Unemployment Obligation Assessment Revenue Bonds					**$ 1,934,595,000**

Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2015
Municipal Bond Fund - Local Municipalities Subfund					
Municipal State Aid and Tax Anticipation Notes:					
2015B	May 19, 2015	$ 82,800,000	4.75%	June 1, 2016	$ 82,800,000
2015C-1	August 20, 2015	$ 150,000,000	0.76%	July 20, 2016	150,000,000
2015C-2	August 20, 2015	$ 131,175,000	1.08%	August 22, 2016	131,175,000
2015C-3	August 20, 2015	$ 175,000,000	1.46%	August 22, 2016	175,000,000
2015C-4	August 20, 2015	$ 70,728,000	0.64%	July 20, 2016	70,728,000
2015E	September 16, 2015	$ 121,200,000	5.75%	August 22, 2016	121,200,000
2015F	August 20, 2015	$ 6,800,000	3.00%	August 22, 2016	6,800,000
2015G	August 20, 2015	$ 9,000,000	6.50%	August 22, 2016	9,000,000
2015H	September 29, 2015	$ 900,000	3.90%	August 22, 2016	900,000
2014F TAN	December 4, 2014	$ 13,677,000	3.19%	October 6, 2015	4,687,000
Local Government Loan Program Revenue Bonds:					
Series 1993B	July 13, 1993	$ 30,925,000	5.7%	May 1, 2017	90,000
Series 1994G - Capital appreciation (b)	December 21, 1994	$ 7,379,737	7% to 7.1%	May 1, 2020	26,835,000
Series 1997A	April 29, 1997	$ 7,705,000	5.875%	November 1, 2016	115,000
Series 1997C	October 30, 1997	$ 16,335,000	5.35% to 5.55%	November 1, 2020	580,000
Series 1997D	December 22, 1997	$ 9,300,000	5.3%	November 1, 2015	200,000
Series 1998A	June 16, 1998	$ 16,100,000	5.2%	November 1, 2019	705,000
Series 1999B	April 28, 1999	$ 38,605,000	4.8% to 4.85%	November 1, 2016	3,265,000
Series 1999C	June 24, 1999	$ 16,685,000	5.375%	November 1, 2019	255,000
Series 2000A	May 17, 2000	$ 10,815,000	5.75% to 6%	November 1, 2020	555,000
Series 2000B	November 28, 2000	$ 5,905,000	5.3% to 5.5%	November 1, 2025	1,425,000
Series 2001B	July 12, 2001	$ 10,065,000	4.85%	November 1, 2015	455,000
Series 2002A	July 1, 2002	$ 30,060,000	4.5% to 5%	November 1, 2029	855,000
Series 2002B	November 1, 2002	$ 16,790,000	4% to 5%	November 1, 2032	8,870,000
Series 2003B	September 30, 2003	$ 19,665,000	4% to 6%	November 1, 2023	9,230,000
Series 2004A	February 18, 2004	$ 41,155,000	4% to 6%	May 1, 2034	7,230,000
Series 2004B	May 13, 2004	$ 26,830,000	4% to 5%	May 1, 2022	1,175,000
Series 2006A	May 10, 2007	$ 9,825,000	4.3% to 5%	May 1, 2019	2,675,000
Series 2007A	March 29, 2007	$ 21,875,000	4% to 5%	May 1, 2029	14,120,000
Series 2007B	August 3, 2007	$ 98,435,000	4.25% to 5.25%	December 1, 2034	34,460,000
Series 2007C	December 19, 2007	$ 31,080,000	3.625% to 5%	May 1, 2031	24,925,000
Series 2007D	December 28, 2007	$ 19,335,000	4% to 5%	November 1, 2032	11,925,000
Series 2009A	March 18, 2009	$ 28,430,000	4% to 5.75%	May 1, 2024	28,430,000
Series 2009B	March 31, 2009	$ 34,020,000	4.5% to 7%	November 1, 2028	10,140,000
Series 2009C	September 23, 2009	$ 45,795,000	4% to 5%	May 1, 2024	8,280,000
Series 2010A	March 31, 2010	$ 27,005,000	3.5% to 5%	May 1, 2022	11,190,000
Series 2010B	May 18, 2010	$ 38,245,000	4.75% to 6.7%	May 1, 2027	31,475,000
Series 2010C	May 25, 2010	$ 6,710,000	5.05% to 6.55%	May 1, 2030	6,710,000
Series 2010D	September 30, 2010	$ 14,290,000	3% to 5%	June 1, 2030	5,165,000
Series 2010E	December 16, 2010	$ 100,000,000	5.429% to 8.369%	November 1, 2035	98,115,000
Series 2011A	March 3, 2011	$ 31,565,000	4.75% to 6.375%	November 1, 2025	22,625,000
Series 2011B	April 13, 2011	$ 8,000,000	3.75% to 6%	November 1, 2035	7,420,000
Series 2011C	May 3, 2011	$ 7,710,000	6.2% to 6.5%	May 1, 2026	7,660,000
Series 2011D	June 29, 2011	$ 8,975,000	2.625% to 5%	May 1, 2020	8,325,000
Series 2011E	September 20, 2011	$ 1,775,000	3% to 4.75%	May 1, 2026	1,400,000
Series 2011F	October 28, 2011	$ 14,960,000	4% to 5.25%	October 1, 2041	14,540,000
Series 2012B	August 8, 2012	$ 18,880,000	2% to 4%	November 1, 2028	14,995,000
Series 2012C	August 23, 2012	$ 129,520,000	4% to 5%	November 1, 2032	125,210,000
Series 2012D	October 18, 2012	$ 7,950,000	3% to 4%	May 1, 2032	7,320,000
Series 2013A	May 14, 2013	$ 9,370,000	2% to 4%	May 1, 2033	8,675,000
Series 2013C	October 2, 2013	$ 30,000,000	4% to 5.25%	October 1, 2043	30,000,000
Series 2014B	July 2, 2014	$ 184,960,000	3% to 5%	July 1, 2044	181,990,000
Series 2014C	September 4, 2014	$ 935,860,000	5%	July 1, 2044	907,410,000
Series 2014D	September 4, 2014	$ 854,850,000	2.85% to 5%	July 1, 2037	815,805,000
Series 2014E	September 25, 2014	$ 4,070,000	5.15%	May 1, 2021	4,070,000
Series 2014F	December 10, 2014	$ 275,000,000	3.4% to 4.6%	October 1, 2029	245,000,000
Series 2014G	December 10, 2014	$ 287,560,790	4% to 5.375%	April 1, 2028	256,355,000
Series 2014H	October 30, 2014	$ 295,350,000	.812% to 5%	October 1, 2039	295,350,000
Series 2015A	March 12, 2015	$ 192,580,000	3% to 5%	May 1, 2025	192,580,000
School Loan Revenue Bonds:					
Series 2011	October 13, 2011	$ 238,100,000	5% to 5.5%	June 1, 2021	161,365,000
Series 2012	May 17, 2012	$ 134,585,000	4% to 5%	June 1, 2020	89,925,000
Series 2013	August 20, 2013	$ 18,615,000	2% to 5%	August 1, 2026	16,670,000
Total Municipal Bond Fund - Local Municipalities Subfund					**$ 4,516,430,000**

Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2015
Municipal Bond Fund - State Revolving Subfund:					
Series 1998, Clean Water Revolving Fund Revenue Bonds	July 15, 1998	$ 151,165,000	4.75% to 5.25%	October 1, 2020	$ 4,635,000
Series 2002, Clean Water Revolving Fund Refunding Bonds	August 22, 2002	$ 469,100,000	5.5%	October 1, 2016	56,565,000
Series 2002, Drinking Water Revolving Fund Refunding Bonds	August 22, 2002	$ 109,145,000	5.5%	October 1, 2016	14,125,000
Series 2004, Clean Water Revolving Fund Revenue Bonds	April 21, 2004	$ 286,605,000	4.75% to 5%	October 1, 2026	20,265,000
Series 2004, Drinking Water Revolving Fund Revenue Bonds	April 21, 2004	$ 67,895,000	5% to 5.25%	October 1, 2026	5,210,000
Series 2005, Clean Water Revolving Fund Revenue Bonds	July 26, 2005	$ 103,630,000	4.75% to 5%	October 1, 2027	14,120,000
Series 2005, Drinking Water Revolving Fund Revenue Bonds	July 26, 2005	$ 79,480,000	4.75% to 5%	October 1, 2027	9,745,000
Series 2005, Clean Water Revolving Fund Refunding Bonds	July 26, 2005	$ 72,570,000	5%	October 1, 2015	6,525,000
Series 2006, Clean Water Revolving Fund Revenue Bonds	November 2, 2006	$ 150,000,000	4.2% to 5%	October 1, 2026	27,870,000
Series 2007, Clean Water Revolving Fund Revenue Bonds	October 25, 2007	$ 278,040,000	4.25% to 5%	October 1, 2029	218,070,000
Series 2009, Clean Water Revolving Fund Refunding Bonds	June 30, 2009	$ 150,805,000	3% to 5%	October 1, 2029	124,770,000
Series 2010, Clean Water Revolving Fund Revenue Bonds	March 18, 2010	$ 178,740,000	2.25% to 5%	October 1, 2030	155,945,000
Series 2010, Clean Water Revolving Fund Refunding Bonds	March 18, 2010	$ 67,420,000	5%	October 1, 2020	37,595,000
Series 2011, Clean Water Revolving Fund Refunding Bonds	November 3, 2011	$ 225,860,000	5%	October 1, 2024	179,430,000
Series 2011, Drinking Water Revolving Fund Refunding Bonds	November 3, 2011	$ 56,860,000	3% to 5%	October 1, 2024	44,560,000
Series 2012, Clean Water Revolving Fund Revenue Bonds	April 26, 2012	$ 131,410,000	3% to 5%	October 1, 2032	127,250,000
Series 2012, Clean Water Revolving Fund Refunding Bonds	July 10, 2012	$ 89,595,000	5%	October 1, 2021	89,595,000
Series 2012, Drinking Water Revolving Fund Refunding Bonds	July 10, 2012	$ 16,755,000	5%	October 1, 2020	16,755,000
Series 2013, Clean Water Revolving Fund Refunding Bonds	February 20, 2013	$ 137,745,000	5%	October 1, 2026	134,910,000
Series 2013, Drinking Water Revolving Fund Refunding Bonds	February 20, 2013	$ 31,110,000	5%	October 1, 2026	30,435,000
Series 2014A, Clean Water Revolving Fund Refunding Bonds	October 9, 2014	$ 61,585,000	2.814%	October 1, 2027	61,585,000
Series 2014A, Drinking Water Revolving Fund Refunding Bonds	October 9, 2014	$ 42,655,000	2.814%	October 1,2027	42,655,000
Series 2014B, Clean Water Revolving Fund Refunding Bonds	October 23, 2014	$ 40,020,000	2.095%	October 1, 2020	40,020,000
Series 2015A, Clean Water Revolving Fund Refunding Bonds	June 11, 2015	$ 77,475,000	2.43%	October 1, 2028	77,475,000
Total Municipal Bond Fund - State Revolving Subfund					**$ 1,540,110,000**
Municipal Bond Fund - School Loan Revolving Subfund:					
Series 2010A, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 150,000,000	Variable 0.13% (c)	September 1, 2050	$ 150,000,000
Series 2010B, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 150,000,000	Variable 0.13% (c)	September 1, 2050	150,000,000
Series 2010C, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 150,000,000	Variable 0.13% (c)	September 1, 2050	150,000,000
Series 2010D, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 85,000,000	4.996% to 6.496%	September 1, 2025	85,000,000
Series 2014A, Federally Taxable Bonds SLRF Revenue Bonds	April 10, 2014	$ 150,000,000	Variable 0.12% (c)	September 1, 2053	150,000,000
Series 2015A, Federally Taxable Bonds SLRF Revenue Bonds	April 22, 2015	$ 200,000,000	3.396% to 4.345% (c)	September 1, 2045	200,000,000
Total Municipal Bond Fund - School Loan Revolving Subfund					**$ 885,000,000**
Student Loan Fund					
Student Loan Bonds:					
Series 22-A, Student Loan Revenue Refunding Bonds	September 25, 2013	$ 180,000,000	Variable 0.02% (c)	September 1, 2042	127,600,000
Series 23-A, Student Loan Revenue Refunding Bonds	November 21, 2013	$ 556,200,000	Variable 1.0436% (d)	November 13, 2015	212,265,000
Series 25-A, Student Loan Revenue Refunding Bonds	December 4, 2014	$ 168,000,000	3.5% to 5%	November 1, 2031	168,000,000
Student Loan Notes:					
Series 24-A, Student Loan Bond Anticipation Refunding Notes	August 14, 2014	$ 292,000,000	Variable 1.10635% (e)	November 13, 2015	64,080,000
Series 2015-1 (26-A), Student Loan Asset-Backed Notes-Class A	March 24, 2015	$ 302,600,000	Variable 0.9443% (f)	April 29, 2030	278,250,000
Series 2015-1 (26-A), Student Loan Asset-Backed Notes-Class B	March 24, 2015	$ 9,000,000	Variable 1.6943% (g)	April 28, 2033	9,000,000
Total Student Loan Fund					**$ 859,195,000**
Non-Major Funds					
Public School Academy Facilities Notes:					
Series 2015D-1	August 20, 2015	$ 35,885,000	1.36%	August 22, 2016	$ 35,885,000
Series 2015D-2	August 20, 2015	$ 3,150,000	2.07%	August 22, 2016	3,150,000
Total Non-Major Funds					**$ 39,035,000**

