

# State of Michigan

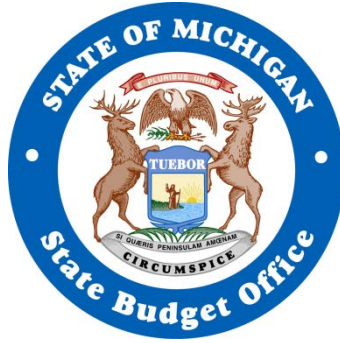
## Comprehensive Annual Financial Report



**Fiscal Year Ended September 30, 2015**  
**Governor Rick Snyder, CPA**  
**Prepared by the State Budget Office**







*State of Michigan*  
*Comprehensive Annual Financial Report*

Fiscal Year Ended September 30, 2015

**RICK SNYDER, CPA**  
Governor

**JOHN S. ROBERTS**  
State Budget Director

**MICHAEL J. MOODY, CPA**  
Director  
Office of Financial Management

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RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

JOHN S. ROBERTS  
DIRECTOR

December 31, 2015

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

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2015.

### **INTRODUCTION TO THE REPORT**

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

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

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

- The introductory section includes this letter, the State's organization chart, and the list of principal officials.
- The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules.
- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.
- The other information section includes General Fund and Special Revenue Funds revenue and expenditure schedules and General Fund source and disposition of spending authorization schedules.

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



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

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

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

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

Independent Auditors: The Office of the Auditor General (OAG) is the principal auditor of the SOMCAFR. The OAG also relies on the opinions of outside public accounting firms, particularly for component unit financial statements (such as the Michigan State Housing Development Authority and ten of the State's universities) and the Unemployment Compensation funds. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 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 SOMCAFR, the OAG also performs periodic financial statement and performance audits of the various State departments, agencies, and institutions of higher education. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 233 of 2012, an annual statewide single audit will be conducted for applicable State departments, agencies and component unit authorities, and will result in a separately issued audit report.

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

## **PROFILE OF THE GOVERNMENT**

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

Executive Branch: As of December 31, 2015, the Executive Branch consisted of 17 principal departments. Fourteen principal departments are headed by commissions and/or directors appointed by the elected governor. Elected officials head two principal departments, Attorney General and State, and one, Education, is headed by an elected board.

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

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

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

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

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

## **MAJOR INITIATIVES AND FUTURE PROJECTS**

**Economic Growth:** Creating an environment that promotes growth in the Michigan economy remains a top priority of the Snyder administration. To continue growing the Michigan economy, the fiscal year 2016 budget includes \$286 million for economic development and \$622.9 million for workforce development to assist Michigan businesses and communities, with a continued emphasis on talent, business attraction, and community revitalization. In addition, Governor Snyder issued Executive Order 2014-12, effective March 15, 2015, which created a new Department of Talent and Economic Development to consolidate workforce and economic development programs within a single department.

During fiscal year 2012, the administration reached an agreement with Canada that laid the groundwork for the Gordie Howe International Bridge (GHIB). The GHIB will provide a modern, strategically located bridge between Detroit and Windsor that is vital to enhancing the trade relationship between Michigan and Canada. It is expected to generate thousands of short-term and long-term jobs, open new trade markets, strengthen economic security, and ease traffic congestion. On July 20, 2015, a major milestone was achieved when the Windsor-Detroit Bridge Authority issued a request for qualifications, the first stage in the procurement process to select a private sector partner for the GHIB project. Issuance of a request for proposals, the second stage in the procurement process, is expected in early 2016.

**Fiscal Stability:** As Michigan continues to operate with a structurally balanced budget, Governor Snyder remains committed to building the state's savings and reducing the state's long-term liabilities. During fiscal year 2015, \$111.5 million was deposited into the Budget Stabilization Fund (or Rainy Day Fund), resulting in an ending fund balance of \$498.1 million. In addition to the annual \$17.5 million deposit from tobacco settlement revenues, the fiscal year 2016 budget includes an additional deposit of \$95.0 million from the general fund. Including estimated interest earnings, the Rainy Day Fund balance is projected to be \$610.8 million at September 30, 2016.

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

State Infrastructure Investments: Investing in the State's infrastructure, particularly roads and bridges, continues to be a priority for Governor Snyder. During calendar year 2015, the Governor worked with the Legislature to negotiate and pass a comprehensive, long-term transportation funding solution. The solution, which includes a combination of increased fuel taxes, vehicle registration fees, and general fund support, will be phased in over several years starting in fiscal year 2017. When all components of the solution are fully in place, it will provide an annual increase of \$1.2 billion for roads and bridges.

In the interim, the fiscal year 2016 transportation budget includes \$400 million in general funds to fully match federal aid and provide for improvements to Michigan's roads and bridges.

Improving Our Citizen's Health: During fiscal year 2014, Michigan started a program to provide health insurance administered through private and non-profit health insurance plans to low income families and individuals. Under the Healthy Michigan Plan, previously uninsured Michigan residents now have a primary care physician through a market-based approach to manage their health care. State costs are controlled through access to preventive health services, keeping the newly insured out of emergency rooms, while improving their quality of care and access to affordable health care. Individuals control their use of health care services and maintain healthy behaviors through financial incentives. The fiscal year 2016 budget includes new investments for the Healthy Michigan Plan to continue expanded Medicaid coverage for nearly 600,000 Michigan residents.

The fiscal year 2016 budget also includes \$37 million to add 284,000 children to the Healthy Kids Dental Program by expanding the program into the last three non-participating counties. Currently, 611,000 Michigan children are enrolled in the program. This effort will bring the total number of children receiving dental care to 895,000.

Education: Approximately \$13.9 billion is appropriated for school aid in fiscal year 2016, \$12.1 billion from state dollars. This funding supports the educational efforts of approximately 850 local school districts and public school academies, as well as 56 intermediate school districts.

The fiscal year 2016 budget also includes \$379 million for at-risk students; \$46.6 million for vocational, career tech, and early/middle college programs to ensure students are college or career ready upon high school graduation; a new investment of \$30.5 million for early education programs to ensure Michigan children can read proficiently by third grade; and \$23.5 million for technology infrastructure.

Information Technology Investments: Recognizing the increasingly critical role that information technology plays in the delivery of services to citizens, public and private organizations, and State employees, the budgets for fiscal years 2013 and 2014 included \$47 million each year for the Information Technology Investment Fund. For fiscal years 2015 and 2016, the budget for the Information Technology Investment Fund was \$63 million and \$65 million, respectively. This funding will bring greater efficiency to state government, and also improve cybersecurity, system upgrades, and replacements of legacy computer systems.

Additionally, the fiscal year 2016 budget includes \$23.3 million for equipment lifecycle replacement costs for the Michigan Public Safety Communications System. Of the \$23.3 million investment, \$20 million will be used to replace and maintain major system components and \$3.3 million will be used to replace portable radios that have exceeded their recommended life. The Michigan Public Safety Communication System is the primary means of daily and emergency radio communications for all branches of state government with key state agencies including: Michigan Departments of State Police, Transportation, Technology, Management, and Budget, Corrections, and Military & Veterans Affairs. The system has grown to serve 1,494 local, state, federal, tribal nation and private public safety agencies using over 74,000 radios to support daily operations and mission critical disaster response communications.

Transparency and Accountability: Governor Snyder's ongoing commitment to government transparency and accountability is demonstrated by the continued evolution of Open Michigan, which is available online at [www.michigan.gov/openmichigan](http://www.michigan.gov/openmichigan). Open Michigan includes performance management information which consists of

the Michigan Dashboard, as well as dashboards specific to education, health and wellness, infrastructure, talent, public safety, energy and environment, financial health, and seniors. Scorecards are also included to track how Michigan government is performing within each of its agencies.

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

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

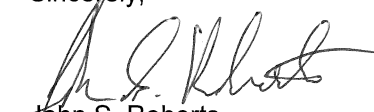
### **AWARDS AND ACKNOWLEDGEMENTS**

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose content satisfies both generally accepted accounting principles and applicable legal requirements.

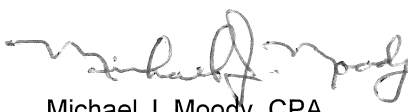
A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for 28 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Sincerely,



John S. Roberts  
State Budget Director



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





Government Finance Officers Association

**Certificate of  
Achievement  
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Presented to

**State of Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

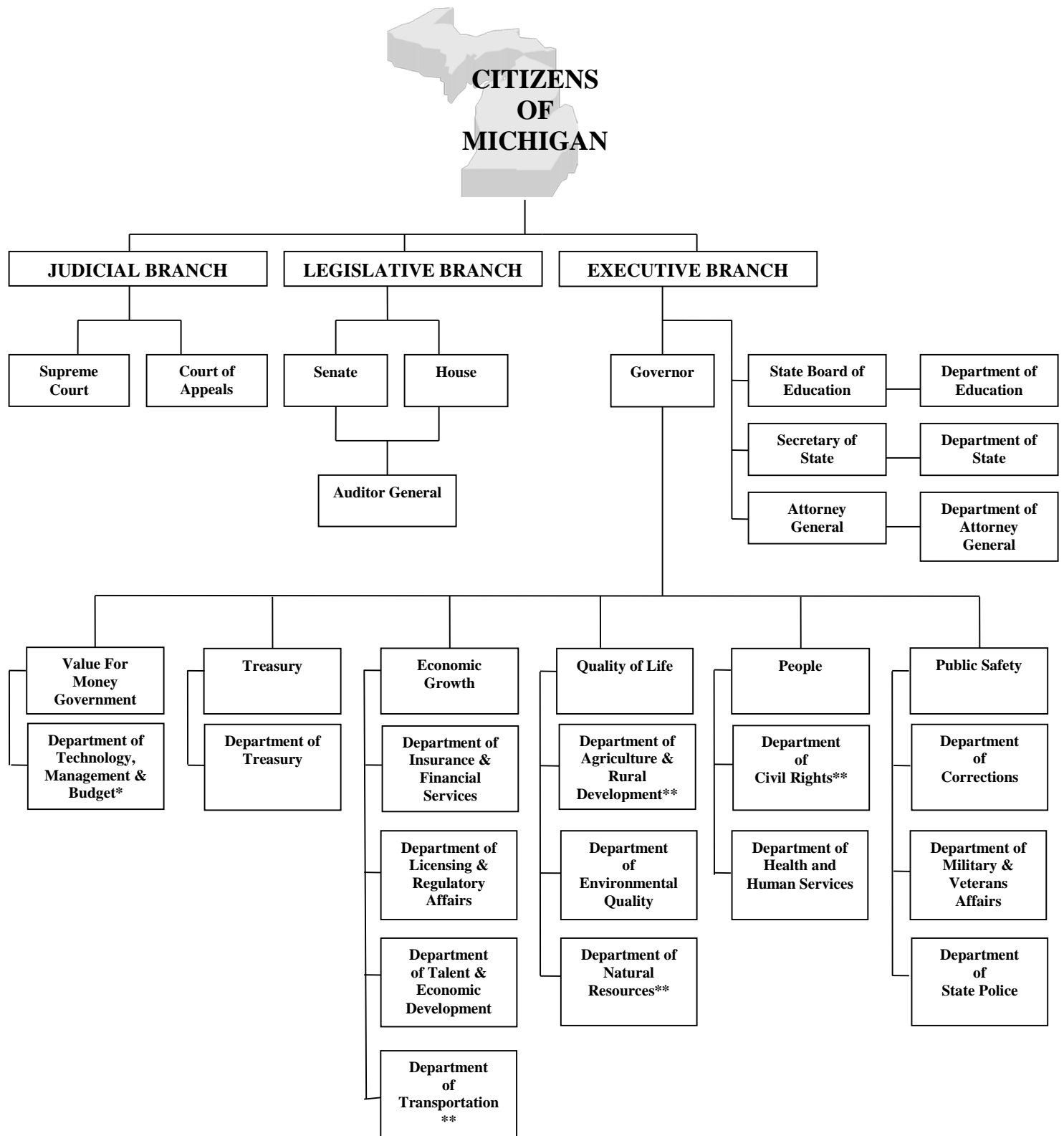
**September 30, 2014**



Executive Director/CEO

# STATE OF MICHIGAN ORGANIZATIONAL STRUCTURE

(As of December 31, 2015)



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

STATE OF MICHIGAN

**PRINCIPAL STATE OFFICIALS**

(As of December 31, 2015)

**JUDICIAL BRANCH**

Supreme Court Justices  
Honorable Robert P. Young, Jr., Chief Justice  
Honorable Richard Bernstein, Justice  
Honorable Joan L. Larsen, Justice  
Honorable Stephen J. Markman, Justice  
Honorable Bridget Mary McCormack, Justice  
Honorable David F. Viviano, Justice  
Honorable Brian K. Zahra, Justice

**LEGISLATIVE BRANCH**

Honorable Arlan Meekhof  
Majority Leader of the Senate  
  
Honorable Kevin Cotter  
Speaker of the House of Representatives  
  
Doug Ringler, C.P.A., C.I.A.  
Legislative Auditor General

**EXECUTIVE BRANCH**

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

**Group Executives**

David B. Behen, Value for Money Government  
Nick A. Khouri, Treasury  
Steve Arwood, Economic Growth  
Vacant, Quality of Life  
Nick Lyon, People  
Major General Gregory J. Vadnais, Public Safety

**State Board of Education**

John C. Austin, President  
Casandra E. Ulbrich, Vice President  
Michelle Fecteau, Secretary  
Pamela Pugh, Treasurer  
Lupe Ramos-Montigny  
Kathleen Straus  
Eileen Weiser  
Richard Zeile  
Honorable Rick Snyder (Ex Officio)

**Brian J. Whiston**

Superintendent of Public Instruction

**Michigan Commission of Agriculture & Rural Development**

Trever Meachum, Chair  
Fred Walcott, Vice Chair  
Dru Montri, Secretary  
Diane Hanson  
Bob Kennedy

**Jamie Clover Adams, Director**

Department of Agriculture & Rural Development

**Civil Rights Commission**

Arthur Horwitz, Chair  
Rasha Demashkieh, Vice Chair  
Mumtaz Haque  
Deloris Hunt  
Ricardo Resio  
Linda Lee Tarver  
Bradley Voss

**Agustin V. Arbulu, Director**

Department of Civil Rights

**Civil Service Commission**

Thomas M. Wardrop, Chair  
James Barrett  
Janet McClelland  
Robert W. Swanson

Janine Winters, State Personnel Director

**Heidi E. Washington, Director**

Department of Corrections

**Vacant, Director**

Department of Environmental Quality

**Nick Lyon, Director**

Department of Health and Human Services

**Patrick M. McPharlin, Director**

Department of Insurance and Financial Services

**Mike Zimmer, Director**

Department of Licensing and Regulatory Affairs

**Major General Gregory J. Vadnais, Director**

Department of Military and Veterans Affairs

**Natural Resources Commission**

John Matonich, Chair  
Christine Crumbaugh  
Louise Klarr  
Timothy L. Nichols  
Vicki J. Pontz  
JR Richardson  
Rex E. Schlaybaugh, Jr.

**Keith Creagh, Director**

Department of Natural Resources

**Colonel Kriste Kibbey Etue, Director**

Department of State Police

**David B. Behen, Director**

Department of Technology, Management and Budget

**John S. Roberts, State Budget Director**

**Steve Arwood, Director**

Department of Talent & Economic Development

**Transportation Commission**

Jerrold M. Jung, Chair  
Todd Wyatt, Vice Chair  
Lynn Afendoulis  
Ron Boji  
Michael D. Hayes  
Charles F. Moser

**Kirk T. Steudle, Director**

Department of Transportation

**Nick A. Khouri, State Treasurer**







## **FINANCIAL SECTION**

### **INDEPENDENT AUDITOR'S REPORT MANAGEMENT'S DISCUSSION AND ANALYSIS**



# OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • [www.audgen.michigan.gov](http://www.audgen.michigan.gov)

**Doug A. Ringler, CPA, CIA**  
Auditor General

## Independent Auditor's Report

The Honorable Rick Snyder, Governor  
Members of the Legislature

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Opinion Unit	Percent of Total Assets	Percent of Total Revenues/Additions
Governmental activities	1.6%	2.6%
Business-type activities	98.2%	80.9%
Aggregate discretely presented component units	42.7%	68.7%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	6.2%	11.8%



# OAG

Office of the Auditor General

**Doug A. Ringler, CPA, CIA**  
Auditor General

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan as of September 30, 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 Matter***

As discussed in Note 4 to the financial statements, the State of Michigan adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to these matters.

### ***Other Matters***

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

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



# OAG

Office of the Auditor General

**Doug A. Ringler, CPA, CIA**  
Auditor General

The Honorable Rick Snyder, Governor  
Members of the Legislature  
Page 3

#### *Other Information*

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

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

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

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

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

Sincerely,

Doug Ringler  
Auditor General  
December 31, 2015







## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### HIGHLIGHTS

#### **Government-wide**

- At September 30, 2015, the State's net position was \$17.3 billion. This means that total State assets and deferred outflows of resources exceeded total State liabilities and deferred inflows of resources by \$17.3 billion.
- The State's unrestricted net position was negative \$10.0 billion as of the close of the fiscal year. A positive balance in unrestricted net position represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable.
- Revenues of \$56.6 billion supported expenses of \$55.3 billion during fiscal year 2015. As a result, the State's total net position increased by \$1.4 billion (8.6 percent). The increase in net position relates mostly to increased tax and operating grant revenue.

#### **Fund Level**

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$5.8 billion. Governmental fund balances increased \$24.0 million (0.4 percent) from the prior year.
- The State's two major governmental funds, the General Fund and the School Aid Fund, closed the fiscal year with a combined fund balance of \$2.8 billion, an increase of \$159.8 million (6.1 percent) from the prior year. Of the total General Fund balance of \$2.5 billion, \$694.7 million is unassigned and, therefore, available for appropriation in future years. The remaining \$1.8 billion is either non-spendable (e.g., consists of assets not easily converted to cash, such as inventories); restricted for specific purposes by enabling legislation; committed to specific programs or projects by legislative action; or assigned to fulfill contractual obligations. In the School Aid Fund, the entire fund balance of \$275.1 million is restricted for education purposes.
- The State's proprietary funds reported net position at year-end of \$3.0 billion. This represents an increase of \$576.8 million (23.8 percent) compared to the prior year-end balance, as restated, primarily the result of an increase in lottery ticket sales and a decrease in unemployment benefit payments.

#### **Long-term Debt**

- The State's total long-term bonded debt as of September 30, 2015 was \$6.7 billion, a decrease of \$347.1 million from the prior year. The decrease represents the net difference between new issuances, payments, and refundings of debt.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 12 authorities and 10 universities that are reported as discretely presented component units of the State.

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

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



## Michigan

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

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

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

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

- **Governmental funds** - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- **Proprietary funds** - When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary (enterprise and internal service) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs - such as risk management and state sponsored group insurance activities. Internal service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary funds** - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on page 50. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

## Additional Required Supplementary Information (RSI)

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

## Other Supplementary Information

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

### **FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

The State's combined net position increased \$1.4 billion (8.6 percent) over the course of this fiscal year's operations. The net position of the governmental activities increased by \$800.1 million (5.9 percent), and business-type activities had an increase of \$567.1 million (23.5 percent).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014*	2015	2014*	2015	2014*
<b>Assets:</b>						
Current and other non-current assets	\$ 14,642.5	\$ 14,171.8	\$ 3,684.9	\$ 2,915.7	\$ 18,327.5	\$ 17,087.5
Capital assets	22,899.6	22,555.0	1.6	0.6	22,901.2	22,555.7
<b>Total assets</b>	<b>37,542.2</b>	<b>36,726.8</b>	<b>3,686.5</b>	<b>2,916.3</b>	<b>41,228.7</b>	<b>39,643.1</b>
<b>Deferred outflows of resources</b>	<b>1,040.3</b>	<b>66.4</b>	<b>6.6</b>	<b>-</b>	<b>1,046.8</b>	<b>66.4</b>
<b>Liabilities:</b>						
Current liabilities	6,142.6	5,781.9	432.1	223.8	6,574.7	6,005.8
Long-term liabilities	17,488.0	17,515.4	277.3	280.3	17,765.3	17,795.7
<b>Total liabilities</b>	<b>23,630.7</b>	<b>23,297.3</b>	<b>709.3</b>	<b>504.2</b>	<b>24,340.0</b>	<b>23,801.5</b>
<b>Deferred inflows of resources</b>	<b>667.3</b>	<b>11.5</b>	<b>4.4</b>	<b>-</b>	<b>671.7</b>	<b>11.5</b>
<b>Net position</b>						
Net investment in capital assets	20,578.9	20,282.6	1.6	0.6	20,580.4	20,283.3
Restricted	3,647.7	3,824.9	2,989.6	2,422.3	6,637.3	6,247.1
Unrestricted	(9,942.0)	(10,623.1)	(11.9)	(10.7)	(9,953.9)	(10,633.8)
<b>Total net position</b>	<b>\$ 14,284.5</b>	<b>\$ 13,484.4</b>	<b>\$ 2,979.3</b>	<b>\$ 2,412.1</b>	<b>\$ 17,263.8</b>	<b>\$ 15,896.6</b>

\*Prior year columns have been restated. More detailed information regarding the restatement can be found on page 69.

During FY 2015, the State of Michigan adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. As a result, the State's net position decreased by \$4.2 billion. More detailed information can be found in Notes 4 and 10 to the financial statements.

## Michigan

The largest component of the State's net position, at \$20.6 billion, reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net position is the next largest component, comprising \$6.6 billion of the total. This represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation limiting how they can be used. The State's unrestricted net position was negative \$10.0 billion as of the close of the year. A positive balance in unrestricted net position represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

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

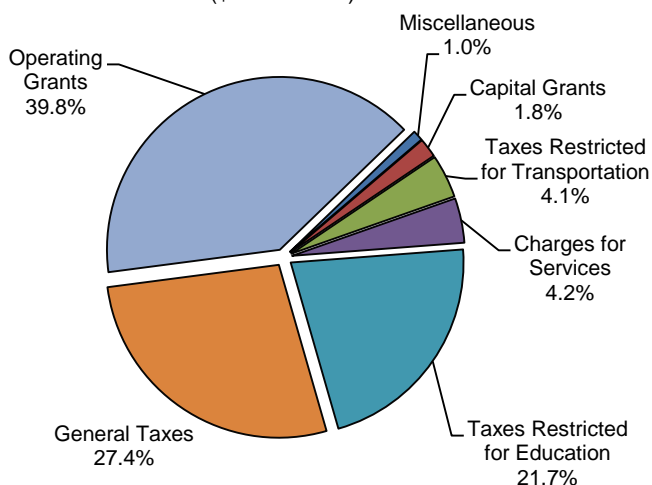
Changes in Net Position For Fiscal Year Ending September 30 (In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014*	2015	2014*	2015	2014*
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 2,141.0	\$ 2,161.2	\$ 5,273.0	\$ 5,380.7	\$ 7,414.0	\$ 7,541.9
Operating grants	20,431.0	17,981.9	67.6	59.9	20,498.7	18,041.7
Capital grants	926.7	850.2	-	-	926.7	850.2
General revenues						
General taxes	14,040.4	12,286.8	-	-	14,040.4	12,286.8
Taxes restricted for educational purposes	11,155.1	10,792.8	-	-	11,155.1	10,792.8
Taxes restricted for transportation purposes	2,079.1	2,006.5	-	-	2,079.1	2,006.5
Unrestricted investment and interest earnings	1.2	1.0	0.1	0.1	1.3	1.1
Miscellaneous	500.9	1,258.3	-	5.0	500.9	1,263.3
<b>Total revenues</b>	<u>51,275.3</u>	<u>47,338.5</u>	<u>5,340.8</u>	<u>5,445.7</u>	<u>56,616.1</u>	<u>52,784.2</u>
<b>Expenses</b>						
General government	3,240.9	7,940.5	-	-	3,240.9	7,940.5
Education	15,452.3	14,941.4	-	-	15,452.3	14,941.4
Human services	5,259.3	5,508.0	-	-	5,259.3	5,508.0
Public safety and corrections	2,685.5	2,638.3	-	-	2,685.5	2,638.3
Conservation, environment, etc.	609.3	714.0	-	-	609.3	714.0
Labor, commerce and regulatory	953.0	956.3	-	-	953.0	956.3
Health services	17,931.5	15,036.3	-	-	17,931.5	15,036.3
Transportation	3,325.5	3,309.4	-	-	3,325.5	3,309.4
Tax credits	662.4	676.5	-	-	662.4	676.5
Intergovernmental- revenue sharing	1,210.6	1,120.6	-	-	1,210.6	1,120.6
Interest on long-term debt	162.9	174.5	-	-	162.9	174.5
Liquor Purchase Revolving Fund	-	-	825.8	797.1	825.8	797.1
State Lottery Fund	-	-	1,990.6	1,891.7	1,990.6	1,891.7
Attorney Discipline System	-	-	4.7	5.8	4.7	5.8
Michigan Unemployment Compensation Funds	-	-	952.8	1,246.5	952.8	1,246.5
<b>Total expenses</b>	<u>51,493.3</u>	<u>53,015.8</u>	<u>3,773.9</u>	<u>3,941.0</u>	<u>55,267.2</u>	<u>56,956.8</u>
Excess (deficiency) Before Contributions and Transfers	(218.0)	(5,677.3)	1,566.9	1,504.7	1,349.0	(4,172.6)
Contributions to permanent fund principal	18.3	23.9	-	-	18.3	23.9
Transfers	999.8	942.9	(999.8)	(942.9)	-	-
<b>Increase (decrease) in net position</b>	800.1	(4,710.5)	567.1	561.8	1,367.2	(4,148.7)
Net position - beginning (restated)	13,484.4	18,195.0	2,412.1	1,850.3	15,896.6	20,045.3
Net position - ending	<u>\$ 14,284.5</u>	<u>\$ 13,484.4</u>	<u>\$ 2,979.3</u>	<u>\$ 2,412.1</u>	<u>\$ 17,263.8</u>	<u>\$ 15,896.6</u>

\*Prior year columns have been restated. More detailed information regarding the restatement can be found on page 69.

## Governmental Activities

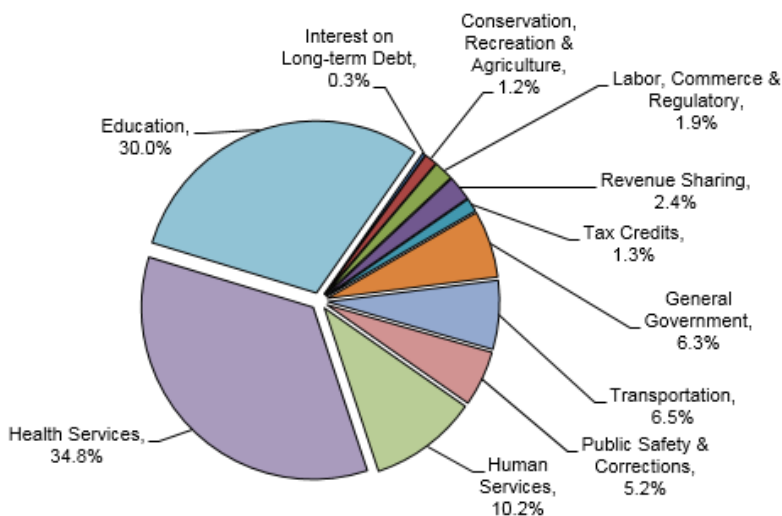
Revenues to fund governmental activities totaled \$51.3 billion for fiscal year 2015. As shown in the accompanying chart, 39.8 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 25.8 percent for educational and transportation purposes. Only 27.4 percent of the revenues were available for general use.

**Revenues - Governmental Activities for  
Fiscal Year Ending September 30, 2015**  
(\$51.3 billion)



Expenses related to governmental activities totaled \$51.5 billion during fiscal year 2015. The expenses include spending appropriated in prior years, such as capital outlay and work project authorization. As evidenced by the accompanying chart, education and health services represent the governmental activities' largest spending categories, accounting for 64.8 percent of the spending.

**Expenses - Governmental Activities for  
Fiscal Year Ending September 30, 2015**  
(\$51.5 billion)



**Business-type Activities**

The business-type activities' net position increased \$567.1 million (23.5 percent) during the fiscal year. Factors contributing to these results included:

- The Michigan Unemployment Compensation Funds (MUCF) finished the fiscal year with an increase in net position of \$562.1 million (23.3 percent). The increase in the net position of these funds is primarily related to a decrease in unemployment benefit payments and an increase in investment revenue.
- The State Lottery Fund's net position increased \$5.2 million (79.7 percent). The increase in net position is primarily the result of increased ticket sales.

**FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

As the State completed the year, its governmental funds reported fund balances of \$5.8 billion. Of this amount, \$694.7 million constitutes unassigned fund balance in the General Fund, which is available to appropriate in future years. Of the total governmental fund balances, \$1.1 billion is in nonspendable form made up of amounts legally or contractually required to be maintained intact including permanent fund endowments and assets that will not be converted to cash in the short term including consumable inventories. Another \$2.4 billion of the governmental fund balances are restricted for specific purposes by enabling legislation, the majority of which is legally restricted for capital projects. Committed governmental fund balances totaled \$1.5 billion as of the end of the fiscal year representing funding set aside for multi-year projects and earmarked revenue carried forward with legislative authority for specific ongoing programs. Another \$176.4 million of the governmental fund balances are assigned for encumbered services and goods to be received after the end of the fiscal year. Two capital projects funds reported negative unassigned fund balances totaling \$57.0 million due to expenditures incurred in advance of bonding proceeds which will be received after the end of the fiscal year.

**General Fund**

The General Fund is the chief operating fund of the State. At the end of fiscal year 2015, the General Fund total fund balance was \$2.5 billion, of which \$694.7 million was unassigned and, therefore, available for appropriation. Higher than anticipated revenues and spending reductions helped the General Fund finish the year with an increase in fund balance of \$407.2 million (19.5 percent) from the fiscal year 2014 ending total fund balance. Included within the General Fund's committed fund balance is \$498.1 million in the Counter-Cyclical Budget and Economic Stabilization Fund. This fund, also referred to as the Rainy Day Fund, is used to stabilize government programs in times of economic downturn.

**General Fund Budgetary Highlights:**

The original enacted fiscal year 2015 general fund budget was \$34.0 billion. During the year, various positive and negative supplemental appropriations were enacted, resulting in a final enacted budget of \$33.6 billion. The difference between the final enacted budget of \$33.6 billion and actual spending and encumbrances of \$33.3 billion resulted from spending authority net lapses of \$201.6 million and restricted revenue authorized, but not spent, totaling \$30.6 million. At fiscal year-end, excess restricted revenue of \$1.2 billion was carried forward into fiscal year 2016 and is available for appropriation. All agencies finished the year with net lapses.

**School Aid Fund**

Fund balance at September 30, 2015, totaled \$275.1 million, a decrease of \$247.4 million from the prior year. Revenues and transfers to the fund totaled \$13.6 billion, up \$207.3 million from the prior year. In fiscal year 2015, tax revenues deposited in the fund increased \$298.7 million. Federal funds collected by the School Aid fund were down \$16.8 million over the prior year. Expenditures and transfers to other funds totaled \$13.9 billion, an increase of \$423.7 million over the previous year. The School Aid Stabilization Fund ended the year with \$190.2 million in restricted fund balance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** At the end of the fiscal year 2015, the State had invested \$22.9 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$282.3 million.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014*	2015	2014	2015	2014*
Land	\$ 3,515.4	\$ 3,495.4	\$ -	\$ -	\$ 3,515.4	\$ 3,495.4
Land improvements and other assets	166.8	152.8	-	-	166.8	152.8
Land rights	67.3	65.1	-	-	67.3	65.1
Buildings and improvements	1,791.4	1,885.1	-	-	1,791.4	1,885.1
Equipment	170.9	169.3	1.5	0.5	172.4	169.8
Computer software	538.5	438.9	0.1	0.1	538.6	439.0
Infrastructure	14,489.0	14,480.3	-	-	14,489.0	14,480.3
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	20,759.1	20,706.7	1.6	0.6	20,760.7	20,707.3
Construction in progress	2,140.6	1,848.5	-	-	2,140.6	1,848.5
Total	<u>\$ 22,899.6</u>	<u>\$ 22,555.0</u>	<u>\$ 1.6</u>	<u>\$ 0.6</u>	<u>\$ 22,901.2</u>	<u>\$ 22,555.7</u>

\*Prior year columns have been restated. More detailed information regarding the restatement can be found on page 69.

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

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,448 lane miles of roads and 4,826 bridges (spans in excess of 20 feet).

The State has maintained the assessed condition of roads over the past five years. The State's goal is to have more than 70% of roads in fair to excellent condition. The most recent condition assessment, completed for calendar year 2014, indicated that 77.2% of roads were considered fair or better.

The State's bridges have assessed conditions that are better than the established benchmarks. The most recent assessment (2015) indicated that the condition of the bridges improved from the prior year. For fiscal year 2015, 94.3% of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of \$194.3 million for fiscal year 2015. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

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

## Michigan

### Outstanding Bonded Debt as of September 30 (In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds (backed by the State)	\$ 1,734.2	\$ 1,942.4	\$ -	\$ -	\$ 1,734.2	\$ 1,942.4
Revenue bonds and notes (backed by specific tax and fee revenues)	4,936.1	5,075.0	-	-	4,936.1	5,075.0
Total	<u>\$ 6,670.3</u>	<u>\$ 7,017.4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,670.3</u>	<u>\$ 7,017.4</u>

During the year, SBA issued bonds and bond anticipation notes totaling \$178.0 million. The State and SBA had refunding on bonds totaling \$969.8 million. From the refunding bond proceeds, the State paid \$1.1 billion to bond escrow agents to cover future debt service payments. The proceeds from the new bonds will provide funding for MDOT construction projects and state-owned and university-owned buildings.

#### **Bond Ratings**

The State's general obligations are rated AA stable outlook by Fitch, AA- stable outlook by Standard & Poor's, and Aa1 stable outlook by Moody's.

#### **Limitations on Debt**

The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. In fiscal year 2015, the State did not issue any general obligation short-term notes.

### **ECONOMIC CONDITION AND OUTLOOK**

The U.S. economy has grown in each of the past six years as measured by real gross domestic product (GDP); however, the rate of growth has not been as strong as it was prior to the Great Recession. Based on actual data from 2010 to 2014, along with the estimated rate for 2015, the average rate during these six years was 2.1 percent, which is down from the 2.7 percent rate of growth averaged from 2002-2007. U.S. employment increased an estimated 2.0 percent in 2015, slightly faster than the 1.9 percent rate of growth experienced in 2014. U.S. employment has increased an estimated 11.5 million jobs over the last five years to a new all-time high level.

The light vehicle sector, which remains a key component of the Michigan economy, has recovered markedly. After falling to a 27-year low of 10.4 million units in 2009, light vehicle sales rose to an estimated 16.9 million units in 2015. Estimated 2015 light vehicle sales are 1.2 percent higher than average annual light vehicle sales in the ten years directly prior to the Great Recession. The U.S. housing market has improved after collapsing during the Great Recession, but still remains at historically low levels. In 2014, housing starts rose above 1.0 million for the first time in seven years. Starts rose an estimated 14.2 percent in 2015. Despite these increases, estimated 2015 housing starts remain 33.4 percent below average annual starts in the ten years directly before the Great Recession.

In 2014, Michigan payroll employment increased by 70,400 jobs or 1.7 percent and, in 2015, it is estimated that employment increased another 83,000 jobs or 2.0 percent. Over the past five years, State employment has risen by 399,700 jobs or 10.3 percent. While employment in Michigan has been increasing, it still remains substantially below the pre-recession peak level (-8.8 percent). Through the first nine months of 2015, Michigan's unemployment rate averaged 5.5 percent, which is down 1.8 percentage points from the average for the first nine months of 2014. In September 2015, Michigan's monthly unemployment rate fell below the U.S. rate for the first time since August 2000. Michigan personal income increased an estimated 4.6 percent in 2015 and wage and salary payments, the largest component of personal income, also rose an estimated 4.6 percent. With overall prices decreasing an estimated 0.5 percent in 2015, as measured by the Detroit CPI, real (inflation adjusted) personal income increased 5.1 percent.

In 2016, U.S. GDP is expected to increase 2.8 percent. Light vehicle sales are projected to increase to 17.1 million units in 2016, which would mark the seventh consecutive annual increase. In addition, housing starts are projected to total 1.32 million units, which despite representing a strong 15.5 percent increase, would still reflect a historically low level. In 2016, Michigan personal income is expected to increase by 4.4 percent while wages and salaries are expected to grow 3.3 percent. With inflation forecast to be 1.9 percent, real personal income is projected to increase 2.4 percent in 2016. Michigan payroll employment is projected to rise 1.2 percent in 2016, which would mark the State's sixth straight annual employment increase.



**CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT**

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

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



## **FINANCIAL SECTION**

### **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2015

(In Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 4,697	\$ 11,277	\$ 15,974	\$ 1,184,795
Equity in common cash (Note 5)	3,513,624	192,415	3,706,039	945,470
Taxes, interest, and penalties receivable (Note 6)	4,577,377	-	4,577,377	-
Internal balances	21,053	(21,053)	-	-
Amounts due from component units	23,953	256	24,209	13,171
Amounts due from primary government	-	-	-	290,244
Amounts due from federal government	1,748,125	807	1,748,932	63,473
Amounts due from local units	253,515	32,400	285,915	1,140,705
Inventories	29,699	16,026	45,725	20,851
Investments (Note 8)	229,391	2,698,582	2,927,973	1,663,291
Other current assets	1,153,583	532,430	1,686,012	557,445
Total Current Assets	11,555,015	3,463,142	15,018,157	5,879,445
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	-	192,190
Investments	-	-	-	652,575
Mortgages and loans receivable	-	-	-	25,742
Taxes, interest, and penalties receivable (Note 6)	278,316	-	278,316	-
Advances to primary government	-	-	-	1,354,541
Amounts due from federal government	9,390	-	9,390	-
Amounts due from local units	1,596,571	-	1,596,571	5,930,653
Mortgages and loans receivable	-	-	-	2,989,055
Investments (Note 8)	1,114,506	194,166	1,308,672	4,081,838
Land and property held for resale	-	-	-	13,056
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,618,648	-	3,618,648	254,199
Buildings, equipment, and other depreciable assets	6,806,640	6,405	6,813,045	6,292,131
Less accumulated depreciation	(3,583,723)	(4,849)	(3,588,572)	(2,610,956)
Infrastructure	13,917,498	-	13,917,498	102,950
Construction in progress	2,140,577	-	2,140,577	200,382
Total capital assets	22,899,640	1,557	22,901,196	4,238,707
Interest in joint ventures (Note 7)	39,633	-	39,633	-
Other noncurrent assets	49,117	27,610	76,727	500,627
Total Noncurrent Assets	25,987,173	223,333	26,210,505	19,978,985
Total Assets	\$ 37,542,188	\$ 3,686,475	\$ 41,228,662	\$ 25,858,430
<b>DEFERRED OUTFLOWS OF RESOURCES</b> (Note 27)	\$ 1,040,293	\$ 6,551	\$ 1,046,844	\$ 305,198

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

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants outstanding	\$ 59,337	\$ 5,039	\$ 64,376	\$ 437
Accounts payable and other liabilities	3,905,215	424,960	4,330,175	539,031
Income tax refunds payable (Note 16)	875,693	-	875,693	-
Amounts due to component units	303,539	3	303,542	12,098
Amounts due to primary government	-	-	-	6,509
Bonds and notes payable (Notes 13 and 14)	480,600	-	480,600	1,978,778
Interest payable	102,580	-	102,580	186,712
Unearned revenue	102,813	517	103,330	85,049
Current portion of other long-term obligations (Note 15)	312,864	1,546	314,409	286,665
Total Current Liabilities	6,142,641	432,064	6,574,705	3,095,277
Noncurrent Liabilities:				
Advances from component units	1,114,503	-	1,114,503	-
Prize awards payable (Note 15)	-	178,340	178,340	-
Unearned revenue	283,877	-	283,877	11,243
Bonds and notes payable (Notes 13 and 14)	6,530,635	-	6,530,635	14,044,522
Noncurrent portion of other long-term obligations (Note 15)	9,559,026	98,943	9,657,969	2,311,059
Total Noncurrent Liabilities	17,488,042	277,282	17,765,324	16,366,824
Total Liabilities	\$ 23,630,683	\$ 709,347	\$ 24,340,030	\$ 19,462,101
<b>DEFERRED INFLOWS OF RESOURCES (Note 27)</b>	\$ 667,254	\$ 4,423	\$ 671,677	\$ 80,955
<b>NET POSITION</b>				
Net investment in capital assets	\$ 20,578,869	\$ 1,557	\$ 20,580,426	\$ 2,412,479
Restricted For (Note 22):				
Education	771,487	-	771,487	124,184
Construction and debt service	-	-	-	4,428,368
Public safety and corrections	17,330	-	17,330	-
Conservation, environment, recreation, and agriculture	316,370	-	316,370	-
Health and human services	45,645	-	45,645	-
Transportation	1,019,762	-	1,019,762	-
Unemployment compensation	-	2,977,749	2,977,749	-
Labor, commerce, and regulatory	154,658	-	154,658	-
Other purposes	109,221	11,812	121,033	978,013
Funds Held as Permanent Investments:				
Expendable	210,467	-	210,467	218,790
Nonexpendable	1,002,773	-	1,002,773	418,474
Unrestricted	(9,942,038)	(11,862)	(9,953,900)	(1,959,735)
Total Net Position	\$ 14,284,544	\$ 2,979,255	\$ 17,263,800	\$ 6,620,572

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

Functions/Programs	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 3,240,918	\$ 666,648	\$ 155,632	\$ 11,418
Education	15,452,338	(3,752)	1,874,183	-
Human services	5,259,337	85,532	4,202,370	-
Public safety and corrections	2,685,500	163,821	161,258	16,632
Conservation, environment, recreation, and agriculture	609,306	301,529	133,156	2,197
Labor, commerce, and regulatory	953,030	749,576	191,006	58
Health services	17,931,541	77,236	13,172,849	-
Transportation	3,325,519	100,403	540,576	896,364
Tax credits (Note 16)	662,400	-	-	-
Intergovernmental-revenue sharing	1,210,557	-	-	-
Interest on long-term debt	162,859	-	-	-
Total governmental activities	<u>51,493,305</u>	<u>2,140,993</u>	<u>20,431,030</u>	<u>926,670</u>
Business-type Activities:				
Liquor Purchase Revolving Fund	825,796	1,021,890	-	-
State Lottery Fund	1,990,582	2,785,133	13,009	-
Attorney Discipline System	4,710	4,024	-	-
Michigan Unemployment Compensation Funds	<u>952,773</u>	<u>1,461,988</u>	<u>54,619</u>	<u>-</u>
Total business-type activities	<u>3,773,861</u>	<u>5,273,035</u>	<u>67,628</u>	<u>-</u>
Total primary government	<u>\$ 55,267,166</u>	<u>\$ 7,414,028</u>	<u>\$ 20,498,658</u>	<u>\$ 926,670</u>
Total component units	<u>\$ 5,102,547</u>	<u>\$ 3,054,831</u>	<u>\$ 1,485,746</u>	<u>\$ 15,023</u>

## General Revenues:

## Taxes:

## General:

Sales and use  
 Personal income  
 Single business, Michigan business, and corporate income  
 Tobacco products  
 Beer, wine, and liquor  
 Insurance company  
 Quality assurance assessment  
 Penalties and interest  
 Other

## Restricted For Educational Purposes:

Sales and use  
 Personal income  
 Education, property, and real estate transfers  
 Tobacco products  
 Beer, wine, and liquor  
 Casino gaming wagering  
 Other

## Restricted For Transportation Purposes:

Sales and use  
 Gasoline and diesel fuel  
 Motor vehicle weight  
 Other

## Unrestricted investment and interest earnings

## Miscellaneous

## Payments from State of Michigan

## Contributions to permanent fund principal

## Transfers

## Total general and other revenue, payments, and transfers

## Change in net position

## Net position-beginning-restated

## Net position-ending

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

NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
\$ (2,407,220)	\$ -	\$ (2,407,220)	\$ -
(13,581,907)	-	(13,581,907)	-
(971,435)	-	(971,435)	-
(2,343,789)	-	(2,343,789)	-
(172,423)	-	(172,423)	-
(12,390)	-	(12,390)	-
(4,681,457)	-	(4,681,457)	-
(1,788,176)	-	(1,788,176)	-
(662,400)	-	(662,400)	-
(1,210,557)	-	(1,210,557)	-
(162,859)	-	(162,859)	-
(27,994,612)	-	(27,994,612)	-
-	196,094	196,094	-
-	807,560	807,560	-
-	(686)	(686)	-
-	563,834	563,834	-
-	1,566,801	1,566,801	-
(27,994,612)	1,566,801	(26,427,810)	-
-	-	-	(546,947)
3,250,886	-	3,250,886	-
7,260,820	-	7,260,820	-
892,039	-	892,039	-
586,133	-	586,133	-
144,449	-	144,449	-
322,988	-	322,988	-
1,017,823	-	1,017,823	-
131,601	-	131,601	-
433,640	-	433,640	-
5,905,831	-	5,905,831	-
2,557,141	-	2,557,141	-
2,110,325	-	2,110,325	-
360,645	-	360,645	-
48,706	-	48,706	-
110,785	-	110,785	-
61,643	-	61,643	-
90,806	-	90,806	-
1,003,958	-	1,003,958	-
977,958	-	977,958	-
6,383	-	6,383	-
1,187	133	1,320	69,942
500,891	1	500,892	394,233
-	-	-	879,128
18,261	-	18,261	-
999,812	(999,812)	-	-
28,794,710	(999,677)	27,795,033	1,343,302
800,098	567,124	1,367,223	796,355
13,484,446	2,412,131	15,896,577	5,824,217
\$ 14,284,544	\$ 2,979,255	\$ 17,263,800	\$ 6,620,572





## GOVERNMENTAL FUND FINANCIAL STATEMENTS



### Major Funds

#### GENERAL FUND

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

#### SCHOOL AID FUND

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

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

### Non-Major Funds

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 4,544	\$ 12	\$ 141	\$ 4,696
Equity in common cash (Note 5)	1,354,799	-	1,815,921	3,170,720
Taxes, interest, and penalties receivable (Note 6)	2,460,031	2,011,637	105,709	4,577,377
Amounts due from other funds (Note 18)	1,308,922	20,118	54,214	1,383,254
Amounts due from component units	19,761	-	4,154	23,916
Amounts due from federal agencies	1,376,213	56,598	315,313	1,748,125
Amounts due from local units	143,691	34,031	75,792	253,515
Inventories	6,152	-	13,938	20,090
Investments (Note 8)	-	-	229,391	229,391
Other current assets	879,237	2,156	247,445	1,128,838
Total Current Assets	7,553,350	2,124,552	2,862,019	12,539,921
Noncurrent Assets:				
Taxes, interest, and penalties receivable (Note 6)	213,745	62,054	2,518	278,316
Advances to other funds (Note 18)	2,239	-	-	2,239
Amounts due from federal agencies	9,390	-	-	9,390
Amounts due from local units	1,540,450	3,743	52,378	1,596,571
Investments (Note 8)	-	-	1,114,506	1,114,506
Other noncurrent assets	14,563	-	4,379	18,942
Total Noncurrent Assets	1,780,386	65,797	1,173,781	3,019,964
Total Assets	\$ 9,333,736	\$ 2,190,349	\$ 4,035,800	\$ 15,559,886
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants outstanding	\$ 54,459	\$ 503	\$ 4,021	\$ 58,982
Accounts payable and other liabilities (Note 23)	2,947,430	141,186	648,263	3,736,879
Income tax refunds payable (Note 16)	875,693	-	-	875,693
Amounts due to other funds (Note 18)	65,145	1,287,774	79,082	1,432,001
Amounts due to component units	1,130	-	57,211	58,341
Bonds and notes payable	-	-	32,380	32,380
Unearned revenue	71,133	-	10,321	81,453
Total Current Liabilities	4,014,990	1,429,463	831,277	6,275,730
Long-Term Liabilities:				
Advances from component units	1,114,503	-	-	1,114,503
Unearned revenue	10,761	-	76	10,837
Total Long-Term Liabilities	1,125,264	-	76	1,125,340
Total Liabilities	5,140,254	1,429,463	831,353	7,401,070
DEFERRED INFLOWS OF RESOURCES (Note 27)	1,702,221	485,794	178,046	2,366,061
<b>FUND BALANCES</b>				
Nonspendable	115,937	-	1,016,322	1,132,259
Restricted	395,945	275,093	1,714,330	2,385,368
Committed	1,108,240	-	352,699	1,460,939
Assigned	176,405	-	-	176,405
Unassigned (Note 21)	694,734	-	(56,951)	637,783
Total Fund Balances (Note 22)	2,491,262	275,093	3,026,401	5,792,755
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,333,736	\$ 2,190,349	\$ 4,035,800	\$ 15,559,886

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

(In Thousands)

Total fund balances for governmental funds		\$ 5,792,755
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 9)		
Land and other non-depreciable assets	3,609,478	
Buildings, equipment, and other depreciable assets	5,646,019	
Infrastructure	13,917,498	
Construction in progress	2,140,577	
Interest in joint ventures	39,633	
Accumulated depreciation	(2,861,395)	22,491,811
Certain tax revenues are earned but not available and therefore are reported as deferred inflows of resources in the funds.		1,861,989
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		504,072
Amounts due to component units for long-term loans.		(245,174)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		19,955
Pension related assets are not available in the current period and therefore are not reported in the funds.		27,645
Deferred outflows of resources not reported in the funds:		
Refunding of debt		64,543
Pension related		933,124
Debt issuance costs are reported as current expenditures in the funds. However, certain debt issuance costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		1,780
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 15)		
Capital lease obligations	(405,613)	
Compensated absences	(392,263)	
Workers' compensation	(69,365)	
Litigation	(284,450)	
Net pension liability	(5,408,722)	
Net pension obligations	(16,840)	
Net other postemployment benefits	(2,709,676)	
Pollution remediation	(158,312)	
Pension supplement	(4,179)	(9,449,420)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, unamortized discounts, and accrued interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement. (Note 13)		
Bonds and notes payable	(6,670,276)	
Unamortized premiums	(311,980)	
Unamortized discounts	3,400	
Accrued interest payable	(100,429)	(7,079,284)
Deferred inflows of resources not reported in the funds:		
Unavailable resources		14,938
Refunding of debt		(7,938)
Pension related		(646,250)
Net position of governmental activities		<u>\$ 14,284,544</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
<b>REVENUES</b>				
Taxes	\$ 13,929,477	\$ 11,167,518	\$ 2,079,345	\$ 27,176,341
From federal agencies	17,934,609	1,606,466	1,555,125	21,096,200
From local agencies	90,672	-	14,597	105,270
From services	322,608	-	7,900	330,508
From licenses and permits	313,569	-	213,931	527,500
Special Medicaid reimbursements	120,904	-	-	120,904
Miscellaneous	793,904	20,190	920,236	1,734,331
Total Revenues	33,505,743	12,794,174	4,791,135	51,091,052
<b>EXPENDITURES</b>				
Current:				
General government	2,328,510	9,498	403,126	2,741,135
Education	1,547,351	13,819,039	127,269	15,493,658
Human services	5,269,722	-	31,546	5,301,268
Public safety and corrections	2,704,012	-	3,187	2,707,199
Conservation, environment, recreation, and agriculture	364,142	-	251,514	615,656
Labor, commerce, and regulatory	312,744	-	665,260	978,003
Health services	17,917,560	-	68,330	17,985,890
Transportation	154,968	-	2,449,161	2,604,129
Tax credits (Note 16)	662,400	-	-	662,400
Capital outlay	229,206	-	930,936	1,160,142
Intergovernmental-revenue sharing	1,210,557	-	-	1,210,557
Debt service:				
Bond principal retirement	-	-	468,085	468,085
Bond interest and fiscal charges	-	-	305,687	305,687
Capital lease payments	65,699	-	1,240	66,939
Total Expenditures	32,766,871	13,828,537	5,705,342	52,300,750
Excess of Revenues over (under) Expenditures	738,872	(1,034,363)	(914,206)	(1,209,697)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and bond anticipation notes issued	-	-	177,965	177,965
Refunding bonds issued	-	-	969,870	969,870
Premium on bond issuance	-	-	156,548	156,548
Discount on bond issuance	-	-	(298)	(298)
Payment to refunded bond escrow agent	-	-	(1,107,996)	(1,107,996)
Capital lease acquisitions	25,298	-	75	25,373
Proceeds from sale of capital assets	3,008	-	2,242	5,250
Transfers from other funds (Note 20)	251,668	829,202	1,943,900	3,024,769
Transfers to other funds (Note 20)	(611,636)	(42,275)	(1,363,861)	(2,017,772)
Total Other Financing Sources (Uses)	(331,662)	786,927	778,444	1,233,709
Net changes in fund balances	407,210	(247,436)	(135,762)	24,011
Fund Balances - Beginning of fiscal year	2,084,052	522,529	3,162,162	5,768,743
Fund Balances - End of fiscal year	\$ 2,491,262	\$ 275,093	\$ 3,026,401	\$ 5,792,755

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

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

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

Net change in fund balance - total governmental funds \$ 24,011

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  
(Note 9)

Land and other non-depreciable assets	22,267	
Buildings, equipment, and other depreciable assets	133,116	
Infrastructure	(1,837)	
Construction in progress	292,118	
Gain on disposal of capital assets	6,552	
Accumulated depreciation	<u>(205,597)</u>	246,619

Certain revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities. (43,612)

Amount due to component units for long-term loans are not reported in the funds as they are not due and payable. (13,384)

Increase in equity interest in joint ventures. (Note 7) 4,975

Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities. 102,123

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 9,709

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Position. This is the amount proceeds exceed repayments. (Note 13)

Bond proceeds and premiums received	(1,304,383)	
Repayment of bond principal	468,085	
Payment to refunded bond escrow agent	1,107,996	
Discount on bond issuances	298	
Accrued interest and amortization	<u>(12,064)</u>	259,933

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. Some expenditures reported in the funds either increase or decrease long-term obligations reported in the Statement of Net Position.

In the current year, these amounts related to:

Net pension obligation	(1,549)	
Net other postemployment benefit obligation	(484)	
Pension costs, net	143,472	
Capital lease payments	25,921	
Compensated absences payments	6,206	
Litigation recoveries, settlements and payments	2,822	
Pollution remediation obligations	4,874	
Workers' compensation	10,031	
Pension supplement	15,450	
Other	<u>2,983</u>	209,726

Change in net position of governmental activities \$ 800,098

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



## PROPRIETARY FUND FINANCIAL STATEMENTS



### Major Funds

#### STATE LOTTERY FUND

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

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

#### MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

The columns for the Michigan Unemployment Compensation Funds reflect the activity of two funds administered by the Unemployment Insurance Agency: the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund. The Michigan Unemployment Compensation Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. The fund also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, a special revenue fund. Executive Order 2014-12, established the Department of Talent and Economic Development (TED) and transferred the Unemployment Insurance Agency from the Department of Licensing and Regulatory Affairs to TED.

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

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

### Non-Major Funds

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

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



**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR			TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
ASSETS					
Current Assets:					
Cash	\$ 2	\$ 10,779	\$ 496	\$ 11,277	\$ -
Equity in common cash (Note 5)	4,545	110,508	77,362	192,415	342,904
Amounts due from other funds (Note 18)	-	2,532	-	2,532	7,883
Amounts due from component units	-	256	-	256	37
Amounts due from federal agencies	-	807	-	807	-
Amounts due from local units	-	32,400	-	32,400	-
Inventories	11,210	-	4,816	16,026	9,609
Investments (Note 8)	22,889	2,670,683	5,010	2,698,582	-
Other current assets	298,294	225,022	9,114	532,430	21,691
Total Current Assets	336,940	3,052,988	96,799	3,486,727	382,125
Noncurrent Assets:					
Investments (Note 8)	194,166	-	-	194,166	-
Capital Assets (Note 9):					
Land and other non depreciable assets	-	-	-	-	9,170
Buildings and equipment	5,847	-	558	6,405	1,160,621
Allowance for depreciation	(4,323)	-	(526)	(4,849)	(722,329)
Total capital assets	1,524	-	32	1,557	447,462
Other noncurrent assets	-	27,500	110	27,610	750
Total Noncurrent Assets	195,690	27,500	143	223,333	448,212
Total Assets	\$ 532,630	\$ 3,080,488	\$ 96,942	\$ 3,710,060	\$ 830,336
DEFERRED OUTFLOWS OF RESOURCES	\$ 3,645	\$ -	\$ 2,905	\$ 6,551	\$ 42,626
LIABILITIES					
Current Liabilities:					
Warrants outstanding	\$ 1,808	\$ -	\$ 3,231	\$ 5,039	\$ 355
Accounts payable and other liabilities (Note 23)	298,991	39,307	86,085	424,384	91,286
Amounts due to other funds (Note 18)	20,449	3,467	245	24,161	7,901
Amounts due to component units	-	3	-	3	25
Interest payable	-	-	-	-	2,150
Unearned revenue	-	-	517	517	21,359
Current portion of other long-term obligations (Note 15)	873	-	673	1,546	61,680
Total Current Liabilities	322,121	42,777	90,751	455,649	184,756
Long-Term Liabilities:					
Advances from other funds (Note 18)	-	-	-	-	2,239
Prize awards payable	178,340	-	-	178,340	-
Unearned revenue	-	-	-	-	273,040
Noncurrent portion of other long-term obligations (Note 15)	21,572	59,962	17,410	98,943	364,969
Total Long-Term Liabilities	199,911	59,962	17,410	277,282	640,248
Total Liabilities	\$ 522,033	\$ 102,739	\$ 108,160	\$ 732,932	\$ 825,004
DEFERRED INFLOWS OF RESOURCES	\$ 2,431	\$ -	\$ 1,992	\$ 4,423	\$ 28,003
NET POSITION					
Net investment in capital assets	\$ 1,524	\$ -	\$ 32	\$ 1,557	\$ 426,973
Restricted For:					
Unemployment compensation	-	2,977,749	-	2,977,749	-
Other purposes	11,812	-	-	11,812	5,455
Unrestricted	(1,524)	-	(10,338)	(11,862)	(412,473)
Total Net Position	\$ 11,812	\$ 2,977,749	\$ (10,306)	\$ 2,979,255	\$ 19,955

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

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

## PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	TOTALS	
OPERATING REVENUES					
Operating revenues	\$ 2,785,133	\$ 1,461,988	\$ 1,025,914	\$ 5,273,035	\$ 1,624,517
Total Operating Revenues	2,785,133	1,461,988	1,025,914	5,273,035	1,624,517
OPERATING EXPENSES					
Salaries, wages, and other administrative	316,393	5	82,124	398,522	684,911
Interest expense	2	-	-	2	-
Depreciation	257	-	12	268	76,208
Purchases for resale	-	-	746,510	746,510	70,132
Purchases for prison industries	-	-	-	-	8,112
Lottery prize awards	1,665,451	-	-	1,665,451	-
Premiums and claims	-	-	19	19	702,580
Unemployment benefits	-	945,234	-	945,234	-
Other operating expenses	-	7,535	975	8,509	57,157
Total Operating Expenses	1,982,102	952,773	829,640	3,764,515	1,599,101
Operating Income (Loss)	803,030	509,215	196,275	1,508,520	25,416
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	82	-	133	216	278
Investment revenue (expense) - net	12,927	53,770	-	66,697	-
Other nonoperating revenues	-	848	1	849	2,040
Amortization of prize award obligation discount	(8,475)	-	-	(8,475)	-
Interest expense	(5)	-	-	(5)	(313)
Other nonoperating expense	-	-	(867)	(867)	(10,754)
Total Nonoperating Revenues (Expenses)	4,530	54,619	(732)	58,416	(8,749)
Income (Loss) Before Transfers	807,560	563,834	195,542	1,566,936	16,667
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Transfers To:					
School Aid Fund	(795,502)	-	-	(795,502)	-
Other funds	(6,820)	(1,770)	(195,720)	(204,310)	(6,958)
Total transfers to other funds	(802,322)	(1,770)	(195,720)	(999,812)	(6,958)
Change in net position	5,238	562,063	(177)	567,124	9,709
Total net position - Beginning of fiscal year - restated	6,574	2,415,686	(10,128)	2,412,131	10,246
Total net position - End of fiscal year	\$ 11,812	\$ 2,977,749	\$ (10,306)	\$ 2,979,255	\$ 19,955

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

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS					
	MAJOR					GOVERNMENTAL
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	TOTALS		ACTIVITIES -- INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from federal and local agencies	\$ -	\$ 11,084	\$ -	\$ 11,084	\$ -	
Receipts from customers	2,582,980	1,482,607	1,021,890	5,087,476	1,688,864	
Membership dues	-	-	3,940	3,940	-	
Payments to employees	(22,194)	-	(21,257)	(43,451)	(247,812)	
Payments to suppliers	(52,631)	-	(801,040)	(853,672)	(940,212)	
Payments to prize winners	(1,498,193)	-	-	(1,498,193)	-	
Payments for commissions to retailers	(246,217)	-	-	(246,217)	-	
Claims paid	-	(935,152)	-	(935,152)	(337,775)	
Other receipts	-	36,910	715	37,625	1,000	
Other payments	-	(5)	(2,156)	(2,161)	(3,056)	
Net cash provided (used)						
by operating activities	\$ 763,744	\$ 595,443	\$ 202,091	\$ 1,561,278	\$ 161,009	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Advances from federal government	\$ -	\$ 848	\$ -	\$ 848	\$ -	
Loans or loan repayments from other funds	(788,006)	-	-	(788,006)	10,671	
Loans or loan repayments to other funds	-	-	-	-	(10,900)	
Transfers to other funds	(2,957)	(1,770)	(195,720)	(200,447)	(6,958)	
Net cash provided (used)						
by noncapital financing activities	\$ (790,963)	\$ (922)	\$ (195,720)	\$ (987,605)	\$ (7,186)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	\$ (1,209)	\$ -	\$ (17)	\$ (1,226)	\$ (122,913)	
Interest paid	-	-	-	-	(7)	
Capital lease payments						
(including imputed interest expense)	-	-	-	-	(11,004)	
Proceeds from sale of capital assets	-	-	-	-	82	
Net cash provided (used) by capital						
and related financing activities	\$ (1,209)	\$ -	\$ (17)	\$ (1,226)	\$ (133,843)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sales and maturities of						
investment securities	\$ 29,360	\$ -	\$ -	\$ 29,360	\$ -	
Purchase of investment securities	(1,028)	(604,783)	-	(605,810)	-	
Sale of investment securities	-	-	236	236	-	
Interest and dividends on investments	82	53,770	133	53,986	278	
Expenses from securities lending activities	(5)	-	-	(5)	-	
Net cash provided (used)						
by investing activities	\$ 28,410	\$ (551,013)	\$ 369	\$ (522,233)	\$ 278	
Net cash provided (used) - all activities	\$ (18)	\$ 43,509	\$ 6,724	\$ 50,215	\$ 20,257	
Cash and cash equivalents						
at beginning of year	2,757	77,778	67,904	148,439	322,292	
Cash and cash equivalents						
at end of year	\$ 2,739	\$ 121,287	\$ 74,627	\$ 198,653	\$ 342,549	

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

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	TOTALS	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>					
Per Statement of Net Position Classifications:					
Cash	\$ 2	\$ 10,779	\$ 496	\$ 11,277	\$ -
Equity in common cash	4,545	110,508	77,362	192,415	342,904
Warrants outstanding	(1,808)	-	(3,231)	(5,039)	(355)
Cash and cash equivalents at end of year	<u>\$ 2,739</u>	<u>\$ 121,287</u>	<u>\$ 74,627</u>	<u>\$ 198,653</u>	<u>\$ 342,549</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 803,030	\$ 509,215	\$ 196,275	\$ 1,508,520	\$ 25,416
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	257	-	19	275	76,208
Pension expense	2,342	-	1,920	4,262	26,982
Deferred Outflows - contributions subsequent to measurement date	(3,045)	-	(2,413)	(5,458)	(35,712)
Amortization of prize award obligation discount	(8,475)	-	-	(8,475)	-
Other nonoperating revenue	-	-	1	1	-
Other nonoperating expense	-	-	(867)	(867)	-
Other reconciling items	172	-	-	172	894
Net Changes in Assets and Liabilities:					
Inventories	(2,814)	-	3,123	308	883
Other assets (net)	(202,153)	68,683	(2,543)	(136,013)	503
Accounts payable and other liabilities	(1,302)	17,546	6,565	22,808	1,818
Prize awards payable	175,733	-	-	175,733	-
Unearned revenue	-	-	12	12	64,016
Net cash provided (used) by operating activities	<u>\$ 763,744</u>	<u>\$ 595,443</u>	<u>\$ 202,091</u>	<u>\$ 1,561,278</u>	<u>\$ 161,009</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>					
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ -	\$ -	\$ 15,643
Capital lease liabilities entered into during the year	-	-	-	-	(15,643)
Increase (decrease) in fair value of investments	4,535	-	-	4,535	-
Transfers to other funds (accrual)	(20,118)	(659)	-	(20,776)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(1,821)
Total noncash investing, capital, and financing activities	<u>\$ (15,582)</u>	<u>\$ (659)</u>	<u>\$ -</u>	<u>\$ (16,241)</u>	<u>\$ (1,821)</u>



## FIDUCIARY FUND FINANCIAL STATEMENTS



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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Cash	\$ -	\$ 1,210	\$ 41,133
Equity in common cash (Note 5)	185,674	151,678	4,614
Receivables:			
From participants	214,420	-	-
From employers	361,090	-	-
Other	152,169	-	-
Interest and dividends	7,349	3,041	-
Due from other funds (Note 18)	37,683	-	-
Due from component unit	1,094	-	-
Due from other governmental	30,821	-	-
Sale of investments	170	-	-
Investments at Fair Value (Note 8):			
Short-term investments	2,901,931	-	-
Fixed income	7,235,122	19,874	-
Domestic equities	16,633,038	-	-
Real estate	5,998,682	-	-
Alternative investments	16,186	-	-
Private equity pools	10,004,145	-	-
International equities	8,191,910	-	-
Absolute return	8,731,031	-	-
Mutual funds	954,049	3,799,987	-
Pooled investment funds	3,004,807	-	-
Separate accounts	2,258,312	-	-
Guaranteed funding agreements	-	579,548	-
Securities lending collateral (Note 8)	3,526,749	-	-
Other current assets	-	13,561	6
Other noncurrent assets	-	525	418,731
<b>Total assets</b>	<b>\$ 70,446,431</b>	<b>\$ 4,569,424</b>	<b>\$ 464,484</b>
<b>LIABILITIES</b>			
Warrants outstanding	\$ 684	\$ 4,527	\$ 23
Accounts payable and other liabilities	280,969	7,288	42,678
Amounts due to other funds (Note 18)	36,973	-	3,053
Obligations under security lending	3,526,225	-	-
Unearned revenue	3,183	-	-
Other long-term liabilities	-	-	418,731
<b>Total liabilities</b>	<b>\$ 3,848,033</b>	<b>\$ 11,815</b>	<b>\$ 464,484</b>
<b>NET POSITION</b>			
Restricted for pension, postemployment health-care, deferred compensation participants, and other purposes	<u>\$ 66,598,397</u>	<u>\$ 4,557,609</u>	
Reconciliation of Net Position:			
Restricted for pension benefits (Note 10)	\$ 57,636,015	\$ -	
Restricted for postemployment health-care benefits (Note 11)	5,502,860	-	
Restricted for deferred compensation participants (Note 17)	3,459,522	-	
Restricted for other purposes	-	4,557,609	
<b>Total net position restricted for benefits and other purposes</b>	<b><u>\$ 66,598,397</u></b>	<b><u>\$ 4,557,609</u></b>	

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



**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<b>ADDITIONS</b>		
Contributions:		
From participants	\$ 1,123,762	\$ 502,805
From employers	4,664,345	-
From clients	-	43,727
From gifts, bequests, and endowments	-	30,903
From other plans	8,908	-
From other governmental	51,624	-
From other systems	13,486	-
Investment Income:		
Net increase (decrease) in the fair value of investments	(51,861)	(124,799)
Interest, dividends, and other	1,352,768	94,331
Securities lending income	101,906	-
Less Investment Expense:		
Investment activity expense	178,093	-
Securities lending expense	29,670	-
Net investment income (loss)	1,195,049	(30,468)
Escheated property	-	154,370
Miscellaneous income	4,516	2,542
Total Additions	<u>7,061,690</u>	<u>703,879</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants or beneficiaries	6,134,072	318,445
Medical, dental, and life insurance for retirees	1,235,071	-
Refunds and transfers to other systems	379,520	-
Amounts distributed to clients, claimants, or third parties	-	174,953
Administrative and other expenses	235,457	15,291
Transfers to other plans	8,908	-
Transfers to other funds	193	-
Total Deductions	<u>7,993,221</u>	<u>508,689</u>
Change in net position	(931,531)	195,190
Net position - Beginning of fiscal year	<u>67,529,928</u>	<u>4,362,419</u>
Net position - End of fiscal year	<u>\$ 66,598,397</u>	<u>\$ 4,557,609</u>
Reconciliation of change in net position:		
Change in net position restricted for pension benefits	\$ (1,540,688)	\$ -
Change in net position restricted for postemployment benefits	808,507	-
Change in net position restricted for deferred compensation participants	(199,349)	-
Change in net position restricted for other purposes	-	195,190
Change in net position	<u>\$ (931,531)</u>	<u>\$ 195,190</u>

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



## COMPONENT UNIT FINANCIAL STATEMENTS



### Major Funds

#### MICHIGAN FINANCE AUTHORITY

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

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

#### MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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

#### MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by Michigan Compiled Laws (MCL) Section 125.2005 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. Executive Order 2014-12, issued on December 15, 2014, transferred the Workforce Development Agency from MSF to the Michigan Talent Investment Agency.

MSF is governed by a board of 11 members, which includes the directors (or their designees) of the Departments of Licensing and Regulatory Affairs and Treasury, and the Chief Executive Officer of the Michigan Economic Development Corporation. The Governor, with the advice and consent of the Senate, appoints the other eight members; none of those eight may be an employee of the State.

#### WESTERN MICHIGAN UNIVERSITY

Of the 10 universities included in this report, Western Michigan University is reported as a major component unit. The universities are legally separate entities whose governing boards are appointed by the Governor and for which the State is therefore, defined as legally accountable. Excluded from this report are three other universities (University of Michigan, Michigan State University, and Wayne State University) whose board members are elected by the voters and, therefore, considered separate special purpose governments.

### Non-Major Funds

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

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

**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	AUTHORITIES			
	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	NON-MAJOR
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 284,273	\$ 235,916	\$ 175,706	\$ 182,527
Equity in common cash (Note 5)	625,410	-	286,115	33,946
Amounts due from component units	-	-	10	13,152
Amounts due from primary government	61,124	-	631	6,252
Amounts due from federal government	1,578	-	39,114	2,266
Amounts due from local units	1,140,551	-	60	-
Inventories	-	-	-	616
Investments (Note 8)	1,429,121	115,026	-	23,788
Other current assets	260,556	51,894	48,847	25,765
Total Current Assets	3,802,613	402,837	550,483	288,312
Restricted Assets:				
Cash and cash equivalents	-	-	36,376	62,270
Investments	-	-	-	36,504
Mortgages and loans receivable	-	-	-	-
Advances to primary government	1,354,541	-	-	-
Amounts due from local units	5,930,653	-	-	-
Mortgages and loans receivable	755,259	2,137,290	41,209	9,876
Investments (Note 8)	751,927	810,060	145,077	1,107,848
Land and property held for resale	-	-	-	13,056
Capital Assets (Note 9):				
Land and other non-depreciable assets	-	-	-	943
Buildings, equipment, and other depreciable assets	-	-	-	55,252
Less accumulated depreciation	-	-	-	(34,024)
Infrastructure	-	-	-	102,950
Construction in progress	-	-	-	-
Total capital assets	-	-	-	125,121
Other noncurrent assets	-	69,932	266,002	45,096
Total Assets	\$ 12,594,993	\$ 3,420,119	\$ 1,039,148	\$ 1,688,084
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 27)</b>	\$ 26,247	\$ 140,054	\$ 3,930	\$ 40,391
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants outstanding	\$ -	\$ -	\$ 262	\$ 175
Accounts payable and other liabilities	11,368	61,223	83,396	26,924
Amounts due to component units	-	-	11,664	434
Amounts due to primary government	-	-	24	5,008
Bonds and notes payable (Note 14)	1,804,418	54,270	14,395	23,691
Interest payable	146,368	10,029	6,634	11,387
Unearned revenue	-	-	936	2,611
Current portion of other long-term obligations	25,847	123,200	1,234	113,752
Total Current Liabilities	1,988,001	248,722	118,544	183,982
Unearned revenue	-	-	50	1,177
Bonds and notes payable (Note 14)	9,566,704	1,962,425	381,080	340,297
Noncurrent portion of other long-term obligations	11,066	570,438	32,327	935,054
Total Liabilities	\$ 11,565,770	\$ 2,781,584	\$ 532,002	\$ 1,460,510
<b>DEFERRED INFLOWS OF RESOURCES (Note 27)</b>	\$ 2,760	\$ 16,214	\$ 2,913	\$ 2,978
<b>NET POSITION</b>				
Net investment in capital assets	\$ -	\$ -	\$ -	\$ 123,436
Restricted For:				
Education	-	-	-	-
Construction and debt service	3,889,862	447,654	-	1,049
Other purposes	-	39,797	661,281	43,820
Funds Held as Permanent Investments:				
Expendable	-	-	-	60,903
Nonexpendable	-	-	-	-
Unrestricted	(2,837,151)	274,924	(153,118)	35,779
Total Net Position	\$ 1,052,711	\$ 762,375	\$ 508,163	\$ 264,987

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

STATE UNIVERSITIES		
WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	TOTALS
\$ 63,023	\$ 243,350	\$ 1,184,795
-	-	945,470
-	8	13,171
18,680	203,556	290,244
2,814	17,701	63,473
61	33	1,140,705
2,703	17,532	20,851
22,817	72,539	1,663,291
64,779	105,604	557,445
<u>174,877</u>	<u>660,323</u>	<u>5,879,445</u>
-	93,544	192,190
331,326	284,745	652,575
-	25,742	25,742
-	-	1,354,541
-	-	5,930,653
8,943	36,477	2,989,055
208,376	1,058,549	4,081,838
-	-	13,056
114,795	138,462	254,199
1,168,092	5,068,787	6,292,131
(505,046)	(2,071,886)	(2,610,956)
-	-	102,950
67,987	132,395	200,382
<u>845,828</u>	<u>3,267,758</u>	<u>4,238,707</u>
<u>54,270</u>	<u>65,327</u>	<u>500,627</u>
<u>\$ 1,623,620</u>	<u>\$ 5,492,465</u>	<u>\$ 25,858,430</u>
<u>\$ 17,522</u>	<u>\$ 77,054</u>	<u>\$ 305,198</u>
\$ -	\$ -	\$ 437
69,131	286,989	539,031
-	-	12,098
31	1,446	6,509
16,657	65,346	1,978,778
2,131	10,163	186,712
5,181	76,320	85,049
6,109	16,523	286,665
<u>99,240</u>	<u>456,787</u>	<u>3,095,277</u>
-	10,016	11,243
430,505	1,363,513	14,044,522
280,294	481,881	2,311,059
<u>\$ 810,039</u>	<u>\$ 2,312,197</u>	<u>\$ 19,462,101</u>
<u>\$ 9,095</u>	<u>\$ 46,994</u>	<u>\$ 80,955</u>
\$ 413,912	\$ 1,875,131	\$ 2,412,479
11,854	112,330	124,184
-	89,804	4,428,368
195,382	37,733	978,013
-	157,886	218,790
75,720	342,754	418,474
125,140	594,690	(1,959,735)
<u>\$ 822,008</u>	<u>\$ 3,210,328</u>	<u>\$ 6,620,572</u>

## STATEMENT OF ACTIVITIES

## COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Authorities:					
Michigan Finance Authority	\$ 455,913	\$ 855,934	\$ 238,166	\$ -	\$ 638,187
Michigan State Housing Development Authority	797,389	153,717	652,452	-	8,780
Michigan Strategic Fund	607,180	2,219	283,201	-	(321,761)
Non-Major	188,558	40,303	97,499	1,152	(49,603)
State Universities:					
Western Michigan University	624,704	394,072	29,517	2,484	(198,631)
Non-Major	2,428,803	1,608,586	184,911	11,387	(623,920)
Total	<u>\$ 5,102,547</u>	<u>\$ 3,054,831</u>	<u>\$ 1,485,746</u>	<u>\$ 15,023</u>	<u>\$ (546,947)</u>

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

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
\$ -	\$ -	\$ -	\$ 638,187	\$ 414,523	\$ 1,052,711
23,440	-	-	32,220	730,155	762,375
22,290	291,756	57,549	49,833	458,330	508,163
10,923	-	7,504	(31,177)	296,164	264,987
1,262	102,777	131,195	36,602	785,406	822,008
12,028	484,595	197,986	70,689	3,139,639	3,210,328
<u>\$ 69,942</u>	<u>\$ 879,128</u>	<u>\$ 394,233</u>	<u>\$ 796,355</u>	<u>\$ 5,824,217</u>	<u>\$ 6,620,572</u>

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***Reporting Entity***

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

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

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

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

### **Blended Component Units**

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

The Michigan Settlement Administration Authority (MSAA) was created as a legally separate organization with a three-member governing board consisting of the State Treasurer, the State Budget Director, and one member appointed by the Governor. Since MSAA was created to provide State funding to the retirement systems of the City of Detroit pursuant to certain requirements, it is reported as though it was part of the primary government, using the blending method. Those requirements were met during fiscal year 2015 and the funds were disbursed as required by statute. The Authority was dissolved on May 2, 2015.

### **Discretely Presented Component Units**

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

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

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

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

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

The Land Bank Fast Track Authority (LBFTA) receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

**Michigan**  
**Notes to the Financial Statements**

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

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

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

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

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

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

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

The Venture Michigan Fund is a nonprofit corporation that raises capital and invests that capital in venture capital firms with the intent of benefiting Michigan's seed or early stage businesses in order to promote the economic health of the State of Michigan.

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

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

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

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

**Significant Transactions**

The State's significant transactions with its major discretely presented component units result primarily from providing appropriations to the public universities, including \$102.8 million to Western Michigan University.

**Availability of Financial Statements**

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

**Related Organizations**

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

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

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

## Michigan Notes to the Financial Statements

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The State's Governor is responsible for appointing members of the council of the Local Community Stabilization Authority. The State Legislature has appropriated \$19.3 million to the Authority in fiscal year 2016, with no additional financial support beyond that appropriation.

### **Joint Ventures**

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

### **Jointly Governed Organizations**

The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a nonprofit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2015, the State awarded contracts totaling \$68.1 million to MPHI.

The City of Detroit, Charter County of Wayne, and the Department of Health and Human Services of the State of Michigan appoint members of the board of the Detroit Wayne County Health Authority (DWCHA), a public agency. The DWCHA was established to plan, promote, and coordinate health services for at-risk population in the City of Detroit and Wayne County. The State does not appoint a majority of the board, has no right to the assets, and is not responsible for debts of DWCHA; therefore, the State's accountability for DWCHA does not extend beyond making the appointments. During fiscal year 2015, the State awarded contracts totaling \$1.1 million to DWCHA.

## ***Government-Wide and Fund Financial Statements***

### **Government-Wide Financial Statements**

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

### **Measurement Focus and Basis of Accounting**

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

## Michigan Notes to the Financial Statements

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

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

### Financial Statement Presentation

The State reports the following major governmental funds:

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

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

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

### Governmental Fund Types:

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

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

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

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

### Proprietary Fund Types:

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

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

### Fiduciary Fund Types:

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

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

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

**Michigan**  
**Notes to the Financial Statements**

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**Fiscal Year-Ends**

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

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

**Cash and Cash Equivalents**

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

**Cash**

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

**Equity in Common Cash**

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

**Taxes Receivable**

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

**Amounts Due From Federal Agencies**

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

**Inventories**

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

**Investments**

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

**Security Lending Collateral**

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

**Other Assets**

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

**Mortgages and Loans Receivable**

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

**Capital Assets**

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

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

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

**Deferred Outflows of Resources**

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

**Warrants Outstanding**

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

**Income Tax Refunds Payable**

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

**Prize Awards Payable**

The State Lottery Fund makes long-term prize awards for certain games, most notable the lotto games. At September 30, 2015, long-term prize awards of \$267.4 million were reported at a present value of \$178.3 million, using discount rates ranging from 3.4% to 7.0%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling \$283.9 million, are included with "Accounts payable and other liabilities" on the Statement of Net Position.

**Unearned Revenue**

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

**Long-Term Liabilities**

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

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

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

**Compensated Absences**

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

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

Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation, times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave that increases from 0 to 50%, depending upon the balance of their sick leave hours. Sick leave is valued at 0 to 50% plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2015.

The State instituted a banked leave time program in fiscal year 2004 whereby eligible employees work a regular schedule but receive pay for a reduced number of hours. The banked leave time program was utilized in fiscal years 2005, 2006, and 2010.

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### Notes to the Financial Statements

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The unpaid hours worked accrue to a banked leave time account. Upon an employee's separation, death, or retirement from State service, unused banked leave time hours shall be contributed by the State to the employee's account within the State's 401k plans, and if applicable, to the State's 457 plans. The banked leave liability is valued at the pay rates in effect as of September 30, 2015.

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

#### **Deferred Inflows of Resources**

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

#### **Net Position/Fund Balance**

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

#### **Fund Balance Classifications**

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

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

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

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

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

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

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

### ***Revenues and Expenditures/Expenses***

#### **Government-Wide Financial Statements**

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

#### **Interest on Long-Term Debt**

Interest charges on the State's general long-term liabilities do not qualify as a direct expense of a function and are reported on this line, unless the borrowing is essential to the creation or continuing existence of a program. During fiscal year 2015, interest charges on general long-term liabilities totaling \$209.7 million were reported as functional expenses.

#### **Fund Financial Statements**

In the governmental fund financial statements, revenues are reported by sources. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity

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accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (i.e., federal grants), available only for specified purposes. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

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

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

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

#### **Other Financing Sources**

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

#### **Reimbursements**

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

#### **Interfund Services Provided and Used**

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

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

#### **Other Financing Uses**

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

### ***Interfund Activity and Balances***

#### **Interfund Activity**

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

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

#### **Interfund Balances**

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

## **NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION**

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

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



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**PRIMARY GOVERNMENT:**

**MAJOR FUNDS**

**Governmental:**

General Fund\* (p. 38)  
School Aid Fund\* (p. 38)

**Proprietary:**

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

**NON-MAJOR FUNDS**

**Governmental:**

**Special Revenue Funds:**

**Transportation Related:**

Michigan Transportation Fund\* (p. 140)  
Comprehensive Transportation Fund\* (p. 140)

**Conservation, Environment, and Recreation Related:**

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

**Debt Service Funds:**

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

**Regulatory and Administrative Related:**

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

**Other State Funds:**

21<sup>st</sup> Century Jobs Trust Fund\* (p. 164)  
Michigan Merit Award Trust Fund\* (p. 164)  
Michigan Settlement Administration Authority (p. 164)  
Children's Trust Fund\* (p. 165)  
Military Family Relief Fund\* (p. 165)  
Miscellaneous Special Revenue Funds (p. 165)

**Capital Project Funds:**

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

**Permanent Funds:**

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

**Proprietary:**

**Enterprise Funds:**

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

**Internal Service Funds:**

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

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**Fiduciary:**

**Pension (and other employee benefit) Trust Funds:**

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

**Private Purpose Trust Funds:**

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

**Agency Funds:**

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

**DISCRETELY PRESENTED COMPONENT UNITS:**

**Authorities:**

**Major Funds:**

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

**Non-Major Funds:**

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

**State Universities (1):**

**Major Funds:**

Western Michigan University (p. 55)

**Non-Major Funds:**

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

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

**NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

***Major Constitutional and Statutory Provisions***

**Balanced Budget Requirements**

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

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

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

**Local Spending Requirements**

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

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Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2015 are not yet complete. For fiscal year 2014, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 55.48%, reflecting payments that exceeded the minimum required by \$1.8 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2015.

### Revenue Limits

Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to personal income tax payers and payers of the State's Michigan Business Tax. If the limit is exceeded by an amount less than 1%, the excess may be deposited into the State's Budget Stabilization Fund. The calculations determining the State's compliance with this constitutional provision for fiscal year 2015 are not final. For fiscal year 2014, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by \$8.5 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2015.

### Budget Stabilization Fund

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

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

Beginning committed fund balance	\$ 386.2
Interest income	0.4
Tobacco Settlement proceeds	17.5
Deposits	94.0
Withdrawals	-
Ending committed fund balance	<u>\$ 498.1</u>

During fiscal year 2014, \$194.8 million was transferred to the Michigan Settlement Administration Authority to support the Detroit bankruptcy settlement. That withdrawal will be repaid to the fund in the amount of \$17.5 million annually from tobacco settlement funds, beginning in fiscal year 2015.

### School Aid Fund Budgetary Provisions

The School Aid Stabilization Fund is a separate account within the School Aid Fund created under Section 388.1611a of the Michigan Compiled Laws. Any unexpended or unencumbered state school aid fund revenue is deposited into this fund at the end of each fiscal year. The amounts accumulated in this fund are carried forward and shall be expended only for purposes for which state school aid money may be expended. The School Aid Stabilization Fund ending restricted fund balance is \$190.2 million for fiscal year 2015.

### Budgetary Over Expenditures

In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation for the amount overspent, if that amount exceeds their lapses or if they expect to make payments from prior year authorization in the next fiscal year. There were no net over expenditures or line-item over expenditures, by State departments, during the year.

## NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

### **Implementation of GASB Statement No. 68 and GASB Statement No. 71**

During FY 2015, the State of Michigan adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. As a result, the financial statements related to Discretely Presented Component Units and Proprietary Funds, as well as governmental and business type activities in the government-wide statements, now include a net pension liability for the unfunded defined benefit pension plan legacy costs reported on the line titled "Noncurrent portion of other long-term obligations". Some of the changes in net pension liability each year will be recognized immediately as part of the pension expense measurement, while other parts will be deferred and recognized over future years. Refer to Note 27 for further details. The implementation of these statements resulted in the restatement of the beginning net position for the financial period reported in the September 30, 2015

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SOMCAFR, as detailed below. Restatement of the previous reporting year financials were not practical as all necessary information for such restatements were not available from the pension plans. As such, the previous fiscal year end financial statements have not been restated.

Beginning net position for University Discretely Presented Component Units decreased by \$377.0 million. Beginning net position for Non-University Discretely Presented Component Units decreased by \$91.1 million. Beginning net position for Proprietary Enterprise Funds decreased by \$36.8 million. Beginning net position for governmental activities in the government-wide statements was decreased by \$4.7 billion, which includes a decrease of \$232.9 million for the Proprietary Internal Service Funds.

***The Michigan Strategic Fund***

The Michigan Strategic Fund, a discretely presented component unit, decreased its beginning net position by \$28.7 million, to reflect the limited obligation revenue bonds for the Facility of Rare Isotope Beams Project that were issued in 2014.

The Michigan Strategic Fund, a discretely presented component unit, decreased its beginning net position by \$0.2 million, due to a prior period adjustment.

The Michigan Strategic Fund, a discretely presented component unit, also decreased its beginning net position related to the implementation of GASB Statement No. 68 and GASB Statement No. 71. This restatement amount is included in the restatement amount provided for all Non-University Discretely Presented Component Units above.

***Capital Assets and Capital Leases***

Beginning balances for capital assets and capital lease liabilities were restated to correct prior period errors as follows: equipment and the related accumulated depreciation were increased by \$10.8 million and \$0.3 million, respectively, building and related accumulated depreciation were increased by \$5.2 million and \$0.1 million, respectively, and the accumulated depreciation for computer software increased by \$1.8 million. The restatement resulted in an increase in beginning net investments in capital assets of \$13.6 million in government-wide statements.

**NOTE 5 – TREASURER’S COMMON CASH**

***General Accounting Policies***

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

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

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

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

***Investments and Deposits***

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

The Treasurer invests excess cash in short-term investments or cash equivalents. The law does not prohibit the Treasurer from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in fiscal year 2015.

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

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

Loan authorization limits are established in MCL Section 141.933. For the period beginning October 1, 2011, and ending on September 30, 2018, the board may authorize loans to municipalities other than school districts totaling up to a combined \$48.0 million, and to school districts totaling up to a combined \$70.0 million; loans to a single municipality under each respective subdivision shall not total more than \$20.0 million of the applicable cap. For fiscal years beginning after October 1, 2018, the board may authorize loans to municipalities other than school districts that total up to \$10.0 million in any given fiscal year, but a loan to a single municipality shall not exceed \$4.0 million in that fiscal year.

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to \$159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2015, was \$54.7 million. The interest rate is reset July 1 of each year in accordance with the loan agreement. Effective November 1, 2009, the Wayne County emergency loan was reclassified from an interest-bearing loan to a zero percent loan. The change in interest terms for the loan will be in effect until the debt obligations for the Detroit Regional Convention Facility Authority are retired, or 2039, whichever comes first. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State taxes collected on cigarette sales. There were no principal repayments made on the loan in fiscal year 2015.

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

<b>Assets</b>	
Cash on hand	\$ -
Demand deposits	1,310.7
Time deposits - regular	-
Prime commercial paper - at cost	3,542.0
Interest receivable	1.0
Emergency loans to local units - at cost	139.8
Total assets	<u>\$ 4,993.5</u>
<b>Equities</b>	
Fund equities (net) in common cash (1):	
Governmental activities	\$ 3,513.6
Business-type activities	192.4
Fiduciary funds	342.0
Discretely presented component units	945.5
Net fund equities	<u>\$ 4,993.5</u>

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

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

**Common Cash Deposits**

**Custodial Credit Risk**

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

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

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

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

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

At September 30, 2015, the carrying amount of deposits, including time and demand deposits, was \$1.3 billion. The deposits were reflected in the accounts of the banks at \$1.3 billion. Of the bank balance, \$5.1 million was covered by federal depository insurance and \$1.3 billion was collateralized with securities held by the State's agent in the State's name. There were demand deposits of \$1.0 million exposed to custodial credit risk that were uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled \$883.0 million at September 30, 2015.

**Foreign Currency Risk**

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

MCL Section 487.714 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State. The State had no Common Cash deposits subject to foreign currency risk at September 30, 2015.

**Common Cash Investments**

**Types of Investments**

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

**Risk**

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

**Custodial Credit Risk**

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

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

The counterparty, or

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

The Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2015, Common Cash investments were not exposed to custodial credit risk.

**Credit Risk**

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

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

Emergency municipal loans are evidenced by unrated notes held by the State in the State's name. At September 30, 2015, prime commercial paper investments were rated at A-1 or P-1.

**Interest Rate Risk**

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

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The Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2015, the fair value of cash equivalents was \$3.5 billion; the weighted average maturity was 25 days.

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

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent amounts due to the State at September 30, 2015, for revenues earned during the fiscal year that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles.

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

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

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

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

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

<u>Tax</u>	General Fund	Other Governmental Funds	Total
Sales & use	\$ 333.7	\$ 661.0	\$ 994.7
Individual Income	2,517.2	383.5	2,900.7
SBT/MBT/CIT	564.0		564.0
State education (property)		1,318.3	1,318.3
Telephone & telegraph	16.4		16.4
Motor fuel		159.3	159.3
Insurance - retaliatory	84.1		84.1
Tobacco products	80.0	49.0	128.9
Quality assurance assessment	146.1		146.1
Health insurance claims assessment	59.0		59.0
Other	22.3	14.7	37.0
Penalties & Interest	1,005.4		1,005.4
Gross taxes receivable	4,828.1	2,585.8	7,413.9
Less allowances for uncollectibles	2,154.3	403.8	2,558.2
Total taxes receivable (net)	<u>\$ 2,673.8</u>	<u>\$ 2,181.9</u>	<u>\$ 4,855.7</u>
<u>As reported on the Statement of Net Position</u>			
Current taxes, interest, and penalties receivable	2,460.0	2,117.3	4,577.4
Noncurrent taxes, interest and penalties receivable	213.7	64.6	278.3
Total taxes, interest, and penalties receivable	<u>\$ 2,673.8</u>	<u>\$ 2,181.9</u>	<u>\$ 4,855.7</u>

## NOTE 7 – JOINT VENTURES

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

### **Great Lakes Protection Fund**

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

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

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

### **Sault Ste. Marie Bridge Authority**

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

For the period ending December 31, 2014 (SSMBA's most recently audited financial statements), its net position increased by approximately \$2.7 million. The Bridge and one-half of the ancillary assets on Michigan's side of the Bridge, and in addition one-half of the joint funds not required to pay liabilities, and all funds reserved for capital projects on the Michigan half of the Bridge, represent the State's equity interest. The State is obligated to pay one-half of any claims incurred by SSMBA that are not covered by insurance or existing resources. The State's equity interest of \$14.6 million is reflected as an asset in the government-wide financial statements.

## NOTE 8 – DEPOSITS AND INVESTMENTS

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

### **Deposits – Primary Government**

#### **Custodial Credit Risk**

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

The Unemployment Insurance Agency administers, under the auspices of the federal government, the deposits of the MUCF. Tax collections are deposited in a clearing account as required by the Michigan Employment Security Act. Refunds are paid from that account; after the clearance of vouchers for refunds, all other money remaining in the fund, less amounts needed for refunds and judgments, must be deposited with the Secretary of the Treasury of the United States of America to the credit of the State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act, 42 USC 1104. These deposits are maintained in the Federal Reserve Bank. At year-end, the carrying amount of these deposits, excluding those classified as investments, was \$6.8 million. The bank balance of the deposits was \$13.6 million; these deposits were either covered by federal depository insurance or were collateralized.

The bank deposits of the ADS were \$5.1 million; these deposits were covered by Federal Deposit Insurance Corporation (FDIC) insurance or were collateralized. ADS has no policy to address custodial credit risk. It assesses financial institutions' risk levels; only those with acceptable levels of risk are used as depositories.

The deposits of the MESP were reflected in bank accounts at \$0.1 million. These deposits were covered by depository insurance. The level of risk for each financial institution is evaluated and assessed; only those with an acceptable estimated risk level are used as depositories. MESP has no other policy for controlling this risk.



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**Investments – Primary Government**

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

Primary Government Total Investments (In millions)				
Investment Types	Retirement Systems	Deferred Compensation/Defined Contribution Funds	Other Funds	Total
Commercial paper	\$ 3,148.8	\$ -	\$ -	\$ 3,148.8
Money market funds	-	-	229.4	229.4
Other short-term	744.5	-	5.0	749.5
Separate accounts	-	2,258.3	-	2,258.3
Absolute return	8,438.6	-	-	8,438.6
Fixed income	7,094.6	-	3,565.3	10,659.9
Mutual funds	77.5	876.6	4,027.6	4,981.7
Pooled investment funds	-	3,004.8	-	3,004.8
Equities	16,542.1	-	-	16,542.1
Funding agreements	-	-	579.5	579.5
International	7,937.0	-	-	7,937.0
Real estate	5,859.2	-	-	5,859.2
Alternative	9,881.2	-	229.1	10,110.3
Accrued income	66.2	-	-	66.2
Unsettled investments	(0.2)	-	-	(0.2)
Total	<u>\$ 59,789.4</u>	<u>\$ 6,139.7</u>	<u>\$ 8,636.1</u>	<u>\$ 74,565.2</u>

As reported on the Statement of Net Position

Current investments	\$ 2,928.0
Noncurrent investments	1,308.7
Total investments	<u>\$ 4,236.6</u>

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

	Current Investments	Noncurrent Investments	Total
Governmental activities	\$ 229.4	\$ 1,114.5	\$ 1,343.9
Business-type activities	2,698.6	194.2	2,892.7
Fiduciary funds	2,901.9	67,426.7	70,328.6
Total Investments	<u>\$ 5,829.9</u>	<u>\$ 68,735.4</u>	<u>\$ 74,565.3</u>

**Authority**

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

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

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

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

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The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2015, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

**Derivatives**

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

The State Treasurer entered into swap agreements with investment grade counterparties with maturity dates ranging from October 2015 to September 2016. Approximately one quarter of the notional amount tied to foreign stock market indices is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the agreements, interest indexed to the three month London Inter Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At maturity the trust funds will receive either the increase in the value of the equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. U.S. Domestic LIBOR based floating rate notes and other income earning investments are held to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these dedicated notes and other investments.

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

Additional details about derivative investments are included in the following table:

Pension (and Other Employee Benefit) Trust Funds Derivative Investments (In millions)							
Investment & Investment Type	Objective	% of Market Value	Notional Value	Investments At Fair Value*	Net Increase (Decrease) In Fair Value**	Investment Income Gain/loss	Fair Value Subject to Credit Risk
Structured notes - real return	Enhance passive exposure to the Dow Jones UBS Commodity Total Return Index	0.0 %	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bond Future contracts - fixed income	Enhance management flexibility, manage duration and yield curve exposure	0.0	8.5	(0.1)	(0.5)	-	-
Options - equities	Use on single securities to provide downside protection and enhance current income	0.0	217.6	0.6	(4.8)	-	-
Swap agreements - International investments equities	Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in forty- four foreign countries	1.8	1,337.7	1,103.5	(59.3)	(3.3)	35.4
Swap agreements - equity Investments	Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in the domestic market	0.0	1,435.1	(28.8)	(61.9)	20.4	-
Totals			<u>\$ 2,998.8</u>	<u>\$ 1,075.2</u>	<u>\$ (126.6)</u>	<u>\$ 17.1</u>	<u>\$ 35.4</u>

\*Located in Statement of Fiduciary Net Position - Investments at Fair Value

\*\*Located in Net increase (decrease) in fair value of investments - Statement of Changes in Fiduciary Net Position

**Investment Pools**

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

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**Repurchase Agreements**

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

**Risk**

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

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the government's name. The State Treasurer does not have a policy for limiting custodial credit risk. As of September 30, 2015, there were no securities exposed to custodial credit risk.

**Credit Risk**

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

Investment grade and noninvestment grade securities may be acquired in compliance with parameters set forth in MCL Sections 38.1132 – 38.1141, and the State Treasurer's investment policy. Law defines investment grade as investments in the top four major grades, rated by two national rating services, S&P (AAA, AA, A, BBB) and Moody's (Aaa, Aa, A, Baa). At September 30, 2015, the system was in compliance with the policy in all material aspects. The primary government's debt investments as of September 30, 2015, are presented below. Note that securities backed by the full faith and credit of the United States Government are excluded.

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Debt Investments (In millions)				
Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
<b>Pension (and Other Employee Benefit) Trust Funds:</b>				
<b>Retirement Systems:</b>				
<b>Commercial paper</b>	\$ 2,596.0	A-1	\$ 2,596.0	P-1
<b>Government securities</b>				
U.S. agencies - sponsored	-	AAA	169.4	Aaa
	169.4	AA	-	Aa
<b>Corporate bonds &amp; notes</b>	134.0	AAA	216.0	Aaa
	398.3	AA	240.7	Aa
	1,599.1	A	1,355.2	A
	1,490.2	BBB	1,844.5	Baa
	392.0	BB	424.7	Ba
	461.4	B	526.9	B
	127.6	CCC	152.4	Caa
	13.7	CC	69.1	Ca
	0.1	C	3.0	C
	52.6	D	-	D
	582.7	Unrated	419.2	Unrated
<b>International - corporate bonds &amp; notes*</b>	174.9	AA	204.9	Aa
	403.5	A	363.5	A
	255.1	BBB	320.2	Baa
	104.1	Unrated	49.0	Unrated
<b>Mutual funds**</b>	30.8	A	30.8	A
Total	\$ 8,985.6		\$ 8,985.6	
<b>Deferred Compensation/Defined Contribution:</b>				
<b>Common trust funds</b>	\$ 521.0	Unavailable	\$ 521.0	Below Baa -
	189.4	Unavailable	189.4	Aaa
<b>Stable Value Funds</b>	1,030.0	BBB - AAA	1,030.0	A-1+/P-1
	66.1	Unavailable	66.1	Unavailable
<b>Mutual funds</b>	142.5	Below B - AAA	142.5	A1/P1
	113.6	Unrated	113.6	Unavailable
Total	\$ 2,062.6		\$ 2,062.6	Unrated
<b>Other Primary Government Funds:</b>				
<b>Government securities</b>				
U.S. agencies - sponsored	\$ -	AAA	\$ 7.0	Aaa
	7.0	AA	-	Aa
	1.0	Unrated	1.0	Unrated
<b>Corporate bonds &amp; notes</b>	49.6	AA	39.4	Aa
	281.5	A	239.2	A
	198.8	BBB	244.5	Baa
	-	BB	0.5	Ba
	-	Unrated	6.3	Unrated
<b>Municipal bonds</b>	50.5	AA	50.5	Aa
<b>Mutual funds</b>	1,532.3	Unrated	1,532.3	Unrated
<b>Treasury trust fund pool</b>	2,670.7	Unrated	2,670.7	Unrated
Total	\$ 4,791.4		\$ 4,791.4	
<b>Total Primary Government</b>	\$ 15,839.6		\$ 15,839.6	

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

\*\*Average rating

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**Interest Rate Risk**

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

The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2015, the fair value of prime commercial paper was \$2.6 billion; the weighted average maturity was 12 days.

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

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

Pension (and Other Employee Benefit) Trust Funds Debt Securities (In millions)		
	Fair Value	Duration In Years
<b>Retirement Systems:</b>		
<b>Government securities</b>		
U.S. Treasury bonds	\$ 1,812.0	3.9
U.S. agencies - backed	482.4	5.1
U.S. agencies - sponsored	169.4	2.1
Total Governmental	2,463.8	
<b>Corporate bonds &amp; notes</b>	5,251.7	4.6
<b>International - corporate bonds &amp; notes*</b>	937.7	0.2
<b>Mutual fund - fixed income</b>	30.8	3.1
Total	\$ 8,684.0	
<b>Deferred Compensation/Defined Contribution:</b>		
<b>Common trust funds</b>		
SSgA bond market index fund	\$ 521.0	7.9
SSgA cash series Treasury fund	189.4	0.1
Total Common Trust Funds	710.4	
<b>Stable value funds</b>		
Synthetic guaranteed investment contracts	1,030.0	3.7
SSgA STIF	66.1	-
Total Stable Value Funds	1,096.1	
<b>Mutual funds</b>		
PIMCO total return fund	142.5	7.8
Total Mutual Funds	142.5	
Total	\$ 1,949.0	
Total Pension (and Other Employee Benefit) Trust Funds	\$ 10,632.9	

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

**Fair Value of Investments**

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

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**Synthetic Guaranteed Investment Contract (SGIC)**

SGIC investment derivatives within the Stable Value Fund contain a portfolio of underlying securities and a benefit responsive wrap contract. The wrap contract produces a floating rate of return that is adjusted periodically, but not below zero, to reflect the underlying investment portfolio and generally provide for participant withdrawals at contract value (principal plus accrued interest). As of September 30, 2015, the fair value of the SGIC's underlying investments was \$1.1 billion. The wrap contract did not have a value because the market value of the SGIC's underlying investments was higher than the SGIC's contract value; therefore, the wrap contract does not have a value.

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

		Other Funds			
		Debt Securities (In millions)			
Investment Type	Fair Value	Investment Maturities (In years)			
		Less Than 1	1 To 5	6 to 10	More Than 10
U.S. Treasury bonds	\$ 261.3	\$ 35.6	\$ 62.4	\$ 99.5	\$ 63.8
Municipal bonds	50.5	7.3	25.1	10.0	8.0
U.S. bonds - backed	31.5	-	0.1	0.2	31.2
U.S. agency bonds - sponsored	21.4	1.0	7.9	10.2	2.3
Corporate bonds	529.9	9.4	158.8	361.7	-
Mutual funds	1,532.3	33.8	27.5	1,470.9	-
Total	<u>\$ 2,426.9</u>	<u>\$ 87.2</u>	<u>\$ 282.0</u>	<u>\$ 1,952.5</u>	<u>\$ 105.3</u>

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. The pension trust funds invest in various global foreign securities. These investments are limited to 30% of the total assets of the system, and are additionally limited to 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in MCL Sections 38.1133 and 38.1140. The types of foreign securities include equities, mutual funds, real estate, and limited partnerships. At September 30, 2015, foreign investments were approximately 15.7% of total assets of the systems; total foreign investments were \$9.7 billion. As of September 30, 2015, the pension (and other employee benefits) trust funds held the following investments subject to foreign currency risk:

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**Notes to the Financial Statements**

Pension (and Other Employee Benefit) Trust Funds					
Foreign Currency Risk (In Millions)					
Fair Value (In U.S. Dollars)					
Currency	Country	Private Equity, Real Estate, and Infrastructure	Fixed Income	Equity	International and Absolute Return Derivatives*
<b>Retirement Systems:</b>					
<b>Americas</b>					
Dollar	Canada	\$ -	\$ -	\$ 3.6	\$ (2.5)
Peso	Mexico	-	142.4	-	5.5
<b>Caribbean</b>					
Dollar	Cayman Islands	-	-	23.0	43.2
<b>Europe</b>					
Euro	European Union	706.2	-	18.3	48.2
Franc	Switzerland	-	-	2.8	12.7
Krona	Sweden	-	-	0.5	10.5
Krone	Denmark	-	-	-	4.1
Krone	Norway	-	-	0.4	-
Sterling	United Kingdom	13.6	-	78.1	22.9
<b>Asia/Pacific</b>					
Dollar	Australia	-	-	-	(2.6)
Renminbi	China	56.4	-	-	-
Dollar	Hong Kong	61.0	-	-	(10.6)
Yen	Japan	-	-	-	(11.2)
Dollar	New Zealand	-	-	-	(1.0)
Peso	Philippines	-	66.8	-	-
Dollar	Singapore	-	-	-	8.7
Won	South Korea	-	-	-	4.4
<b>Middle East</b>					
Shekel	Israel	-	-	0.7	-
<b>Africa</b>					
Rand	South Africa	-	-	0.6	-
Dollar	Liberia	-	-	1.3	-
<b>World-wide</b>					
Various	Various	1,298.2	208.9	219.7	6,603.4
Total		\$ 2,135.5	\$ 418.1	\$ 349.1	\$ 6,735.7
<b>Deferred Compensation/Defined Contribution:</b>					
Various	Various	\$ -	\$ -	\$ 1,946.6	\$ -
Total		\$ 2,135.5	\$ 418.1	\$ 2,295.7	\$ 6,735.7

\*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2015 through September 2016, with an average maturity of 0.6 years.

**Concentration of Credit Risk**

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

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

At September 30, 2015, there were no investments in any single issuer that accounted for more than 5% of the system's assets. The system held one investment that exceeded the 5% cap in obligations of any one issuer. The system is aware of the breach and in accordance with MCL Section 38.1133(3)(g), developing a prudent plan for reallocating assets to comply with prescribed limitation.

Pension trust fund investments represent 88.4% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund (SLF), MESP, and the Michigan Natural Resources Trust Fund.

SLF investments, \$217.1 million, are all in the form of zero coupon U.S. Treasury bonds and State of Michigan Municipal bonds. These investments are held to provide funding for deferred prize awards.

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**Securities Lending Transactions**

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

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

Under Master Securities Lending Agreements between the State and each borrower, the State Treasurer and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account. As of September 30, 2015, the investments had an average weighted maturity to next reset of 2.8 years and an average weighted maturity of 12.0 years. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2015, the retirement systems had no credit risk exposure to borrowers. The cash received for securities on loan for the State as of September 30, 2015, was \$3.5 billion. The fair market value of assets held in the dedicated collateral account managed by Credit Suisse and held by the custodian for the State as of September 30, 2015, was \$3.5 billion. The carrying amount, which is the fair market value, of securities on loan for the State as of September 30, 2015, was \$3.5 billion.

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

Debt Investments (In millions)				
Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
<b>Securities Lending Collateral</b>				
Short term	\$ 96.3	AAA	\$ 296.3	Aaa
	300.0	AA	100.0	Aa
	-	BB	3,026.7	Ba
	103.7	CCC	103.7	Caa
	3,026.7	Unrated	-	Unrated
Total	<u>\$ 3,526.7</u>		<u>\$ 3,526.7</u>	

**Deposits and Investments – Discretely Presented Component Units**

**Deposits**

At year-end, the carrying amount of discretely presented component unit deposits, excluding those classified as investments, was \$974.8 million. The deposits were reflected in the accounts of the banks at \$695.6 million. Of the bank balance, \$545.1 million was uninsured and uncollateralized and therefore exposed to custodial credit risk.

**Investments**

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

**Restricted Assets**

Restricted investments on the government-wide Statement of Net Position, totaling \$652.6 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.



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**Notes to the Financial Statements**

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

	Value	Investment Maturities (In years)				
		Less Than 1	1 To 5	6 To 10	More Than 10	N/A
Time deposits	\$ 219.1	\$ 175.7	\$ 43.1	\$ 0.2	\$ -	\$ -
Money market accounts	2,161.4	2,161.4	-	-	-	-
Commercial paper	102.6	102.6	-	-	-	-
Repurchase agreements	502.6	-	-	67.7	434.8	-
Government securities	585.4	223.5	245.4	67.6	48.9	-
Insured mortgage backed securities	687.4	16.5	54.0	71.3	545.5	-
Government-backed securities	184.7	17.6	83.8	57.0	26.2	-
Investment agreements	0.2	0.2	-	-	-	-
Corporate bonds and notes	302.5	40.2	142.2	120.1	-	-
Equities	238.0	90.1	11.4	-	41.0	95.6
Real estate	32.1	-	-	0.7	31.4	-
Venture capital & leveraged buyouts	140.0	-	-	-	13.9	126.1
Mutual bond/equity funds	1,728.4	121.0	312.5	160.5	360.5	773.8
Pooled investment funds	36.5	36.5	-	-	-	-
Other investments	567.5	21.2	80.7	21.8	162.9	280.8
<b>Total Investments</b>	<b>\$ 7,488.3</b>	<b>\$ 3,006.7</b>	<b>\$ 973.1</b>	<b>\$ 567.0</b>	<b>\$ 1,665.3</b>	<b>\$ 1,276.3</b>
Less Investments Reported as "Cash" on Statement of Net Position	1,090.6					
<b>Total Investments</b>	<b>\$ 6,397.7</b>					
<u>As reported on the Statement of Net Position</u>						
Current investments	\$ 1,663.3					
Noncurrent restricted investments	652.6					
Noncurrent investments	4,081.8					
<b>Total Investments</b>	<b>\$ 6,397.7</b>					

## NOTE 9 – CAPITAL ASSETS

### Primary Government

#### Summary of Significant Accounting Policies

##### Methods used to value capital assets

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

##### Capitalization policies

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

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

##### Items not capitalized and depreciated

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

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**Depreciation and useful lives**

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

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

**Modified approach for infrastructure**

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

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

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

	Beginning Balance Restated*	Additions	Deletions	Adjustments & Reclassifi- cations	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,495.4	\$ 24.9	(5.0)	0.1	\$ 3,515.4
Land improvements and other assets	16.2	-	-	-	16.2
Land rights	65.1	2.2	-	-	67.3
Mineral rights	19.8	-	-	-	19.8
Construction in progress (buildings)	71.8	35.6	(10.5)	0.5	97.4
Construction in progress (infrastructure)	1,776.7	551.7	(243.5)	(41.6)	2,043.2
Infrastructure	13,919.3	202.9	(227.8)	23.0	13,917.5
Total capital assets, not being depreciated	19,364.2	817.3	(486.8)	(18.0)	19,676.7
Capital assets, being depreciated					
Land improvements and other assets	215.2	21.4	(0.9)	0.3	236.1
Equipment and vehicles	786.4	35.4	(14.4)	5.5	812.9
Computer software (includes projects in progress)	712.8	161.1	-	12.8	886.7
Buildings	3,634.8	33.8	(52.6)	3.9	3,619.9
Infrastructure	1,201.5	38.0	(5.7)	17.2	1,251.1
Total capital assets, being depreciated	6,550.6	289.7	(73.5)	39.8	6,806.6
Less accumulated depreciation for:					
Land improvements and other assets	(78.6)	(7.5)	0.6	-	(85.5)
Equipment and vehicles	(617.1)	(42.6)	13.8	4.0	(642.0)
Computer software	(273.8)	(75.5)	-	1.2	(348.2)
Buildings	(1,749.7)	(112.0)	33.1	0.2	(1,828.5)
Infrastructure	(640.5)	(44.3)	5.2	-	(679.6)
Total accumulated depreciation	(3,359.8)	(282.0)	52.6	5.4	(3,583.7)
Total capital assets, being depreciated, net	3,190.9	7.8	(20.9)	45.2	3,222.9
Governmental activity capital assets, net	\$ 22,555.0	\$ 825.1	(507.7)	27.2	\$ 22,899.6

\* Beginning balances for buildings and equipment, as well as the related accumulated depreciation, were restated due to prior period error.