(a) Interest rates are reported as either ranges for serial and term bonds and notes for outstanding amounts as of September 30, 2015 or the September 30, 2015 effective rates for bonds and notes.

(b) Capital appreciation bonds are reported at ultimate maturity value.

(c) Interest rate changes every 7 days based on a market rate determined by the assigned remarketing agent.

(d) Interest rate changes every business day based on the LIBOR daily floating rate plus 85 basis points.

(e) Interest rate changes monthly based on the one-month LIBOR floating rate plus 90 basis points.

(f) Interest rate changes monthly based on the one-month LIBOR floating rate plus 75 basis points.

(g) Interest rate changes monthly based on the one-month LIBOR floating rate plus 150 basis points.

b. Annual debt service requirements for the Authority to service bond and note debt outstanding as of September 30, 2015, including both principal and interest, are as follows (in millions):

Fiscal Years Ending	Tobacco Settlement Debt Service Fund Principal	Tobacco Settlement Debt Service Fund Interest	Unemployment Obligation Assessment Debt Service Fund Principal	Unemployment Obligation Assessment Debt Service Fund Interest	Municipal Bond Fund - Local Municipalities Subfund Principal	Municipal Bond Fund - Local Municipalities Subfund Interest	Municipal Bond Fund - State Revolving Subfund Principal	Municipal Bond Fund - State Revolving Subfund Interest	Municipal Bond Fund - School Loan Revolving Subfund Principal	Municipal Bond Fund - School Loan Revolving Subfund Interest	Student Loan Fund Principal	Student Loan Fund Interest	Non-Major Funds Principal	Non-Major Funds Interest	Totals Principal	Totals Interest
2016	$ 14.1	$ 57.9	$ 204.1	$ 94.9	$ 968.2	$ 200.0	$ 137.7	$ 67.1	$	$ 13.8	$ 441.2	$ 10.5	$ 39.0	$ 0.3	$ 1,804.4	$ 444.6
2017	15.8	57.0	222.0	84.6	232.3	176.8	142.0	60.9		13.8	37.3	9.1			649.3	402.2
2018	16.7	56.0	240.6	73.5	248.8	165.8	136.3	54.6	3.0	13.8	36.3	8.3			681.7	372.0
2019	17.9	55.0	260.3	61.4	221.9	153.3	133.2	48.5	4.0	13.7	36.3	7.5			673.7	339.4
2020	18.9	53.8	281.1	48.2	247.8	142.5	129.3	42.5	6.0	13.5	36.3	6.7			719.4	307.2
2021 - 2025	228.6	237.5	726.5	55.4	948.9	549.6	521.1	133.4	72.0	56.5	181.5	21.9			2,678.5	1,054.3
2026 - 2030	142.3	167.7			694.4	341.8	296.4	42.4	81.4	34.5	78.3	6.9			1,292.9	593.3
2031 - 2035	161.3	112.1			535.0	179.3	44.0	2.7	61.1	24.1	12.0	0.4			813.3	318.6
2036 - 2040	93.4	71.8			243.4	76.0			28.8	13.9					365.5	161.7
2041 - 2045	124.3	40.2			175.7	22.2			28.8	7.6					328.8	70.0
2046 - 2050	757.4	5.1							450.0	3.9					1,207.4	9.0
2051 - 2055	1,060.4								150.0	0.5					1,210.4	0.5
2056 - 2060	4,395.9														4,395.9	
Total unadjusted bonds, notes, and interest	$ 7,047.0	$ 914.3	$ 1,934.6	$ 418.0	$4,516.4	$2,007.3	$ 1,540.1	$ 452.1	$ 885.0	$ 209.6	$ 859.2	$ 71.2	$ 39.0	$ 0.3	$ 16,821.3	$ 4,072.8
Unamortized premium			172.2		207.6		100.9				7.1				487.8	
Unamortized discounts	(16.3)				(0.2)						(0.5)				(16.9)	
Unamortized accretion for capital appreciation bonds	(5,916.8)				(4.3)										(5,921.1)	
Total	$ 1,114.0	$ 914.3	$ 2,106.8	$ 418.0	$4,719.5	$2,007.3	$ 1,641.0	$ 452.1	$ 885.0	$ 209.6	$ 865.8	$ 71.2	$ 39.0	$ 0.3	$ 11,371.1	$ 4,072.8

c. Changes in long-term debt for the fiscal year ended September 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
Tobacco Settlement Asset-Backed Bonds	$ 7,052,765,000	$	$ (5,785,000)	$ 7,046,980,000	$ 14,095,000	$ 7,032,885,000
Unemployment Obligation Assessment Revenue Bonds	2,285,185,000		(350,590,000)	1,934,595,000	204,090,000	1,730,505,000
Total Governmental Activities	$ 9,337,950,000	$ 0	$ (356,375,000)	$ 8,981,575,000	$ 218,185,000	$ 8,763,390,000
Business-Type Activities						
Local Municipalities Subfund State Aid and Tax Anticipation Notes	716,056,185	767,080,000	(730,846,185)	752,290,000	752,290,000	
Local Municipalities Subfund Local Government Loan Program Bonds	2,631,190,000	1,050,490,790	(185,500,790)	3,496,180,000	174,757,545	3,321,422,455
Local Municipalities Subfund School Loan Revenue Bonds	346,140,000		(78,180,000)	267,960,000	41,180,000	226,780,000
State Revolving Subfund	1,675,355,000	237,048,400	(372,293,400)	1,540,110,000	137,730,000	1,402,380,000
School Loan Revolving Subfund	685,000,000	200,000,000		885,000,000		885,000,000
Student Loan Bonds	658,140,000	168,000,000	(318,275,000)	507,865,000	351,865,000	156,000,000
Student Loan Notes	292,000,000	311,600,000	(252,270,000)	351,330,000	89,375,455	261,954,545
Public School Academy Facilities Notes	45,580,000	39,035,000	(45,580,000)	39,035,000	39,035,000	
Total Business-Type Activities	$ 7,049,461,185	$ 2,773,254,190	$(1,982,945,375)	$ 7,839,770,000	$ 1,586,233,000	$ 6,253,537,000
Total bonds and notes payable	**$ 16,387,411,185**	**$ 2,773,254,190**	**$(2,339,320,375)**	**$16,821,345,000**	**$ 1,804,418,000**	**$15,016,927,000**

d. Refunded Bonds and Notes

(1) Student Loan Fund

On December 4, 2014, the Authority issued $168.0 million in Student Loan Revenue Refunding Bonds, Series 25-A. The proceeds of the Bonds refunded a $158.8 million portion of outstanding Student Loan Series 24-A Notes and fund an $18.9 million debt service reserve fund. The Bonds were sold with fixed interest rates from 3.50% to 5.00%. Economic gain or loss on the refunding over the life of the Bonds cannot be calculated because the refunded Notes paid interest based on variable interest rates. The refunding was carried out to provide permanent financing and segregation of the MI-LOAN portfolio of student loans in current status into a separate trust.

On March 24, 2015, the Authority issued $311.6 million in Student Loan Asset-Backed Notes, Series 2015-1, Class A and Class B Taxable LIBOR Floating Rate Notes. The proceeds of the Notes refunded a $225.7 million portion of the outstanding Student Loan Series 23-A Bonds and a $69.2 million portion of the outstanding Student Loan Series 24-A Notes. The Class B Notes were retained by the Authority in the Operating Fund. The Notes were sold with a variable interest rate that is reset monthly and is equal to the one-month LIBOR Rate plus 0.75% for the Class A Notes, and one-month LIBOR Rate plus 1.50% for the Class B Notes. The Series 23-A Bonds and the Series 24-A Notes were interim financings. Series 2015-1 is a permanent term financing of the underlying assets. Economic gain or loss on the refunding over the life of the Notes cannot be determined because the interest on both the new notes and refunded bonds and notes are variable rates.

(2) State Revolving Subfund

On October 9, 2014, the Authority issued $104.2 million in State Revolving Fund Revenue Bonds, comprised of two series: $61.6 million in Clean Water Revolving Fund Subordinate Refunding Bonds, Series 2014A; and $42.7 million in Drinking Water Revolving Fund Subordinate Refunding Bonds, Series 2014A. The Bonds refunded a $58.4 million portion of the outstanding Clean Water Revolving Fund Revenue Bonds, Series 2005, and a $46.4 million portion of Drinking Water Revolving Fund Revenue Bonds, Series 2005. The Bonds were sold with a true interest cost of 2.85%, reducing total debt service payments over the next 13 years by $20.4 million and garnering a net present value savings of $9.6 million, or approximately 9.13% of the refunded bonds. The proceeds were placed into an escrow account and will be used to redeem Clean Water and Drinking Water Series 2005 on October 1, 2015.

On October 23, 2014, the Authority issued $40.0 million in State Revolving Fund Clean Water Revolving Fund Revenue Refunding Bonds, Pooled Project Series 2014B (Federally Taxable). The Bonds refunded a $37.9 million portion of outstanding Clean Water Revolving Fund Revenue Bonds, Series 2005. The Bonds were sold with a true interest cost of 2.12%, reducing total debt service payments over the next 6 years by $3.4 million and garnering a net present value savings of $2.2 million, or approximately 5.86% of the refunded bonds. The proceeds were placed into an escrow account and will be used to redeem Clean Water Series 2005 on October 1, 2015.

On June 11, 2015, the Authority issued $77.5 million in Clean Water Revolving Fund Subordinate Refunding Bonds, Series 2015A under the State Revolving Subfund. The Bonds refunded an $83.0 million portion of the outstanding Clean Water Revolving Fund Revenue and Refunding Bonds, Series 2006. The Bonds were sold with a true interest cost of 2.43%, reducing total debt service payments over the next 13 years by $25.2 million and garnering a Net Present Value Savings of $9.3 million, or approximately 11.15% of the refunded bonds. The proceeds were placed into an escrow account and will be used to redeem the Clean Water Series 2006 Bonds on October 1, 2016.

e. Defeased Bonds

The Authority has defeased certain Municipal Bond Fund bonds by depositing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The amount of bonds outstanding considered defeased was $225.6 million at September 30, 2015.

f. Demand Bonds

(1) School Loan Revolving Fund

Included in noncurrent liabilities is $450.0 million of School Loan Revolving Fund Revenue and Refunding Bonds, Series 2010A, 2010B, and 2010C, with a nominal maturity of September 1, 2050. The bonds were issued in the amount of $450.0 million ($150.0 million for each of A, B, and C) on December 15, 2010 to refund prior bonds and to make qualified loans to school districts.