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A portion of the computer software reported as construction-in-progress, was transferred to real property in FY15. This transfer should have occurred in a prior period. As a result of this reclassification, the related accumulated depreciation for computer software was restated. See Note 4 for additional information on these restatements.

The Department of State has temporarily cancelled a computer software project during fiscal year 2015. The temporary impairment pertained to intangibles. The Department has plans to revive the project once new plans and funding are approved. No impairment loss was reported as temporary impairment; as the historical cost of the project was unchanged in the above table.

Business - Type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclassifi- cations	Ending Balance
Capital assets, being depreciated:					
Computer Software	\$ 0.2	\$ -	\$ -	\$ -	\$ 0.2
Equipment	5.0	1.2	-	-	6.2
Total capital assets, being depreciated	5.2	1.2	-	-	6.4
Less accumulated depreciation for:					
Computer Software	(0.2)	-	-	-	(0.2)
Equipment	(4.4)	(0.3)	-	-	(4.7)
Total accumulated depreciation	(4.6)	(0.3)	-	-	(4.8)
Total capital assets, being depreciated, net	0.6	1.0	-	-	1.6
Business-type activity capital assets, net	<u>\$ 0.6</u>	<u>\$ 1.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1.6</u>

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

	Amount
Governmental Activities	
General government	\$ 33.2
Education	0.3
Human Services	9.9
Public safety and corrections	54.2
Conservation, environment, recreation, and agriculture	13.5
Labor, commerce, and regulatory	2.6
Health services	36.2
Transportation	55.9
Depreciation on capital assets held by the State's internal service funds charged to the various functions based on their use of the assets	<u>\$ 76.2</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 282.0</u>
Business-type Activities:	
Enterprise	<u>0.3</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 0.3</u>

**Michigan**  
**Notes to the Financial Statements**

**Discretely Presented Component Units**

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

	Amount
State Universities and authorities:	
Land and other non-depreciable assets	\$ 254.2
Buildings, equipment, and other depreciable assets	6,292.1
Infrastructure	102.9
Construction in progress	200.4
Total	<u>6,849.7</u>
Less accumulated depreciation	<u>(2,611.0)</u>
Capital Assets, Net - Discretely Presented Component Units	<u>\$ 4,238.7</u>

**NOTE 10 – PENSION BENEFITS**

**Defined Benefit Pension Plans**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, states that if similar information is required by Statement No. 68 and Statement No. 67, *Financial Reporting for Pension Plans*, an employer that includes the pension plan in its financial reporting entity as a pension trust fund should present information in a manner that avoids unnecessary duplication. Please refer to each of the pension plan financial reports for more detailed information on the plan description, actuarial assumptions, discount rate, net pension liability, and plan fiduciary net position along with other elements of the plan's basic financial statements.

The component unit information required to be disclosed in this note is related to State Employees' Retirement System only. All other component units of the State participate in pension plans where the State is not an employer.

The defined benefit pension plans, except for the Military Retirement System, are administered through a trust and follow the disclosure requirements set forth in GASB Statement No. 68. The disclosure requirements that apply to the Military Retirement System are reported separately in this note except where similar disclosure requirements apply.

**PLAN DESCRIPTION**

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

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single employer	1
State Police Retirement System (SPRS)	Single employer	1
State Employees' Retirement System (SERS)	Single employer	1
Public School Employees' Retirement System (PSERS)*	Cost sharing multi-employer	680
Judges' Retirement System (JRS)	Cost sharing multi-employer	72
Military Retirement System (MRP)	Single employer	1

\*The State of Michigan is not an employer within PSERS, therefore, pension plan information is not disclosed in this note.

Each plan, except MRP, is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements, notes to financial statements, and required supplementary information for that plan. Those reports, except LRS, may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors) or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by visiting [www.audgen.michigan.gov/projects/completed-projects-by-fiscal-year/2015.html](http://www.audgen.michigan.gov/projects/completed-projects-by-fiscal-year/2015.html) or by calling (517) 373-0575.

As mandated by legislation, all new State of Michigan employees (except Michigan State Police officers) hired on or after March 31, 1997, are members of the State of Michigan Defined Contribution Retirement Plan (Plan) as opposed to the LRS, SERS, and JRS defined benefit plans. Employees hired before that date were given the option of remaining in the defined benefit plan or transferring to the defined contribution plan. The decision is irrevocable and transfers were completed by September 30, 1998. This was a one-time opportunity. With the passage of the legislation permitting the transfer, the LRS, SERS, and JRS defined benefit plans became closed systems. Michigan State Police troopers and sergeants who become a member of SPRS on or after June 10, 2012, are part of the hybrid defined benefit and defined contribution plan.

**Michigan**  
**Notes to the Financial Statements**

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**Basis of Accounting**

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

**Benefit Payments**

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

**Valuation of Plan Investments**

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

**Contributions**

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary. For fiscal year 2015, the contribution rates for SERS were 27.46% of the defined benefit employee wages and 24.19% of the defined contribution employee wages. The contribution rates for SPRS were 62.84% and 64.29% of the defined benefit employee wages for non-command and command officers, respectively, and 56.67% of the hybrid defined benefit and defined contribution employee wages. The annual required contribution was \$2.6 million for JRS and \$7.8 million for LRS. The employer contributions to SERS, SPRS, JRS, and LRS for the fiscal year ending September 30, 2015 was \$808.7 million from the primary government and \$13.8 million from its component units (SERS only).

**Net Pension Liability**

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.

**Actuarial Valuations and Assumptions**

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

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

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

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

**Actuarial Assumptions Changes**

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted for use in the annual pension valuations beginning with the September 30, 2014 valuations. For SERS, SPRS, and JRS, the RP-2000 Combined Healthy Mortality Table, which is used to measure the probabilities of each benefit payment being made after retirement, was adjusted for mortality improvements. For SPRS and JRS, the rates of retirement, which is used to measure the probability of eligible members retiring during the next year, increased for some of the members' ages within the table. For SERS, the rates of separation from active membership table, which is used to measure the probabilities of members remaining in employment, changed for members who were 30 years of age and older. For SPRS, the rates of pay increase table changed for members with more than two years of services.

**Changes in the Net Pension Liability/Asset (amounts in millions)**

The amounts included for the primary government in the table below are related to SERS, SPRS, and LRS. The component unit amounts are related to SERS only.

	Primary government			Component units		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2014	\$ 17,299.0	\$ 11,025.6	\$ 6,273.4	\$ 280.1	\$ 177.6	\$ 102.5
Changes for the year:						
Service Cost	103.7	-	103.7	1.5	-	1.5
Interest	1,330.3	-	1,330.3	21.6	-	21.6
Changes of Assumptions	460.9	-	460.9	7.3	-	7.3
Contributions - Employer	-	750.9	(750.9)	-	12.6	(12.6)
Contributions - Member	-	48.9	(48.9)	-	0.9	(0.9)
Net Investment Income	-	1,691.2	(1,691.2)	-	27.4	(27.4)
Benefit payments, including refunds of member contributions	(1,325.2)	(1,325.2)	-	(21.9)	(21.9)	0.0
Administrative and Other Expenses		(7.8)	(7.8)	0.0	(0.1)	0.1
Net changes	569.7	1,157.9	(588.2)	8.5	18.8	(10.3)
Balances at 9/30/2015	\$ 17,868.7	\$ 12,183.5	\$ 5,685.2	\$ 288.6	\$ 196.5	\$ 92.1

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**Notes to the Financial Statements**

The amounts included in the table below are related to JRS.

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 9/30/2014	\$ 254.5	\$ 252.8	\$ 1.7
Changes for the year:			
Service Cost	2.7		2.7
Interest	19.6		19.6
Changes of Assumptions	3.2		3.2
Contributions - Employer		3.2	(3.2)
Contributions - Member		1.0	(1.0)
Net Investment Income		37.2	(37.2)
Benefit payments, including refunds of member contributions	(22.5)	(22.5)	
Administrative and Other Expenses		(0.3)	0.3
Net changes	3.0	18.5	(15.5)
Balances at 9/30/2015	\$ 257.5	\$ 271.3	\$ (13.8)

As of September 30, 2015, the State reported the entire amount of the net pension asset related to JRS because it is the only contributing entity.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the State recognized pension expense related to the primary government and its component units of \$655.2 million and \$10.4 million, respectively. The reported deferred outflows of resources and deferred inflows of resources related to pensions, including component units, are identified in Note 27.

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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 (amounts in millions):

Year Ended September 30	Pension Expense Amount	Pension Expense Amount
2016	\$ (11.9)	\$ -
2017	(159.3)	(2.7)
2018	(164.2)	(2.7)
2019	(169.7)	(2.7)

Currently, deferred outflows and inflows of resources related to pensions that will be recognized in pension expense do not extend beyond the four years identified in the table above.

**Military Retirement System (MRP)**

**Description of Benefits**

State statutes require that the State plans provide certain retirement, disability, and death benefits to plan members.

**Funding Policy**

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan. Plan members of MRP are not required to contribute to the plans and there is no underlying payroll of participants. Except for five special duty members, retirants receive \$600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll. For the fiscal year ended September 30, 2015, this amount was \$6.3 million.

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**ANNUAL PENSION COST AND OTHER RELATED INFORMATION**

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

	<b>MRP*</b>
<b>Annual Pension Cost and Net Pension Obligation:</b>	
Annual required contribution	\$ 6.29
Interest on net pension (asset) obligation	0.61
Adjustment to annual required contribution	<u>(1.01)</u>
Annual pension cost	5.89
Contributions made	<u>4.35</u>
Change in net pension asset/obligation	\$ 1.54
 Net pension (asset) obligation at beginning of fiscal year	 \$ 15.29
Net pension (asset) obligation at end of fiscal year	<u>\$ 16.84</u>

\*The information provided is based on the most recent biennial actuarial valuation.

**THREE YEAR HISTORICAL TREND INFORMATION**

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

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>MRP*</b>	9/30/13	-	90.0	90.0		0.5	19,683.5
	9/30/11	-	77.3	77.3		0.1	54,473.0
	9/30/09	-	42.3	42.3		0.4	9,874.0

\*The information provided is based on the most recent biennial actuarial valuation.

The following table provides a schedule of annual pension cost and net pension obligation for MRP (amounts in millions):

	Year Ended September 30	Annual Cost	Percentage Contributed	Net Pension Obligation (Asset)
<b>MRP</b>	2015	5.9	73.7	16.8
	2014	5.9	71.1	15.3
	2013	5.1	78.5	13.6

**Defined Contribution Pension Plans**

**State of Michigan Defined Contribution Retirement Plan**

The Plan was established to provide benefits at retirement to employees of the State who were hired after March 31, 1997, Michigan State Police officers hired on or after June 10, 2012, Public School Reporting Units members hired after July 1, 2010, and to those members of the SERS (defined benefit), eligible members of the Education Achievement Authority (EAA), JRS, and LRS who elected to transfer to this Plan. The Plan is administered by the Department of Technology, Management and Budget. Public Act 264 of 2011 created the State of Michigan Personal Healthcare Fund for State employees hired after January 1, 2012, and those who elected to transfer to this plan.

The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. The Plan provides for eligible public school reporting units and the Michigan State Police to make a mandatory contribution of 50% of participants' voluntary contributions up to 1% of compensation. The Plan also provides for the EAA to make a mandatory contribution of 100% of participants' voluntary contributions up to 7.5% of compensation. In addition, the Plan provides a Personal Healthcare Fund for State of Michigan employees hired on or after January 1, 2012, Michigan State Police officers hired on or after June 10, 2012, and Public School employees hired on or after September 4, 2012, with an employer match of up to 2% of compensation. State of Michigan employees hired prior to January 1, 2012, that elected



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to transfer to this plan received an employer match up to 2% of future compensation plus a monetized amount for existing years of service distributed on termination. Plan provisions and contribution requirements are established and may be amended by the Legislature. The reports may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors) or by calling (517) 322-5103.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the State contributions and earnings on State contributions after completion of 48 months of credited service with the State. Nonvested contributions are forfeited upon termination of employment. Forfeitures are used to offset future State contributions and pay administrative expenses of the Plan. For the year ended September 30, 2015, the State recognized pension expense of \$146.2 million. For the year ended September 30, 2015, forfeitures reduced the State's pension expense by \$5.5 million.

**Component Units**

In addition to the PSERS, the State university component units participate in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was \$93.9 million for the year ending June 30, 2015.

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

Effective January 1, 2004, the State Bar of Michigan assumed responsibility for the retirement plans of State Bar employees who participated in the Plan. All monies held in the Plan on behalf of participating State Bar employees were subsequently transferred to the newly established State Bar 401(a) retirement plan and the 457(b) retirement plan. The State Bar of Michigan is required to make minimum contributions and may establish other benefit provisions for their retirement plans. The State Bar of Michigan's contribution to the new plans was \$0.3 million for the year ending September 30, 2015.

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

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS**

***Other Postemployment Benefit Plans***

**PLAN DESCRIPTION**

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

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single employer	1
State Police Retirement System (SPRS)	Single employer	1
State Employees' Retirement System (SERS)	Single employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	680
Judges' Retirement System (JRS)	Cost sharing multi-employer	72
Life Insurance	Single employer	1

Each plan, except for Life Insurance, is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors) or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by visiting [www.audgen.michigan.gov/projects/completed-projects-by-fiscal-year/2015.html](http://www.audgen.michigan.gov/projects/completed-projects-by-fiscal-year/2015.html) or by calling (517) 373-0575.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS**

**Basis of Accounting**

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

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**Methods Used to Value Investments**

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

**Description of Benefits**

State statutes require that the State provide certain OPEB benefits to many of its retired employees. Health, dental, and vision benefits as well as life insurance coverage are provided to retirees. State employees hired on or after January 1, 2012, or those employees that elected the Personal Healthcare Fund, no longer receive health, medical, and dental benefits. These employees receive contributions to the Personal Healthcare Fund (as described in Note 10).

**FUNDING POLICY**

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

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

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

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

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

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

Statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the system's actuary and are based upon level-dollar value funding or a level-percent-of-payroll principles so the contribution rates do not have to increase over time. The following are the required contribution amounts for the fiscal year ending September 30, 2015 (in millions): \$645.1, SERS; \$47.7, SPRS; \$9.4, LRS; \$72.2, Life Insurance; \$0.7, JRS.

For the fiscal year ended September 30, 2015, the State contributed the following amounts (in millions): \$713.7, SERS; \$47.7, SPRS; \$4.7, LRS; \$27.1, Life Insurance; \$0.3, JRS. Included in these amounts were (in millions): prefunding of \$139.0, SERS; \$12.8, SPRS and federal on-behalf payments of \$49.3, SERS; \$1.9, SPRS; \$0.2, LRS; \$0.6, JRS.

**ANNUAL OPEB COST AND OTHER RELATED INFORMATION**

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

	<b>LRS</b>	<b>SPRS</b>	<b>SERS</b>	<b>Life Insurance*</b>
<b>Annual OPEB Cost and Net OPEB Obligation:</b>				
Annual required contribution	\$ 9.36	\$ 47.67	\$ 645.13	\$ 72.24
Interest on net OPEB (asset) obligation	1.37	12.14	179.89	11.14
Adjustment to annual required contribution	(1.85)	(10.80)	(160.12)	(12.50)
Annual OPEB cost	8.88	49.01	664.89	70.88
Contributions made	4.65	47.72	713.66	27.14
Change in net OPEB asset/obligation	4.22	1.29	(48.77)	43.74
Net OPEB (asset) obligation at beginning of fiscal year	30.35	151.71	2,248.62	278.51
Net OPEB (asset) obligation at end of fiscal year	<u>\$ 34.57</u>	<u>\$ 153.00</u>	<u>\$ 2,199.86</u>	<u>\$ 322.25</u>

\*For Life Insurance, the information provided is based on the most recent biennial actuarial valuation.

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**Actuarial Valuations and Assumptions**

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

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

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

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

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>Life Insurance</u>
Latest actuarial valuation date	9/30/2014	9/30/2014	9/30/2014	9/30/2013
Actuarial cost method	Projected Unit Credit	Entry Age	Entry Age	Entry Age
Amortization method	Level dollar closed	Level percent of payroll closed	Level percent of payroll closed	Level percent of payroll closed
Remaining amortization period	26 years	22 years	22 years	24 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumption:				
Investment rate of return	4%	8%	8%	4%
Includes inflation at	4%	3.5%	3.5%	3.5%
Healthcare cost trend rate	8.75% in 2015 grading to 4% in 2024	9% Year 1 graded to 3.5% Year 10	9% Year 1 graded to 3.5% Year 10	N/A

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**THREE YEAR HISTORICAL TREND INFORMATION**

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

	Actuarial Valuation Date	Actuarial Value of assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>LRS</b>	9/30/14	\$ 23.6	\$ 158.6	\$ 134.9	14.9 %	\$ 2.5	5,403.2 %
	9/30/13	22.8	153.7	130.9	14.8	3.3	3,966.7
	9/30/12	20.8	145.2	124.3	14.3	3.6	3,452.8
<b>SPRS</b>	9/30/14	77.7	637.4	559.7	12.2	112.5	497.7
	9/30/13	52.2	603.0	550.7	8.7	110.2	499.6
	9/30/12	33.0	599.1	566.1	5.5	104.9	539.8
<b>SERS</b>	9/30/14	1,058.0	8,749.0	7,691.0	12.1	2,857.3	269.2
	9/30/13	663.5	8,199.2	7,535.8	8.1	2,881.1	261.6
	9/30/12	344.3	8,756.9	8,412.6	3.9	2,895.2	290.6
<b>Life Insurance*</b>	9/30/13	-	1,056.9	1,056.9	-	2,998.4	35.2
	9/30/11	-	1,012.8	1,012.8	-	3,156.2	32.1
	9/30/09	-	964.4	964.4	-	3,182.3	30.3

\*For Life Insurance, the information provided is based on the most recent biennial actuarial valuation.

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

	Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
<b>LRS</b>	2015	\$ 8.9	52.4 %	\$ 34.6
	2014	9.0	49.9	30.3
	2013	9.3	47.4	25.8
<b>SPRS</b>	2015	49.0	97.4	153.0
	2014	48.0	100.8	151.7
	2013	48.6	93.9	152.1
<b>SERS</b>	2015	664.9	107.3	2,199.9
	2014	644.7	117.3	2,248.6
	2013	708.1	103.1	2,359.9
<b>Life Insurance</b>	2015	70.9	38.3	322.3
	2014	68.6	37.3	278.5
	2013	67.7	36.3	235.5

**NOTE 12 – LEASES**

**Accounting Policy**

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

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

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

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

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

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

During fiscal years 2008, 2011, and 2015, the State entered into building lease agreements with the Michigan Strategic Fund (MSF), a discretely presented component unit. The leases were classified as capital leases and are included in the capital lease disclosures below.

**Primary Government – Governmental Activities**

Rental expenditures incurred under operating leases totaled \$50.5 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled \$36.3 million, \$41.3 million, and \$18.5 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling \$8.6 million, \$8.9 million, and \$0, respectively.

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

Year Ended September 30	Operating Leases	Capital Leases			Total
		Principal	Interest	Executory Costs	
2016	\$ 14.8	\$ 35.0	\$ 39.1	\$ 17.1	\$ 91.2
2017	9.3	33.4	36.7	16.0	86.1
2018	7.0	31.1	38.0	15.0	84.0
2019	5.9	29.5	35.5	14.0	78.9
2020	2.5	27.5	32.6	13.0	73.0
2021-2025	2.2	113.2	122.4	47.6	283.2
2026-2030	0.1	96.8	60.6	29.0	186.4
2031-2035	0.1	22.1	25.0	6.3	53.4
2036-2040	0.1	17.3	16.1	2.2	35.6
Thereafter	0.5	22.7	9.2	0.1	32.1
Total	<u>\$ 42.5</u>	<u>\$ 428.6</u>	<u>\$ 415.2</u>	<u>\$ 160.3</u>	<u>\$ 1,004.1</u>

The above capital leases relate to governmental activities which include the General Fund, other governmental funds, and the internal service funds. A liability of \$428.6 million has been recorded in the government-wide financial statements for the capital lease principal. Included in this liability are the capital leases between the State and MSF totaling \$221.8 million.

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

Buildings	\$ 427.6
Equipment	108.5
Total	536.1
Accumulated Depreciation	(225.6)
Net Buildings and Equipment	<u>\$ 310.5</u>

Included in the table above is the historical cost and accumulated depreciation for the capital leases between the State and MSF of \$208.3 million and \$67.6 million, respectively.

**Primary Government – Business-Type Activities**

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

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

Year Ended September 30	Operating Leases
2016	\$ 0.4
2017	0.3
2018	0.2
2019	0.1
2020	0.1
2021-2025	-
Total	<u>\$ 1.2</u>

**Discretely Presented Component Units**

Operating lease commitments for universities and authorities totaled \$31.3 million. Total capital lease obligations were \$24.6 million, \$11.6 million, and \$0 for principal, interest, and executory costs, respectively, during the fiscal year.

**NOTE 13 – BONDS AND NOTES PAYABLE – PRIMARY GOVERNMENT**

**General Information**

**General Obligation Bonds and Notes**

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

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. In fiscal year 2015, the State did not issue any general obligation short-term notes.

**Revenue Dedicated Bonds and Notes**

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

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

	Beginning Balance	Draws	Repayments	Ending Balance
Commercial Paper Notes	\$ 99.1	\$ 91.9	\$ 158.6	\$ 32.4

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

**Bonds Issued and Outstanding**

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

General Obligation Bonded Debt	Amounts Issued	Outstanding 9/30/2015	Fiscal Year Maturities		Average Interest Rate Percentage
			First Year	Last Year	
General Obligation Refunding Debt:					
Series 2001 (Refunding)	\$ 183.3	\$ 27.6	2002	2016	4.76 %
Series 2002 (Refunding)	300.7	46.5	2004	2017	4.41
Series 2005 B (Refunding) (2)	82.8	24.6	2013	2016	5.00
Series 2008 A (Refunding) (2)	200.8	138.8	2011	2019	4.94
Series 2008 B (Refunding) (2)(4)	19.4	4.9	2011	2019	4.33
Series 2009 A (Refunding) (2)	64.1	64.1	2022	2026	5.65
Series 2010 A (Refunding)	46.6	35.4	2013	2021	4.00
Series 2010 B (Refunding) (2)(4)	89.0	32.0	2014	2016	2.21
Series 2011 A (Refunding) (2)(4)	44.0	44.0	2022	2026	3.83
Series 2011 B (Refunding) (2)(4)	65.4	29.5	2014	2021	2.56
Series 2012 (Refunding) (2)(4)	92.3	92.3	2017	2021	4.60
Series 2014 A (4)	65.1	65.1	2024	2029	5.00
Series 2014 B (4)	20.2	20.2	2027	2027	3.59
Series 2015 A (Refunding)	129.1	129.1	2017	2029	5.02
Recreation and Environmental Protection:					
Series 2003 (4)	10.0	6.0	2054	2054	-
Series 2006 A (1)(2)	105.0	6.6	2014	2016	4.58
School Loan Bonds (3):					
Series 2008 A (Refunding)	143.0	116.0	2010	2023	4.54
Series 2009 A (Refunding)	204.1	204.1	2016	2021	6.53
Series 2009 B (Refunding) (6)	193.7	40.6	2010	2030	5.58
Series 2010 B (Refunding)	83.8	83.8	2017	2021	3.67
Series 2011 A	150.0	119.8	2014	2023	3.72
Series 2011 B	30.1	30.1	2023	2023	3.70
Series 2012 A (Refunding)	225.0	173.0	2013	2026	2.39
Series 2013 A	200.0	200.0	2024	2033	3.30
Total General Obligation Bonded Debt	2,747.5	1,734.2			

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	Amounts Issued	Outstanding 9/30/2015	Fiscal Year Maturities		Average Interest Rate
			First Year	Last Year	Percentage
<b>Revenue Dedicated Bonded Debt</b>					
<u>State Park Related:</u>					
2002 - Gross Revenue Bonds	15.5	7.9	2004	2023	3.58 %
Total Revenue Dedicated Bonded Debt - State Park Related	15.5	7.9			
<u>Transportation Related:</u>					
Tax Dedicated Bonds:					
Comprehensive Transportation Fund Bonds:					
Series 2005 (Refunding)	62.2	49.2	2009	2023	5.15
Series 2006 (Revenue and Refunding)	53.7	1.2	2007	2016	4.54
Series 2009 (Refunding)	42.3	30.1	2012	2019	4.11
Series 2011 (Refunding)	18.5	14.3	2013	2022	4.35
Series 2013 (Refunding)	10.1	7.4	2014	2023	4.67
Series 2015 (Refunding)	29.4	29.4	2017	2031	4.79
State Trunkline Fund Bonds:					
Series 1998 (Series A Refunding)	377.9	120.9	2006	2019	5.03
Series 2004 (Refunding)	103.5	73.8	2006	2022	4.13
Series 2005 (Refunding)	223.0	207.2	2010	2023	5.10
Series 2006	244.5	34.3	2008	2017	4.74
Series 2009 (Revenue and Refunding)	146.2	146.2	2018	2027	4.76
Series 2011	91.0	86.6	2014	2037	4.58
Series 2012 (Refunding)	49.3	39.1	2014	2022	4.78
Series 2014 (Refunding)	265.1	265.1	2016	2022	4.36
Grant Anticipation Bonds:					
Series 2007	485.1	434.4	2009	2027	4.87
Series 2009 (Series B)	281.9	281.9	2012	2027	7.63
Total Revenue Dedicated Bonded Debt - Transportation Related	2,483.7	1,821.1			
<u>State Building Authority:</u>					
2006 Series I A Serial	438.3	289.4	2014	2037	4.80
2006 Series I A Capital Appreciation	395.3	306.4	2014	2037	4.80
2007 Series I Multi-modal (5)	96.5	32.5	2009	2032	0.01
2008 Series I (Revenue and Refunding)	192.3	95.8	2010	2039	6.08
2009 Series I (Refunding)	222.1	161.6	2010	2027	4.88
2009 Series II	113.5	100.6	2011	2034	4.99
2011 Series I A (Revenue and Refunding)	409.6	386.3	2012	2046	5.16
2011 Series I B	12.2	10.9	2013	2032	5.69
2011 Series II A (Revenue and Refunding)	180.7	177.0	2012	2042	5.23
2011 Series II B (Refunding) (5)	45.8	45.3	2044	2044	0.01
2013 Series I A (Revenue and Refunding)	531.3	511.9	2015	2048	4.76
2015 Series I (Revenue and Refunding)	989.3	989.3	2015	2050	3.86
Total State Building Authority Bonded Debt	3,626.8	3,107.0			
Total Revenue Dedicated Bonded Debt	6,126.0	4,936.1			
Total General Obligation and Revenue					
Dedicated Bonded Debt	\$ 8,873.4	\$ 6,670.3			

- (1) Sections 324.19301 and 324.71301 of the Michigan Compiled Laws (MCL) authorized the issuance of bonds totaling \$800.0 million. As of September 30, 2015, \$791.5 million of such bond proceeds had been received, leaving remaining authorization of \$8.5 million. The sum of the amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.
- (2) MCL Section 324.95102 authorized the issuance of bonds totaling \$675.0 million. As of September 30, 2015, \$594.6 million of such bond proceeds had been received, leaving remaining authorization of \$80.4 million. The sum of amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.
- (3) The Multi-Modal School Loan Bond Series bear interest at a commercial paper rate and are remarketed at each maturity. For the future debt service requirements, interest is estimated at the interest rate in effect at year-end. There were no Multi-Modal School Loan Bonds outstanding at September 30, 2015.



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- (4) November 2002, voters approved a ballot proposal in which the State would issue \$1.0 billion in general obligation bonds to provide capital, which is then loaned to local units of government for water quality improvement projects. As of September 30, 2015, \$312.5 million of such bond proceeds had been recognized as received, leaving remaining authorization of \$687.5 million. Included in the amount recognized as received is \$100.0 million in bonds issued to a discretely presented component unit, Michigan Finance Authority (MFA). Although no cash traded hands, MFA (the registered owner of the bonds) is holding the bond document as collateral and issuing their own revenue bonds to generate the capital. This transaction allows the State's General Fund to defer principal and interest costs until future years when the bond is repurchased/redeemed. MFA will fund the principal and interest costs of the revenue bonds until such time that they request the State to honor the general obligation bond document.

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

- (5) SBA Multi-Modal and variable rate bear interest at a remarketed weekly rate. Estimated interest was computed using the weekly rates as of September 30, 2015.
- (6) This issuance was acquired as an investment by the State Lottery Fund, an enterprise fund, through a public market offering and is reported as part of investments in the fund's statement of net position.

**Capital Appreciation Bonds**

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

	Accreted Book Value	Ultimate Maturity Value	Fiscal Year Maturities	
			First Year	Last Year
General Obligation Bonds:				
School Loan Bond - Series 2009 B	\$ 40.6	\$ 63.1	2010	2030
Revenue Dedicated - State Building Authority:				
2006 Series I A	306.4	443.4	2017	2031

**Refundings and Defeasances**

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

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

**General Obligation**

During the year, the State issued fixed rate General Obligation Environmental Program Refunding Bonds Series 2015A in the amount of \$129.1 million, maturing in fiscal years 2017 to 2029. The bonds were issued for the purpose of refunding certain maturities. From the debt proceeds, \$149.7 million was deposited with an escrow agent to refund General Obligation Environmental Program and Refunding Bonds Series 2005A, 2005B, 2013A, and General Obligation Environmental Program Bonds Series 2006A. As a result of these refundings, the State's debt service decreased by \$5.1 million over the next fourteen years. The State achieved an economic gain of \$10.7 million through these refundings.

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**Revenue Dedicated**

During the year, the State issued fixed rate Comprehensive Transportation Refunding Bonds Series 2015 in the amount of \$29.4 million, maturing in fiscal years 2017 to 2031. The bonds were issued for the purpose of refunding certain maturities. From the debt proceeds, \$34.3 million was deposited with an escrow agent to refund Comprehensive Transportation and Refunding Bonds Series 2006. As a result of this refunding, the State's debt service decreased by \$6.1 million over the next 16 years. The State achieved an economic gain of \$4.7 million through this refunding.

During the year, the SBA issued fixed rate Revenue and Refunding Bonds Series 2015 I in the amount of \$989.3 million, maturing in years 2015 to 2050. From the proceeds, \$924.0 million was deposited with an escrow agent to refund 2005 Series I and II, 2006 Series IA, and 2008 Series I Revenue and Refunding Bonds; \$158.9 million was used to refund commercial paper notes; and \$46.8 million was deposited in the Acquisition Fund. As a result of these refundings, SBA's debt service decreased by \$148.8 million over the next 23 years. These refundings resulted in an economic gain of \$92.9 million.

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

	Amounts Outstanding
General Obligation Refunding:	
Series 2005 A	\$ 86.8
Series 2005 B	36.9
Series 2013 A	30.0
Total General Obligation Refunding	<u>\$ 153.7</u>
Recreation and Environmental Protection:	
Series 2006 A	\$ 88.2
Total Recreation and Environmental Protection	<u>\$ 88.2</u>
Comprehensive Transportation Fund Bonds:	
Series 2006	\$ 32.8
State Trunkline Fund Bonds:	
Series 2006	102.0
Total Transportation Related	<u>\$ 134.8</u>
State Building Authority:	
2005 Series I (Refunding)	\$ 162.6
2005 Series II (Revenue and Refunding)	214.9
2006 Series I A Serial and Capital Appreciation	456.6
2008 Series I (Revenue and Refunding)	87.5
Total State Building Authority	<u>\$ 921.6</u>

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**Debt Service Requirements**

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

Fiscal Years Ending	General Obligation		State Park and Transportation Related		State Building Authority		Total Principal And Interest
	Principal	Fixed Interest	Principal	Fixed Interest	Principal	Interest	
2016	\$ 203.6	\$ 71.0	\$ 142.8	\$ 96.7	\$ 101.8	\$ 117.1	\$ 733.1
2017	187.5	65.4	149.4	90.3	87.1	131.2	710.9
2018	168.0	56.9	156.2	82.6	91.0	127.4	682.0
2019	172.1	48.9	164.3	74.4	126.8	124.8	711.3
2020	141.5	40.3	166.2	66.9	98.7	121.7	635.3
2021-2025	550.6	115.0	689.7	223.7	522.2	554.5	2,655.6
2026-2030	260.0	34.0	320.7	42.3	700.3	437.3	1,794.6
2031-2035	67.4	5.1	27.4	6.3	658.4	284.7	1,049.3
2036-2040			12.2	0.6	493.3	141.7	647.8
2041-2045					247.9	57.0	305.0
2046-2050					111.6	14.3	125.9
2051-2055	6.0				5.0	0.1	11.1
Total	<u>\$ 1,756.8</u>	<u>\$ 436.5</u>	<u>\$ 1,829.0</u>	<u>\$ 683.7</u>	<u>\$ 3,244.1</u>	<u>\$ 2,111.8</u>	<u>\$ 10,061.9</u>

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

**Changes in Bonds and Notes Payable**

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

	Beginning Balance	Additions	Reductions	Accretion	Ending Balance	Amounts Due Within One Year	Due Thereafter
<b>Governmental Activities</b>							
Bonds Payable:							
General obligation debt	\$ 1,942.4	\$ 129.1	\$ (340.5)	\$ 3.2	\$ 1,734.2	\$ 203.6	\$ 1,530.7
Revenue bonds	1,969.1	29.4	(169.5)	-	1,829.0	142.8	1,686.2
State Building Authority	3,105.9	989.3	(1,014.7)	26.5	3,107.0	101.8	3,005.2
Unamortized Discounts:							
General obligation debt	(1.5)	-	0.2	-	(1.4)	-	(1.4)
Revenue dedicated debt	(1.4)	-	0.1	-	(1.3)	-	(1.3)
State Building Authority	(0.8)	(0.3)	0.3	-	(0.8)	-	(0.8)
Unamortized Premiums:							
General obligation debt	47.7	21.2	(11.3)	-	57.6	-	57.6
Revenue dedicated debt	98.1	5.2	(15.1)	-	88.3	-	88.3
State Building Authority	60.1	130.1	(24.2)	-	166.1	-	166.1
Total bonds and notes payable	<u>\$ 7,219.6</u>	<u>\$ 1,304.1</u>	<u>\$ (1,574.5)</u>	<u>\$ 29.7</u>	<u>\$ 6,978.9</u>	<u>\$ 448.2</u>	<u>\$ 6,530.6</u>

Plus State Building Authority commercial paper notes reported as  
"Current Liabilities: Bonds and Notes Payable" on the Statement  
of Net Position

	32.4	32.4	-
As reported on the Statement of Net Position	<u>\$ 7,011.2</u>	<u>\$ 480.6</u>	<u>\$ 6,530.6</u>

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

***Bonds and Notes Payable***

**Bonds Payable**

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

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

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

<u>Fiscal Years Ending In</u>	<u>Principal</u>	<u>Fixed Interest</u>	<u>Estimated Interest</u>	<u>Total</u>
2016	\$ 1,055.9	\$ 581.9	\$ 9.8	\$ 1,647.6
2017	780.2	557.3	9.1	1,346.6
2018	801.4	522.3	9.0	1,332.7
2019	868.2	483.6	8.9	1,360.8
2020	837.0	445.2	8.8	1,291.0
Total five years	\$ 4,342.7	\$ 2,590.4	\$ 45.6	\$ 6,978.8
2021-2025	3,287.2	1,658.8	41.7	4,987.6
2026-2030	2,117.2	1,039.9	36.7	3,193.7
2031-2035	1,566.0	590.0	30.1	2,186.1
2036-2040	957.4	289.2	24.5	1,271.1
2041-2045	607.8	109.3	17.2	734.3
2046-2050	1,331.6	16.4	8.1	1,356.1
Thereafter	5,613.2	0.3	0.5	5,614.1
2021 - Thereafter:	15,480.4	3,703.9	158.8	19,343.2
Total	\$ 19,823.2	\$ 6,294.3	\$ 204.5	\$ 26,321.9
Unamortized discount	(27.3)			
Unamortized premium	582.1			
Off market borrowings	12.0			
Unpaid accretion for Capital				
Appreciation Bonds	(5,921.1)			
Total principal	\$ 14,468.9			

Included in the table above is \$1.9 billion of demand bonds comprised of \$1.1 billion issued by MSHDA, \$727.6 million issued by the Michigan Finance Authority (MFA), and \$145.6 million issued by the State universities. Defeased bonds outstanding of MFA and MSHDA are not reflected in the table above.