The bonds are subject to purchase on the demand of the holder at a price equal to the purchase price on 5 days' notice and delivery to the tender agent. The remarketing agents (Merrill Lynch, Pierce, Fenner & Smith Incorporated - Series 2010A, PNC Capital Markets LLC - Series 2010B, and BMO Capital Markets GKST, Inc. - Series 2010C) are authorized to offer for sale and use their best efforts to sell any bonds that are remarketed pursuant to the supplemental indenture. The interest rate on the bonds is reset weekly at the rate determined by the remarketing agents to be the minimum interest rate that would enable the remarketing agents to sell all of the bonds on the effective date at a price equal to the principal amount. The fee for the remarketing agents is 0.085% of the outstanding balance.

Under irrevocable letters of credit issued by the Bank of America, N.A. (Series 2010A), PNC Bank, National Association (Series 2010B), and Bank of Montreal (Series 2010C), the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letters of credit are valid through December 12, 2016. If not previously extended, the letters automatically terminate. All amounts drawn on the letters of credit must be paid on the earliest of the 90th day following the draw, the conversion date, the redemption of bonds, the date of the sale of bank bonds, the regularly scheduled quarterly interest payment date, or the replacement of the letters. Any liquidity advance on the irrevocable letters of credit not repaid in 90 days, or otherwise, converts to a term loan payable in six semi-annual installments. As of September 30, 2015, there have not been any draws on the letters of credit. The banks issuing the letters of credit are paid a fee based on a pricing matrix that takes into account the unenhanced ratings of the bonds. At the current ratings, the fee is 0.65% of the outstanding balance.

Also included in long-term debt is $150.0 million of Federally Taxable Bonds School Loan Revolving Fund Revenue Bonds, Series 2014A, with a nominal maturity of September 1, 2053. The bonds were issued in the amount of $150.0 million on April 10, 2014 to make qualified loans to school districts.

The bonds are subject to purchase on the demand of the holder at a price equal to the purchase price on 5 days' notice and delivery to the tender agent. The remarketing agent (J.P. Morgan Securities LLC) is authorized to offer for sale and use its best efforts to sell any bonds that are remarketed pursuant to the supplemental indenture. The interest rate on the bonds is reset weekly at the rate determined by the remarketing agent to be the minimum interest rate that would enable the remarketing agent to sell all of the bonds on the effective date at a price equal to the principal amount. The fee for the remarketing agent is 0.085% of the outstanding balance.

Under an irrevocable transferrable letter of credit issued by JPMorgan Chase Bank, N.A., the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letter of credit is valid through December 12, 2016. If not previously extended, the letter automatically terminates. All amounts drawn on the letter of credit must be paid on the earliest of the 90th day following the draw, the conversion date, the redemption of bonds, the date of the sale of bank bonds, the regularly scheduled quarterly interest payment date, and the replacement of the letter. Any liquidity advance on the irrevocable letters of credit not repaid in 90 days, or otherwise, converts to a term loan payable in six semi-annual installments. As of September 30, 2015, there have not been any draws on the letter of credit. The letter of credit bank is paid a fee based on a pricing matrix that takes into account the unenhanced ratings of the bonds. At the current ratings, the fee is 0.65% of the outstanding balance.

(2) Student Loan

Included in current liabilities is $127.6 million of Student Loan Revenue Refunding Bonds, Series 22-A, with a nominal maturity of September 1, 2042. The bonds were issued in the amount of $180.0 million on September 25, 2013 to refund outstanding portions of prior Student Loan Revenue Bonds and Refunding Revenue Bonds.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on 7 days' notice and delivery to the remarketing agent (Morgan Stanley & Co., LLC) and the tender agent. The remarketing agent is authorized to offer for sale and use its best efforts to sell any bonds that are remarketed pursuant to the supplemental indenture. The interest rate on the bonds is reset weekly at the rate determined by the remarketing agent to be the minimum interest rate that would enable the remarketing agent to sell all of the bonds on the effective date at a price equal to the principal amount plus accrued interest. The fee for the remarketing agent is 0.10% of the outstanding balance.

Under an irrevocable letter of credit issued by State Street Bank and Trust, the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letter of credit is valid through September 25, 2018. If not previously extended, the letter automatically terminates on this date. All amounts drawn on the letter of credit must be paid on the earliest of the date of remarketing of the bank bonds, the date the bank bonds become due, 180 days after the drawing, replacement of the letter, the termination date, or the immediately succeeding interest payment date. As of September 30, 2015, there have not been any draws on the letter of credit. The bank issuing the letter of credit is paid a fee of 0.60% of the outstanding balance on the bonds.

Note 10 Conduit Debt Obligations

The Authority has issued limited obligation bonds to provide capital financing for eligible borrowers that are not part of the Authority's financial reporting entity. Typically, these borrowings are repayable only from the borrowers repayment of loans, undisbursed proceeds, and related interest earnings and the Authority has no obligation for this debt. Therefore, the conduit debt obligations are not recorded as liabilities of the Authority.

The Authority issues limited obligation bonds to finance loans to private or nonpublic entities, nonprofit institutions of higher education, qualified public or private educational facilities, and healthcare providers for capital improvements. The Authority issued limited obligation bonds through the Higher Education Facilities Fund, Public School Academy Facilities Fund, Healthcare Finance Fund, and Michigan Strategic Fund.

The Authority has defeased, in substance, certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Economic gains and accounting gains and losses upon in-substance defeasance inure to the benefit of the facility for which the bonds were issued and, accordingly, are not reflected in the Authority's financial statements.

The total outstanding limited obligation bonds and defeased and undefeased portions as of September 30, 2015 were as follows:

	Higher Education Facilities Fund	Public School Academy Facilities Fund	Healthcare Finance Fund	Michigan Strategic Fund	Total
Defeased	$ 7,410,000	$	$ 784,775,000	$	$ 792,185,000
Undefeased	523,109,939	241,075,000	6,335,181,150	85,928,599	7,185,294,688
Total outstanding	$ 530,519,939	$ 241,075,000	$7,119,956,150	$ 85,928,599	$7,977,479,688

Note 11 Employee Benefits

a. Plan Descriptions

The Authority participates in the State of Michigan's defined benefit and defined contribution pension plans that cover most State employees, as well as related component units such as the

Authority. The defined benefit and defined contribution pension plans are part of the Michigan State Employees' Retirement System administered by the Office of Retirement Services, Department of Technology, Management, and Budget. Participants in each plan are eligible for retirement, healthcare, disability, and death benefits upon meeting certain vesting requirements. The Michigan State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report is available on the State's Web site at <www.michigan.gov/ors>. The financial report for the defined contribution plan may be obtained by writing to the Office of Retirement Services, Department of Technology, Management, and Budget, P.O. Box 30171, Lansing, Michigan 48909-7671.

b. Funding Policy

The State funds pension and other postemployment benefits on a prefunded basis. For the defined benefit plan, the Authority was required to contribute 3.27% of payroll for the employer portion of the defined benefit pension. Employees participating in the defined benefit plan were required to contribute 4% of their compensation for pension benefits. For the defined contribution plan, the Authority was required to contribute 4% of payroll with an additional match of up to 3%. Employees in the defined contribution plan are not required to contribute to the plan but may contribute up to the Internal Revenue Service allowed maximum. Employees participating in the defined compensation plan vest in employer contributions at 50% after 2 years of service, 75% after 3 years of service, and 100% after 4 years of service. Forfeited employer contributions are retained within the defined contribution plan and are used toward future employer required contributions. The Authority was required to contribute 46.95% of payroll for the employer cost of other postemployment benefits. The Authority transferred $50,000, $154,000, and $1.8 million to the State for its employer contribution for the defined benefit plan, defined contribution plan, and other postemployment benefits, respectively, in fiscal year 2015. The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plans.

c. Postemployment Benefits

The Authority participates in the State of Michigan's postemployment benefits. State statutes provide retired employees with other postemployment benefits, such as health, dental, vision, and life insurance coverage based on vesting and other requirements. The State pays 80% of the cost of health insurance for retired employees that were hired on or before March 30, 1997. For retired employees hired after March 30, 1997 and before January 1, 2012, the State pays between 30% and 80% of the cost of health insurance depending upon years of service. Employees hired on or after January 1, 2012 will not be eligible for any retiree health insurance coverage but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation into a 401(k) or 457 account, earning a matching 2% employer contribution. Also, the employee will receive a credit into a health reimbursement account at termination of employment if he or she has at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

Note 12 Revenue from Federal Government

a. Business-Type Activities and Proprietary Funds

(1) Student Loan Fund

The USDOE pays the Student Loan Fund an interest subsidy on subsidized Stafford Loans for the period during which the borrowers are enrolled at an institution of higher education and during a six- to nine-month period after the borrowers have graduated or left school. The interest subsidy for fiscal year 2015 totaled $3.4 million. In addition, federal legislation provides for a special allowance that is principally an incentive payment made so that money market conditions and interest rates will not impede the issuance of student loans. The USDOE pays the special allowance, which adjusts the Authority's yield on student loans to a rate related to the average of a one-month LIBOR yield during the quarter or, for loans disbursed on or after January 1, 2000, a rate related to the average three-month commercial paper yield. The positive special allowance received for fiscal year 2015 was $0.7 million. For loans first disbursed on or after October 1, 2007, the College Cost Reduction and Access Act reduced the special allowance factors and the Deficit Reduction Act of 2005 required that, if the resulting special allowance calculation was negative, the negative special allowance must be paid to the USDOE. The negative special allowance paid for fiscal year 2015 totaled $15.1 million.

(2) Non-Major Fund - Michigan Guaranty Agency - Operating Fund

The Michigan Guaranty Agency - Operating Fund receives federal funds for fees related to defaulted student loans. The account maintenance fee is 0.06% of the original principal amount of outstanding loans for administering the accounts. In addition, the Michigan Guaranty Agency - Operating Fund receives federal funds for its share of retention on loan recoveries and loans rehabilitated. For loan recoveries, the retention rate is 16.0%. For loans rehabilitated, MGA receives 100% of interest and collection costs.

b. Fiduciary Fund - Michigan Guaranty Agency Federal Fund

The Michigan Guaranty Agency Federal Fund includes federal revenue to reimburse the Authority for defaulted loan claims acquired from financial institutions. Defaulted loans consist of loans in which the student defaulted and the unpaid loan has been acquired from the financial institution by MGA and is recorded as a deduction within loan claims in the fiduciary fund. The federal government reimburses MGA between 75% and 100% of defaulted loans based on when the loan was guaranteed and MGA's trigger default rate. The federal revenue is reported as an addition in the fiduciary fund. The federal government has defined the trigger default rate to be the defaulted loan claims presented to the federal government during the federal fiscal year ended September 30, divided by loans in repayment at the beginning of the federal fiscal year, plus certain other adjustments. The trigger default rate for the fiscal year ended September 30, 2015 was 1.34%.

Note 13 Contingencies

a. Governmental Activities and Tobacco Settlement Fund - Master Settlement Agreement (MSA) and Purchase Agreement

In November 1998, an MSA was entered into by 46 states, 6 other U.S. jurisdictions, and 4 major tobacco companies. The MSA sets forth the schedule and calculations of payments to be made by the tobacco companies to the states. These payments are subject to various adjustments and offsets, some of which could be material.

In calendar years 2006 and 2007, the Michigan Tobacco Settlement Finance Authority and the State entered into purchase agreements to purchase the right, title, and interest in and to 13.34% and 10.77%, respectively, of all TSR that is received by the State that is required under the terms of the MSA and that is payable to the State beginning in calendar years 2008 and 2010, respectively.