**Notes Payable**

As of September 30, 2015, MFA has short-term notes outstanding of \$880.7 million and long-term notes outstanding of \$262.0 million.

As of December 31, 2014, Venture Michigan Fund has short-term notes outstanding of \$23.6 million and long-term notes outstanding of \$338.7 million.

State universities have short-term notes outstanding of \$14.2 million and long-term notes outstanding of \$35.3 million as of June 30, 2015.

***Unrecorded Limited Obligation Debt***

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

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

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MFA issues limited obligations bonds to finance loans to private or nonpublic, nonprofit institutions of higher education, qualified public or private educational facilities and healthcare providers for capital improvements. As of September 30, 2015, MFA had bonds outstanding of \$8.0 billion. Of this amount, \$792.2 million of the bonds have been defeased in substance, leaving a remaining undefeased balance of \$7.2 billion.

The Michigan Strategic Fund (MSF) issues taxable and tax-exempt private activity bonds, formerly known as industrial development revenue bonds, which are not recorded as liabilities. The total amount of private activity bonds issued by MSF and its predecessor entity for the period January 1, 1979, through September 30, 2015, was \$10.3 billion. The amount of tax-exempt bonds issued during fiscal year 2015 was \$306.3 million. In fiscal year 2015, there were \$200.0 million taxable bonds issued by MSF under the Taxable Bond Program. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

MSHDA issues limited obligation bonds to finance multi-family housing projects. At June 30, 2015, limited obligation bonds had been issued totaling \$877.4 million, of which 53 issues totaling \$534.9 million had been retired. The aggregated principal of all MSHDA outstanding debt may not exceed \$4.2 billion.

## **NOTE 15 – OTHER LONG-TERM OBLIGATIONS**

### ***Primary Government***

#### **Other Long-Term Obligations**

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

#### **Capital Leases**

This liability is described in more detail in Note 12.

#### **Compensated Absences**

This liability is described in more detail in Note 1.

#### **Workers’ Compensation**

The gross amount of workers’ compensation liability, \$103.2 million at September 30, 2015, has been recorded at its discounted present value of \$69.4 million, using a discount rate of approximately 8%. The present value of the current portion of this liability is \$15.4 million. In fiscal year 2015, State agencies paid reimbursement for actual workers’ compensation claims and administrative fees totaling \$27.2 million.

#### **Net Pension Liability**

This liability is described in more detail in Note 10.

#### **Net Pension Obligation**

This liability is described in more detail in Note 10.

#### **Net Other Postemployment Benefits (OPEB) Obligation**

This liability is described in more detail in Note 11.

#### **Pollution Remediation**

This liability is measured in accordance with the obligating event criteria defined in Governmental Accounting Standards Boards (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The State’s pollution remediation obligation at September 30, 2015, is \$158.3 million (\$14.3 million of which is the current portion). This estimate is based on professional judgment, experience, and historical cost data. Recoveries from other responsible parties, which would reduce the State’s remediation liability, are not anticipated. Remediation obligation estimates may change over time due to changes in technology, prices, and regulations.

Superfund sites account for approximately \$132.7 million of this total. The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government’s program to clean up these hazardous waste sites. Under this program, the State is required to pay or ensure payment of 10% of the cost of remediation action and 100% of the cost of operations and maintenance.

Other pollution obligations include funds committed for remediation activities for publicly-funded response activities and state-liable sites. Not included in the liability is approximately \$33.1 million for state-owned sites where a legal obligation exists but the GASB Statement No. 49 criteria for accruing a liability has not been met.

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**Pension Supplement**

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

**Other Claims & Judgments**

The governmental activities estimated liability for other claims and litigation losses, \$426.4 million at September 30, 2015, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that costs will be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities includes overpayments by employers to the Michigan Unemployment Compensation Funds totaling \$60.0 million.

**Durant Settlement**

The reported estimated liability for litigation losses includes the Durant, et al v State of Michigan, et al consolidated cases, which totaled \$0.0 million at September 30, 2015. This amount has been paid to each "non-Durant" school district for its underfunded State mandated program costs if certain requirements were met. See Note 24 for additional disclosure regarding the Durant case and other contingencies.

**Changes in Other Long-Term Obligations**

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

	Beginning Balance Restated**	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Governmental Activities</b>						
Other Long-term Obligations:						
Capital lease obligations:						
Component units	\$ 189.4	\$ -	\$ 8.6	\$ 180.8	\$ 9.6	\$ 171.2
Others	214.7	41.0	7.9	247.8	25.2	222.6
Compensated absences	421.3	367.1	373.2	415.2	205.3	209.9
Workers' compensation	79.4	7.6	17.7	69.4	15.4	53.9
Net Pension liability	6,233.2	-	585.7	5,647.5	-	5,647.5
Net pension obligations	15.3	1.5	-	16.8	-	16.8
Net OPEB obligations	2,709.2	0.5	-	2,709.7	-	2,709.7
Pollution remediation	163.2	7.3	12.2	158.3	14.3	144.1
Pension supplement*	20.9	-	16.5	4.5	4.5	-
Other claims and judgments	384.7	70.7	29.0	426.4	43.1	383.4
Durant settlement	39.3	-	39.3	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 10,470.6</b>	<b>\$ 495.8</b>	<b>\$ 1,090.1</b>	<b>\$ 9,876.3</b>	<b>\$ 317.3</b>	<b>\$ 9,559.0</b>
<b>Business-type Activities</b>						
Other Long-term Obligations:						
Lottery prize awards*	\$ 216.5	\$ 15.2	\$ 30.0	\$ 201.7	\$ 23.4	\$ 178.3
Compensated absences	2.7	2.1	1.9	2.8	1.5	1.3
Net pension liability	41.9	-	4.2	37.7	-	37.7
Pension supplement*	0.2	-	0.2	0.1	0.1	-
Other claims and judgments	54.7	5.2	-	60.0	-	60.0
<b>Total Business-type Activities</b>	<b>\$ 316.1</b>	<b>\$ 22.5</b>	<b>\$ 36.3</b>	<b>\$ 302.3</b>	<b>\$ 25.0</b>	<b>\$ 277.3</b>

\*The amounts due within one year are included with "Accounts payable and other liabilities" on the Statement of Net Position.

\*\*Beginning balance has been restated. More detailed information can be found in Note 4.

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

***Discretely Presented Component Units***

The net pension liability totaled \$486.2 million for component units, which includes \$92.1 million related to authorities participating in the State Employees' Retirement System, \$375.1 million related to State universities participating in the Public Schools Employees' Retirement System, and the remaining amount in other non-State of Michigan related retirement systems.

**Michigan Education Trust**

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

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

The actuarial report on the status of MET Plans B and C, as of September 30, 2015, shows the actuarial present value of future tuition obligations to be \$103.0 million, as compared to the actuarially determined market value of assets available of \$133.0 million. The actuarial assumptions used include: a projected tuition increase rate of 7.1% for four years; and a discount rate of 1.49%.

The actuarial report on the status of MET Plan D, as of September 30, 2015, shows the actuarial present value of future tuition obligations to be \$878.0 million, as compared to the actuarially determined market value of assets available of \$884.0 million. The actuarial assumptions used include: a projected tuition increase rate of 7.1% for four years; and a discount rate of 6.0%.

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

**NOTE 16 – INCOME TAX CREDITS AND REFUNDS**

***Income Tax Credits***

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

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

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

Property tax credits:	
General homestead	\$ 273.7
Senior citizens	190.5
Blind and disabled	53.6
Farmland preservation	31.3
Veterans	0.4
Subtotal - property tax credits	549.5
Earned income tax credit	112.8
Historic preservation credit	0.1
Home heating (excluding federal share)	-
Total tax credits	<u>\$ 662.4</u>

***Income Tax Refunds Payable***

The \$875.7 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

**NOTE 17 – DEFERRED COMPENSATION PLANS**

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

Generally, the Employer makes no contribution to the 457 plan; however, the payments for other postemployment benefits related to employees hired prior to January 1, 2012 and who opted out of the graded premium may go to the 457 plan as employer contributions. Generally, the Employer does not make matching contributions to the 401k plan; however, the State of Michigan has occasionally made matching contributions to the 401k plan as part of certain State employees' compensation packages. To expand investment options, three investment tiers were developed and made available to participants on July 1, 1997. Participants invest their contributions and accumulated earnings by selecting investments in one or more of the investment tiers. Employees may, at any time, transfer accumulated balances and future contributions among the investment tiers. Investment earnings, net of administrative charges, are credited to the participants proportionally, based upon their balances in the plan.

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

Net position available for plan benefits for the 457 plan and the 401k plan at September 30, 2015, was \$1.8 and \$1.8 billion, respectively.



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**Notes to the Financial Statements**

**NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES**

**Primary Government**

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

Due From	Due To						Total
	General Fund	School Aid Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ -	\$ 0.5	\$ 3.2	\$ 61.4	\$ 65.1
School Aid Fund	1,287.8	-	-	-	-	-	1,287.8
Non-Major Governmental Funds	18.1	-	52.7	-	0.4	7.8	79.1
State Lottery Fund	-	20.1	-	-	-	0.3	20.4
Unemployment Compensation Funds	-	-	1.5	1.9	-	-	3.5
Non-Major Enterprise Funds	-	-	-	-	-	0.2	0.2
Internal Service Funds	-	-	-	-	4.2	3.6	7.9
Fiduciary Funds	3.1	-	-	-	-	37.0	40.0
Timing Difference Between Fiduciary Funds	-	-	-	-	-	0.1	0.1
Governmental Funds - Long - Term*	-	-	-	-	-	4.2	4.2
Total	\$ 1,308.9	\$ 20.1	\$ 54.2	\$ 2.5	\$ 7.9	\$ 114.7	\$ 1,508.4

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

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

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

**Discretely Presented Component Units**

Receivables and related liabilities between the primary government and the discretely presented component units, do not agree because the Michigan State Housing Development Authority and the 10 State universities have a June 30 fiscal year-end.

**NOTE 19 – INTERFUND COMMITMENTS**

**Mackinac Bridge Authority**

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

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

As of September 30, 2015, MBA has repaid a total of \$13.8 million of the advance from the Michigan Transportation Fund, leaving a balance of \$49.2 million. No repayments have been made on the advance from the State Trunkline Fund.

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**Notes to the Financial Statements**

**NOTE 20 – TRANSFERS**

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

<b>Transferred From</b>	<b>Transferred To</b>				<b>Total</b>
	<b>General Fund</b>	<b>School Aid Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Internal Service Funds</b>	
General Fund	\$ -	\$ 33.7	\$ 577.9	\$ -	\$ 611.6
School Aid Fund	-	-	42.3	-	42.3
Non-Major Governmental Funds	44.5	-	1,319.3	-	1,363.9
State Lottery Fund	4.2	795.5	2.6	-	802.3
Unemployment Compensation Funds	-	-	1.8	-	1.8
Non-Major Enterprise Funds	195.7	-	-	-	195.7
Internal Service Funds	7.0	-	-	-	7.0
Fiduciary Funds	0.2	-	-	-	0.2
<b>Total</b>	<b>\$ 251.7</b>	<b>\$ 829.2</b>	<b>\$ 1,943.9</b>	<b>\$ -</b>	<b>\$ 3,024.8</b>

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

**NOTE 21 – FUND DEFICITS**

**Primary Government**

**Governmental Funds**

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$28.5 million. The fund deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of \$28.4 million. The fund deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

**Proprietary Funds**

The Liquor Purchase Revolving Fund, an enterprise fund, had a fund balance deficit of \$14.2 million. As the result of the implementation of GASB Statement No. 68, the Statement of Net Position now includes a portion of net pension liability related to the State Employees' Retirement System that was allocated to the fund in accordance with GASB standards.

**Internal Service Funds**

The Correctional Industries Revolving Fund, an internal service fund, had a fund balance deficit of \$1.9 million. As the result of the implementation of GASB Statement No. 68, the Statement of Net Position now includes a portion of net pension liability related to the State Employees' Retirement System that was allocated to the fund in accordance with GASB standards. The Information Technology Fund, an internal service fund, had a fund balance deficit of \$155.4 million. As the result of the implementation of GASB Statement No. 68, the Statement of Net Position now includes a portion of net pension liability related to the State Employees' Retirement System that was allocated to the fund in accordance with GASB standards.

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**Notes to the Financial Statements**

**NOTE 22 – FUND BALANCES AND NET POSITION**

***Fund Balance Classifications – Governmental Funds***

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

	General Fund	School Aid Fund	Other Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
Non-Spendable							
Inventory and prepaids	\$ 8.9	\$ -	\$ -	\$ -	\$ 13.5	\$ -	\$ 22.5
Long term notes/receivables	107.0	-	-	-	-	-	107.0
Permanent fund principal	-	-	224.3	-	-	778.5	1,002.8
Restricted							
Education	1.8	275.1	-	133.0	-	-	409.9
Public safety and corrections	14.9	-	2.4	-	-	3.4	20.7
Conservation, environment, recreation and agriculture	144.3	-	192.1	1.7	0.1	207.1	545.3
Health and human services	41.7	-	2.4	-	-	-	44.1
Transportation	-	-	114.0	-	942.2	-	1,056.2
Labor, commerce, and regulatory	105.3	-	47.1	-	-	-	152.4
Other purposes	87.9	-	11.9	57.0	-	-	156.8
Committed							
Education	0.7	-	-	-	-	-	0.7
Public safety and corrections	67.5	-	-	-	-	-	67.5
Conservation, environment, recreation and agriculture	45.3	-	-	-	-	-	45.3
Health and human services	136.5	-	-	-	-	-	136.5
Labor, commerce, and regulatory	30.1	-	-	-	-	-	30.1
Other purposes	828.2	-	352.7	-	-	-	1,180.9
Assigned							
Education	1.2	-	-	-	-	-	1.2
Public safety and corrections	74.2	-	-	-	-	-	74.2
Conservation, environment, recreation and agriculture	11.8	-	-	-	-	-	11.8
Health and human services	31.3	-	-	-	-	-	31.3
Transportation	23.3	-	-	-	-	-	23.3
Labor, commerce, and regulatory	1.3	-	-	-	-	-	1.3
Other purposes	33.3	-	-	-	-	-	33.3
Unassigned	694.7	-	-	-	(57.0)	-	637.8
Total Fund Balances	<u>\$ 2,491.3</u>	<u>\$ 275.1</u>	<u>\$ 946.9</u>	<u>\$ 191.7</u>	<u>\$ 898.9</u>	<u>\$ 988.9</u>	<u>\$ 5,792.8</u>

**Michigan**  
**Notes to the Financial Statements**

**Restricted Net Position – Primary Government**

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

	Restricted by Enabling Legislation	External or Constitutional Restrictions	Total
Governmental Activities:			
Restricted For:			
Education	\$ 1.6	\$ 769.8	\$ 771.5
Public safety and corrections	12.2	5.1	17.3
Conservation, environment, recreation and agriculture	210.4	106.0	316.4
Health and human services	27.3	18.4	45.6
Transportation	-	1,019.8	1,019.8
Labor, commerce, and regulatory	154.6	0.1	154.7
Other purposes	79.6	29.6	109.2
Funds Held as Permanent Investments:			-
Expendable	-	210.5	210.5
Nonexpendable	6.2	996.6	1,002.8
Total Restricted Net Position - Governmental	<u>\$ 491.9</u>	<u>\$ 3,155.8</u>	<u>\$ 3,647.7</u>
Business - Type Activities:			
Restricted For:			
Unemployment compensation	\$ 2,977.7	\$ -	\$ 2,977.7
Other purposes	11.8	-	11.8
Total Restricted Net Position - Business - Type	<u>\$ 2,989.6</u>	<u>\$ -</u>	<u>\$ 2,989.6</u>
Total Primary Government:			
Restricted For:			
Education	\$ 1.6	\$ 769.8	\$ 771.5
Public safety and corrections	12.2	5.1	17.3
Conservation, environment, recreation and agriculture	210.4	106.0	316.4
Health and human services	27.3	18.4	45.6
Transportation	-	1,019.8	1,019.8
Unemployment compensation	2,977.7	-	2,977.7
Labor, commerce, and regulatory	154.6	0.1	154.7
Other purposes	91.4	29.6	121.0
Funds Held as Permanent Investments:			-
Expendable	-	210.5	210.5
Nonexpendable	6.2	996.6	1,002.8
Total Restricted Net Position - Primary Government	<u>\$ 3,481.5</u>	<u>\$ 3,155.8</u>	<u>\$ 6,637.3</u>

**Michigan**  
**Notes to the Financial Statements**

**NOTE 23 – DISAGGREGATION OF PAYABLES**

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

	General Fund	School Aid Fund	Non-Major Governmental Funds	Other Funds	State Lottery Fund	Michigan Unemployment Compensation Funds	Non-Major Enterprise Funds	Total
Medicaid programs	\$ 1,040.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,040.3
Non-Medicaid health programs	534.9	-	-	-	-	-	-	534.9
Human Services programs	191.1	-	0.3	-	-	-	-	191.4
Transportation programs	-	-	490.0	-	-	-	-	490.0
School Aid programs	-	121.0	-	-	-	-	-	121.0
Other state programs	317.8	-	22.6	-	-	-	-	340.4
Merit Award scholarships	-	-	0.9	-	-	-	-	0.9
Payroll and withholdings	152.0	-	19.5	-	0.7	-	0.5	172.8
Tax refunds other than income tax	471.4	20.2	3.7	-	-	-	-	495.2
Unearned receipts	203.3	-	7.7	-	-	-	-	211.0
Amounts held for others	36.6	-	54.5	-	4.0	-	-	95.1
Capital Projects - Non Transportation	-	-	49.1	-	-	-	-	49.1
Prize awards	-	-	-	-	283.9	-	-	283.9
Liquor purchase	-	-	-	-	-	-	85.1	85.1
Unemployment payments	-	-	-	-	-	39.3	-	39.3
Internal Service Fund liabilities	-	-	-	91.3	-	-	-	91.3
Due to fiduciary funds*	-	-	-	77.6	-	-	-	77.6
Miscellaneous	-	-	-	-	10.4	-	0.5	10.8
<b>Total</b>	<b>\$ 2,947.4</b>	<b>\$ 141.2</b>	<b>\$ 648.3</b>	<b>\$ 168.9</b>	<b>\$ 299.0</b>	<b>\$ 39.3</b>	<b>\$ 86.1</b>	<b>\$ 4,330.2</b>

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

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

**NOTE 24 – CONTINGENCIES AND COMMITMENTS**

**Primary Government**

**Litigation**

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

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

Durant et al v State of Michigan: On November 15, 2000, more than 365 Michigan school districts and individuals filed two suits in the Michigan Court of Appeals. The first suit, Durant et al v State et al (“Durant III”), asserts that the State School Aid appropriation act, P.A. 297 of 2000, violates the State Constitution, Article 9, Sections 25-34 (the “Headlee Amendment”), because it allegedly transfers per pupil revenue guaranteed to school districts under the Constitution of 1963, Article 9, Section 11, for

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unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, Section 29. The State won this case in the Court of Appeals, and the Supreme Court denied the plaintiffs' application for leave to appeal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On August 10, 2012, the Adair plaintiffs filed a new original action in the Court of Appeals seeking, among other things, a declaratory judgment that the appropriation for 2012-13 in 2012 PA 201 is insufficient to pay the full costs of the imposed record keeping requirements adding allegations concerning information collected or reported in the Michigan Electronic Information

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System (MEIS). As with the 2011 case, the complaint again alleges that the current funding method improperly reduced aid to districts. The complaint again alleges that the requirements for teacher and administrator evaluations enacted in the Race to the Top legislation, 2009 Public Acts 201-205, and 2011 PA 100-102, the July 2011 amendments to section 1249 of the School Code, MCL 380.1249, as well as the changes to the Tenure Act, violate the Headlee Amendment and alternatively that the definitions of activity and service in the MCL 21.232(1) and MCL 21.234(1) are unconstitutional and contrary to the intent of the voters. Plaintiffs allege this is occurring in direct violation of the provisions of the second sentence of the Constitution of 1963, Article 9, Section 29, the Headlee Amendment. The complaint seeks declaratory relief, injunctive relief to cease requiring school districts from complying with the record keeping requirements, and injunctive relief to enjoin Defendants from enforcing the educator evaluation provisions. The complaint also seeks compensatory damages related to the funding mechanism and the educator evaluation claims.

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

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

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

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

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

After the Michigan Supreme Court reinstated involuntary dismissal of the Plaintiffs' funding challenge through fiscal year 2011-12, Plaintiffs filed an amended complaint in the August 10, 2012 action challenging method and sufficiency of legislative appropriation for *Adair* recordkeeping requirements since FY 2011-12, and claim that teacher/administrator evaluation requirement is an unfunded mandate. The amended complaint also seeks monetary damages for the alleged underfunded activities. The Court of Appeals referred the case to Oakland Circuit Judge Michael Warren to conduct proceedings on the allegations of insufficient funding and the potential impact of the dismissal of the prior case on the Plaintiffs' present claims. The Adair plaintiffs claim the underfunding for the cost of compliance with current reporting requirements is over \$100 million annually.

#### **Federal Grants**

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. Disallowances are recognized as liabilities in the



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**Notes to the Financial Statements**

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governmental fund financial statements when the loss becomes due and payable. As of September 30, 2015, the State estimates that any additional disallowances of recognized revenue will not be material to the general purpose financial statements.

**Gain Contingencies**

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

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

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

It is impossible to calculate with precision Michigan's share of this 2015 sales-based payment, but is expected to be between \$246.8 and \$280.9 million.

**Contingent Liability for Local School District Bonds**

Article 9, Section 16, of the Michigan Constitution resulted in a contingent liability for the bonds of any school district which are "qualified" by the State Treasurer. If, for any reason, a qualified school district will be, or is, unable to pay the principal and interest on its qualified bonds when due, the school district shall borrow, and the State shall lend to it, any amount necessary for the school district to avoid a default on its qualified bonds. In the event that adequate funds are not available in the School Loan Revolving Fund to make such a loan, the State is required to make loans from the General Fund. As of September 30, 2015, the principal amount of qualified bonds outstanding was \$13.1 billion. Total debt service requirements on these bonds including interest will be approximately \$1.5 billion in 2015. The amount of loans by the State (related to local school district bonds qualified under this program), outstanding to local school districts as of September 30, 2015, is \$1.2 billion. Interest due on these loans as of September 30, 2015, is \$323.2 million.

**Venture Michigan Fund Tax Vouchers**

As of September 30, 2015, the Venture Michigan Fund had \$400 million in tax vouchers outstanding. These vouchers are used as collateral for loans to early stage venture investment businesses as a mechanism to promote a healthy economic climate in Michigan. The amount of tax vouchers expected to be sold and redeemed is \$50 million in fiscal year 2016; \$40 million in fiscal year 2017; and the remainder in subsequent fiscal years.

**Michigan Economic Growth Authority (MEGA) Tax Credits**

MEGA tax credits are awarded to businesses that commit to making capital investments that create and/or retain jobs in Michigan. During fiscal year 2015, a number of amendments were made to the MEGA tax credit program that will cap and reduce the liability in future years. As of September 30, 2015, an estimated \$8.5 billion in MEGA tax credits remained outstanding. The amount of MEGA tax credits expected to be redeemed is estimated at \$518.4 million in fiscal year 2016; \$527.1 million in fiscal year 2017; \$529.1 million in fiscal year 2018; and the remainder in subsequent fiscal years.

**Michigan Brownfield Tax Credits**

Michigan Brownfield Tax Credits are awarded to businesses that commit to revitalize, redevelop, and reuse contaminated, blighted, functionally obsolete, tax reverted, or historic property. Although the State stopped awarding new Brownfield Tax Credits in calendar year 2011, previously issued credits remain eligible for redemption. As of September 30, 2015, an estimated \$249.9 million in Brownfield Tax Credits remained outstanding. The amount of Brownfield Tax Credits expected to

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be redeemed is estimated at \$69.4 million in fiscal year 2016; \$66.5 million in fiscal year 2017; \$27.2 million in fiscal year 2018; and the remainder in subsequent fiscal years.

**Other Contingent Liabilities**

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

In addition, the State is involved in a court case challenging the requirement that active members of the Michigan Public School Employees Retirement System (MPERS) defined benefit pension plan contribute three percent of their compensation to help pay for the cost of health care for retirees of MPERS. The State believes there is a remote possibility of a favorable decision in this case. If the decision is unfavorable to the State, the amount that would be required to be refunded to MPERS members was approximately \$552 million in accumulated deductions as of September 30, 2015.

**Commitments and Encumbrances**

The Department of Transportation has construction and consultant commitments that will be paid with transportation related funds. As of September 30, 2015, these commitments equaled \$391.0 million; a portion of this balance, \$103.4 million, has been encumbered.

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

	General Fund	School Aid Fund	Other Funds	Total
Restricted				
Education	\$ 0.5	\$ 7.7	\$ -	\$ 8.1
Public safety and corrections	14.5	-	-	14.5
Conservation, environment, recreation and agriculture	58.7	-	59.8	118.5
Health and human services	129.8	-	-	129.9
Transportation			284.3	284.3
Labor, commerce, and regulatory	6.0	-	0.8	6.8
Other purposes	42.3	-	11.1	53.4
Committed				
Education	-	-	-	-
Public safety and corrections	13.7	-	-	13.7
Conservation, environment, recreation and agriculture	11.1	-	-	11.1
Health and human services	13.0	-	-	13.0
Transportation	11.9	-	-	11.9
Labor, commerce, and regulatory	5.2	-	-	5.2
Other purposes	28.3	-	-	28.3
Assigned				
Education	1.3	-	-	1.3
Public safety and corrections	74.2	-	-	74.2
Conservation, environment, recreation and agriculture	12.7	-	-	12.7
Health and human services	32.3	-	-	32.3
Transportation	23.3	-	-	23.3
Labor, commerce, and regulatory	1.3	-	-	1.3
Other purposes	38.4	-	-	38.4
Total Encumbrances	<u>\$ 518.4</u>	<u>\$ 7.7</u>	<u>\$ 356.0</u>	<u>\$ 882.1</u>

**Michigan**  
**Notes to the Financial Statements**

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***Discretely Presented Component Units***

**Student Loan Guarantees**

The Michigan Guaranty Agency (MGA), a fiduciary fund of the Michigan Finance Authority, is contingently liable for student loans made by financial institutions that qualify for guaranty. The State, other than MGA, is not liable for these loans. The default ratio for loans guaranteed by MGA is below 5% for the fiscal year ended September 30, 2015. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2015, is 100% for loans made prior to October 1, 1993, 98% for loans made from October 1, 1993 to September 30, 1998, and 95% for loans made on or after October 1, 1998. In the event of future adverse default experience, MGA could be liable for up to 25% of defaulted loans. While management believes the MGA expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% is \$500.6 million as of September 30, 2015. Management does not expect that all guaranteed loans could default in one year.

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

**Multi-Family Mortgage Loans**

As of June 30, 2015, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of \$53.3 million and single-family mortgage loans in the amount of \$32.5 million.

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

**NOTE 25 – RISK MANAGEMENT**

***Primary Government***

**General**

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

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

For unemployment claims, the Unemployment Insurance Agency (UIA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UIA through September 30. During fiscal year 2015, expenditures for payments to former State employees (not including university employees) totaled \$7.3 million. The potential liability for future payments cannot be estimated.

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

**Risk Management Fund**

This fund was established during fiscal year 1990 to account for insurance management activities implemented within the Department of Technology, Management and Budget. The automobile liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of \$9.6 million. This includes a long-term portion, which is recorded at \$5.3 million.

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Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2015 and 2014 are as follows (in millions):

	2015	2014
Balance - beginning	\$ 7.7	\$ 7.5
Current year claims and changes in estimates	4.7	0.6
Claim payments	(2.8)	(0.4)
Balance - ending	<u>\$ 9.6</u>	<u>\$ 7.7</u>

Workers' compensation payments for State agencies are processed centrally through the Risk Management Fund. Changes in Workers' compensation claims for the fiscal years ending September 30, 2015 and 2014 are as follows (in millions):

	2015	2014
Balance - beginning	\$ 79.4	\$ 92.0
Current year claims and changes in estimates	7.6	7.9
Claim payments	(17.7)	(20.5)
Balance - ending	<u>\$ 69.4</u>	<u>\$ 79.4</u>

Workers' compensation is further described in Note 15.

**State Sponsored Group Insurance Fund**

The Department of Technology, Management and Budget and the Civil Service Commission use this fund to account for employee benefit programs, which are largely self-funded. In compliance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the retiree insurance benefits programs are no longer reported in this fund. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of \$132.4 million. This includes a long-term portion, which is recorded at a discounted present value of \$93.6 million. For all claims incurred prior to October 1, 2015, the discounted present value of the long-term disability liability was calculated over a 20-year period using a discount rate of approximately 0.8%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net position has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was \$38.1 million at September 30, 2015. Unrestricted net position totaled \$166.0 million at September 30, 2015.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2015 and 2014 are as follows (in millions):

	2015	2014
Balance - beginning	\$ 129.0	\$ 131.1
Current year claims and changes in estimates	686.6	705.6
Claim payments	(683.3)	(707.7)
Balance - ending	<u>\$ 132.4</u>	<u>\$ 129.0</u>

**Discretely Presented Component Units**

**State Universities**

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

## **NOTE 26 – PLEDGED REVENUES**

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

For the period ended September 30, 2015, the State's pledged revenue to MFA was \$60.7 million. A total amount of \$61.7 million was received in MFA's tobacco settlement debt service fund to contribute to annual debt service requirements of \$64.1 million. Shortfalls in the receipt of pledged revenue are made up by investment income if available or other resources; debt service on these bonds is payable solely from pledged TSRs.

The State Legislature issued Public Acts 267 and 268 of 2011, which permitted MFA to issue bonds to repay Federal advances to the State's Unemployment Trust Account, avoid additional advances, pay unemployment benefits, and minimize the impact on unemployment insurance tax rates. This legislation also created the Unemployment Obligation Trust Fund to receive unemployment obligation assessment revenue created by the legislation and assessed on employers as long as obligations are outstanding. The assessment rate shall be an amount sufficient to ensure timely payment of debt service on the Unemployment Obligation Trust bonds. All revenue collected or earned in the fund is pledged to MFA for payment of the bonds or for other purposes specified in the legislation. During fiscal year 2015, \$470.4 million was recognized as revenue in the State's Unemployment Obligation Trust Fund and \$470.4 million was paid to MFA's unemployment obligation assessment debt service fund; debt service of \$460.9 million was paid from the fund during the current fiscal year. Remaining principal and interest requirements of the secured bonds totaled \$2.4 billion at September 30, 2015.

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

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ 179.0
Refunding of debt	64.5	-	64.5	66.5
Pension Related:				
Difference between expected and actual experience	-	-	-	1.0
Changes of assumptions	-	1.1	1.1	17.6
Net difference between projected and actual earnings on pension plan investments	165.7	-	165.7	2.2
Contributions subsequent to the measurement date	810.1	5.5	815.5	38.9
Total deferred outflows of resources	<u>\$ 1,040.3</u>	<u>\$ 6.6</u>	<u>\$ 1,046.8</u>	<u>\$ 305.2</u>
Deferred inflows of resources:				
Unavailable resources	\$ (14.9)	\$ -	\$ (14.9)	\$ -
Accumulated increase in fair value of hedging derivatives	-	-	-	18.7
Loan origination fees	-	-	-	12.1
Refunding of debt	7.9	-	7.9	3.3
Pension Related:				
Difference between expected and actual experience	674.2	-	674.2	-
Net difference between projected and actual earnings on pension plan investments	-	4.4	4.4	46.9
Total deferred inflows of resources	<u>\$ 667.3</u>	<u>\$ 4.4</u>	<u>\$ 671.7</u>	<u>\$ 81.0</u>

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

	General Fund	School Aid Fund	Non-Major Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
Taxes considered unavailable	\$ 1,365.2	\$ 485.8	\$ 11.0	\$ -	\$ 1,862.0
Tobacco settlement receivables	-	-	158.6	-	158.6
School loan revolving program	323.2	-	-	-	323.2
Other	13.9	-	7.9	0.5	22.4
Total deferred inflows of resources	<u>\$ 1,702.2</u>	<u>\$ 485.8</u>	<u>\$ 177.5</u>	<u>\$ 0.5</u>	<u>\$ 2,366.1</u>

## **NOTE 28 – SUBSEQUENT EVENTS**

### ***Short-Term Borrowing***

On October 20, 2015, the State Building Authority (SBA) issued \$46.3 million of commercial paper notes bearing an interest rate of .07%. The notes matured on December 17, 2015.

On December 17, 2015, the SBA issued \$63.0 million of commercial paper notes bearing an interest rate of .07%. The notes mature on February 18, 2016.

### ***Long-Term Borrowing***

On October 27, 2015, the State issued its State of Michigan State Trunk Line Fund Refunding Bonds, Series 2015 in the aggregated amount of \$54.1 million as fully registered bonds bearing interest which is payable semi-annually commencing May 15, 2016.

### ***Long-Term Borrowing – Discretely Presented Component Units***

On or about January 5, 2015, subsequent to its respective year-end of December 31, 2014, the Venture Michigan Fund made a loan drawn down of \$41.7 million.

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

	Bonds Issued
Central Michigan University	\$ 20.8
Michigan Finance Authority	509.2
Total	<u>\$ 530.0</u>







## **FINANCIAL SECTION**

### **REQUIRED SUPPLEMENTARY INFORMATION**

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## MAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning Budgetary				
Fund Balance Restated	\$ 1,666,393	\$ 1,666,393	\$ 1,666,393	\$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	9,384,100	9,572,203	9,572,203	-
Federal	20,000	38,453	38,453	-
Local	1,000	1	1	-
Licenses and permits	10,000	11,548	11,548	-
Services	10,000	7,232	7,232	-
Miscellaneous	137,300	176,001	176,001	-
Transfers in	179,500	201,070	201,070	-
Restricted Revenues:				
Taxes	3,409,920	4,357,274	4,357,274	-
Federal	18,111,470	17,896,155	17,896,155	-
Local	174,148	211,575	211,575	-
Licenses and permits	403,840	302,021	302,021	-
Services	387,109	315,376	315,376	-
Miscellaneous	1,110,619	617,904	617,904	-
Proceeds from sale of capital assets	-	3,008	3,008	-
Transfers in	76,553	50,598	50,598	-
Total Revenue Inflows	33,415,558	33,760,419	33,760,419	-
Amounts Available for Appropriation	35,081,951	35,426,812	35,426,812	-
Charges to Appropriations (outflows):				
Legislative Branch	166,016	154,714	153,092	1,622
Judicial Branch	291,472	259,512	255,949	3,563
Executive Branch:				
Agriculture and Rural Development	84,661	78,136	77,888	248
Attorney General	96,349	85,198	85,007	191
Civil Rights	16,644	15,545	15,213	332
Colleges and Universities Grants	1,476,477	1,304,015	1,303,726	289
Community Health	18,161,856	18,457,854	18,348,327	109,526
Corrections	2,034,283	2,002,939	1,980,960	21,979
Education	402,196	288,274	282,360	5,914
Environmental Quality	481,599	207,780	207,776	5
Executive Office	5,916	5,916	5,655	261
Human Services	5,970,076	5,312,078	5,293,710	18,368
Insurance and Financial Services	65,190	59,626	59,571	55
Licensing and Regulatory Affairs	332,199	274,033	269,733	4,301
Military and Veterans Affairs	161,942	165,718	160,781	4,937
Natural Resources	135,499	102,136	102,119	17
State	227,475	215,683	212,291	3,392
State Police	642,922	614,999	614,391	608
Technology, Management and Budget	813,802	947,218	936,268	10,950
Transportation	361,561	267,210	267,210	-
Treasury	2,107,151	3,466,692	3,421,064	45,628
Intrafund expenditure reimbursements	-	(726,922)	(726,922)	-
Total Charges to Appropriations	34,035,287	33,558,354	33,326,171	232,183
Reconciling Items:				
Change in noncurrent assets	-	72,992	72,992	-
Net Reconciling Items	-	72,992	72,992	-
Ending Budgetary				
Fund Balance	\$ 1,046,664	\$ 1,941,450	\$ 2,173,633	\$ 232,183

# Michigan

SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 509,899	\$ 509,899	\$ 509,899	\$ -
11,281,463	11,167,482	11,167,482	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	19,724	19,724	-
780,700	829,202	829,202	-
-	36	36	-
1,808,163	1,606,466	1,606,466	-
-	-	-	-
-	-	-	-
-	-	-	-
-	466	466	-
-	-	-	-
-	-	-	-
13,870,326	13,623,376	13,623,376	-
14,380,225	14,133,275	14,133,275	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
402,082	571,193	571,193	-
-	-	-	-
-	-	-	-
13,866,318	13,440,246	13,287,188	153,057
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	9,498	9,498	-
-	-	-	-
14,268,400	14,020,937	13,867,880	153,057
-	364	364	-
-	364	364	-
\$ 111,825	\$ 112,702	\$ 265,760	\$ 153,057

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## BUDGET-TO-GAAP RECONCILIATION

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	GENERAL FUND	SCHOOL AID FUND
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 35,426,812	\$ 14,133,275
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.	(1,666,393)	(509,899)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(3,008)	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(251,668)	(829,202)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 33,505,743</u>	<u>\$ 12,794,174</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 33,326,171	\$ 13,867,880
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	27,039	2,932
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(611,636)	(42,275)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP.	25,298	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 32,766,871</u>	<u>\$ 13,828,537</u>

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

#### Statutory/Budgetary Presentation

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

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

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

The budgetary comparison schedule presented for the General Fund and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2015, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2014, and includes multi-year projects budgetary carry-forwards from the prior fiscal year.