Future tobacco settlement collections are contingent upon future tobacco product sales and are subject to various adjustments as outlined in the MSA. Because of the uncertainty of the factors affecting tobacco product sales and the various adjustments, the Authority estimates the amount of tobacco settlement payment that will be received in April of each year based on tobacco product sales from the prior calendar year.

b. Fiduciary Fund - Michigan Guaranty Agency Federal Fund

MGA is contingently liable for loans made by financial institutions that qualify for guaranty. The trigger default rate for loans guaranteed by the Authority was below 5% for fiscal year 2015. As a result, the federal government's reinsurance rate for defaults for fiscal year 2015 was 100% for loans made prior to October 1, 1993; 98% for loans made from October 1, 1993 through September 30, 1998; and 95% for loans made on or after October 1, 1998. In the event of future adverse default experience in which the trigger default rate exceeds 9%, the federal government's reinsurance rate could be as low as 75%; therefore, MGA could be liable for up to 25% of defaulted loans. Although management believes that MGA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% was $500.6 million as of September 30, 2015. Management does not expect that all guaranteed loans could default in one year.

The difference between the amounts paid to lenders and the subsequent reinsurance from the federal government results in a net deduction for the federal fund. Although management does not expect all future defaults to occur during the next fiscal year, a loan loss provision liability that is an estimate of all future net loss is subject to accrual under GAAP. The total loan loss provision liability was $4.8 million as of September 30, 2015.

MGA has entered into commitment agreements with all lenders that provide, among other things, that MGA will maintain cash and marketable securities at an amount sufficient to guarantee outstanding loans in accordance with the Higher Education Act of 1965, as amended. MGA was in compliance with this requirement as of September 30, 2015.

Note 14 General Information on Employee Pension Plans

a. Plan Description

The Michigan State Employees' Retirement System (MSERS) is a single-employer, Statewide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of the Act established the MSERS Board's authority to promulgate or amend the provisions of MSERS. The Board is composed of 9 members: 4 appointed by the governor, which consist of 2 employee members and 2 retirant members; the Insurance Commissioner; the Attorney General; State Treasurer; the Deputy Legislative Auditor General; and the State Personnel Director, who serves as an ex-officio member. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to the State's government employees.

MSERS is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by visiting <www.michigan.gov/ors> or by calling the Customer Information Center at (517) 322-5103 or (800) 381-5111.

b. Benefits Provided

(1) Introduction – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 240 of 1943, the State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. MSERS also provides duty disability, non-duty disability, and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution pension plan. The Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit pension plan instead of the defined contribution pension plan.

Public Act 185 of 2010 established a pension supplement. Members who retired under the retirement incentive of the legislation agreed to forfeit accumulated leave balances, excluding banked leave time; in exchange, they receive a pension supplement for 60 months to their retirement allowance payments equal to 1/60 of the amount forfeited from funds, beginning January 1, 2011.

(2) Pension Reform of 2012 - On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

- Option 1: DB Classified. Members voluntarily elected to remain in the defined benefit (DB) plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate State employment. The 4% contribution began on April 1, 2012.

- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's defined contribution (DC) plan. The 4% contribution began April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.

- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant, they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012 become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count toward vesting for the DC plan. They will not be eligible for any pension or retiree health insurance premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to a 401(k) or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account at termination if they terminate employment with at least 10 years of service. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

(3) Regular Retirement - The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5% of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under Public Act 264 of 2011, the FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012 but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015 or later, an annual average of overtime (for the six-year period ending on the FAC calculation date) will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation (1.5% times the FAC times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining:

1. Age 60 with 10 or more years of credited service.
2. Age 55 with 30 or more years of credited service.
3. Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced by 0.5% for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

1. Age 51 with 25 or more years in a covered position.
2. Age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position. Employees in covered positions are responsible for the custody and supervision of incarcerated prisoners.

(4) Deferred Retirement - Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive

and legislative branches and certain Department of Health and Human Services employees subject to reduction in force lay-offs by reason of deinstitutionalization.

(5) Non-Duty Disability Benefit - A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a non-duty disability pension. The non-duty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

(6) Duty Disability Benefit - A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of $6,000 payable annually. At age 60 the benefit is recomputed under service retirement.

(7) Survivor Benefit - Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of duty death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to $6,000.

(8) Pension Payment Options - When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100%, 75%, or 50% of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows:

- *Regular Pension* - The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

- *100% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

- *75% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 75% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

- *50% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option or the 75% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

- *Equated Pension* - An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with the regular, 100%, 75% or 50% option. At age 65 the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of social security benefits at age 65, provided by the Social Security Administration Office. To calculate this benefit, members choosing this option must provide ORS with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

(9) <u>Post Retirement Adjustments</u> - One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning October 1, 1988, a 3% non-compounding increase, up to a maximum of $25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8% annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3% increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987, are not eligible for the supplemental payment.

c. <u>Contributions</u>

(1) <u>Member Contributions</u> - Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4% of compensation to MSERS. In addition, members may voluntarily contribute to MSERS for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit

may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

(2) Employer Contributions - The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by MSERS's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2015, the component unit's contribution rate was 27.5% of the defined benefit employee wages and 24.2% of the defined contribution employee wages. The Authority's contribution to MSERS for the fiscal year ended September 30, 2015 was $1,020,121.

d. Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 and rolled forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation rate	3.5%
Projected salary increases	3.5% to 12.5%, including wage inflation at 3.5%
Investment rate of return	8%
Cost-of-living pension adjustment	3% annual noncompounded with maximum annual increase of $300 for those eligible

Mortality rates were based on RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2015 projections scale BB. For retirees, 100% of the table rates were used. For active members, 50% of the table rates were used for males and females.

Actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study covering the period October 1, 2007 through September 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity pools	28.0 %	4.8%
International equity pools	16.0	6.1%
Alternative investment pools	18.0	8.5%
Real estate and infrastructure pools	10.0	5.3%
Fixed income pools	10.5	1.5%
Absolute return pools	15.5	6.3%
Short-term investment pools	2.0	(0.2)%
Total	100.0 %	

* Rate of return does not include 2.5% inflation

e. **Discount Rate**

A discount rate of 8.0% was used to measure the total pension liability. This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

f. **Net Pension Liability**

At September 30, 2015, the Authority reported a liability of $6,637,870 for its proportionate share of MSERS's net pension liability. This liability was allocated by full-time equivalent (FTE) count to the three operating funds of the Authority, which include the Student Loan Fund, a major fund; the Michigan Guaranty Agency - Operating Fund, a non-major fund; and the Michigan Finance Authority - Operating Fund, a non-major fund.

The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by MSERS during the measurement period October 1, 2013, through September 30, 2014, relative to the total required employer contributions from all of MSERS's participating employers. At September 30, 2014, the Authority's proportion was 0.129%.

Assumption changes, based on the adoption of the findings of the experience study covering the period October 1, 2007 through September 30, 2012, increased the computed liabilities.

g. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 7.0%	Current Discount 8.0%	1% Increase 9.0%
Authority's proportionate share of the net pension liability	$ 8,637,032	$ 6,637,870	$ 4,917,923

h. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSERS Comprehensive Annual Financial Report, which may be obtained by visiting <www.michigan.gov/ors>.

i. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2015, the Authority's recognized pension expense was $750,155. At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$0	$0
Change of assumptions	$192,237	$0
Net difference between projected and actual earnings on investments	$0	$778,562
Change in proportion and difference between actual contributions and proportionate share of contributions	$0	$2
Authority's contributions subsequent to the measurement date	$1,020,121	-
Total	$1,212,358	$778,564

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense Amount	
2016	$	2,405
2017	$	194,640
2018	$	194,640
2019	$	194,642

Note 15 Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and employee medical benefits. The State of Michigan is self-insured and provides coverage to the Authority for these potential losses. Additional information on risk management can be found in the footnotes of the *State of Michigan Comprehensive Annual Financial Report.*

Note 16 Subsequent Events

a. Municipal Bond Fund

On November 18, 2015 and November 30, 2015, the Authority issued Local Government Loan Program Revenue Bonds of $16.8 million and $5.0 million, respectively, within the Municipal Bond Fund - Local Municipalities Subfund.

On December 15, 2015, the Authority issued Local Government Loan Program Revenue Bonds of $197.7 million and $126.7 million within the Municipal Bond Fund - Local Municipalities Subfund.

On December 21, 2015, the Authority issued bonds totaling $153.7 million for the State Revolving Fund Clean Water Bonds. The bond issues were within the Municipal Bond Fund – State Revolving Subfund for advance refunding of the Authority's outstanding Clean Water Revolving Fund Revenue Bonds, Series 2007.

b. Limited Obligation Bonds

On October 15, 2015, the Authority issued limited obligation bonds of $9.5 million within the Healthcare Finance Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENTAL GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended September 30, 2015

Statutory/Budgetary Basis	Original Budget	Final Budget	Actual	Variance With Final Budget
Beginning budgetary fund balance	$ 1,529,391	$ 1,529,391	$ 1,529,391	$ 0
Resources (inflows)				
Tobacco settlement revenue	$ 383,942	$ 383,942	$ 383,942	$ 0
Unemployment obligation assessment revenue	8,300	8,300	8,300	0
Miscellaneous	70	70	70	0
Total resources (inflows)	$ 392,312	$ 392,312	$ 392,312	$ 0
Amount available for uses (outflows)	$ 1,921,703	$ 1,921,703	$ 1,921,703	$ 0
Uses (outflows)	$ 432,966	$ 432,966	$ 432,966	$ 0
Total uses (outflows)	$ 432,966	$ 432,966	$ 432,966	$ 0
Ending budgetary fund balance	$ 1,488,737	$ 1,488,737	$ 1,488,737	$ 0

See accompanying note to required supplementary information.

Governmental General Fund
Budgetary Comparison Schedule Budget-to-GAAP Reconciliation
For the Fiscal Year Ended September 30, 2015

Sources/inflows of resources		
Actual amount (budgetary basis) available for uses (outflows) from the budgetary comparison schedule	$	1,921,703
Differences - Budget to GAAP:		
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes		(1,529,391)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	$	392,312
Uses/outflows of resources		
Actual amount (budgetary basis) total uses (outflows) from the budgetary comparison schedule	$	432,966
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	$	432,966

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

Note 1 Statutory/Budgetary Presentation

The Tobacco Settlement Debt Service Fund enabling legislation, Public Act 226 of 2005, and the Unemployment Obligation Assessment Debt Service Fund enabling legislation, Public Act 267 of 2011, provide for the Authority to engage the services of financial advisors and experts, legal counsel, placement agents, underwriters, appraisers and other advisors, consultants, and fiduciaries as may be necessary to effectuate the purposes of the acts. The Michigan Finance Authority bond official statements establish authorization to pay applicable administrative expenditures.

The budgetary comparison schedule presents the original and final budget for fiscal year 2015, as well as the actual revenues and other sources (inflows), expenditures (outflows), and fund balance stated on the budgetary basis. The Authority does not estimate revenue for budget purposes, and the Authority is allowed to spend the collected revenue without restrictions. Therefore, the original budget reflects the final budget, and the actual revenue reflects the budgeted revenue. There were no changes from the original budget to the final budget.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Schedule of the Michigan Finance Authority's Proportionate Share of Net Pension Liability
State Employees' Retirement System

	2015
Proportion of the Net Pension Liability	0.129%
Proportionate Share of the Net Pension Liability	$6,637,870
Covered-Employee Payroll	$4,009,269
MFA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.56%
Plan fiduciary net position as a percentage of the total pension liability	68.07%

The amounts presented were determined as of the prior fiscal year as of the measurement date of September 30, 2014.