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

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

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

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

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

#### Statutory/Budgetary Reconciliation

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

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

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

#### Statewide Authorization Dispositions

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

## Required Supplementary Information

### Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,448 lane miles of roads and 4,826 bridges (spans in excess of 20 feet).

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

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

### Roads

#### Measurement Scale

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

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

#### Established Condition Level

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

#### Assessed Conditions

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

Rating	2014	2013	2012
Good	77.2%	78.1%	78.8%
Poor	22.8%	21.9%	21.2%

## Bridges

### Measurement Scale

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

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

### Established Condition Level

No more than 35% of the highway bridges shall be rated as "structurally deficient."

### Assessed Conditions

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

Fiscal Year	Structurally Deficient
2015	5.7%
2014	6.1%
2013	6.0%

Bridges that are not intended to carry highway traffic are not included in MDOT's condition assessment. As a result, the number of bridges that were evaluated (4,470) in fiscal year 2015 is less than the total (4,826) maintained by the department.

### Estimated and Actual Costs to Maintain

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

Fiscal Year	Estimated Spending	Actual Spending
2016	\$ 824.2	\$ -
2015	729.3	748.6
2014	689.0	784.7
2013	737.0	838.5
2012	719.0	772.4
2011	766.0	752.8







## **FINANCIAL SECTION**

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

**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTALS
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 88	\$ -	\$ 53	\$ -	\$ 141
Equity in common cash	768,639	2,044	923,279	121,959	1,815,921
Taxes, interest, and penalties receivable	105,199	-	510	-	105,709
Amounts due from other funds	12,303	-	41,911	-	54,214
Amounts due from component units	-	-	4,154	-	4,154
Amounts due from federal agencies	96,659	-	218,654	-	315,313
Amounts due from local units	1,707	-	73,793	293	75,792
Inventories	389	-	13,549	-	13,938
Investments	-	190,415	38,977	-	229,391
Other current assets	234,121	1	6,788	6,535	247,445
Total Current Assets	1,219,105	192,459	1,321,668	128,787	2,862,019
Taxes, interest, and penalties receivable	2,518	-	-	-	2,518
Amounts due from local units	17,209	-	35,169	-	52,378
Investments	245,930	-	-	868,576	1,114,506
Other noncurrent assets	4,351	-	28	-	4,379
Total Assets	\$ 1,489,112	\$ 192,459	\$ 1,356,865	\$ 997,364	\$ 4,035,800
<b>LIABILITIES</b>					
Current Liabilities:					
Warrants outstanding	\$ 1,699	\$ -	\$ 2,270	\$ 52	\$ 4,021
Accounts payable and other liabilities	279,167	796	360,170	8,131	648,263
Amounts due to other funds	19,941	-	58,910	231	79,082
Amounts due to component units	57,211	-	-	-	57,211
Bonds and notes payable	-	-	32,380	-	32,380
Unearned revenue	6,648	-	3,672	-	10,321
Total Current Liabilities	364,665	796	457,402	8,414	831,277
Long-Term Liabilities:					
Unearned revenue	45	-	31	-	76
Total Liabilities	364,711	796	457,433	8,414	831,353
DEFERRED INFLOWS OF RESOURCES	177,512	-	534	-	178,046
<b>FUND BALANCES</b>					
Nonspendable	224,290	-	13,549	778,483	1,016,322
Restricted	369,899	191,664	942,301	210,467	1,714,330
Committed	352,699	-	-	-	352,699
Unassigned	-	-	(56,951)	-	(56,951)
Total Fund Balances	946,889	191,664	898,898	988,949	3,026,401
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,489,112	\$ 192,459	\$ 1,356,865	\$ 997,364	\$ 4,035,800

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTALS
<b>REVENUES</b>					
Taxes	\$ 2,072,959	\$ -	\$ 6,386	\$ -	\$ 2,079,345
From federal agencies	259,526	-	1,295,599	-	1,555,125
From local agencies	-	-	14,597	-	14,597
From services	3,880	-	4,020	-	7,900
From licenses and permits	196,790	-	17,141	-	213,931
Miscellaneous	815,739	12	54,604	49,882	920,236
Total Revenues	3,348,894	12	1,392,348	49,882	4,791,135
<b>EXPENDITURES</b>					
Current:					
General government	400,096	555	-	2,476	403,126
Education	-	3,932	123,337	-	127,269
Human services	31,546	-	-	-	31,546
Public safety and corrections	889	-	-	2,298	3,187
Conservation, environment, recreation, and agriculture	221,886	-	29	29,599	251,514
Labor, commerce, and regulatory	665,260	-	-	-	665,260
Health services	68,330	-	-	-	68,330
Transportation	1,372,089	242	1,076,831	-	2,449,161
Capital outlay	8,236	-	901,429	21,272	930,936
Debt Service:					
Bond principal retirement	-	468,085	-	-	468,085
Bond interest and fiscal charges	-	305,687	-	-	305,687
Capital lease payments	596	-	644	-	1,240
Total Expenditures	2,768,927	778,501	2,102,270	55,644	5,705,342
Excess of Revenues over (under) Expenditures	579,967	(778,489)	(709,922)	(5,762)	(914,206)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and bond anticipation notes issued	-	-	177,965	-	177,965
Refunding bonds issued	-	969,870	-	-	969,870
Premium on bond issuance	-	141,985	14,563	-	156,548
Discount on bond issuance	-	-	(298)	-	(298)
Payment to refunded bond escrow agent	-	(1,107,996)	-	-	(1,107,996)
Capital lease acquisitions	75	-	-	-	75
Proceeds from sale of capital assets	-	-	2,242	-	2,242
Transfers from other funds	320,824	743,738	879,338	-	1,943,900
Transfers to other funds	(1,090,043)	(2,122)	(271,438)	(258)	(1,363,861)
Total Other Financing Sources (Uses)	(769,144)	745,476	802,371	(258)	778,444
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(189,177)	(33,014)	92,449	(6,020)	(135,762)
Fund Balances - Beginning of fiscal year	1,136,066	224,677	806,449	994,970	3,162,162
Fund Balances - End of fiscal year	\$ 946,889	\$ 191,664	\$ 898,898	\$ 988,949	\$ 3,026,401

**BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - BY CLASSIFICATION**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ 82	\$ 6	\$ -	\$ 88
Equity in common cash	174,214	164,493	72,537	357,396	768,639
Taxes, interest, and penalties receivable	105,009	190	-	-	105,199
Amounts due from other funds	10,780	-	1,523	-	12,303
Amounts due from federal agencies	84,631	1,482	10,546	-	96,659
Amounts due from local units	642	1,065	-	-	1,707
Inventories	-	389	-	-	389
Other current assets	485	7,938	66,371	159,326	234,121
Total Current Assets	375,761	175,640	150,981	516,722	1,219,105
Taxes, interest, and penalties receivable	2,511	6	-	-	2,518
Amounts due from local units	623	16,586	-	-	17,209
Investments	-	223,253	-	22,677	245,930
Other noncurrent assets	262	623	-	3,467	4,351
Total Assets	\$ 379,157	\$ 416,108	\$ 150,981	\$ 542,866	\$ 1,489,112
<b>LIABILITIES</b>					
Current Liabilities:					
Warrants outstanding	\$ 855	\$ 181	\$ 661	\$ 3	\$ 1,699
Accounts payable and other liabilities	243,323	17,737	16,823	1,283	279,167
Amounts due to other funds	9,449	2,034	8,249	208	19,941
Amounts due to component units	-	-	57,211	-	57,211
Unearned revenue	209	1,736	4,703	-	6,648
Total Current Liabilities	253,836	21,689	87,646	1,494	364,665
Long-Term Liabilities:					
Unearned revenue	45	-	-	-	45
Total Liabilities	253,882	21,689	87,646	1,494	364,711
DEFERRED INFLOWS OF RESOURCES	11,280	905	3,636	161,691	177,512
<b>FUND BALANCES</b>					
Nonspendable	-	201,432	-	22,858	224,290
Restricted	113,995	192,082	55,994	7,828	369,899
Committed	-	-	3,704	348,995	352,699
Total Fund Balances	113,995	393,514	59,699	379,681	946,889
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 379,157	\$ 416,108	\$ 150,981	\$ 542,866	\$ 1,489,112

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - BY CLASSIFICATION**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
<b>REVENUES</b>					
Taxes	\$ 2,072,745	\$ 214	\$ -	\$ -	\$ 2,072,959
From federal agencies	118,694	4,910	135,138	784	259,526
From services	3,870	-	10	-	3,880
From licenses and permits	35,562	151,210	10,019	-	196,790
Miscellaneous	5,890	81,954	536,893	191,002	815,739
Total Revenues	2,236,761	238,288	682,059	191,786	3,348,894
<b>EXPENDITURES</b>					
Current:					
General government	-	2,965	28,154	368,976	400,096
Human services	-	-	-	31,546	31,546
Public safety and corrections	-	-	-	889	889
Conservation, environment, recreation, and agriculture	-	221,886	-	-	221,886
Labor, commerce, and regulatory	-	-	648,944	16,315	665,260
Health services	-	-	-	68,330	68,330
Transportation	1,372,089	-	-	-	1,372,089
Capital outlay	-	8,236	-	-	8,236
Debt Service:					
Capital lease payments	-	-	596	-	596
Total Expenditures	1,372,089	233,087	677,694	486,057	2,768,927
Excess of Revenues over (under) Expenditures	864,672	5,201	4,365	(294,271)	579,967
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease acquisitions	-	-	75	-	75
Transfers from other funds	174,509	33,438	13,877	99,000	320,824
Transfers to other funds	(1,053,830)	(22,366)	(13,804)	(44)	(1,090,043)
Total Other Financing Sources (Uses)	(879,320)	11,072	148	98,956	(769,144)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(14,648)	16,273	4,512	(195,314)	(189,177)
Fund Balances - Beginning of fiscal year	128,643	377,241	55,186	574,995	1,136,066
Fund Balances - End of fiscal year	\$ 113,995	\$ 393,514	\$ 59,699	\$ 379,681	\$ 946,889

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - BY CLASSIFICATION**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

Statutory/Budgetary Basis	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ 2,072,745	\$ 2,072,745	\$ -	\$ 214	\$ 214	\$ -
From federal agencies	118,694	118,694	-	4,639	4,639	-
From services	3,870	3,870	-	-	-	-
From licenses and permits	35,562	35,562	-	151,210	151,210	-
Miscellaneous	5,890	5,890	-	51,215	51,215	-
Transfers in	174,509	174,509	-	33,438	33,438	-
Total Revenues and Other Sources	2,411,270	2,411,270	-	240,716	240,716	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Attorney General	-	-	-	-	-	-
Health Services	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Licensing and Regulatory Affairs	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Natural Resources	-	-	-	232,251	222,100	10,151
Technology, Management and Budget	-	-	-	-	-	-
Transportation	2,520,005	2,515,056	4,950	-	-	-
Treasury	-	-	-	2,770	2,757	13
Total Expenditures, Transfers Out, and Encumbrances	2,520,005	2,515,056	4,950	235,021	224,857	10,164
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (108,735)	(103,785)	\$ 4,950	\$ 5,695	15,859	\$ 10,164
Reconciling Items:						
Encumbrances at September 30		89,138			9,163	
Funds not annually budgeted		-			(8,750)	
Net Reconciling Items		89,138			414	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(14,648)			16,273	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		128,643			377,241	
Ending balances (GAAP Basis)		\$ 113,995			\$ 393,514	

# Michigan

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,072,959	\$ 2,072,959	\$ -
135,138	135,138	-	784	784	-	259,255	259,255	-
10	10	-	-	-	-	3,880	3,880	-
10,019	10,019	-	-	-	-	196,790	196,790	-
46,018	46,018	-	174,842	174,842	-	277,965	277,965	-
5,877	5,877	-	99,000	99,000	-	312,824	312,824	-
197,061	197,061	-	274,626	274,626	-	3,123,674	3,123,674	-
-	-	-	487	466	22	487	466	22
-	-	-	68,335	68,330	5	68,335	68,330	5
-	-	-	32,962	31,570	1,392	32,962	31,570	1,392
158,917	156,636	2,281	-	-	-	158,917	156,636	2,281
-	-	-	1,001	111	891	1,001	111	891
-	-	-	794	791	3	794	791	3
-	-	-	-	-	-	232,251	222,100	10,151
-	-	-	11,900	11,900	-	11,900	11,900	-
-	-	-	-	-	-	2,520,005	2,515,056	4,950
39,292	39,292	-	449,826	161,829	287,997	491,888	203,878	288,010
198,209	195,928	2,281	565,305	274,996	290,309	3,518,541	3,210,838	307,703
<u>\$ (1,148)</u>	<u>1,133</u>	<u>\$ 2,281</u>	<u>\$ (290,679)</u>	<u>(370)</u>	<u>\$ 290,309</u>	<u>\$ (394,867)</u>	<u>(87,164)</u>	<u>\$ 307,703</u>
	516			22			98,839	
	<u>2,863</u>			<u>(194,966)</u>			<u>(200,852)</u>	
	<u>3,380</u>			<u>(194,944)</u>			<u>(102,013)</u>	
	<u>4,512</u>			<u>(195,314)</u>			<u>(189,177)</u>	
	<u>55,186</u>			<u>574,995</u>			<u>1,136,066</u>	
	<u>\$ 59,699</u>			<u>\$ 379,681</u>			<u>\$ 946,889</u>	





## SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

### MICHIGAN TRANSPORTATION FUND

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

### COMPREHENSIVE TRANSPORTATION FUND

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

**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ 102,186	\$ 72,028	\$ 174,214
Taxes, interest, and penalties receivable	105,009	-	105,009
Amounts due from other funds	-	10,780	10,780
Amounts due from federal agencies	-	84,631	84,631
Amounts due from local units	-	642	642
Other current assets	24	461	485
Total Current Assets	207,219	168,542	375,761
Taxes, interest, and penalties receivable	2,511	-	2,511
Amounts due from local units	-	623	623
Other noncurrent assets	-	262	262
Total Assets	\$ 209,731	\$ 169,427	\$ 379,157
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ 482	\$ 372	\$ 855
Accounts payable and other liabilities	188,902	54,422	243,323
Amounts due to other funds	9,335	114	9,449
Unearned revenue	-	209	209
Total Current Liabilities	198,719	55,117	253,836
Long-Term Liabilities:			
Unearned revenue	-	45	45
Total Liabilities	198,719	55,162	253,882
<b>DEFERRED INFLOWS OF RESOURCES</b>	11,011	269	11,280
<b>FUND BALANCES</b>			
Restricted	-	113,995	113,995
Total Fund Balances	-	113,995	113,995
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 209,731	\$ 169,427	\$ 379,157

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	TOTALS
<b>REVENUES</b>			
Taxes	\$ 1,981,939	\$ 90,806	\$ 2,072,745
From federal agencies	-	118,694	118,694
From services	3,870	-	3,870
From licenses and permits	34,935	627	35,562
Miscellaneous	691	5,199	5,890
Total Revenues	2,021,435	215,326	2,236,761
<b>EXPENDITURES</b>			
Current:			
Transportation	986,695	385,393	1,372,089
Total Expenditures	986,695	385,393	1,372,089
Excess of Revenues over (under) Expenditures	1,034,740	(170,068)	864,672
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	740	173,770	174,509
Transfers to other funds	(1,035,479)	(18,350)	(1,053,830)
Total Other Financing Sources (Uses)	(1,034,740)	155,420	(879,320)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	(14,648)	(14,648)
Fund Balances - Beginning of fiscal year	-	128,643	128,643
Fund Balances - End of fiscal year	\$ -	\$ 113,995	\$ 113,995

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>MICHIGAN TRANSPORTATION FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
Taxes	\$ 1,981,939	\$ 1,981,939	\$ -
From federal agencies	-	-	-
From services	3,870	3,870	-
From licenses and permits	34,935	34,935	-
Miscellaneous	691	691	-
Transfers in	740	740	-
Total Revenues and Other Sources	<u>2,022,175</u>	<u>2,022,175</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Transportation	<u>2,023,108</u>	<u>2,022,175</u>	<u>933</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>2,023,108</u>	<u>2,022,175</u>	<u>933</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (933)</u>	<u>-</u>	<u>\$ 933</u>
Reconciling Items:			
Encumbrances at September 30		<u>-</u>	
Net Reconciling Items		<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>-</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>-</u>	
Ending balances (GAAP Basis)		<u>\$ -</u>	

COMPREHENSIVE TRANSPORTATION FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 90,806	\$ 90,806	\$ -	\$ 2,072,745	\$ 2,072,745	\$ -
118,694	118,694	-	118,694	118,694	-
-	-	-	3,870	3,870	-
627	627	-	35,562	35,562	-
5,199	5,199	-	5,890	5,890	-
173,770	173,770	-	174,509	174,509	-
389,096	389,096	-	2,411,270	2,411,270	-
496,897	492,881	4,016	2,520,005	2,515,056	4,950
496,897	492,881	4,016	2,520,005	2,515,056	4,950
<u>\$ (107,801)</u>	<u>(103,785)</u>	<u>\$ 4,016</u>	<u>\$ (108,735)</u>	<u>(103,785)</u>	<u>\$ 4,950</u>
	<u>89,138</u>			<u>89,138</u>	
	<u>89,138</u>			<u>89,138</u>	
	<u>(14,648)</u>			<u>(14,648)</u>	
	<u>128,643</u>			<u>128,643</u>	
	<u>\$ 113,995</u>			<u>\$ 113,995</u>	



## SPECIAL REVENUE FUNDS – CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

### MICHIGAN CONSERVATION AND RECREATION LEGACY FUND

This fund ("Legacy Fund") was created by Article 9, Section 40, of the State Constitution, an amendment approved by voters in November 2006. The purpose of the amendment was to constitutionally prevent the diversion of certain funds and revenues for purposes other than those for which they were created. Section 40 created the following accounts within the Legacy Fund: Forest Recreation, Game and Fish Protection, Off-Road Vehicle, Recreation Improvement, Snowmobile, State Park Improvement, and Waterways.

The implementing legislation related to this amendment, found in Sections 324.2002 – 324.2035 of the Michigan Compiled Laws, transferred a number of special revenue funds and certain restrictively financed activities within the General Fund to the Legacy Fund. The following special revenue funds were transferred into the fund: Game and Fish Protection Fund, Michigan State Waterways Fund, Marine Safety Fund, and State Park Improvement Fund. The restrictively financed activities transferred into the fund from the General Fund were related to various outdoor recreation activities including snowmobiles, off-road vehicles, recreation trails, and State forest recreation.

Financing consists primarily of hunting and fishing licenses; camping and park entrance fees; 2% of gasoline taxes dedicated for boating, snowmobiling, off-road vehicles and other trails; watercraft and snowmobile registration fees; and trail use permits. The fund also receives funding from the Michigan Game and Fish Protection Trust Fund. Expenditures are limited to those activities specified in Section 40 and include forest recreation activities, wildlife and fisheries programs, off-road vehicle and snowmobile trails and facilities, State parks and recreation areas, improvement of lake harbors and inland waterways, and water safety education programs.

### MICHIGAN GAME AND FISH PROTECTION TRUST FUND

The former Game and Fish Protection Trust Fund was established in 1986 to restrict certain assets for the purpose of generating interest and earnings for transfer to the former Game and Fish Protection Fund (now accounted for within the Michigan Conservation and Recreation Legacy Fund). Article 9, Section 41, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Game and Fish Protection Trust Fund.

The fund operates under Sections 324.43702 – 324.43704 of the Michigan Compiled Laws. The Legislature may appropriate up to \$6 million annually for use by the Game and Fish Protection Account of the Michigan Conservation and Recreation Legacy Fund. Mineral royalties from lands acquired by the Game and Fish Protection Account; direct sale proceeds; and other revenues, which, by statute, are retained for permanent investment, provide additional investment funding.

### MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND

The former Michigan Nongame Fish and Wildlife Fund was established in 1983 to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. Article 9, Section 42, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Nongame Fish and Wildlife Trust Fund.

The fund operates under Sections 324.43902 – 324.43907 of the Michigan Compiled Laws. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales.

### FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and operates under Michigan Compiled Laws Section 324.50507. The primary revenue source of the fund is timber revenue from State forest lands. Expenditures from the fund are for forest management activities and forest fire protection. The Authority is authorized to, but thus far has not, issued bonds.

### BOTTLE DEPOSITS FUND

Michigan Compiled Laws (MCL) Section 445.573c created the Bottle Deposits Fund to provide for the disposition of unredeemed bottle deposits. The Department of Treasury and the Department of Environmental Quality (DEQ) jointly administer the fund. The law mandates that an annual distribution of the funds be made as follows: 25% returned to the dealers and 75% to fund several sub-funds.

The 75% distribution to DEQ is initially deposited into the Cleanup and Redevelopment Trust Sub-Fund (CRTF), and if not further distributed, remains there until the principal amount reaches \$200 million. Of funds received annually by the CRTF, 80% is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10% to the Community Pollution Prevention Sub-Fund.

MCL Section 324.20108 moved the former Environmental Response Fund (ERF) to a sub-fund of the CRF. The law mandates that proceeds of all cost recovery actions taken and settlements entered into pursuant to the ERF (excluding natural resource damages) by DEQ or the Attorney General, or both, shall be credited to the ERF.

Several DEQ sub-funds are administratively housed within the Bottle Deposits Fund, although they receive no bottle deposits revenue. Included is the State Sites Cleanup Sub-Fund, established in accordance with MCL Section 324.20108c to provide for response activities at facilities where the State is liable as an owner or operator. The following loan programs administered by DEQ are also included: the Brownfield Revolving Loan Fund created by MCL Section 324.19608a, the Revitalization Revolving Loan Fund created by MCL Section 324.20108a, and the Federal Brownfield Cleanup and Revolving Loan Fund.

**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 78	\$ -
Equity in common cash	88,379	1,193
Taxes, interest, and penalties receivable	190	-
Amounts due from federal agencies	1,482	-
Amounts due from local units	12	-
Inventories	389	-
Other current assets	5,827	1,127
Total Current Assets	96,358	2,320
Taxes, interest, and penalties receivable	6	-
Amounts due from local units	-	-
Investments	1,048	217,088
Other noncurrent assets	-	-
Total Assets	\$ 97,412	\$ 219,408
<b>LIABILITIES</b>		
Current Liabilities:		
Warrants outstanding	\$ 129	\$ -
Accounts payable and other liabilities	13,965	-
Amounts due to other funds	1,525	-
Unearned revenue	1,736	-
Total Current Liabilities	17,355	-
Total Liabilities	17,355	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	6	-
<b>FUND BALANCES</b>		
Nonspendable	-	189,233
Restricted	80,050	30,175
Total Fund Balances	80,050	219,408
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 97,412	\$ 219,408



# Michigan

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ 4	\$ -	\$ 82
1,659	21,101	52,161	164,493
-	-	-	190
-	-	-	1,482
-	-	1,053	1,065
-	-	-	389
39	101	845	7,938
1,697	21,206	54,059	175,640
-	-	-	6
-	-	16,586	16,586
5,117	-	-	223,253
-	-	623	623
\$ 6,814	\$ 21,206	\$ 71,268	\$ 416,108
\$ -	\$ 26	\$ 26	\$ 181
17	2,521	1,234	17,737
4	320	186	2,034
-	-	-	1,736
21	2,867	1,445	21,689
21	2,867	1,445	21,689
-	-	899	905
6,000	-	6,200	201,432
793	18,339	62,724	192,082
6,793	18,339	68,923	393,514
\$ 6,814	\$ 21,206	\$ 71,268	\$ 416,108

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
<b>REVENUES</b>		
Taxes	\$ 214	\$ -
From federal agencies	4,594	-
From licenses and permits	151,208	-
Miscellaneous	5,899	11,926
Total Revenues	161,915	11,926
<b>EXPENDITURES</b>		
Current:		
General government	2,757	208
Conservation, environment, recreation, and agriculture	165,311	120
Capital outlay	8,233	-
Total Expenditures	176,301	328
Excess of Revenues over (under) Expenditures	(14,386)	11,598
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	33,438	-
Transfers to other funds	(3,014)	(16,267)
Total Other Financing Sources (Uses)	30,424	(16,267)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	16,038	(4,669)
Fund Balances - Beginning of fiscal year	64,012	224,077
Fund Balances - End of fiscal year	\$ 80,050	\$ 219,408

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ -	\$ -	\$ 214
-	46	271	4,910
-	1	-	151,210
343	44,973	18,813	81,954
343	45,020	19,084	238,288
-	-	-	2,965
491	35,433	20,531	221,886
-	3	-	8,236
491	35,436	20,531	233,087
(148)	9,584	(1,447)	5,201
-	-	-	33,438
(5)	(447)	(2,633)	(22,366)
(5)	(447)	(2,633)	11,072
(153)	9,137	(4,080)	16,273
6,946	9,203	73,004	377,241
\$ 6,793	\$ 18,339	\$ 68,923	\$ 393,514

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

Statutory/Budgetary Basis	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND			MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ 214	\$ 214	\$ -	\$ -	\$ -	\$ -
From federal agencies	4,594	4,594	-	-	-	-
From licenses and permits	151,208	151,208	-	-	-	-
Miscellaneous	5,899	5,899	-	343	343	-
Transfers in	33,438	33,438	-	-	-	-
Total Revenues and Other Sources	195,353	195,353	-	343	343	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Natural Resources	192,690	183,377	9,313	544	497	47
Treasury	2,770	2,757	13	-	-	-
Total Expenditures, Transfers Out and Encumbrances	195,460	186,134	9,326	544	497	47
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (107)</u>	<u>9,219</u>	<u>\$ 9,326</u>	<u>\$ (201)</u>	<u>(154)</u>	<u>\$ 47</u>
Reconciling Items:						
Encumbrances at September 30		6,819			1	
Funds not annually budgeted		-			-	
Net Reconciling Items		6,819			1	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		16,038			(153)	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		64,012			6,946	
Ending balances (GAAP Basis)		<u>\$ 80,050</u>			<u>\$ 6,793</u>	

FUNDS NOT ANNUALLY BUDGETED

FOREST DEVELOPMENT FUND			MICHIGAN GAME AND FISH PROTECTION TRUST FUND	BOTTLE DEPOSITS FUND	TOTALS		
BUDGET	ACTUAL	VARIANCE	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214	\$ 214	\$ -
46	46	-	-	-	4,639	4,639	-
1	1	-	-	-	151,210	151,210	-
44,973	44,973	-	-	-	51,215	51,215	-
-	-	-	-	-	33,438	33,438	-
45,020	45,020	-	-	-	240,716	240,716	-
39,016	38,226	790	-	-	232,251	222,100	10,151
-	-	-	-	-	2,770	2,757	13
39,016	38,226	790	-	-	235,021	224,857	10,164
<u>\$ 6,004</u>	<u>6,794</u>	<u>\$ 790</u>	<u>-</u>	<u>-</u>	<u>\$ 5,695</u>	<u>15,859</u>	<u>\$ 10,164</u>
	2,342		-	-		9,163	
	-		(4,669)	(4,080)		(8,750)	
	2,342		(4,669)	(4,080)		414	
	9,137		(4,669)	(4,080)		16,273	
	9,203		224,077	73,004		377,241	
<u>\$ 18,339</u>	<u></u>		<u>\$ 219,408</u>	<u>\$ 68,923</u>	<u>\$ 393,514</u>	<u></u>	



## **SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED**

### **HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND**

Michigan Compiled Laws (MCL) Section 570.1201 created the Homeowner Construction Lien Recovery Fund to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. MCL 570.1201 was repealed effective August 23, 2010 and as of September 30, 2015, final disposition of the remaining fund balance had not occurred as a result of pending litigation.

### **MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND**

Michigan Compiled Laws Section 421.10 created this fund to account for administrative costs of the Unemployment Insurance Agency, which is administered by the Department of Licensing and Regulatory Affairs. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (reported as part of the Michigan Unemployment Compensation Funds, an enterprise fund). Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from funds accumulated from employer premiums. These activities are reported in the Michigan Unemployment Compensation Funds.

### **SAFETY EDUCATION AND TRAINING FUND**

Michigan Compiled Laws Section 408.1055 imposes an annual levy on each insurance carrier licensed to write workers' disability compensation business in the State and on each self-insured employer. The Safety Education and Training Fund was established to receive these assessments for support of the Department of Licensing and Regulatory Affairs' Consultation Education and Training Division.

### **SECOND INJURY FUND**

Michigan Compiled Laws Section 418.501 created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The administrator, appointed by the fund's Board of Trustees, supervises the fund. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers licensed or authorized in Michigan.

### **SELF-INSURERS' SECURITY FUND**

Established by Michigan Compiled Laws Section 418.501, the Self-Insurers' Security Fund (SISF) pays workers' compensation benefits to injured employees of insolvent, private self-insured employers. Revenues are generated through annual assessments of private self-insured employers.

The SISF also administers bankrupt self-insured employer trust funds that are created for the payment of employer obligations due under the Michigan Workers' Disability Compensation Act. Employer obligations are reported as liabilities of this fund.

### **SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND**

Established by Michigan Compiled Laws Section 418.501, the Silicosis, Dust Disease, and Logging Industry Compensation Fund reimburses insurance carriers who pay benefits to employees injured from certain dust diseases, and employees who have sustained personal injury or death while being employed in the logging industry. Revenues are generated through annual assessments of insurance carriers.

### **STATE CONSTRUCTION CODE FUND**

Michigan Compiled Laws Section 125.1522 created the State Construction Code Fund. Fees received for building permit applications and other funds collected under this legislation are appropriated by the Legislature for the operation of the Department of Licensing and Regulatory Affairs' Bureau of Construction Codes and related indirect overhead expenditures.

### **UTILITY CONSUMER REPRESENTATION FUND**

Established by Michigan Compiled Laws Section 460.6m, the Utility Consumer Representation Fund provides funding, on behalf of residential gas, fuel, and electric customers, for energy cost recovery hearings before the Michigan Public Service Commission. Revenues are generated through annual assessments of regulated utility companies.

### **UNEMPLOYMENT OBLIGATION TRUST FUND**

This fund was created by Michigan Compiled Laws (MCL) Section 421.10a to facilitate the repayment of debt incurred through a bond issuance authorized under the Employment Security Financing Act (MCL 12.271 et seq.) and MCL 421.26a. This debt was issued in order to repay advances received from the Federal Government that were provided to temporarily assist Michigan with unemployment payments that exceeded current revenue collections. Revenues within the Obligation Trust Fund are generated from annual assessments on employers. Payments are made to the Michigan Finance Authority, a discretely presented component unit, which currently holds the bonds and makes regular payments to the bond holders.

### **STATE CASINO GAMING FUND**

Created by Michigan Compiled Laws (MCL) Section 432.212, this fund provides the licensing, regulation, and control of casino gaming activities in Michigan via the five-member gaming control board created under MCL 432.204. Additional responsibilities include the performance of authorized inspections of tribal Class III gaming facilities and records pursuant to and in accordance with the provisions of the various tribal/state compacts as delegated by the Governor in November 2002; the regulation of live horse racing per Executive Order 2009-45; and the licensing and regulation of Millionaire Party charitable gaming events per Executive Order 2012-4.

**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in common cash	222	-	6,362	13,563	32,171
Amounts due from other funds	-	659	-	-	-
Amounts due from federal agencies	-	10,546	-	-	-
Other current assets	-	2	-	325	6,240
Total Current Assets	<u>222</u>	<u>11,206</u>	<u>6,362</u>	<u>13,889</u>	<u>38,412</u>
Total Assets	<u>\$ 222</u>	<u>\$ 11,206</u>	<u>\$ 6,362</u>	<u>\$ 13,889</u>	<u>\$ 38,412</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Warrants outstanding	\$ -	\$ 17	\$ 8	\$ 254	\$ 314
Accounts payable and and other liabilities	-	3,358	369	1,430	10,428
Amounts due to other funds	-	7,800	101	16	10
Amounts due to component units	-	31	-	-	-
Unearned revenue	-	-	-	2,915	1,390
Total Current Liabilities	<u>-</u>	<u>11,206</u>	<u>478</u>	<u>4,615</u>	<u>12,142</u>
Total Liabilities	<u>-</u>	<u>11,206</u>	<u>478</u>	<u>4,615</u>	<u>12,142</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	222	-	5,884	9,274	26,270
Committed	-	-	-	-	-
Total Fund Balances	<u>222</u>	<u>-</u>	<u>5,884</u>	<u>9,274</u>	<u>26,270</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 222</u>	<u>\$ 11,206</u>	<u>\$ 6,362</u>	<u>\$ 13,889</u>	<u>\$ 38,412</u>



# Michigan

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6
1,803	2,566	1,498	1,009	13,342	72,537
-	-	-	864	-	1,523
-	-	-	-	-	10,546
140	133	481	58,943	106	66,371
1,944	2,699	1,979	60,816	13,453	150,981
<u>\$ 1,944</u>	<u>\$ 2,699</u>	<u>\$ 1,979</u>	<u>\$ 60,816</u>	<u>\$ 13,453</u>	<u>\$ 150,981</u>
\$ 46	\$ 13	\$ 8	\$ -	\$ 1	\$ 661
305	222	124	-	588	16,823
4	84	4	-	231	8,249
-	-	-	57,180	-	57,211
398	-	-	-	-	4,703
752	319	136	57,180	819	87,646
752	319	136	57,180	819	87,646
-	-	-	3,636	-	3,636
1,191	2,380	1,843	-	8,930	55,994
-	-	-	-	3,704	3,704
1,191	2,380	1,843	-	12,634	59,699
<u>\$ 1,944</u>	<u>\$ 2,699</u>	<u>\$ 1,979</u>	<u>\$ 60,816</u>	<u>\$ 13,453</u>	<u>\$ 150,981</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
<b>REVENUES</b>					
From federal agencies	\$ -	\$ 135,138	\$ -	\$ -	\$ -
From services	-	-	-	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	15	6	9,575	12,077	5,790
Total Revenues	15	135,143	9,575	12,077	5,790
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Labor, commerce, and regulatory	-	134,784	10,194	11,798	10,861
Debt Service:					
Capital lease payments	-	596	-	-	-
Total Expenditures	-	135,380	10,194	11,798	10,861
Excess of Revenues over (under) Expenditures	15	(237)	(618)	279	(5,071)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease acquisitions	-	75	-	-	-
Transfers from other funds	-	1,770	-	-	8,000
Transfers to other funds	-	(1,609)	(128)	(23)	(14)
Total Other Financing Sources (Uses)	-	237	(128)	(23)	7,986
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	15	-	(746)	256	2,915
Fund Balances - Beginning of fiscal year	208	-	6,630	9,018	23,355
Fund Balances - End of fiscal year	\$ 222	\$ -	\$ 5,884	\$ 9,274	\$ 26,270

SILICOSIS, DUST  
DISEASE, AND  
LOGGING  
INDUSTRY  
COMPENSATION  
FUND

STATE  
CONSTRUCTION  
CODE FUND

UTILITY CONSUMER  
REPRESENTATION  
FUND

UNEMPLOYMENT  
OBLIGATION  
TRUST FUND

STATE CASINO  
GAMING FUND

**TOTALS**

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,138
-	9	-	-	1	10
-	8,866	-	-	1,153	10,019
<u>1,442</u>	<u>2</u>	<u>1,200</u>	<u>470,365</u>	<u>36,420</u>	<u>536,893</u>
<u>1,442</u>	<u>8,878</u>	<u>1,200</u>	<u>470,365</u>	<u>37,573</u>	<u>682,059</u>
-	-	763	-	27,392	28,154
1,373	8,766	804	470,365	-	648,944
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596</u>
<u>1,373</u>	<u>8,766</u>	<u>1,566</u>	<u>470,365</u>	<u>27,392</u>	<u>677,694</u>
<u>68</u>	<u>112</u>	<u>(366)</u>	<u>-</u>	<u>10,182</u>	<u>4,365</u>
-	-	-	-	-	75
-	-	-	-	4,106	13,877
<u>(5)</u>	<u>(120)</u>	<u>(6)</u>	<u>-</u>	<u>(11,900)</u>	<u>(13,804)</u>
<u>(5)</u>	<u>(120)</u>	<u>(6)</u>	<u>-</u>	<u>(7,794)</u>	<u>148</u>
63	(7)	(372)	-	2,388	4,512
<u>1,128</u>	<u>2,387</u>	<u>2,215</u>	<u>-</u>	<u>10,247</u>	<u>55,186</u>
<u>\$ 1,191</u>	<u>\$ 2,380</u>	<u>\$ 1,843</u>	<u>\$ -</u>	<u>\$ 12,634</u>	<u>\$ 59,699</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND</u>			<u>MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>						
From federal agencies	\$ -	\$ -	\$ -	\$ 135,138	\$ 135,138	\$ -
From services	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	15	15	-	6	6	-
Transfers in	-	-	-	1,770	1,770	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>15</u>	<u>15</u>	<u>-</u>	<u>136,914</u>	<u>136,914</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Licensing and Regulatory Affairs	-	-	-	136,914	136,914	-
Treasury	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,914</u>	<u>136,914</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ 15</u>	<u>15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling Items:						
Encumbrances at September 30		-			-	
Funds not annually budgeted		<u>-</u>			<u>-</u>	
Net Reconciling Items		<u>-</u>			<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>15</u>			<u>-</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>208</u>			<u>-</u>	
Ending balances (GAAP Basis)		<u>\$ 222</u>			<u>\$ -</u>	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	9	9	-
-	-	-	8,866	8,866	-
9,575	9,575	-	2	2	-
-	-	-	-	-	-
9,575	9,575	-	8,878	8,878	-
11,257	10,465	792	10,746	9,258	1,488
-	-	-	-	-	-
11,257	10,465	792	10,746	9,258	1,488
<u>\$ (1,682)</u>	<u>(890)</u>	<u>\$ 792</u>	<u>\$ (1,868)</u>	<u>(380)</u>	<u>\$ 1,488</u>
	144			372	
	-			-	
	144			372	
	(746)			(7)	
	6,630			2,387	
	<u>\$ 5,884</u>			<u>\$ 2,380</u>	

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>STATE CASINO GAMING FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
From federal agencies	\$ -	\$ -	\$ -
From services	1	1	-
From licenses and permits	1,153	1,153	-
Miscellaneous	36,420	36,420	-
Transfers in	4,106	4,106	-
Total Revenues and Other Sources	41,679	41,679	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Licensing and Regulatory Affairs	-	-	-
Treasury	39,292	39,292	-
Total Expenditures, Transfers Out, and Encumbrances	39,292	39,292	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 2,388	2,388	\$ -
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		2,388	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		10,247	
Ending balances (GAAP Basis)		\$ 12,634	

## FUNDS NOT ANNUALLY BUDGETED

SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	TOTALS		
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,138	\$ 135,138	\$ -
-	-	-	-	-	10	10	-
-	-	-	-	-	10,019	10,019	-
-	-	-	-	-	46,018	46,018	-
-	-	-	-	-	5,877	5,877	-
-	-	-	-	-	197,061	197,061	-
-	-	-	-	-	158,917	156,636	2,281
-	-	-	-	-	39,292	39,292	-
-	-	-	-	-	198,209	195,928	2,281
-	-	-	-	-	<u>\$ (1,148)</u>	1,133	<u>\$ 2,281</u>
-	-	-	-	-		516	
256	2,915	63	(372)	-		2,863	
256	2,915	63	(372)	-		3,380	
256	2,915	63	(372)	-		4,512	
9,018	23,355	1,128	2,215	-		55,186	
<u>\$ 9,274</u>	<u>\$ 26,270</u>	<u>\$ 1,191</u>	<u>\$ 1,843</u>	<u>\$ -</u>		<u>\$ 59,699</u>	





## SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

### 21<sup>st</sup> CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21<sup>st</sup> Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. Executive Order 2010-2 moved the Authority to the Michigan Finance Authority. The bonds were issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 2016, the fund will also receive a portion of the tobacco settlement revenue received by the State.