Schedule of the Michigan Finance Authority's Contributions
State Employees' Retirement Plan

	2015
Statutorily Required Contribution	$1,020,121
Contributions in relation to the statutorily required contribution	$1,020,121
Contribution deficiency (excess)	$ 0
Covered-Employee Payroll	$4,009,269
Contributions as a percentage of covered-employee payroll	25.44%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

Note 1 Pension Funding

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedule of Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions is a comparison of the employer's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, each year, which is 1 day prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contribution for Fiscal Year 2015

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	5-Year smoothed market
Inflation	2.5%
Salary increases	3.5% wage inflation
Investment rate of return	8.0% net of investment and administrative expenses
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 combined health life mortality table, adjusted for mortality improvements to 2020 using projection scale AA (set forward 2 years for men, with 81% of the male rates used at ages 80-103 and 107% of the female rates)

SUPPLEMENTAL FINANCIAL STATEMENTS

NON-MAJOR FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2015

	Michigan Guaranty Agency-Operating Fund	Michigan Finance Authority-Operating Fund	Public School Academy Facilities Fund	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 24,006,823	$ 232,726	$ 2,595,989	$ 26,835,538
Receivable from federal government	414,036			414,036
Receivable from other funds	1,956,663	500,226		2,456,889
Interest receivable	274,943		83,730	358,673
Investments		16,923,482	1,576	16,925,058
Notes receivable			36,051,000	36,051,000
Other current assets		683,050		683,050
Total current assets	$ 26,652,465	$ 18,339,484	$ 38,732,295	$ 83,724,244
Noncurrent assets:				
Investments	$ 24,369,654	$	$	$ 24,369,654
Total noncurrent assets	$ 24,369,654	$ 0	$ 0	$ 24,369,654
Total assets	$ 51,022,119	$ 18,339,484	$ 38,732,295	$ 108,093,898
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	$ 605,710	$ 306,148	$	$ 911,858
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$	$	$ 1,500	$ 1,500
Bonds and notes payable, net			39,035,000	39,035,000
Interest payable			36,625	36,625
Compensated absences	46,980	21,384		68,364
Total current liabilities	$ 46,980	$ 21,384	$ 39,073,125	$ 39,141,489
Noncurrent liabilities:				
Compensated absences	$ 341,035	$ 90,535	$	$ 431,570
Net pension liability	3,371,617	1,685,808		5,057,425
Total noncurrent liabilities	$ 3,712,652	$ 1,776,343	$ 0	$ 5,488,995
Total liabilities	$ 3,759,632	$ 1,797,727	$ 39,073,125	$ 44,630,484
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	$ 395,461	$ 197,731	$	$ 593,192
NET POSITION				
Restricted	$ 47,472,736	$	$ 2,592,373	$ 50,065,109
Unrestricted		16,650,174	(2,933,203)	13,716,971
Total net position (deficit) (Note 3)	$ 47,472,736	$ 16,650,174	$ (340,830)	$ 63,782,080

Non-Major Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended September 30, 2015

	Michigan Guaranty Agency-Operating Fund	Michigan Finance Authority-Operating Fund	Public School Academy Facilities Fund	Totals
OPERATING REVENUES				
Federal revenue:				
Loan recoveries	$ 3,049,183	$	$	$ 3,049,183
Loans repurchased and rehabilitated	14,377,976			14,377,976
Account maintenance	1,399,394			1,399,394
Interest revenue			787,701	787,701
Investment income	167,532	1,840	292	169,664
Fees:				
Default aversion	128,224			128,224
Authority		1,521,791		1,521,791
Miscellaneous	1,385,408		16,396	1,401,804
Total operating revenues	$ 20,507,717	$ 1,523,631	$ 804,389	$ 22,835,737
OPERATING EXPENSES				
Interest expense	$	$	$ 329,202	$ 329,202
Debt issuance costs			403,384	403,384
Other administrative expense	13,408,081	1,932,148		15,340,229
Total operating expenses	$ 13,408,081	$ 1,932,148	$ 732,586	$ 16,072,815
Operating income (loss)	$ 7,099,636	$ (408,517)	$ 71,803	$ 6,762,922
TRANSFERS				
Transfers from other funds	$	$ 690,357	$	$ 690,357
Transfers to other funds			(24,064)	(24,064)
Total transfers	$ 0	$ 690,357	$ (24,064)	$ 666,293
Change in net position	$ 7,099,636	$ 281,840	$ 47,739	$ 7,429,215
Net position - Beginning of fiscal year - Restated (Note 2)	40,373,100	16,368,334	(388,569)	56,352,865
Net position - End of fiscal year	$ 47,472,736	$ 16,650,174	$ (340,830)	$ 63,782,080

NON-MAJOR FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2015

	Michigan Guaranty Agency-Operating Fund	Michigan Finance Authority-Operating Fund	Public School Academy Facilities Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Bonds, notes, and loans receivable made	$	$	$ (40,155,227)	$(40,155,227)
Principal received on bonds, notes, and loans			45,133,000	45,133,000
Interest received on bonds, notes, and loans			794,167	794,167
Cash payments to employees and suppliers for goods and services	(14,792,857)	(2,542,555)		(17,335,412)
Other operating revenues	22,559,019	1,988,320	14,896	24,562,235
Net cash provided by (used in) operating activities	$ 7,766,162	$ (554,235)	$ 5,786,836	$ 12,998,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes, net	$	$	$ 39,035,000	$ 39,035,000
Payment of debt issuance costs			(401,884)	(401,884)
Principal paid on bonds and notes			(45,580,000)	(45,580,000)
Interest paid on bonds and notes			(330,064)	(330,064)
Other		690,357	(24,064)	666,293
Net cash provided by (used in) noncapital financing activities	$ 0	$ 690,357	$ (7,301,012)	$ (6,610,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases of) proceeds from sale and maturities of investment securities	$ (24,492,596)	$ (201,839)	$ 5,255	$(24,689,180)
Interest and dividends on investments	15,636	1,840	292	17,768
Net cash provided by (used in) investing activities	$ (24,476,960)	$ (199,999)	$ 5,547	$(24,671,412)
Net increase (decrease) in cash	$ (16,710,798)	$ (63,877)	$ (1,508,629)	$(18,283,304)
Cash and cash equivalents - Beginning of fiscal year	40,717,621	296,603	4,104,618	45,118,842
Cash and cash equivalents - End of fiscal year	$ 24,006,823	$ 232,726	$ 2,595,989	$ 26,835,538
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	$ 7,099,636	$ (408,517)	$ 71,803	$ 6,762,922
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Investment income	(167,532)	(1,840)	(292)	(169,664)
Other income			(1,500)	(1,500)
Interest expense			329,202	329,202
Debt issuance cost			403,384	403,384
Pension expense	(127,036)	(66,811)		(193,847)
Changes in assets and liabilities:				
(Increase) decrease in other receivables	1,077,723	(33,698)	6,466	1,050,491
Increase (decrease) in other payables	(116,629)	(43,369)		(159,998)
(Increase) decrease in bonds, notes, and loans			4,977,773	4,977,773
Net cash provided by (used in) operating activities	$ 7,766,162	$ (554,235)	$ 5,786,836	$ 12,998,763

SUPPLEMENTAL FINANCIAL SCHEDULES

Municipal Bond Fund
Combining Supplemental Schedule of Net Position
September 30, 2015

	Local Municipalities Subfund	State Revolving Subfund	
		Clean Water Program	Drinking Water Program
ASSETS			
Current assets:			
Cash and cash equivalents	$ 59,717,216	$ 8,567,035	$ 586,547
Receivable from federal government		111,505	150,056
Interest receivable	48,417,252	1,437,668	1,747
Investments	21,719,965	741,308,749	273,570,042
Notes receivable	689,928,831		
Loans receivable, net	42,840,928	161,572,282	34,345,002
Bonds receivable	174,742,545		
Total current assets	$ 1,037,366,737	$ 912,997,239	$ 308,653,394
Noncurrent assets:			
Receivable from primary government	$	$	$
Investments		532,507,072	77,099,078
Loans receivable, net	235,261,504	1,819,286,414	374,362,656
Bonds receivable	3,488,629,217		
Total noncurrent assets	$ 3,723,890,721	$ 2,351,793,486	$ 451,461,734
Total assets	$ 4,761,257,458	$ 3,264,790,725	$ 760,115,128
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	$ 253,797	$ 14,768,460	$ 3,062,174
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	$ 4,926,932	$ 498,287	$ 66,300
Bonds and notes payable, net	968,227,545	119,320,000	18,410,000
Interest payable	63,371,312	31,436,912	3,593,334
Total current liabilities	$ 1,036,525,789	$ 151,255,199	$ 22,069,634
Noncurrent liabilities:			
Bonds and notes payable, net	$ 3,751,238,313	$ 1,347,491,344	$ 155,806,177
Arbitrage payable		3,790,553	
Total noncurrent liabilities	$ 3,751,238,313	$ 1,351,281,897	$ 155,806,177
Total liabilities	$ 4,787,764,102	$ 1,502,537,096	$ 177,875,811
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	$ 1,930,356	$ 50,827	$
NET POSITION			
Restricted for:			
Local Municipalities Subfund	$ 59,685,566	$	$
State Revolving Subfund		1,776,971,262	585,301,491
Strategic Water Quality Initiatives Subfund			
School Loan Revolving Subfund			
Unrestricted	(87,868,766)		
Total net position	$ (28,183,200)	$ 1,776,971,262	$ 585,301,491

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
$	$ 625,364,492	$ 694,235,290
		261,561
	1,544,394	51,401,061
50,988,963	64,850,010	1,152,437,729
		689,928,831
1,070,000		239,828,212
		174,742,545
$ 52,058,963	$ 691,758,896	$ 3,002,835,229
$	$ 1,354,540,858	$ 1,354,540,858
	64,047,724	673,653,874
13,113,526		2,442,024,100
		3,488,629,217
$ 13,113,526	$ 1,418,588,582	$ 7,958,848,049
$ 65,172,489	$ 2,110,347,478	$ 10,961,683,278
$	$ 2,962,774	$ 21,047,205
$ 36,683	$ 646,425	$ 6,174,627
		1,105,957,545
	1,150,787	99,552,345
$ 36,683	$ 1,797,212	$ 1,211,684,517
$	$ 885,000,000	$ 6,139,535,834
		3,790,553
$ 0	$ 885,000,000	$ 6,143,326,387
$ 36,683	$ 886,797,212	$ 7,355,010,904
$	$	$ 1,981,183
$	$	$ 59,685,566
		2,362,272,753
65,135,806		65,135,806
	1,226,513,040	1,226,513,040
		(87,868,766)
$ 65,135,806	$ 1,226,513,040	$ 3,625,738,399

MUNICIPAL BOND FUND

COMBINING SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended September 30, 2015

	Local Municipalities Subfund	State Revolving Subfund	
		Clean Water Program	Drinking Water Program
OPERATING REVENUES			
Federal revenue	$	$ 368,900	$ 324,224
Interest revenue	171,676,980	44,036,118	9,805,610
Investment income	3,461	27,300,893	3,841,359
Miscellaneous	2,110,071		
Total operating revenues	$ 173,790,512	$ 71,705,911	$ 13,971,193
OPERATING EXPENSES			
Arbitrage expense	$	$ (197,486)	$ (40,231)
Interest expense	165,813,654	51,134,841	5,473,609
Debt issuance costs	9,424,312	1,018,326	220,566
Other administrative expense	39,004	861,312	269,996
Total operating expenses	$ 175,276,970	$ 52,816,993	$ 5,923,940
Operating income (loss)	$ (1,486,458)	$ 18,888,918	$ 8,047,253
NONOPERATING REVENUES (EXPENSES)			
Operating subsidies	$	$ 137,345,533	$ 17,992,739
American Recovery and Reinvestment Act principal forgiveness expense		311,049	85,179
Program principal forgiveness, net		(8,542,079)	(5,633,128)
Grant expense			
Total nonoperating revenues (expenses)	$ 0	$ 129,114,503	$ 12,444,790
Income (loss) before transfers	$ (1,486,458)	$ 148,003,421	$ 20,492,043
TRANSFERS			
Transfers to other funds	$ (666,293)	$	$
Total transfers	$ (666,293)	$ 0	$ 0
Change in net position	$ (2,152,751)	$ 148,003,421	$ 20,492,043
Net position - Beginning of fiscal year	(26,030,449)	1,628,967,841	564,809,448
Net position - End of fiscal year	$ (28,183,200)	$ 1,776,971,262	$ 585,301,491

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
$	$	$ 693,124
331,702	51,513,272	277,363,682
6,932	2,588,970	33,741,615
		2,110,071
$ 338,634	$ 54,102,242	$ 313,908,492
$	$	$ (237,717)
	9,564,182	231,986,286
	1,203,587	11,866,791
39,311	4,747,860	5,957,483
$ 39,311	$ 15,515,629	$ 249,572,843
$ 299,323	$ 38,586,613	$ 64,335,649
$	$ 45,149,130	$ 200,487,402
		396,228
		(14,175,207)
(41,437,368)		(41,437,368)
$ (41,437,368)	$ 45,149,130	$ 145,271,055
$ (41,138,045)	$ 83,735,743	$ 209,606,704
$	$	$ (666,293)
$ 0	$ 0	$ (666,293)
$ (41,138,045)	$ 83,735,743	$ 208,940,411
106,273,851	1,142,777,297	3,416,797,988
$ 65,135,806	$ 1,226,513,040	$ 3,625,738,399

Municipal Bond Fund
Combining Supplemental Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2015

	Local Municipalities Subfund	State Revolving Subfund Clean Water Program	State Revolving Subfund Drinking Water Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Bonds, notes, and loans receivable made	$ (1,563,326,182)	$ (226,630,414)	$ (32,314,814)
Principal received on bonds, notes, and loans	864,174,841	157,271,495	29,105,419
Interest received on bonds, notes, and loans	186,300,738	44,036,118	9,805,610
Cash payments to employees and suppliers for goods and services	(39,004)	(1,614,146)	(619,344)
Other operating revenues		376,295	253,782
Net cash provided by (used in) operating activities	$ (512,889,607)	$ (26,560,652)	$ 6,230,653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from sale of bonds and notes, net	$ 1,586,140,547	$ 614,130	$ 227,051
Payment of debt issuance costs	(5,630,655)	(822,663)	(220,566)
Principal paid on bonds and notes	(879,561,333)	(125,117,915)	(23,537,995)
Interest paid on bonds and notes	(158,232,509)	(69,601,032)	(8,140,126)
Operating subsidies		137,345,533	17,992,739
American Recovery and Reinvestment Act principal forgiveness expense		311,049	85,179
Grant expense		(8,542,079)	(5,633,128)
Other	3,234,114		
Net cash provided by (used in) noncapital financing activities	$ 545,950,164	$ (65,812,977)	$ (19,226,846)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (purchases of) proceeds from sale and maturities of investment securities	$ (15,641,378)	$ 76,114,331	$ 10,516,329
Interest and dividends on investments	3,461	22,559,976	2,453,485
Net cash provided by (used in) investing activities	$ (15,637,917)	$ 98,674,307	$ 12,969,814
Net increase (decrease) in cash	$ 17,422,640	$ 6,300,678	$ (26,379)
Cash and cash equivalents - Beginning of fiscal year	42,294,576	2,266,357	612,926
Cash and cash equivalents - End of fiscal year	$ 59,717,216	$ 8,567,035	$ 586,547
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	$ (1,486,458)	$ 18,888,918	$ 8,047,253
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Investment income	(3,461)	(27,300,893)	(3,841,359)
Other income	(2,110,071)		
Interest expense	182,246,401	51,134,841	5,473,609
Debt issuance cost	9,424,312	1,018,326	220,566
Changes in assets and liabilities:			
(Increase) decrease in other receivables	(7,047,707)	(69,351,524)	(3,209,395)
Increase (decrease) in other payables			
(Increase) decrease in bonds, notes, and	(693,912,623)	(950,320)	(460,021)
Net cash provided by (used in) operating activities	$ (512,889,607)	$ (26,560,652)	$ 6,230,653

Noncash capital and financing activities:

The Authority issued State Revolving Fund Revenue Bonds to refund debt issued in 2005. The $149.6 million in proceeds were deposited immediately into an escrow account for the defeasance of $142.7 million of outstanding revenue bond principal (Note 9).

The Authority issued State Revolving Fund Revenue Bonds to refund debt issued in 2006. The $88.6 million in proceeds were deposited immediately into an escrow account for the defeasance of $83.0 million of outstanding revenue bond principal (Note 9).

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
$ (445,371)	$ (168,553,307)	$ (1,991,270,088)
980,000	303,929,663	1,355,461,418
331,702	59,035,964	299,510,132
(44,159)	(4,738,660)	(7,055,313)
		630,077
$ 822,172	$ 189,673,660	$ (342,723,774)
$	$ 199,327,657	$ 1,786,309,385
	(531,243)	(7,205,127)
		(1,028,217,243)
	(8,678,501)	(244,652,168)
		155,338,272
		396,228
(41,437,368)		(55,612,575)
		3,234,114
$ (41,437,368)	$ 190,117,913	$ 609,590,886
$ 40,608,264	$ (23,655,829)	$ 87,941,717
6,932	4,055,664	29,079,518
$ 40,615,196	$ (19,600,165)	$ 117,021,235
$	$ 360,191,408	$ 383,888,347
	265,173,084	310,346,943
$ 0	$ 625,364,492	$ 694,235,290
$ 299,323	$ 38,586,613	$ 64,335,649
(6,932)	(2,588,970)	(33,741,615)
		(2,110,071)
	9,564,182	248,419,033
	1,203,587	11,866,791
534,629	142,899,048	63,825,051
	9,200	9,200
(4,848)		(695,327,812)
$ 822,172	$ 189,673,660	$ (342,723,774)

Student Loan Fund
Combining Supplemental Schedule of Net Position
September 30, 2015

	Operating Subfund	Bond/Note Subfund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 64,153,421	$ 124,767,391	$ 188,920,812
Receivable from federal government		902,271	902,271
Interfund receivable	378,392		378,392
Interest receivable	207,067	15,395,903	15,602,970
Loans receivable, net	381,996	137,615,023	137,997,019
Other current assets	727,800	9,729	737,529
Total current assets	$ 65,848,676	$ 278,690,317	$ 344,538,993
Noncurrent assets:			
Notes receivable	$ 9,000,000	$	$ 9,000,000
Loans receivable, net	2,065,758	744,193,401	746,259,159
Total noncurrent assets	$ 11,065,758	$ 744,193,401	$ 755,259,159
Total assets	$ 76,914,434	$ 1,022,883,718	$ 1,099,798,152
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	$	$ 2,871,920	$ 2,871,920
Deferred outflows related to pensions	300,500		300,500
Total deferred outflows of resources	$ 300,500	$ 2,871,920	$ 3,172,420
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	$ 745,213	$ 4,167,632	$ 4,912,845
Bonds and notes payable, net		441,240,455	441,240,455
Interfund payable		378,392	378,392
Interest payable		3,443,863	3,443,863
Arbitrage payable		25,773,772	25,773,772
Compensated absences	3,201		3,201
Total current liabilities	$ 748,414	$ 475,004,114	$ 475,752,528
Noncurrent liabilities:			
Bonds and notes payable, net	$	$ 424,561,874	$ 424,561,874
Compensated absences	197,687		197,687
Net pension liability	1,580,445		1,580,445
Total noncurrent liabilities	$ 1,778,132	$ 424,561,874	$ 426,340,006
Total liabilities	$ 2,526,546	$ 899,565,988	$ 902,092,534
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	$ 185,372	$	$ 185,372
Total deferred inflows of resources	$ 185,372	$ 0	$ 185,372
NET POSITION			
Restricted	$	$ 126,189,650	$ 126,189,650
Unrestricted	74,503,016		$ 74,503,016
Total net position	$ 74,503,016	$ 126,189,650	$ 200,692,666

Student Loan Fund

Combining Supplemental Schedule of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended September 30, 2015

	Operating Subfund	Bond/Note Subfund	Totals
OPERATING REVENUES			
Federal revenue, net of special allowance	$	$ (11,022,732)	$ (11,022,732)
Interest revenue	222,150	41,378,126	41,600,276
Provision for loan losses	(8,053)	(2,686,421)	(2,694,474)
Investment income	86,992	6,266	93,258
Miscellaneous	2,387,699	259,788	2,647,487
Total operating revenues	$ 2,688,788	$ 27,935,027	$ 30,623,815
OPERATING EXPENSES			
Arbitrage expense	$	$ (659,192)	$ (659,192)
Interest expense		11,129,687	11,129,687
Debt issuance costs		3,986,231	3,986,231
Other administrative expense	341,635	8,346,600	8,688,235
Total operating expenses	$ 341,635	$ 22,803,326	$ 23,144,961
Operating income (loss)	$ 2,347,153	$ 5,131,701	$ 7,478,854
TRANSFERS			
Transfers from other funds	$ 3,232,153	$	$ 3,232,153
Transfers to other funds		(3,232,153)	(3,232,153)
Total transfers	$ 3,232,153	$ (3,232,153)	$ 0
Change in net position	$ 5,579,306	$ 1,899,548	$ 7,478,854
Net position - Beginning of fiscal year - Restated (Note 2)	68,923,710	124,290,102	193,213,812
Net position - End of fiscal year	$ 74,503,016	$ 126,189,650	$ 200,692,666

STUDENT LOAN FUND
COMBINING SUPPLEMENTAL SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended September 30, 2015

	Operating Subfund	Bond/Note Subfund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Principal received on bonds, notes, and loans	$ 203,042	$ 151,373,741	$ 151,576,783
Interest received on bonds, notes, and loans	102,762	32,471,529	32,574,291
Cash payments to employees and suppliers for goods and services	(345,368)	(10,799,621)	(11,144,989)
Net special allowance payment to federal government		(14,852,611)	(14,852,611)
Other operating revenues	2,037,461	34,941	2,072,402
Net cash provided by (used in) operating activities	$ 1,997,897	$ 158,227,979	$ 160,225,876
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from sale of bonds and notes, net	$	$ 478,015,051	$ 478,015,051
Payment of debt issuance costs		(2,784,311)	(2,784,311)
Principal paid on bonds and notes		(570,545,000)	(570,545,000)
Interest paid on bonds and notes		(10,132,535)	(10,132,535)
Other - Equity transfers	(857)	857	0
Net cash provided by (used in) noncapital financing activities	$ (857)	$ (105,445,938)	$ (105,446,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	$ 85,737	$ 5,982	$ 91,719
Net cash provided by (used in) investing activities	$ 85,737	$ 5,982	$ 91,719
Net increase (decrease) in cash	$ 2,082,777	$ 52,788,023	$ 54,870,800
Cash and cash equivalents - Beginning of fiscal year	62,070,644	71,979,368	134,050,012
Cash and cash equivalents - End of fiscal year	$ 64,153,421	$ 124,767,391	$ 188,920,812

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES

	Operating Subfund	Bond/Note Subfund	Totals
Operating income (loss)	$ 2,347,153	$ 5,131,701	$ 7,478,854
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Investment income	(86,992)	(6,266)	(93,258)
Interest expense		11,129,687	11,129,687
Debt issuance cost		4,009,031	4,009,031
Pension expense	(76,122)		(76,122)
Changes in assets and liabilities:			
(Increase) decrease in other receivables	(1,056,218)	1,657,196	600,978
Increase (decrease) in other payables	750,809	(1,567,381)	(816,572)
(Increase) decrease in bonds, notes, and loans receivable	5,886,256	132,107,022	137,993,278
Transfers			
Interfund transfers	(5,766,989)	5,766,989	0
Net cash provided by (used in) operating activities	$ 1,997,897	$ 158,227,979	$ 160,225,876

STATISTICAL SECTION

Index to Statistical Section

This part of the Michigan Finance Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

CONTENTS Page

Financial Trends

These schedules contain trend information to help the reader understand how the Michigan Finance Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Michigan Finance Authority's most significant revenue sources: interest revenue and investment income.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Michigan Finance Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future. The Authority has no statutory limit on the amount of debt that may be authorized.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

SOURCES

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the annual financial reports or from the Authority's internal records for the relevant years.