### MICHIGAN MERIT AWARD TRUST FUND

This fund was created by Michigan Compiled Laws (MCL) Section 12.259 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Fund expenditures are used for the Michigan Merit Award Scholarship, Michigan Promise Scholarship, and other programs as determined by the Legislature.

All assets and liabilities of the Tobacco Settlement Trust Fund, established by MCL Section 12.253 and repealed as part of tobacco securitization legislation passed in November 2005, were transferred to the Michigan Merit Award Trust Fund in fiscal year 2006.

### MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY

Michigan Compiled Laws Section 141.1604 created the Michigan Settlement Administration Authority (MSAA) as a public body corporate. The purpose of the Authority is to provide funding to the retirement systems of the City of Detroit pursuant to certain requirements being fulfilled. Those requirements were met during fiscal year 2015 and the funds were disbursed as required by statute. The Authority was dissolved on May 2, 2015.

### CHILDREN'S TRUST FUND

Michigan Compiled Laws (MCL) Section 21.171 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under MCL Section 722.603 to coordinate and fund activities for the prevention of child abuse and neglect in the State. Not more than one-half the money contributed to the trust fund each year, plus the interest and earnings, excluding unrealized gains and losses, credited to the trust fund during the previous fiscal year are available for disbursement. Money received as gifts or donations to the trust fund shall be available for disbursement upon appropriation. Funds that are not available for disbursement are reported as nonspendable fund balance.

This fund is also used to account for the Foster Care Trust Fund that was established under MCL Section 722.1023 and transferred to the State Child Abuse and Neglect Prevention Board with Executive Order 2010-17. Funds in the Foster Care Trust Fund are not expendable until the balance reaches \$800 thousand.

### MILITARY FAMILY RELIEF FUND

Michigan Compiled Laws Section 35.1213 created this fund to provide assistance to families of certain members of the reserve components of the United States armed forces on active duty. A qualified individual or the individual's family shall apply to the Department of Military and Veterans Affairs for a grant from the fund. Funds are received primarily from taxpayer contributions on his or her annual State tax return designating \$1 or more of his or her refund to be credited to this fund.

### MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Children's Institute Trust, Special Assessment Deferment, and Intrastate Switched Toll Restructuring.

**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ 287,808	\$ 61,869	\$ -
Other current assets	56,250	102,573	-
Total Current Assets	344,058	164,442	-
Investments	-	-	-
Other noncurrent assets	-	2,901	-
Total Assets	\$ 344,058	\$ 167,343	\$ -
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ -	\$ -	\$ -
Accounts payable and other liabilities	-	923	-
Amounts due to other funds	-	24	-
Total Current Liabilities	-	947	-
Total Liabilities	-	947	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	56,250	105,208	-
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	287,808	61,187	-
Total Fund Balances	287,808	61,187	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 344,058	\$ 167,343	\$ -

CHILDREN'S TRUST FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
\$ 2,635	\$ 2,461	\$ 2,623	\$ 357,396
172	-	331	159,326
2,807	2,461	2,954	516,722
22,677	-	-	22,677
-	-	566	3,467
25,484	\$ 2,461	\$ 3,520	\$ 542,866
\$ 3	\$ -	\$ -	\$ 3
323	20	18	1,283
9	-	175	208
334	20	193	1,494
334	20	193	1,494
-	-	233	161,691
22,858	-	-	22,858
2,292	2,441	3,095	7,828
-	-	-	348,995
25,150	2,441	3,095	379,681
\$ 25,484	\$ 2,461	\$ 3,520	\$ 542,866

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY
<b>REVENUES</b>			
From federal agencies	\$ -	\$ -	\$ -
Miscellaneous	75,000	98,531	-
Total Revenues	75,000	98,531	-
<b>EXPENDITURES</b>			
Current:			
General government	160,874	13,300	194,803
Human services	-	30,100	-
Public safety and corrections	-	780	-
Labor, commerce, and regulatory	-	-	-
Health services	-	68,330	-
Total Expenditures	160,874	112,510	194,803
Excess of Revenues over (under) Expenditures	(85,874)	(13,979)	(194,803)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	99,000	-	-
Transfers to other funds	-	(25)	-
Total Other Financing Sources (Uses)	99,000	(25)	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	13,126	(14,004)	(194,803)
Fund Balances - Beginning of fiscal year	274,682	75,191	194,803
Fund Balances - End of fiscal year	\$ 287,808	\$ 61,187	\$ -

CHILDREN'S TRUST FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
\$ 784	\$ -	\$ -	\$ 784
1,203	107	16,160	191,002
1,987	107	16,160	191,786
-	-	-	368,976
1,446	-	-	31,546
-	109	-	889
-	-	16,315	16,315
-	-	-	68,330
1,446	109	16,315	486,057
542	(2)	(155)	(294,271)
-	-	-	99,000
(10)	-	(8)	(44)
(10)	-	(8)	98,956
531	(2)	(163)	(195,314)
24,619	2,443	3,258	574,995
\$ 25,150	\$ 2,441	\$ 3,095	\$ 379,681

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>21ST CENTURY JOBS TRUST FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
From federal agencies	\$ -	\$ -	\$ -
Miscellaneous	75,000	75,000	-
Transfers in	99,000	99,000	-
Total Revenues and Other Sources	174,000	174,000	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Attorney General	-	-	-
Health Services	-	-	-
Human Services	-	-	-
Military and Veterans Affairs	-	-	-
State Police	-	-	-
Technology, Management and Budget	-	-	-
Treasury	448,682	160,874	287,808
Total Expenditures, Transfers Out, and Encumbrances	448,682	160,874	287,808
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (274,682)</u>	<u>13,126</u>	<u>\$ 287,808</u>
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>13,126</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>274,682</u>	
Ending balances (GAAP Basis)		<u>\$ 287,808</u>	

# Michigan

MICHIGAN MERIT AWARD TRUST FUND			CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ 784	\$ 784	\$ -	\$ -	\$ -	\$ -
98,531	98,531	-	1,203	1,203	-	107	107	-
-	-	-	-	-	-	-	-	-
98,531	98,531	-	1,987	1,987	-	107	107	-
487	466	22	-	-	-	-	-	-
68,335	68,330	5	-	-	-	-	-	-
30,100	30,100	-	2,862	1,470	1,392	-	-	-
-	-	-	-	-	-	1,001	111	891
794	791	3	-	-	-	-	-	-
11,900	11,900	-	-	-	-	-	-	-
1,144	955	189	-	-	-	-	-	-
112,760	112,542	218	2,862	1,470	1,392	1,001	111	891
<u>\$ (14,228)</u>	<u>(14,010)</u>	<u>\$ 218</u>	<u>\$ (875)</u>	<u>517</u>	<u>\$ 1,392</u>	<u>\$ (894)</u>	<u>(3)</u>	<u>\$ 891</u>
6	14	1						
-	-	-						
6	14	1						
(14,004)	531	(2)						
75,191	24,619	2,443						
<u>\$ 61,187</u>	<u>\$ 25,150</u>	<u>\$ 2,441</u>						

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS (Continued)**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED				
	MICHIGAN SETTLEMENT ADMINISTRATION AUTHORITY	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS		
Statutory/Budgetary Basis	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES					
From federal agencies	\$ -	\$ -	\$ 784	\$ 784	\$ -
Miscellaneous	-	-	174,842	174,842	-
Transfers in	-	-	99,000	99,000	-
Total Revenues and Other Sources	-	-	274,626	274,626	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY					
Attorney General	-	-	487	466	22
Health Services	-	-	68,335	68,330	5
Human Services	-	-	32,962	31,570	1,392
Military and Veterans Affairs	-	-	1,001	111	891
State Police	-	-	794	791	3
Technology, Management and Budget	-	-	11,900	11,900	-
Treasury	-	-	449,826	161,829	287,997
Total Expenditures, Transfers Out, and Encumbrances	-	-	565,305	274,996	290,309
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	\$ (290,679)	(370)	\$ 290,309
Reconciling Items:					
Encumbrances at September 30	-	-		22	
Funds not annually budgeted	(194,803)	(163)		(194,966)	
Net Reconciling Items	(194,803)	(163)		(194,944)	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(194,803)	(163)		(195,314)	
FUND BALANCES (GAAP BASIS)					
Beginning balances	194,803	3,258		574,995	
Ending balances (GAAP Basis)	\$ -	\$ 3,095		\$ 379,681	



## DEBT SERVICE FUNDS

### COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all State Trunkline Fund (STF) related bond issues allowed for under Michigan Compiled Laws Section 247.661. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in STF. Debt service requirements are funded by annual appropriations in STF.

### COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all Comprehensive Transportation Fund (CTF) related bond issues allowed for under Michigan Compiled Laws Section 247.660b. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in CTF. Debt service requirements are funded by annual appropriations in CTF.

### RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

This fund was established pursuant to Michigan Compiled Laws (MCL) Sections 324.19506, 324.71506, and 324.95102 to service recreation and environmental protection bond issues. This fund also reflects debt service transactions related to State Park Improvement Fund (SPIF) revenue bonds, issued pursuant to MCL Section 324.74106.

Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund, transfers from SPIF representing state park revenues pledged for the payment of State Park Gross Revenue Bonds, and transfers from other funds as required by legislative appropriation or executive order.

Included in the restricted fund balance on the balance sheet is a \$300 thousand reserve account required by the State Park Gross Revenue Bonds document for additional security to pay bond principal and interest.

### SCHOOL LOAN BOND REDEMPTION FUND

Michigan Compiled Laws Section 388.922 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund or School Aid Fund.

### STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment.

SBA projects are financed by revenue bonds, the proceeds of which can only be used for construction and debt service on projects related to particular bond issues. During construction, debt service requirements are financed by a portion of the bond proceeds that are dedicated for that purpose. For completed projects, the resources to finance bond interest and redemption are provided by transfers from the General Fund and from investment earnings of this fund. When a project is completed, the remaining assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ -	\$ 25	\$ 2,019
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	-	25	2,019
Total Assets	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 2,019</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other liabilities	\$ -	\$ 25	\$ 337
Total Current Liabilities	-	25	337
Total Liabilities	-	25	337
<b>FUND BALANCES</b>			
Restricted	-	-	1,681
Total Fund Balances	-	-	1,681
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 2,019</u>

<u>SCHOOL LOAN BOND REDEMPTION FUND</u>	<u>STATE BUILDING AUTHORITY</u>	<u>TOTALS</u>
\$ -	\$ -	\$ 2,044
-	190,415	190,415
-	1	1
-	190,415	192,459
<u>\$ -</u>	<u>\$ 190,415</u>	<u>\$ 192,459</u>
\$ -	\$ 433	\$ 796
-	433	796
-	433	796
-	189,982	191,664
-	189,982	191,664
<u>\$ -</u>	<u>\$ 190,415</u>	<u>\$ 192,459</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****DEBT SERVICE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
<b>REVENUES</b>			
Miscellaneous	\$ -	\$ -	\$ 1
Total Revenues	-	-	1
<b>EXPENDITURES</b>			
Current:			
General government	-	-	555
Education	-	-	-
Transportation	-	241	-
Debt Service:			
Bond principal retirement	120,050	15,860	113,025
Bond interest and fiscal charges	93,316	7,348	36,996
Total Expenditures	213,367	23,449	150,576
Excess of Revenues over (under) Expenditures	(213,366)	(23,449)	(150,575)
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	29,380	129,115
Premium on bond issuance	-	5,207	21,200
Payment to refunded bond escrow agent	-	(34,315)	(149,674)
Transfers from other funds	213,366	23,176	150,045
Transfers to other funds	-	-	-
Total Other Financing Sources (Uses)	213,366	23,449	150,685
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	110
Fund Balances - Beginning of fiscal year	-	-	1,571
Fund Balances - End of fiscal year	\$ -	\$ -	\$ 1,681

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	TOTALS
\$ -	\$ 10	\$ 12
-	10	12
-	-	555
-	3,932	3,932
-	-	242
79,623	139,527	468,085
46,292	121,735	305,687
125,915	265,194	778,501
(125,915)	(265,184)	(778,489)
-	811,375	969,870
-	115,578	141,985
-	(924,006)	(1,107,996)
125,915	231,235	743,738
-	(2,122)	(2,122)
125,915	232,060	745,476
-	(33,124)	(33,014)
-	223,106	224,677
\$ -	\$ 189,982	\$ 191,664

## **CAPITAL PROJECTS FUNDS**

### **STATE TRUNKLINE FUND**

Established pursuant to Michigan Compiled Laws Section 247.661, this fund accounts for highway construction and maintenance. Its annual budget is subject to legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. The majority of projects in this fund are owned by the State. Financing consists primarily of federal aid, local participation, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations.

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund.

### **STATE AERONAUTICS FUND**

Established pursuant to Michigan Compiled Laws Section 259.34, this fund accounts for airport improvement projects, of which a majority are locally owned. Financing consists primarily of aviation fuel taxes and federal contributions.

### **COMBINED STATE TRUNKLINE BOND PROCEEDS FUND**

Established pursuant to Michigan Compiled Laws Section 247.668b, this fund accounts for the proceeds of State trunkline revenue dedicated bonds. These bonds are used in part to finance the costs of road and bridge construction. All projects accounted for by this fund are owned by the State.

### **COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND**

Established pursuant to Michigan Compiled Laws Section 247.668b, this fund accounts for the proceeds of comprehensive transportation revenue dedicated bonds. These bonds are used in part to finance the costs of locally owned comprehensive transportation projects.

### **TRANSPORTATION RELATED TRUST FUNDS**

The Michigan Department of Transportation is recognized as the legal representative of the State, including all governmental subdivisions, in the administration of the Federal Highway Administration programs. The financing accounted for in this fund consists primarily of revenues from the federal Highway Trust Fund utilized to reimburse municipalities for road and bridge program activities with very little State funds. All projects accounted for in this fund are locally owned.

### **COMBINED RECREATION BOND FUND**

Established in 1988, this fund has operated under Michigan Compiled Law Sections 324.19601 – 324.19616, 324.71303, 324.71501 – 324.71514, and 324.74106 – 324.74113. The balances in the fund are derived from proceeds and investment earnings remaining from \$50 million of general obligation bonds approved by voters in November 1998 as part of a \$675 million bond package known as the “Clean Michigan Initiative” for both State and local projects. The balance retained in the fund is currently being appropriated for post completion inspection of local projects.

A 1988 bond package, which has been fully expended, provided \$70 million of general obligation bonds to finance State and local public recreation projects to construct, expand, and develop recreational facilities at State parks, provide grants and loans to local units of government for recreation projects and to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package have been used to improve State parks with the installation or upgrade of drinking water systems or restroom facilities and provide grants and loans to local units of government for recreation projects.

In fiscal year 2011, bond balances related to the 1998 bond package used to improve State parks were transferred to the State Park Improvement Account within the Michigan Conservation and Recreation Legacy Fund pursuant to Public Act 50 of 2011, Section 303. A significant portion of the remaining bond balances related to the 1998 bond package used for grants to local units of government were transferred to the Michigan Natural Resources Trust Fund pursuant to Public Act 50 of 2011, Section 302.

## STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment. The SBA's five-member board is appointed by the Governor.

This capital projects fund accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the SBA Advance Financing Fund, and the transfer of assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

## ADVANCE FINANCING FUNDS

The Advance Financing Funds reflects the activities of two sub-funds: the State Building Authority (SBA) Advance Financing Fund and the Site Preparation Economic Development Fund.

The SBA Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of SBA bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of SBA are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as an interfund liability. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to the SBA projects are recorded in this fund.

SBA, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from SBA is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. SBA will reimburse this fund by recording a transfer and the deficit attributable to the bonded projects will be eliminated when SBA issues bonds or obtains commercial paper.

The Site Preparation Economic Development Fund is created through the annual appropriations process to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 53	\$ -	\$ -	\$ -
Equity in common cash	882,224	6,074	20,389	9,994
Taxes, interest, and penalties receivable	-	510	-	-
Amounts due from other funds	7,269	-	-	-
Amounts due from component units	4,154	-	-	-
Amounts due from federal agencies	148,679	25,132	3,266	-
Amounts due from local units	10,947	6,510	1,617	-
Inventories	13,549	-	-	-
Investments	-	-	-	-
Other current assets	6,749	39	-	-
Total Current Assets	<u>1,073,624</u>	<u>38,266</u>	<u>25,272</u>	<u>9,994</u>
Amounts due from local units	35,051	118	-	-
Other noncurrent assets	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,108,703</u>	<u>\$ 38,384</u>	<u>\$ 25,272</u>	<u>\$ 9,994</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants outstanding	\$ 1,828	\$ 6	\$ 1	\$ 11
Accounts payable and other liabilities	191,206	22,258	1,994	821
Amounts due to other funds	4,149	75	-	-
Bonds and notes payable	-	-	-	-
Unearned revenue	3,642	-	30	-
Total Current Liabilities	<u>200,825</u>	<u>22,339</u>	<u>2,025</u>	<u>833</u>
Long-Term Liabilities:				
Unearned revenue	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>200,856</u>	<u>22,339</u>	<u>2,025</u>	<u>833</u>
DEFERRED INFLOWS OF RESOURCES	<u>534</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	13,549	-	-	-
Restricted	893,765	16,045	23,247	9,162
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>907,314</u>	<u>16,045</u>	<u>23,247</u>	<u>9,162</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,108,703</u>	<u>\$ 38,384</u>	<u>\$ 25,272</u>	<u>\$ 9,994</u>



# Michigan

TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 53
-	82	25	4,491	923,279
-	-	-	-	510
-	-	-	34,642	41,911
-	-	-	-	4,154
41,577	-	-	-	218,654
54,718	-	-	-	73,793
-	-	-	-	13,549
-	-	38,977	-	38,977
-	-	-	-	6,788
<u>96,296</u>	<u>82</u>	<u>39,002</u>	<u>39,132</u>	<u>1,321,668</u>
-	-	-	-	35,169
-	-	-	-	28
<u>\$ 96,296</u>	<u>\$ 82</u>	<u>\$ 39,002</u>	<u>\$ 39,132</u>	<u>\$ 1,356,865</u>
\$ 423	\$ -	\$ -	\$ -	\$ 2,270
87,159	-	414	56,319	360,170
8,714	-	34,649	11,322	58,910
-	-	32,380	-	32,380
-	-	-	-	3,672
<u>96,296</u>	<u>-</u>	<u>67,444</u>	<u>67,641</u>	<u>457,402</u>
-	-	-	-	31
<u>96,296</u>	<u>-</u>	<u>67,444</u>	<u>67,641</u>	<u>457,433</u>
-	-	-	-	534
-	-	-	-	13,549
-	82	-	-	942,301
-	-	(28,442)	(28,509)	(56,951)
-	82	(28,442)	(28,509)	898,898
<u>\$ 96,296</u>	<u>\$ 82</u>	<u>\$ 39,002</u>	<u>\$ 39,132</u>	<u>\$ 1,356,865</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****CAPITAL PROJECTS FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
<b>REVENUES</b>				
Taxes	\$ -	\$ 6,386	\$ -	\$ -
From federal agencies	853,689	74,588	54,095	-
From local agencies	14,519	65	13	-
From services	3,270	750	-	-
From licenses and permits	16,796	344	-	-
Miscellaneous	51,877	1,171	201	86
Total Revenues	940,150	83,305	54,309	86
<b>EXPENDITURES</b>				
Current:				
Education	-	-	-	-
Conservation, environment, recreation, and agriculture	-	-	-	-
Transportation	673,438	87,581	569	781
Capital outlay	864,929	187	14,737	54
Debt service:				
Capital lease payments	644	-	-	-
Total Expenditures	1,539,011	87,768	15,306	835
Excess of Revenues over (under) Expenditures	(598,861)	(4,463)	39,003	(749)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and bond anticipation notes issued	-	-	-	-
Premium on bond issuance	-	-	-	-
Discount on bond issuance	-	-	-	-
Proceeds from sale of capital assets	2,242	-	-	-
Transfers from other funds	870,265	6,000	-	-
Transfers to other funds	(219,309)	(5,101)	(45,726)	-
Total Other Financing Sources (Uses)	653,198	899	(45,726)	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	54,337	(3,564)	(6,723)	(749)
Fund Balances - Beginning of fiscal year	852,976	19,609	29,970	9,911
Fund Balances - End of fiscal year	\$ 907,314	\$ 16,045	\$ 23,247	\$ 9,162

# Michigan

TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 6,386
313,229	-	-	-	1,295,599
-	-	-	-	14,597
-	-	-	-	4,020
-	-	-	-	17,141
1,233	-	36	-	54,604
<u>314,462</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>1,392,348</u>
-	-	109,486	13,851	123,337
-	29	-	-	29
314,462	-	-	-	1,076,831
-	-	8,609	12,913	901,429
-	-	-	-	644
<u>314,462</u>	<u>29</u>	<u>118,095</u>	<u>26,764</u>	<u>2,102,270</u>
-	(29)	(118,059)	(26,764)	(709,922)
-	-	177,965	-	177,965
-	-	14,563	-	14,563
-	-	(298)	-	(298)
-	-	-	-	2,242
-	-	2,122	951	879,338
-	-	(1,302)	-	(271,438)
<u>-</u>	<u>-</u>	<u>193,050</u>	<u>951</u>	<u>802,371</u>
-	(29)	74,990	(25,813)	92,449
-	111	(103,432)	(2,696)	806,449
<u>\$ -</u>	<u>\$ 82</u>	<u>\$ (28,442)</u>	<u>\$ (28,509)</u>	<u>\$ 898,898</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

Statutory/Budgetary Basis	STATE TRUNKLINE FUND			STATE AERONAUTICS FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 6,386	\$ 6,386	\$ -
From federal agencies	853,689	853,689	-	74,588	74,588	-
From local agencies	14,519	14,519	-	65	65	-
From services	3,270	3,270	-	750	750	-
From licenses and permits	16,796	16,796	-	344	344	-
Miscellaneous	51,877	51,877	-	1,171	1,171	-
Proceeds from sale of capital assets	2,242	2,242	-	-	-	-
Transfers in	870,265	870,265	-	6,000	6,000	-
Total Revenues and Other Sources	1,812,657	1,812,657	-	89,305	89,305	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Transportation	1,855,445	1,803,649	51,796	96,011	94,801	1,210
Total Expenditures, Transfers Out, and Encumbrances	1,855,445	1,803,649	51,796	96,011	94,801	1,210
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (42,788)</u>	<u>9,008</u>	<u>\$ 51,796</u>	<u>\$ (6,706)</u>	<u>(5,496)</u>	<u>\$ 1,210</u>
Reconciling Items:						
Encumbrances at September 30		45,330			1,932	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>45,330</u>			<u>1,932</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>54,337</u>			<u>(3,564)</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>852,976</u>			<u>19,609</u>	
Ending balances (GAAP Basis)		<u>\$ 907,314</u>			<u>\$ 16,045</u>	

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUNDS (Continued)**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	TOTALS		
	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>			
Taxes	\$ 6,386	\$ 6,386	\$ -
From federal agencies	928,276	928,276	-
From local agencies	14,584	14,584	-
From services	4,020	4,020	-
From licenses and permits	17,141	17,141	-
Miscellaneous	53,048	53,048	-
Proceeds from sale of capital assets	2,242	2,242	-
Transfers in	876,265	876,265	-
Total Revenues and Other Sources	1,901,961	1,901,961	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Transportation	1,951,455	1,898,450	53,006
Total Expenditures, Transfers Out, and Encumbrances	1,951,455	1,898,450	53,006
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (49,494)</u>	3,512	<u>\$ 53,006</u>
Reconciling Items:			
Encumbrances at September 30		47,261	
Funds not annually budgeted		41,676	
Net Reconciling Items		88,937	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		92,449	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		806,449	
Ending balances (GAAP Basis)		<u>\$ 898,898</u>	

## PERMANENT FUNDS

### MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund (MNRTF). The fund, established in 1985, operates under Sections 324.1901 - 324.1908 of the Michigan Compiled Laws. The State Treasurer directs fund investments, which include fixed income and equity investments.

In May of 2011, the MNRTF reached the constitutional limit of \$500 million on the investment corpus. As a result, the MNRTF no longer receives revenue generated from oil and gas bonuses, rentals, and royalties from State-owned land. Constitutionally, these revenue sources are now deposited into the Michigan State Parks Endowment Fund.

Constitutional provisions limit all future MNRTF appropriations to investment and other miscellaneous income of the fund. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to fund payments in lieu of property taxes on State lands acquired by the fund.

### MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, the Michigan State Parks Endowment Fund (MSPEF) is governed by the provisions of Michigan Compiled Laws Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. Currently all revenues previously attributable to the Michigan Natural Resources Trust Fund from oil and gas bonuses, rentals, and royalties from State-owned land are deposited in the MSPEF until its accumulated principal is capped at \$800 million.

The legislature is limited to appropriating no more than 50% of revenues from oil and gas bonuses, rentals, and royalties from State-owned land plus interest and earnings and any private contributions or other revenue to the endowment fund. When the endowment fund's principal balance reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit, annually adjusted for inflation, may be expended.

### MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

**COMBINING BALANCE SHEET**  
**PERMANENT FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
<b>ASSETS</b>				
Current Assets:				
Equity in common cash	\$ 79,743	\$ 41,584	\$ 632	\$ 121,959
Amounts due from local units	-	-	293	293
Other current assets	2,761	3,523	251	6,535
Total Current Assets	82,504	45,107	1,176	128,787
Investments	598,808	217,562	52,206	868,576
Total Assets	\$ 681,313	\$ 262,669	\$ 53,382	\$ 997,364
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants outstanding	\$ 1	\$ 51	\$ -	\$ 52
Accounts payable and other liabilities	5,987	2,127	17	8,131
Amounts due to other funds	14	211	6	231
Total Current Liabilities	6,001	2,390	23	8,414
Total Liabilities	6,001	2,390	23	8,414
<b>FUND BALANCES</b>				
Nonspendable	500,000	228,483	50,000	778,483
Restricted	175,312	31,796	3,359	210,467
Total Fund Balances	675,312	260,279	53,359	988,949
Total Liabilities and Fund Balances	\$ 681,313	\$ 262,669	\$ 53,382	\$ 997,364



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
<b>REVENUES</b>				
Miscellaneous	\$ 13,894	\$ 34,578	\$ 1,410	\$ 49,882
Total Revenues	13,894	34,578	1,410	49,882
<b>EXPENDITURES</b>				
Current:				
General government	2,248	211	17	2,476
Public safety and corrections	-	-	2,298	2,298
Conservation, environment, recreation, and agriculture	5,056	24,543	-	29,599
Capital outlay	17,868	3,404	-	21,272
Total Expenditures	25,172	28,158	2,315	55,644
Excess of Revenues over (under) Expenditures	(11,278)	6,420	(905)	(5,762)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(18)	(232)	(8)	(258)
Total Other Financing Sources (Uses)	(18)	(232)	(8)	(258)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(11,296)	6,188	(913)	(6,020)
Fund Balances - Beginning of fiscal year	686,607	254,090	54,272	994,970
Fund Balances - End of fiscal year	\$ 675,312	\$ 260,279	\$ 53,359	\$ 988,949

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

Statutory/Budgetary Basis	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Miscellaneous	\$ 13,894	\$ 13,894	\$ -	\$ 34,578	\$ 34,578	\$ -
Total Revenues and Other Sources	13,894	13,894	-	34,578	34,578	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	57,779	56,589	1,191	30,613	29,871	742
Treasury	2,324	2,248	76	211	211	-
Total Expenditures, Transfers Out, and Encumbrances	60,103	58,836	1,267	30,824	30,082	742
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (46,209)	(44,942)	\$ 1,267	\$ 3,754	4,496	\$ 742
Reconciling Items:						
Encumbrances at September 30		33,646			1,693	
Net Reconciling Items		33,646			1,693	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(11,296)			6,188	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		686,607			254,090	
Ending balances (GAAP Basis)		\$ 675,312			\$ 260,279	

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 1,410	\$ 1,410	\$ -	\$ 49,882	\$ 49,882	\$ -
1,410	1,410	-	49,882	49,882	-
5,204	2,306	2,898	5,204	2,306	2,898
-	-	-	88,392	86,459	1,933
17	17	-	2,552	2,476	76
5,220	2,323	2,898	96,148	91,241	4,907
\$ (3,810)	(913)	\$ 2,898	\$ (46,266)	(41,359)	\$ 4,907
-	-	-	-	35,339	-
-	-	-	-	35,339	-
(913)	(913)	-	(6,020)	(6,020)	-
54,272	54,272	-	994,970	994,970	-
\$ 53,359	\$ 53,359	-	\$ 988,949	\$ 988,949	-



## ENTERPRISE FUNDS

### ATTORNEY DISCIPLINE SYSTEM

The Attorney Discipline System (ADS) consists of the Attorney Grievance Commission and the Attorney Discipline Board. This system provides the courts, legal profession, and the general public with a means to ensure that complaints against attorneys for potential violations of the Court Rules and the Michigan Rules of Professional Conduct are properly heard and investigated, and that sanctions are imposed where required. ADS is under the supervision of the Michigan Supreme Court which also approves the two agencies' budgets.

ADS receives revenue in the form of mandatory annual assessments on members of the State Bar of Michigan, provided for by Court Rules. This system also receives other revenue, primarily through the assessment of administrative fees and the recovery of costs, including subpoena fees and transcript costs.

### LIQUOR PURCHASE REVOLVING FUND

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, within the Department of Licensing and Regulatory Affairs, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the net income of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

**COMBINING STATEMENT OF NET POSITION  
ENTERPRISE FUNDS**

SEPTEMBER 30, 2015

(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 496	\$ -	\$ 496
Equity in common cash	-	77,362	77,362
Inventories	-	4,816	4,816
Investments	5,010	-	5,010
Other current assets	219	8,895	9,114
Total Current Assets	5,725	91,074	96,799
Capital Assets:			
Buildings and equipment	558	-	558
Allowance for depreciation	(526)	-	(526)
Total capital assets	32	-	32
Other noncurrent assets	110	-	110
Total Assets	\$ 5,867	\$ 91,074	\$ 96,942
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 149	\$ 2,756	\$ 2,905
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ -	\$ 3,231	\$ 3,231
Accounts payable and other liabilities	458	85,628	86,085
Amounts due to other funds	-	245	245
Unearned revenue	517	-	517
Current portion of other long-term obligations	-	673	673
Total Current Liabilities	974	89,776	90,751
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	988	16,422	17,410
Total Liabilities	\$ 1,962	\$ 106,198	\$ 108,160
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$ 116	\$ 1,877	\$ 1,992
<b>NET POSITION</b>			
Net investment in capital assets	\$ 32	\$ -	\$ 32
Unrestricted	3,906	(14,244)	(10,338)
Total Net Position	\$ 3,938	\$ (14,244)	\$ (10,306)

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**ENTERPRISE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 4,024	\$ 1,021,890	\$ 1,025,914
Total Operating Revenues	4,024	1,021,890	1,025,914
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	4,699	77,425	82,124
Depreciation	12	-	12
Purchases for resale	-	746,510	746,510
Premiums and claims	-	19	19
Other operating expenses	-	975	975
Total Operating Expenses	4,710	824,929	829,640
Operating Income (Loss)	(686)	196,961	196,275
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	24	110	133
Other nonoperating revenues	-	1	1
Other nonoperating expense	-	(867)	(867)
Total Nonoperating Revenues (Expenses)	24	(756)	(732)
Income (Loss) Before Transfers	(662)	196,205	195,542
<b>TRANSFERS</b>			
Transfers to other funds	-	(195,720)	(195,720)
Change in net position	(662)	485	(177)
Total net position - Beginning of fiscal year - restated	4,600	(14,729)	(10,128)
Total net position - End of fiscal year	\$ 3,938	\$ (14,244)	\$ (10,306)

**COMBINING STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ 1,021,890	\$ 1,021,890
Membership dues	3,940	-	3,940
Payments to employees	(3,677)	(17,580)	(21,257)
Payments to suppliers	(767)	(800,273)	(801,040)
Other receipts	114	601	715
Other payments	(295)	(1,861)	(2,156)
Net cash provided (used)			
by operating activities	<u>\$ (686)</u>	<u>\$ 202,777</u>	<u>\$ 202,091</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	<u>\$ -</u>	<u>\$ (195,720)</u>	<u>\$ (195,720)</u>
Net cash provided (used)			
by noncapital financing activities	<u>\$ -</u>	<u>\$ (195,720)</u>	<u>\$ (195,720)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ (17)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ (17)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of investment securities	\$ 236	\$ -	\$ 236
Interest and dividends on investments	24	110	133
Net cash provided (used)			
by investing activities	<u>\$ 260</u>	<u>\$ 110</u>	<u>\$ 369</u>
Net cash provided (used) - all activities	\$ (444)	\$ 7,167	\$ 6,724
Cash and cash equivalents			
at beginning of year	<u>939</u>	<u>66,964</u>	<u>67,904</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 496</u></u>	<u><u>\$ 74,132</u></u>	<u><u>\$ 74,627</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Position Classifications:			
Cash	\$ 496	\$ -	\$ 496
Equity in common cash	-	77,362	77,362
Warrants outstanding	-	(3,231)	(3,231)
Cash and cash equivalents at end of year	<u><u>\$ 496</u></u>	<u><u>\$ 74,132</u></u>	<u><u>\$ 74,627</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (686)	\$ 196,961	\$ 196,275
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)			
by Operating Activities:			
Depreciation expense	19	-	19
Pension expense	112	1,808	1,920
Deferred Outflows - contributions subsequent to measurement date	(120)	(2,293)	(2,413)
Other nonoperating revenue	-	1	1
Other nonoperating expense	-	(867)	(867)
Net Changes in Assets and Liabilities:			
Inventories	-	3,123	3,123
Other assets (net)	(88)	(2,455)	(2,543)
Accounts payable and other liabilities	66	6,500	6,565
Unearned revenue	12	-	12
Net cash provided (used)			
by operating activities	<u><u>\$ (686)</u></u>	<u><u>\$ 202,777</u></u>	<u><u>\$ 202,091</u></u>



## INTERNAL SERVICE FUNDS

### CORRECTIONAL INDUSTRIES REVOLVING FUND

Authorized by Michigan Compiled Laws (MCL) Section 800.325, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. MCL Section 800.326 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, a foreign government or agencies of a foreign government, a private vendor that operates the youth correctional facility, and certain tax-exempt organizations.

Executive Order 1992-13 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The minimum required payment was made in fiscal year 2015.

### STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the financial statements entitled "Risk Management" provides additional information about this fund.

The amounts reflected as amounts due from other funds include reclassifications of other funds' negative balances in the common cash pool.

### INFORMATION TECHNOLOGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 2002, the use of this fund was expanded to account for all information technology activities of the executive branch as prescribed in Executive Order 2001-03.