NOTES

Legislative action created the Michigan Financial Authority in 2010. Statistical reports begin with fiscal year 2010.

The Michigan Finance Authority was created in 2010 therefore that is the earliest year presented in the accompanying statistical tables.

NET POSITION BY COMPONENT—LAST SIX FISCAL YEARS

(Accrual Basis of Accounting)

	2010	2011	2012
Governmental activities			
Net investment in capital assets	$	$	$
Restricted			
Unrestricted	(934,587,165)	(946,780,387)	(4,037,636,777)
Total governmental activities	$ (934,587,165)	$ (946,780,387)	$ (4,037,636,777)
Business-type activities			
Net investment in capital assets	$	$	$
Restricted	2,278,901,688	2,559,653,575	2,889,999,000
Unrestricted	100,527,493	129,518,375	155,074,009
Total business-type activities	$ 2,379,429,181	$ 2,689,171,950	$ 3,045,073,009
Primary government			
Net investment in capital assets	$	$	$
Restricted	2,278,901,688	2,559,653,575	2,889,999,000
Unrestricted	(834,059,672)	(817,262,012)	(3,882,562,767)
Total primary government activities	$ 1,444,842,017	$ 1,742,391,563	$ (992,563,767)
Reconciliation of net position			
Beginning net position	$ 1,312,978,007	$ 1,444,842,017	$ 1,742,391,563
Restatement of beginning net position			
Beginning net position restated	1,312,978,007	1,444,842,017	1,742,391,563
Statement of Activities – changes in net position	131,864,008	297,549,548	(2,734,955,327)
Change in reporting entity			
Ending net position	$ 1,444,842,017	$ 1,742,391,563	$ (992,563,767)

2013	2014	2015
$	$	$
(3,629,864,549)	(3,251,841,276)	(2,837,502,355)
$ (3,629,864,549)	$ (3,251,841,276)	$ (2,837,502,355)
$	$	$
3,243,460,437	3,532,780,377	3,889,861,924
194,165,721	140,058,333	351,221
$ 3,437,626,158	$ 3,672,838,710	$ 3,890,213,145
$	$	$
3,243,460,437	3,532,780,377	3,889,861,924
(3,435,698,828)	(3,111,782,943)	(2,837,151,134)
$ (192,238,391)	$ 420,997,434	$ 1,052,710,790
$ (992,563,767)	$ (192,238,391)	$ 420,997,434
	(44,536,182)	(6,474,045)
(992,563,767)	(236,774,573)	414,523,389
800,325,376	657,772,008	638,187,401
$ (192,238,391)	$ 420,997,434	$ 1,052,710,790

CHANGES IN NET POSITION—LAST SIX FISCAL YEARS

(Accrual Basis of Accounting)

	2010	2011	2012
Expenses			
Governmental Activities:			
Tobacco Settlement	$ 74,601,941	$ 75,326,475	$ 76,117,002
Unemployment Obligation			3,342,293,493
Total Governmental Activities	$ 74,601,941	$ 75,326,475	$ 3,418,410,495
Business-Type Activities:			
Municipal Bond Fund	$ 371,377,998	$ 232,512,497	$ 205,622,188
Student Loan Fund	46,082,852	29,760,349	29,775,260
Non-Major Funds	22,408,595	20,949,314	20,240,504
Total Business-Type Activities	$ 439,869,445	$ 283,222,160	$ 255,637,953
Total primary governmental expenses	$ 514,471,386	$ 358,548,636	$ 3,674,048,448
Program Revenues			
Governmental Activities:			
Charges for Services:			
Tobacco Settlement	$ 66,808,438	$ 60,627,688	$ 62,345,793
Unemployment Obligation			260,695,144
Operating Grants and Contributions		2,505,565	3,513,169
Total governmental activities program revenues	$ 66,808,438	$ 63,133,253	$ 326,554,106
Business-Type Activities:			
Charges for Services:			
Municipal Bond Fund	$ 176,958,700	$ 172,141,320	$ 164,066,340
Student Loan Fund	51,098,084	56,975,160	52,846,772
Non-Major Funds	23,540,158	25,246,681	25,840,665
Operating Grants and Contributions	324,401,599	338,601,770	368,785,238
Total business-type activities program revenues	$ 575,998,541	$ 592,964,931	$ 611,539,015
Total primary government program revenues	$ 642,806,979	$ 656,098,184	$ 938,093,121
Net (Expenses)/Revenues			
Governmental activities	$ (7,793,503)	$ (12,193,222)	$ (3,091,856,389)
Business-type activities	136,129,096	309,742,771	355,901,062
Total primary government net (expenses)/revenue	$ 128,335,593	$ 297,549,548	$ (2,735,955,327)
General Revenues and Other Changes in Net Position			
Governmental activities:			
Interest and investment earnings	$ 3,138,281	$	$
Payments from State of Michigan			1,000,000
Total governmental activities	$ 3,138,281	$ 0	$ 1,000,000
Business-type activities:			
Interest and investment earnings	$ 390,136	$	$
Transfers			
Total business-type activities	$ 390,136	$ 0	$ 0
Total primary government	$ 3,528,417	$ 0	$ 1,000,000
Changes in Net Position			
Governmental activities	$ (4,655,222)	$ (12,193,222)	$ (3,090,856,389)
Business-type activities	136,519,231	309,742,771	355,901,062
Total primary government net (expenses)/revenue	$ 131,864,008	$ 297,549,548	$ (2,734,955,327)

2013	2014	2015
$ 76,464,845	$ 76,433,036	$ 77,582,442
61,578,812	53,770,005	34,323,310
$ 138,143,658	$ 130,203,042	$ 111,905,752
$ 175,214,865	$ 194,744,405	$ 304,789,190
12,634,982	31,437,830	23,144,961
18,925,622	17,414,169	16,072,815
$ 206,775,470	$ 243,596,404	$ 344,006,966
$ 344,919,128	$ 373,799,446	$ 455,912,718
$ 85,176,464	$ 60,901,967	$ 61,722,514
457,682,213	459,076,098	461,541,373
3,057,208	3,355,458	2,980,786
$ 545,915,885	$ 523,333,523	$ 526,244,673
$ 160,677,065	$ 175,603,147	$ 279,473,753
50,316,931	39,652,428	30,530,557
25,846,255	25,338,740	22,666,073
362,488,368	267,643,615	235,185,063
$ 599,328,619	$ 508,237,930	$ 567,855,446
$ 1,145,244,504	$ 1,031,571,453	$ 1,094,100,119
$ 407,772,227	$ 393,130,482	$ 414,338,921
392,553,149	264,641,526	223,848,480
$ 800,325,376	$ 657,772,008	$ 638,187,401
$	$	$
$ 0	$ 0	$ 0
$	$	$
$ 0	$ 0	$ 0
$ 0	$ 0	$ 0
$ 407,772,227	$ 393,130,482	$ 414,338,921
392,553,149	264,641,526	223,848,480
$ 800,325,376	$ 657,772,008	$ 638,187,401

FUND BALANCES, GOVERNMENTAL FUNDS—LAST SIX FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2010	2011	2012
General Fund			
Restricted for administrative expenditures	$	$ 361,592	$ 1,417,351
Total general fund	$ 0	$ 361,592	$ 1,417,351
All Other Governmental Funds			
Restricted for debt service	$	$ 103,386,822	$ 334,858,059
Total All Other Governmental Funds	$ 0	$ 103,386,822	$ 334,858,059
General Fund			
Reserved	$	$	$
Unreserved			
Total general fund	$ 0	$ 0	$ 0
All Other Governmental Funds			
Unreserved, reported in:			
Special revenue funds	$ 103,998,391	$	$
Debt service funds			
Total All Other Governmental Funds	$ 103,998,391	$ 0	$ 0
Reconciliation of governmental fund balances			
Beginning fund balances	$ 103,351,697	$ 103,998,391	$ 103,748,413
Restatement of beginning fund balances			
Beginning fund balances - restated	103,351,697	103,998,391	103,748,413
Excess of revenues and other sources over (under) expenditures and other uses	646,694	(249,977)	232,526,997
Change in accounting entity			
Ending fund balances	$ 103,998,391	$ 103,748,413	$ 336,275,410

NOTES: Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing Governmental Accounting Standards Board Statement No. 54. Fund balance has not been restated for prior years.

2013	2014	2015
$ 1,570,740	$ 1,529,391	$ 1,488,737
$ 1,570,740	$ 1,529,391	$ 1,488,737
$ 369,001,232	$ 360,013,265	$ 370,019,113
$ 369,001,232	$ 360,013,265	$ 370,019,113
$	$	$
$ 0	$ 0	$ 0
$	$	$
$ 0	$ 0	$ 0
$ 336,275,410	$ 370,571,972	$ 361,542,656
336,275,410	370,571,972	361,542,656
34,296,562	(9,029,316)	9,965,195
$ 370,571,972	$ 361,542,656	$ 371,507,850

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS—LAST SIX FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2010	2011	2012	2013
Revenues				
Payments from the State of Michigan	$	$	$ 1,000,000	$
Tobacco settlement revenue	64,062,071	63,545,540	61,769,917	83,738,973
Unemployment obligation assessment revenue			255,540,566	453,696,842
Investment income	3,138,281	2,963,042	4,318,454	3,042,586
Other income				37,000
Total revenues	$ 67,200,352	$ 66,508,582	$ 322,628,937	$ 540,515,401
Expenditures				
Payments to Department of Licensing and Regulatory Affairs	$	$	$ 3,320,913,984	$
Debt service:				
Interest on bonds and notes	61,496,020	61,158,398	63,947,308	188,838,340
Principal on bonds and notes	4,865,000	5,410,000	3,327,560,000	316,815,000
Other administrative expenditures	192,638	190,161	12,808,950	565,498
Total expenditures	$ 66,553,658	$ 66,758,559	$ 6,725,230,242	$ 506,218,838
Excess of revenues over (under) expenditures	$ 646,694	$ (249,977)	$ (6,402,601,305)	$ 34,296,562
Other Financing Sources (Uses)				
Bonds and notes issued	$	$	$ 3,323,000,000	$
Refunding bond issues			2,917,135,000	
Premium on bond issuance			394,993,301	
Transfers from other funds	66,361,020			
Transfers to other funds	(66,361,020)			
Total other financing sources (uses)	$ 0	$ 0	$ 6,635,128,301	$ 0
Net change in fund balances	$ 646,694	$ (249,977)	$ 232,526,997	$ 34,296,562
Debt Service as a percentage of noncapital expenditures	99.71%	99.72%	50.43%	99.89%

2014	2015
$	$
61,251,890	62,047,158
455,734,806	470,358,318
3,414,231	2,972,054
$ 520,400,927	$ 535,377,530
$	$
181,516,062	168,604,369
347,500,000	356,375,000
414,181	432,966
$ 529,430,243	$ 525,412,335
$ (9,029,316)	$ 9,965,195
$	$
$ 0	$ 0
$ (9,029,316)	$ 9,965,195
99.92%	99.92%

REVENUE GENERATING ASSETS—LAST SIX FISCAL YEARS

	2010	2011	2012	2013
Interest bearing loans and notes				
Notes Receivable	$1,215,319,712	$ 981,606,210	$ 700,614,691	$ 694,708,027
Loans Receivable	4,350,826,462	4,177,428,407	4,099,707,272	3,892,346,982
Bonds Receivable	693,146,562	789,220,626	837,706,945	754,073,600
Total loans and notes receivable	$6,259,292,736	$5,948,255,243	$5,638,028,908	$5,341,128,609
Average rate of return (%)	4.13%	3.95%	3.90%	3.91%
Investments				
Government money market funds	$ 999,028,505	$1,232,117,816	$1,750,470,369	$1,731,654,187
Repurchase agreements	1,162,836,903	855,309,422	643,578,360	600,360,391
State and municipal general obligation bonds	88,020,000	100,386,577	104,500,357	99,101,561
Commercial paper	178,853,936	318,573,594	18,966,642	10,570,000
U.S. Treasury obligations	267,782,777	61,019,651	60,709,664	115,422,782
U.S. government agency securities			169,254,528	151,108,529
Total Investments	$2,696,522,121	$2,567,407,060	$2,747,479,920	$2,708,217,450
Average rate of return (%)	2.01%	2.42%	2.57%	1.04%

NOTES: Average rate of return for interest revenue is calculated as total fiscal year interest revenue divided by fiscal-year average interest bearing notes, loans, and bonds receivable for fiscal years beginning with 2011. Fiscal year 2010 uses year-end balance of interest bearing notes, loans, and bonds receivable.

Average rate of return for investment revenue is calculated as total fiscal year investment revenue divided by fiscal-year average investments for fiscal years beginning with 2011. Fiscal year 2010 uses year-end balance of investments.

2014	2015
$ 713,393,485	$ 734,979,831
3,674,415,895	3,566,108,490
2,778,216,810	3,663,371,762
$7,166,026,190	$7,964,460,083
3.57%	4.23%
$ 1,466,314,120	$ 1,587,879,583
547,134,875	502,590,872
98,202,224	120,027,408
4,145,000	4,651,991
111,191,625	107,570,359
140,883,355	132,547,543
$2,367,871,199	$2,455,267,756
1.51%	1.53%

INTEREST REVENUE BY TYPE OF BORROWER— FISCAL YEARS 2010 AND 2015

	2010				2015			
	Number of Borrowers	Percentage of Total	Interest Revenue	Percentage of Total	Number of Borrowers	Percentage of Total	Interest Revenue	Percentage of Total
Type of Borrower								
Local Governments	1,225	0.26%	$177,703,932	68.66%	1,384	0.62%	$278,151,383	86.99%
Student Loans	470,653	99.74%	81,097,787	31.34%	221,334	99.38%	41,600,276	13.01%
Total	471,878	100.00%	$258,801,719	100.00%	222,718	100.00%	$319,751,659	100.00%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the Authority's interest revenue.

Local Governments includes cities, townships, counties, public school districts, public school academies, and local government utility authorities.

Number of borrowers for student loans is based on total number of loans.

No table is presented for investment income by type of investment because the Authority is not able to obtain that information for fiscal year 2010.

RATIOS OF OUTSTANDING DEBT BY TYPE—LAST SIX FISCAL YEARS

	Governmental-Type Debt		Business-Type Debt		Primary Government	Percentage of Personal Income	Debt Per Capita
	Asset-Backed Bonds	Revenue Bonds	Notes	Revenue Bonds	Total Outstanding Debt		
2010	$ 1,079,070,007	$	$2,212,105,837	$5,150,526,683	$ 8,441,702,527	2.43%	$ 854
2011	1,087,530,995		1,833,951,978	4,918,948,706	7,840,431,679	2.13%	794
2012	1,097,984,776	3,294,460,454	1,382,110,370	4,929,219,010	10,703,774,610	2.80%	1,083
2013	1,086,929,451	2,938,323,629	1,284,340,134	4,539,391,818	9,848,985,032	2.54%	995
2014	1,100,657,133	2,529,216,145	1,053,636,185	6,289,327,980	10,972,837,443	2.72%	1,107
2015	1,113,951,069	2,106,839,790	1,142,655,000	7,007,675,707	11,371,121,566	Unavailable	Unavailable

SOURCE: Michigan Department of Treasury

Personal Income and Population data is not available for the current fiscal year.

PLEDGED REVENUE DEBT SERVICE COVERAGE—LAST SIX FISCAL YEARS

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
Tobacco Settlement Asset-Backed Bonds						
2010	$ 67,244,495	$ 331,192	$ 66,913,303	$ 4,475,000	$ 61,496,020	1.01
2011	68,484,532	341,128	68,143,404	4,230,000	60,960,690	1.05
2012	66,519,723	351,361	66,168,362	4,560,000	60,608,761	1.02
2013	88,428,801	361,902	88,066,899	9,840,000	59,574,215	1.27
2014	66,837,423	372,759	66,464,664	5,060,000	58,514,030	1.05
2015	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Unemployment Obligation Assessment Revenue Bonds						
2010	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
2011	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
2012	$ 255,511,219	$ 1,705,539	$ 253,805,680	$	$ 3,184,327	52.25
2013	454,096,800	366,642	453,730,158	289,510,000	128,383,799	1.09
2014	456,112,611	210,769	455,901,842	342,440,000	122,822,172	0.98
2015	470,741,184	135,270	470,605,914	350,590,000	110,270,200	1.02

NOTES: Debt service coverage information for the Tobacco Settlement Asset Backed Bonds are presented on a calendar year basis to maintain comparability with the required annual disclosures for these bonds that are publicly available to investors. The calendar year prior to the current fiscal year is the most recent available.

Revenues received for the Unemployment Obligation Assessment Revenue Bonds are used for debt service requirements of the fiscal year received as well as in any future fiscal year necessary on a cumulative basis. The nature and timing of the revenues, as well as that of the debt service schedule, cause the debt service coverage ratio to fluctuate widely from year to year when calculated on a current period revenue to current period debt service requirements basis.

The Unemployment Obligation Assessment Revenue Bonds did not exist until fiscal year 2012, and is therefore the first year presented.

SOURCE: Michigan Department of Treasury

DEMOGRAPHIC AND ECONOMIC INDICATORS—LAST FIVE CALENDAR YEARS

	2010	2011	2012	2013	2014
Population[1] *(in thousands)*	9,884	9,876	9,885	9,898	9,910
Total Personal Income[2] *(in billions)*	$347.6	$368.8	$382.1	$388.0	$403.7
Per Capita Income[2]	$35,199	$37,343	$38,652	$39,197	$40,740
Unemployment Rate[3]	12.6%	10.4%	9.1%	8.9%	7.3%

NOTE: Most recent calendar year for which data is available: 2014.

SOURCE: [1] U.S. Census Bureau, Population Division.
[2] U.S. Department of Commerce, Bureau of Economic Analysis.
[3] Michigan Department of Licensing and Regulatory Affairs and U.S. Department of Labor, Bureau of Labor Statistics.

CLASSIFIED EMPLOYEES BY FUNCTION—LAST SIX FISCAL YEARS

	2010	2011	2012	2013	2014	2015
Classified Employees by Function						
Governmental Activities:						
Tobacco Settlement	0.5	0.5	0.5	0.5	0.5	0.5
Unemployment Obligation	0.0	0.0	1.0	0.5	0.5	0.5
Total Governmental Activity Employees	0.5	0.5	1.5	1.0	1.0	1.0
Business-Type Activities:						
Municipal Bond Fund	11.5	11.0	10.5	12.5	11.5	11.5
Student Loan Fund	29.5	16.0	14.0	13.5	11.5	12.0
Non-Major Funds:						
Michigan Guaranty Agency	51.5	35.0	34.0	31.5	32.0	32.0
Michigan Finance Authority	2.0	2.0	2.5	3.0	2.0	2.5
Public School Academy Facilities Fund	1.0	1.0	0.5	1.0	1.0	1.0
Total Business-Type Activity Employees	95.5	65.0	61.5	61.5	58.0	59.0
Total Full-Time Equivalent Employees	96.0	65.5	63.0	62.5	59.0	60.0

NOTES: This report reflects average employee counts of individuals who are full-time in primary positions, except student assistants.

This schedule includes average employee counts. Employees who job share are divided in quarters or half. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Department of Treasury

OPERATING INDICATORS BY FUNCTION—LAST SIX FISCAL YEARS

	2010	2011	2012	2013	2014	2015
Governmental Activities:						
Tobacco Settlement						
Bonds Issued						
Unemployment Obligation						
Bonds Issued			4			
Business-Type Activities:						
Municipal Bond Fund						
Bonds Issued	6	13	12	5	10	12
Notes Issued	9	7	7	6	9	12
Student Loan Fund						
Bonds Issued				1	1	1
Notes Issued					1	1
Non-Major Funds						
Michigan Guaranty Agency						
Administrative Wage Garnishment Transactions	72,919	100,629	103,754	104,224	105,929	108,374
Rehabilitated Student Loan Transactions	207	4,354	4,301	4,051	3,933	4,051
Michigan Finance Authority						
Bonds Issued	21	25	17	10	9	16
Public School Academy Facilities Fund						
Notes Issued	5	4	4	3	2	2

NOTES: Governmental funds issue bonds less frequently than business-type funds. Recurring activities for Governmental Funds include maintenance and tracking activities for past issuances; such as making timely debt service payments, accounting and financial reporting, and required periodic continuing disclosures for bondholders.

The Michigan Finance Authority line item includes the activities of the Healthcare Finance Fund, the Higher Education Facilities Fund, and the Michigan Strategic Fund.

To ensure consistency with information presented in the financial statements, Public School Academy Facilities Fund bond issuances have been included in the Michigan Finance Authority line above.

The Michigan Guaranty Agency transactions are shown at the borrower level.

SOURCE: Michigan Department of Treasury

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OTHER INFORMATION

OAG
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Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters

Mr. Nick A. Khouri, State Treasurer and Chair
Michigan Finance Authority Board of Directors
and
Mary G. Martin, CPA, CIA, Director, Bureau of State and Authority Finance and
Executive Director, Michigan Finance Authority
Richard H. Austin Building
Lansing, Michigan

Dear Mr. Khouri and Ms. Martin:

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority, a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2015 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 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's basic 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.

Doug A. Ringler, CPA, CIA
Auditor General

Mr. Nick A. Khouri
Mary G. Martin, CPA, CIA
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free from 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.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
December 21, 2015

GLOSSARY OF ABBREVIATIONS AND TERMS

Authority—Michigan Finance Authority.

Consolidation Loans—Loans made to borrowers consolidating certain student loans.

Deficiency in Internal Control Over Financial Reporting—The design or operation of a control that 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.

FFEL Program—Federal Family Education Loan Program.

Financial Audit—An audit that is designed to provide reasonable assurance about whether the basic financial statements of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Fitch Ratings (Fitch)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt investments.

GASB 65—GASB Statement No. 65. *Items Previously Reported as Assets and Liabilities.*

GASB 68—GASB Statement No. 68. *Accounting and Financial Reporting for Pensions.*

GASB 71—GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Generally Accepted Accounting Principles (GAAP)—A technical accounting term that encompasses the conventions, rules, guidelines, and procedures necessary to define accepted accounting practice at a particular time; also cited as "accounting principles generally accepted in the United States of America."

Governmental Accounting Standards Board (GASB)—An arm of the Financial Accounting Foundation established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.

In-Relation-To Opinion—An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures and considering materiality of the basic financial statements taken as a whole.

Internal Control—A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

LIBOR—London Interbank Offered Rate.

Major Fund—A significant governmental or enterprise fund, based on specific size criteria. A government's main operating fund (the general fund or its equivalent) is always considered a major fund. Government officials may also designate other governmental and enterprise funds as major funds when deemed important to financial statement users (for example, because of public interest or consistency).

Material Misstatement—A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.

Material Weakness in Internal Control Over Financial Reporting—A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.

MGA—Michigan Guaranty Agency.

MI-LOAN—Michigan Alternative Student Loan.

Modified Opinion—A qualified opinion, an adverse opinion, or a disclaimer of opinion.

Moody's Investors Service, Inc. (Moody's)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt instruments.

MSA—Master Settlement Agreement.

MSERS—Michigan State Employees' Retirement System.

PLUS Loans—Loans made to parents of dependent undergraduates.

Significant Deficiency in Internal Control Over Financial Reporting—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.

Stafford Loans—Educational loans made under the FFEL Program to students.

Standard & Poor's (S&P)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt instruments.

TED—Department of Talent and Economic Development.

TSR—Tobacco settlement revenue.

Unmodified Opinion—The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes that the basic financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

USDOE—U.S. Department of Education.

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