### OFFICE SERVICES REVOLVING FUND

Created in 1952, this fund operates under Michigan Compiled Laws Section 18.1269 to provide services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

### MOTOR TRANSPORT FUND

This fund was created by Michigan Compiled Laws Section 18.1213 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

### RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Technology, Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**

SEPTEMBER 30, 2015

(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ -	\$ 300,118	\$ 14,407
Amounts due from other funds	-	3,781	-
Amounts due from component units	-	37	-
Inventories	6,547	-	151
Other current assets	284	6,393	8,603
Total Current Assets	6,831	310,330	23,161
Capital Assets:			
Land and other non-depreciable assets	-	-	9,170
Buildings and equipment	23,587	-	1,112,460
Allowance for depreciation	(13,319)	-	(689,101)
Total capital assets	10,267	-	432,529
Other noncurrent assets	-	700	-
Total Assets	\$ 17,098	\$ 311,030	\$ 455,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 1,242	\$ -	\$ 38,484
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ 60	\$ 3	\$ 282
Accounts payable and other liabilities	553	12,515	70,151
Amounts due to other funds	4,194	-	3,427
Amounts due to component units	-	-	25
Interest payable	2,150	-	-
Unearned revenue	-	105	21,184
Current portion of other long-term obligations	449	38,741	17,453
Total Current Liabilities	7,405	51,364	112,523
Long-Term Liabilities:			
Advances from other funds	2,239	-	-
Unearned revenue	-	-	273,023
Noncurrent portion of other long-term obligations	9,461	93,633	239,098
Total Liabilities	\$ 19,105	\$ 144,998	\$ 624,643
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$ 1,104	\$ -	\$ 24,959
<b>NET POSITION</b>			
Net investment in capital assets	\$ 12,745	\$ -	\$ 409,563
Restricted for other purposes	-	-	-
Unrestricted	(14,614)	166,032	(564,990)
Total Net Position	\$ (1,869)	\$ 166,032	\$ (155,428)

# Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 9,895	\$ 5,135	\$ 13,349	\$ 342,904
-	4,102	-	7,883
-	-	-	37
2,579	332	-	9,609
3,563	1,208	1,640	21,691
16,037	10,777	14,989	382,125
-	-	-	9,170
15,679	8,895	-	1,160,621
(11,126)	(8,782)	-	(722,329)
4,553	113	-	447,462
-	-	50	750
\$ 20,589	\$ 10,890	\$ 15,039	\$ 830,336
\$ 2,234	\$ 571	\$ 95	\$ 42,626
\$ -	\$ 10	\$ -	\$ 355
5,451	2,022	593	91,286
224	49	8	7,901
-	-	-	25
-	-	-	2,150
70	-	-	21,359
603	130	4,305	61,680
6,347	2,211	4,905	184,756
-	-	-	2,239
18	-	-	273,040
13,690	3,323	5,764	364,969
\$ 20,055	\$ 5,534	\$ 10,670	\$ 825,004
\$ 1,531	\$ 359	\$ 50	\$ 28,003
\$ 4,553	\$ 113	\$ -	\$ 426,973
-	5,455	-	5,455
(3,315)	-	4,415	(412,473)
\$ 1,238	\$ 5,568	\$ 4,415	\$ 19,955

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 20,420	\$ 720,764	\$ 708,919
Total Operating Revenues	20,420	720,764	708,919
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	9,754	21,822	617,048
Depreciation	784	-	74,130
Purchases for resale	-	-	-
Purchases for prison industries	8,112	-	-
Premiums and claims	-	697,783	1
Other operating expenses:	-	-	-
Leased vehicles expense	-	-	-
Vehicle maintenance expense	-	-	2
Total other operating expenses	-	-	2
Total Operating Expenses	18,650	719,605	691,180
Operating Income (Loss)	1,770	1,158	17,739
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	278	-
Other nonoperating revenues	236	-	866
Interest expense	(7)	-	(306)
Other nonoperating expense	(1,801)	-	(8,933)
Total Nonoperating Revenues (Expenses)	(1,572)	278	(8,373)
Income (Loss) Before Transfers	198	1,436	9,366
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers to other funds	(167)	-	(6,488)
Total Transfers In (Out)	(167)	-	(6,488)
Change in net position	30	1,436	2,879
Total net position - Beginning of fiscal year - restated	(1,899)	164,596	(158,307)
Total net position - End of fiscal year	\$ (1,869)	\$ 166,032	\$ (155,428)

# Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
<u>\$ 102,612</u>	<u>\$ 66,871</u>	<u>\$ 4,931</u>	<u>\$ 1,624,517</u>
<u>102,612</u>	<u>66,871</u>	<u>4,931</u>	<u>1,624,517</u>
27,099	6,058	3,130	684,911
1,284	10	-	76,208
70,132	-	-	70,132
-	-	-	8,112
1	1,984	2,811	702,580
-	-	-	-
-	29,206	-	29,206
-	27,949	-	27,951
<u>-</u>	<u>57,155</u>	<u>-</u>	<u>57,157</u>
<u>98,516</u>	<u>65,207</u>	<u>5,942</u>	<u>1,599,101</u>
<u>4,095</u>	<u>1,664</u>	<u>(1,011)</u>	<u>25,416</u>
-	-	-	278
894	44	-	2,040
-	-	-	(313)
<u>(20)</u>	<u>-</u>	<u>-</u>	<u>(10,754)</u>
<u>874</u>	<u>44</u>	<u>-</u>	<u>(8,749)</u>
4,970	1,708	(1,011)	16,667
<u>(213)</u>	<u>(63)</u>	<u>(27)</u>	<u>(6,958)</u>
<u>(213)</u>	<u>(63)</u>	<u>(27)</u>	<u>(6,958)</u>
4,757	1,645	(1,038)	9,709
<u>(3,519)</u>	<u>3,923</u>	<u>5,452</u>	<u>10,246</u>
<u>\$ 1,238</u>	<u>\$ 5,568</u>	<u>\$ 4,415</u>	<u>\$ 19,955</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 20,494	\$ 719,431	\$ 773,028
Payments to employees	(6,903)	-	(225,518)
Payments to suppliers	(7,591)	(380,543)	(398,162)
Claims paid	-	(336,474)	-
Other receipts	-	-	-
Other payments	(3,056)	-	-
Net cash provided (used) by operating activities	\$ 2,943	\$ 2,415	\$ 149,347
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans or loan repayments from other funds	\$ 4,102	\$ -	\$ -
Loans or loan repayments to other funds	(6,797)	-	-
Transfers to other funds	(167)	-	(6,488)
Net cash provided (used) by noncapital financing activities	\$ (2,863)	\$ -	\$ (6,488)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	\$ (107)	\$ -	\$ (122,060)
Interest paid	(7)	-	-
Capital lease payments (including imputed interest expense)	-	-	(11,004)
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	\$ (114)	\$ -	\$ (133,065)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	\$ -	\$ 278	\$ -
Net cash provided (used) by investing activities	\$ -	\$ 278	\$ -
Net cash provided (used) - all activities	\$ (33)	\$ 2,693	\$ 9,795
Cash and cash equivalents at beginning of year	(26)	297,422	4,330
<b>Cash and cash equivalents at end of year</b>	<b>\$ (60)</b>	<b>\$ 300,115</b>	<b>\$ 14,125</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Position Classifications:			
Equity in common cash	\$ -	\$ 300,118	\$ 14,407
Warrants outstanding	(60)	(3)	(282)
Cash and cash equivalents at end of year	\$ (60)	\$ 300,115	\$ 14,125
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,770	\$ 1,158	\$ 17,739
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	784	-	74,130
Pension expense	1,064	-	24,049
Deferred Outflows - contributions subsequent to measurement date	(970)	-	(32,322)
Other reconciling items	-	-	-
Net Changes in Assets and Liabilities:			
Inventories	984	-	214
Other assets (net)	74	(347)	(1,082)
Accounts payable and other liabilities	(762)	1,596	2,541
Unearned revenue	-	7	64,079
Net cash provided (used) by operating activities	\$ 2,943	\$ 2,415	\$ 149,347
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ 15,643
Capital lease liabilities entered into during the year	-	-	(15,643)
Gain (loss) on disposal of capital assets	(1,801)	-	-
Total noncash investing, capital, and financing activities	\$ (1,801)	\$ -	\$ -

# Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 104,186	\$ 66,795	\$ 4,931	\$ 1,688,864
(11,105)	(3,558)	(728)	(247,812)
(89,697)	(61,829)	(2,390)	(940,212)
-	-	(1,301)	(337,775)
894	105	-	1,000
-	-	-	(3,056)
<u>\$ 4,278</u>	<u>\$ 1,513</u>	<u>\$ 512</u>	<u>\$ 161,009</u>
\$ -	\$ -	\$ 6,569	\$ 10,671
-	(4,102)	-	(10,900)
(213)	(63)	(27)	(6,958)
<u>\$ (213)</u>	<u>\$ (4,165)</u>	<u>\$ 6,542</u>	<u>\$ (7,186)</u>
(746)	\$ -	\$ -	\$ (122,913)
-	-	-	(7)
-	-	-	(11,004)
39	44	-	82
<u>\$ (708)</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ (133,843)</u>
\$ -	\$ -	\$ -	\$ 278
\$ -	\$ -	\$ -	\$ 278
\$ 3,357	\$ (2,608)	\$ 7,054	\$ 20,257
6,538	7,733	6,295	322,292
<u>\$ 9,895</u>	<u>\$ 5,125</u>	<u>\$ 13,349</u>	<u>\$ 342,549</u>
\$ 9,895	\$ 5,135	\$ 13,349	\$ 342,904
-	(10)	-	(355)
<u>\$ 9,895</u>	<u>\$ 5,125</u>	<u>\$ 13,349</u>	<u>\$ 342,549</u>
\$ 4,095	\$ 1,664	\$ (1,011)	\$ 25,416
1,284	10	-	76,208
1,475	346	48	26,982
(1,856)	(482)	(83)	(35,712)
894	-	-	894
(345)	30	-	883
1,647	352	(140)	503
(2,847)	(407)	1,697	1,818
(70)	-	-	64,016
<u>\$ 4,278</u>	<u>\$ 1,513</u>	<u>\$ 512</u>	<u>\$ 161,009</u>
\$ -	\$ -	\$ -	\$ 15,643
-	-	-	(15,643)
(20)	-	-	(1,821)
<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,821)</u>

## PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans," "Pension Benefits," and "Other Postemployment Benefits," include additional information regarding the following funds and plans.

### STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS

The State of Michigan 457 Plan and the State of Michigan 401k Plan are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years.

### LEGISLATIVE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws (MCL) Section 38.1001. LRS's pension plan provides benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

MCL Section 38.1018 amended LRS's enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

### LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws Section 38.1001. LRS's health plan provides its members with health, dental, vision, and hearing insurance coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

### STATE POLICE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605, which is administered by a nine-member board under the direction of a chairperson elected from the membership. MSPRS's pension plan provides retirement, survivor and disability benefits to Michigan State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

As a result of contract negotiations, a "pension plus" plan was created which pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account for employees first hired on or after June 10, 2012.

### STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605. MSPRS's health plan provides retirees hired before June 10, 2012 with the option of receiving health, dental, and vision coverage. Employees hired on or after June 10, 2012 are accounted for within the State of Michigan Defined Contribution Personal Health Care Fund.

### STATE EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws (MCL) Section 38.2, which is administered by a nine-member board under the direction of an Executive Secretary. SERS's pension plan provides retirement, survivor and disability benefits to State employees.

Effective March 31, 1997, MCL Section 38.13 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The law also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

### STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws Section 38.2. SERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

### PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Public School Employees' Retirement System (MPERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

Employer contributions and investment earnings provide financing for the fund. Under MCL Section 38.1343a, employees may contribute additional amounts into a "member investment plan".

Various MCLs, beginning with Section 38.1304, were amended to create a new "pension plus" plan which pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account for employees first hired after June 30, 2010.



**PUBLIC SCHOOL EMPLOYEES' OTHER  
POSTEMPLOYMENT BENEFITS FUND**

This fund was established to account for other postemployment benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws Section 38.1321. MPSERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

Effective July 1, 2010, MCL Section 38.1343e requires employees to contribute a percentage of their compensation into a funding account established under the public employee retirement health care fund act.

**JUDGES' PENSION BENEFITS FUND**

This fund was established to account for pension benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws (MCL) Section 38.2201. MJRS's pension plan provides retirement, survivor and disability benefits to judges in the judicial branch of State government. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

MCL Section 38.2401a, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

**JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND**

This fund was established to account for other postemployment benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws Section 38.2201. MJRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

**STATE OF MICHIGAN DEFINED CONTRIBUTION  
RETIREMENT FUND**

This fund was established by Michigan Compiled Laws Section 38.11 as a defined contribution pension plan. Membership within the plan includes all State employees hired after March 31, 1997, Public School Reporting Units members hired after July 1, 2010, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elect to transfer to this plan. This fund also includes the State of Michigan Personal Healthcare subfund created by Public Act 264 of 2011 for all employees hired after January 1, 2012, and those who elected to transfer to this plan.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**

SEPTEMBER 30, 2015

(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
<b>ASSETS</b>				
Equity in common cash	\$ 813	\$ 1,023	\$ 162	\$ 3,037
Receivables:				
From participants	59,216	-	-	53
From employer	-	-	-	3,532
Other	291	-	-	-
Interest and dividends	-	48	-	149
Due from other funds	-	82	633	-
Due from component unit	-	-	-	-
Due from other governmental	-	-	177	-
Sale of investments	-	170	-	-
Investments at Fair Value:				
Short-term investments	-	-	-	49,810
Fixed income	-	-	-	150,131
Domestic equities	-	50,142	7,889	343,581
Real estate	-	-	-	124,397
Alternative investments	-	13,985	2,200	-
Private equity pools	-	-	-	207,491
International equities	-	1,692	266	169,952
Absolute return	-	-	-	181,320
Mutual funds	478,987	66,923	10,530	-
Pooled investment funds	1,274,525	-	-	-
Separate accounts	1,646,587	-	-	-
Securities lending collateral	-	-	-	73,087
Total Assets	<u>\$ 3,460,418</u>	<u>\$ 134,064</u>	<u>\$ 21,858</u>	<u>\$ 1,306,540</u>
<b>LIABILITIES</b>				
Warrants outstanding	\$ -	\$ 18	\$ -	\$ 4
Accounts payable and other liabilities	896	452	-	55
Amounts due to other funds	-	5	-	-
Obligations under security lending	-	-	-	73,076
Unearned revenue	-	-	18	-
Total Liabilities	<u>\$ 896</u>	<u>\$ 474</u>	<u>\$ 18</u>	<u>\$ 73,134</u>
<b>NET POSITION</b>				
Restricted for pension, postemployment health-care, and deferred compensation participants	<u>\$ 3,459,522</u>	<u>\$ 133,590</u>	<u>\$ 21,840</u>	<u>\$ 1,233,405</u>
Reconciliation of Net Position:				
Restricted for pension benefits	\$ -	\$ 133,590	\$ -	\$ 1,233,405
Restricted for postemployment health-care benefits	-	-	21,840	-
Restricted for deferred compensation participants	3,459,522	-	-	-
Total net position restricted for benefits	<u>\$ 3,459,522</u>	<u>\$ 133,590</u>	<u>\$ 21,840</u>	<u>\$ 1,233,405</u>

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
\$ 1,629	\$ 5,395	\$ 1	\$ 111,196	\$ 52,443	\$ 3,370
-	553	-	2,722	-	44
2,295	55,894	31,892	247,755	19,668	50
598	-	14,059	-	134,690	-
10	1,289	137	5,294	391	32
-	36,968	-	-	-	-
-	629	465	-	-	-
1,074	-	29,553	-	-	-
-	-	-	-	-	-
3,205	438,501	48,939	1,678,301	673,164	9,996
11,182	1,300,083	158,093	5,145,832	438,623	31,088
25,693	2,978,256	363,446	11,785,255	1,007,428	71,141
9,298	1,077,649	131,475	4,265,411	364,613	25,763
-	-	-	-	-	-
15,512	1,797,407	219,281	7,113,518	607,867	42,942
12,698	1,471,204	179,450	5,823,675	497,714	35,156
13,543	1,568,401	191,133	6,208,387	530,593	37,543
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,406	635,301	77,196	2,509,398	211,036	15,283
<u>\$ 102,144</u>	<u>\$ 11,367,531</u>	<u>\$ 1,445,121</u>	<u>\$ 44,896,743</u>	<u>\$ 4,538,231</u>	<u>\$ 272,406</u>
\$ -	\$ 32	\$ -	\$ 627	\$ 2	\$ -
1,968	374	28,866	1,577	243,922	5
-	-	36,948	-	-	-
5,405	635,207	77,184	2,509,025	211,004	15,281
-	-	12	3,153	-	-
<u>\$ 7,373</u>	<u>\$ 635,613</u>	<u>\$ 143,010</u>	<u>\$ 2,514,382</u>	<u>\$ 454,928</u>	<u>\$ 15,285</u>
<u>\$ 94,770</u>	<u>\$ 10,731,918</u>	<u>\$ 1,302,111</u>	<u>\$ 42,382,361</u>	<u>\$ 4,083,302</u>	<u>\$ 257,121</u>
\$ -	\$ 10,731,918	\$ -	\$ 42,382,361	\$ -	\$ 257,121
94,770	-	1,302,111	-	4,083,302	-
-	-	-	-	-	-
<u>\$ 94,770</u>	<u>\$ 10,731,918</u>	<u>\$ 1,302,111</u>	<u>\$ 42,382,361</u>	<u>\$ 4,083,302</u>	<u>\$ 257,121</u>

This statement continued on next page.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)**

SEPTEMBER 30, 2015

(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
<b>ASSETS</b>			
Equity in common cash	\$ 101	\$ 6,504	\$ 185,674
Receivables:			
From participants	-	151,833	214,420
From employer	4	-	361,090
Other	26	2,505	152,169
Interest and dividends	-	-	7,349
Due from other funds	-	-	37,683
Due from component unit	-	-	1,094
Due from other governmental	17	-	30,821
Sale of investments	-	-	170
Investments at Fair Value:			
Short-term investments	14	-	2,901,931
Fixed income	90	-	7,235,122
Domestic equities	208	-	16,633,038
Real estate	75	-	5,998,682
Alternative investments	-	-	16,186
Private equity pools	126	-	10,004,145
International equities	103	-	8,191,910
Absolute return	110	-	8,731,031
Mutual funds	-	397,609	954,049
Pooled investment funds	-	1,730,282	3,004,807
Separate accounts	-	611,725	2,258,312
Securities lending collateral	42	-	3,526,749
Total Assets	\$ 917	\$ 2,900,458	\$ 70,446,431
<b>LIABILITIES</b>			
Warrants outstanding	\$ -	\$ -	\$ 684
Accounts payable and other liabilities	38	2,817	280,969
Amounts due to other funds	-	21	36,973
Obligations under security lending	42	-	3,526,225
Unearned revenue	-	-	3,183
Total Liabilities	\$ 80	\$ 2,838	\$ 3,848,033
<b>NET POSITION</b>			
Restricted for pension, postemployment health-care, and deferred compensation participants	\$ 837	\$ 2,897,620	\$ 66,598,397
Reconciliation of Net Position:			
Restricted for pension benefits	\$ -	\$ 2,897,620	\$ 57,636,015
Restricted for postemployment health-care benefits	837	-	5,502,860
Restricted for deferred compensation participants	-	-	3,459,522
Total net position restricted for benefits	\$ 837	\$ 2,897,620	\$ 66,598,397



**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
<b>ADDITIONS</b>				
Contributions:				
From participants	\$ 91,074	\$ 3	\$ 123	\$ 2,677
From employers	1,089	-	4,473	70,351
From other plans	4,478	-	-	-
From other governmental	-	-	181	-
From other systems	1,064	-	-	-
Investment Income:				
Net increase (decrease) in the fair value of investments	(53,403)	(9,051)	(1,380)	1,615
Interest, dividends, and other	34,957	3,025	463	26,827
Securities lending income	-	-	-	2,092
Less Investment Expense:				
Investment activity expense	-	519	79	3,678
Securities lending expense	-	-	-	620
Net investment income (loss)	(18,445)	(6,545)	(996)	26,236
Miscellaneous income	1,153	132	633	3
Total Additions	80,411	(6,410)	4,414	99,268
<b>DEDUCTIONS</b>				
Benefits paid to participants or beneficiaries	108,276	13,896	-	115,466
Medical, dental, and life insurance for retirants	-	-	6,134	-
Refunds and transfers to other systems	157,098	724	-	3
Administrative and other expenses	9,955	362	65	559
Transfers to other plans	4,431	-	-	-
Transfers to other funds	-	-	-	2
Total Deductions	279,760	14,983	6,200	116,030
Change in net position	(199,349)	(21,393)	(1,785)	(16,762)
Net position - Beginning of fiscal year	3,658,872	154,983	23,625	1,250,168
Net position - End of fiscal year	\$ 3,459,522	\$ 133,590	\$ 21,840	\$ 1,233,405
Reconciliation of change in net position:				
Change in net position restricted for pension benefits	\$ -	\$ (21,393)	\$ -	\$ (16,762)
Change in net position restricted for postemployment benefits	-	-	(1,785)	-
Change in net position restricted for deferred compensation participants	(199,349)	-	-	-
Change in net position	\$ (199,349)	\$ (21,393)	\$ (1,785)	\$ (16,762)

# Michigan

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
\$ 1,130	\$ 46,688	\$ 37,688	\$ 395,722	\$ 381,631	\$ 902
45,848	749,487	664,369	1,967,611	969,419	2,593
-	-	-	-	-	-
1,874	-	49,292	-	213	-
-	1	-	-	-	-
(315)	18,502	(5,001)	79,836	(12,759)	621
1,785	233,379	25,032	933,155	70,650	5,682
145	18,118	2,040	73,370	5,692	448
243	32,044	3,377	127,655	9,715	780
46	5,367	660	21,043	1,804	130
1,326	232,588	18,034	937,663	52,064	5,840
9	54	111	480	166	44
50,186	1,028,819	769,494	3,301,476	1,403,493	9,379
-	1,265,335	-	4,530,915	1	23,241
31,697	-	495,736	-	700,904	-
-	144	4,911	136,902	96	-
1,384	6,228	24,755	24,296	153,411	312
-	-	-	-	-	-
-	-	-	191	-	-
33,080	1,271,707	525,402	4,692,304	854,411	23,554
17,106	(242,888)	244,092	(1,390,828)	549,081	(14,175)
77,664	10,974,806	1,058,019	43,773,189	3,534,221	271,296
\$ 94,770	\$ 10,731,918	\$ 1,302,111	\$ 42,382,361	\$ 4,083,302	\$ 257,121
\$ -	\$ (242,888)	\$ -	\$ (1,390,828)	\$ -	\$ (14,175)
17,106	-	244,092	-	549,081	-
-	-	-	-	-	-
\$ 17,106	\$ (242,888)	\$ 244,092	\$ (1,390,828)	\$ 549,081	\$ (14,175)

This statement continued on next page.

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
<b>ADDITIONS</b>			
Contributions:			
From participants	\$ 434	\$ 165,689	\$ 1,123,762
From employers	210	188,896	4,664,345
From other plans	-	4,431	8,908
From other governmental	65	-	51,624
From other systems	-	12,421	13,486
Investment Income:			
Net increase (decrease) in the fair value of investments	2	(70,529)	(51,861)
Interest, dividends, and other	17	17,795	1,352,768
Securities lending income	1	-	101,906
Less Investment Expense:			
Investment activity expense	2	-	178,093
Securities lending expense	-	-	29,670
Net investment income (loss)	18	(52,734)	1,195,049
Miscellaneous income	-	1,729	4,516
Total Additions	727	320,433	7,061,690
<b>DEDUCTIONS</b>			
Benefits paid to participants or beneficiaries	-	76,941	6,134,072
Medical, dental, and life insurance for retirants	601	-	1,235,071
Refunds and transfers to other systems	-	79,641	379,520
Administrative and other expenses	113	14,016	235,457
Transfers to other plans	-	4,478	8,908
Transfers to other funds	-	-	193
Total Deductions	714	175,075	7,993,221
Change in net position	13	145,358	(931,531)
Net position - Beginning of fiscal year	824	2,752,262	67,529,928
Net position - End of fiscal year	\$ 837	\$ 2,897,620	\$ 66,598,397
Reconciliation of change in net position:			
Change in net position restricted for pension benefits	\$ -	\$ 145,358	\$ (1,540,688)
Change in net position restricted for postemployment benefits	13	-	808,507
Change in net position restricted for deferred compensation participants	-	-	(199,349)
Change in net position	\$ 13	\$ 145,358	\$ (931,531)



## PRIVATE PURPOSE TRUST FUNDS

### MICHIGAN EDUCATION SAVINGS PROGRAM

Michigan Compiled Laws Section 390.1473 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes limited contributions into the program as prescribed by law. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

### ESCHEATS FUND

The Escheats Fund operates under the authority of Sections 567.221 – 567.265 of the Michigan Compiled Laws and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the laws are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the laws.

### GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended in accordance with applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

### HOSPITAL PATIENTS' TRUST FUND

The Hospital Patients' Trust Fund operates under the authority of Michigan Compiled Laws Section 330.1730 and is used to account for funds of patients receiving services in State hospitals. The Department of Health and Human Services (DHHS), in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. DHHS distributes interest on a monthly basis to patients meeting minimum balance requirements.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	TOTALS
<b>ASSETS</b>					
Cash	\$ 106	\$ -	\$ 1,096	\$ 9	\$ 1,210
Equity in common cash	-	132,447	19,113	118	151,678
Receivables:					
Interest and dividends	2,926	-	115	-	3,041
Investments at Fair Value:					
Fixed income	-	-	19,874	-	19,874
Mutual funds	3,799,976	-	11	-	3,799,987
Guaranteed funding agreements	579,548	-	-	-	579,548
Other current assets	1,889	2,072	9,600	-	13,561
Other noncurrent assets	-	-	525	-	525
Total Assets	<u>\$ 4,384,445</u>	<u>\$ 134,519</u>	<u>\$ 50,334</u>	<u>\$ 126</u>	<u>\$ 4,569,424</u>
<b>LIABILITIES</b>					
Warrants outstanding	\$ -	\$ 4,199	\$ 327	\$ 1	\$ 4,527
Accounts payable and other liabilities	5,485	171	1,623	10	7,288
Total Liabilities	<u>\$ 5,485</u>	<u>\$ 4,370</u>	<u>\$ 1,950</u>	<u>\$ 11</u>	<u>\$ 11,815</u>
<b>NET POSITION</b>					
Restricted for other purposes	<u>\$ 4,378,960</u>	<u>\$ 130,149</u>	<u>\$ 48,384</u>	<u>\$ 116</u>	<u>\$ 4,557,609</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****PRIVATE PURPOSE TRUST FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	TOTALS
<b>ADDITIONS</b>					
Contributions:					
From participants	\$ 502,805	\$ -	\$ -	\$ -	\$ 502,805
From clients	-	-	43,088	639	43,727
From gifts, bequests, and endowments	-	-	30,903	-	30,903
Investment Income:					
Net increase (decrease) in the fair value of investments	(125,110)	-	311	-	(124,799)
Interest, dividends, and other	93,444	-	888	-	94,331
Net investment income (loss)	(31,666)	-	1,198	-	(30,468)
Escheated property	-	154,370	-	-	154,370
Miscellaneous income	-	-	2,542	-	2,542
Total Additions	471,139	154,370	77,731	639	703,879
<b>DEDUCTIONS</b>					
Benefits paid to participants or beneficiaries	318,445	-	-	-	318,445
Amounts distributed to clients, claimants, or third parties	-	100,041	74,299	613	174,953
Administrative expense	7,427	7,829	35	-	15,291
Total Deductions	325,872	107,870	74,334	613	508,689
Change in net position	145,267	46,500	3,397	26	195,190
Net position - Beginning of fiscal year	4,233,693	83,650	44,987	90	4,362,419
Net position - End of fiscal year	\$ 4,378,960	\$ 130,149	\$ 48,384	\$ 116	\$ 4,557,609
Reconciliation of change in net position:					
Change in net position restricted for other purposes	\$ 145,267	\$ 46,500	\$ 3,397	\$ 26	\$ 195,190
Change in net position	\$ 145,267	\$ 46,500	\$ 3,397	\$ 26	\$ 195,190

## AGENCY FUNDS

### ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Environmental Quality has legal custody. The bonds held by this fund include bond deposits from the hazardous waste program and the solid waste program as provided by Sections 324.11141 and 324.11523 of the Michigan Compiled Laws (MCL) and from the scrap tire program as provided in MCL Section 324.16903.

### INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by Michigan Compiled Laws Section 500.411, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

### CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). The MISDU, administered by the Department of Health and Human Services, was created to provide a single location within the State for the receipt and disbursement of child support payments.

### SOCIAL WELFARE FUND

This fund was administratively created to provide a single location within the State for the receipts and disbursements related to county child care funds and local county funds. Participating counties provide funds to the Department of Health and Human Services (DHHS) on a quarterly basis to pay for court ward youth under DHHS supervision. DHHS uses the funds to pay for approved foster care individuals, private agencies, institutions, in-home care, and independent living based on receipt of child care invoices and supporting documentation.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION****AGENCY FUNDS**

SEPTEMBER 30, 2015

(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	CHILD SUPPORT COLLECTION FUND	SOCIAL WELFARE FUND	TOTALS
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ 41,133	\$ -	\$ 41,133
Equity in common cash	2,737	395	-	1,482	4,614
Other current assets	-	-	1	5	6
Other noncurrent assets	-	418,731	-	-	418,731
Total Assets	<u>\$ 2,737</u>	<u>\$ 419,125</u>	<u>\$ 41,134</u>	<u>\$ 1,487</u>	<u>\$ 464,484</u>
<b>LIABILITIES</b>					
Warrants Outstanding	\$ -	\$ -	\$ -	\$ 23	\$ 23
Accounts payable and other liabilities	2,737	395	38,081	1,464	42,678
Amounts due to other funds	-	-	3,053	-	3,053
Other long-term liabilities	-	418,731	-	-	418,731
Total Liabilities	<u>\$ 2,737</u>	<u>\$ 419,125</u>	<u>\$ 41,134</u>	<u>\$ 1,487</u>	<u>\$ 464,484</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - AGENCY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

	BALANCE OCTOBER 1, 2014	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2015
<b>ENVIRONMENTAL QUALITY DEPOSITS FUND</b>				
<b>ASSETS</b>				
Equity in common cash	\$ 3,610	\$ 723	\$ 1,595	\$ 2,737
Total Assets	<u>\$ 3,610</u>	<u>\$ 723</u>	<u>\$ 1,595</u>	<u>\$ 2,737</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 3,610	\$ 723	\$ 1,595	\$ 2,737
Total Liabilities	<u>\$ 3,610</u>	<u>\$ 723</u>	<u>\$ 1,595</u>	<u>\$ 2,737</u>
<b>INSURANCE CARRIER DEPOSITS FUND</b>				
<b>ASSETS</b>				
Equity in common cash	\$ 2,845	\$ 47,551	\$ 50,001	\$ 395
Other noncurrent assets	419,228	161,034	161,531	418,731
Total Assets	<u>\$ 422,073</u>	<u>\$ 208,585</u>	<u>\$ 211,532</u>	<u>\$ 419,125</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,845	\$ 47,551	\$ 50,001	\$ 395
Other long-term liabilities	419,228	161,034	161,531	418,731
Total Liabilities	<u>\$ 422,073</u>	<u>\$ 208,585</u>	<u>\$ 211,532</u>	<u>\$ 419,125</u>
<b>CHILD SUPPORT COLLECTION FUND</b>				
<b>ASSETS</b>				
Cash	\$ 40,217	\$ 1,486,995	\$ 1,486,079	\$ 41,133
Other current assets	345	345	689	1
Total Assets	<u>\$ 40,563</u>	<u>\$ 1,487,340</u>	<u>\$ 1,486,769</u>	<u>\$ 41,134</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 40,376	\$ 1,515,446	\$ 1,517,741	\$ 38,081
Amounts due to other funds	186	12,543	9,676	3,053
Total Liabilities	<u>\$ 40,563</u>	<u>\$ 1,527,989</u>	<u>\$ 1,527,418</u>	<u>\$ 41,134</u>

	BALANCE OCTOBER 1, 2014	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2015
SOCIAL WELFARE FUND				
<b>ASSETS</b>				
Equity in common cash	\$ 191	\$ 5,492	\$ 4,201	\$ 1,482
Other current assets	2	5	2	5
Total Assets	<u>\$ 193</u>	<u>\$ 5,497</u>	<u>\$ 4,203</u>	<u>\$ 1,487</u>
<b>LIABILITIES</b>				
Warrants outstanding	\$ -	\$ 1,865	\$ 1,842	\$ 23
Accounts payable and other liabilities	193	5,001	3,730	1,464
Total Liabilities	<u>\$ 193</u>	<u>\$ 6,866</u>	<u>\$ 5,572</u>	<u>\$ 1,487</u>
TOTALS - ALL AGENCY FUNDS				
<b>ASSETS</b>				
Cash	\$ 40,217	\$ 1,486,995	\$ 1,486,079	\$ 41,133
Equity in common cash	6,646	53,766	55,798	4,614
Other current assets	347	350	691	6
Other noncurrent assets	419,228	161,034	161,531	418,731
Total Assets	<u>\$ 466,438</u>	<u>\$ 1,702,145</u>	<u>\$ 1,704,099</u>	<u>\$ 464,484</u>
<b>LIABILITIES</b>				
Warrants outstanding	\$ -	\$ 1,865	\$ 1,842	\$ 23
Accounts payable and other liabilities	47,024	1,568,722	1,573,068	42,678
Amounts due to other funds	186	12,543	9,676	3,053
Other long-term liabilities	419,228	161,034	161,531	418,731
Total Liabilities	<u>\$ 466,438</u>	<u>\$ 1,744,163</u>	<u>\$ 1,746,117</u>	<u>\$ 464,484</u>

## COMPONENT UNITS – AUTHORITIES

### FARM PRODUCE INSURANCE AUTHORITY

Michigan Compiled Laws (MCL) Section 285.315 created the Farm Produce Insurance Authority (FPIA) as a public body corporate. Operating under Sections 285.311 – 285.331 of the MCL, FPIA is governed and administered by a ten-member board of directors. FPIA administers a program in which producers of dry beans, grain, or corn may contribute to the Farm Produce Insurance Fund, a percentage of their net proceeds from all farm produce sold by the producer to a licensee in this State. Under this program the producer may recover from the fund for losses caused by the licensed grain dealer's financial failure.

### LAND BANK FAST TRACK AUTHORITY

Michigan Compiled Laws Section 124.765 created the Land Bank Fast Track Authority (LBFTA) to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of the property and to promote economic growth within the State. LBFTA receives public properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

### MACKINAC BRIDGE AUTHORITY

Michigan Compiled Laws (MCL) Section 254.302 created the Mackinac Bridge Authority (MBA). MCL Section 254.314 empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

### MACKINAC ISLAND STATE PARK COMMISSION

Established in 1927, the Mackinac Island State Park Commission currently operates under Sections 324.76701 – 324.76709 of the Michigan Compiled Laws. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

### MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

The Michigan Early Childhood Investment Corporation was created by an interlocal agreement between the Department of Health and Human Services and participating intermediate school districts. The interlocal agreement was entered into pursuant to Sections 124.501 – 124.512 of the Michigan Compiled Laws. The Corporation's primary objective is to administer activities related to early childhood development.

The governing body of each participant shall appoint one member of the Corporation Board to serve at the will of the participant. For each member of the Corporation Board appointed by the governing body of a participant, the Governor shall appoint up to two members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five participants, the Governor may appoint up to twelve additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participants. In addition, the Corporation shall have an Executive Committee of fifteen members, all appointed by the Governor. The committee shall exercise the powers of the Corporation.

### MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article 7, Section 28 of the State Constitution of 1963 and Sections 124.501 – 124.512 of the Michigan Compiled Laws (MCL), is a public body corporate. Created by a ten-year contract (interlocal agreement) between participating local economic development corporations formed under Sections 125.1601 – 125.1636 of the MCL and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 20 members appointed to eight-year, staggered terms.



### MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The amount the purchaser is required to pay is based on several factors, among them are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

Michigan Compiled Laws Section 390.1425, the Michigan Education Trust Act, created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the law provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the law. The law and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

### STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its operations are financed solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

### VENTURE MICHIGAN FUND

The Venture Michigan Fund (VMF) was formed as a nonprofit corporation for the purpose of qualifying as a Michigan early stage venture investment corporation as authorized by Sections 125.2231 – 125.2263 of the Michigan Compiled Laws. VMF was organized to raise capital and invest that capital in venture capital firms with the intent of benefiting Michigan's seed or early stage businesses in order to promote the economic health of the State of Michigan. VMF is governed by a board of directors consisting of the State Treasurer, the Chief Executive Officer of the Michigan Economic Development Corporation, and 5 other directors appointed by the Governor with the advice and consent of the Senate.

**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR COMPONENT UNITS**  
**AUTHORITIES**  
 SEPTEMBER 30, 2015  
 (In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	LAND BANK FAST TRACK AUTHORITY	MACKINAC BRIDGE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 893	\$ -	\$ 1,636	\$ 898
Equity in common cash	-	3,676	-	-
Amounts due from component units	-	-	-	-
Amounts due from primary government	-	-	-	-
Amounts due from federal government	-	2,266	-	-
Inventories	-	-	-	565
Investments	1,355	-	6,245	182
Other current assets	157	17	101	88
Total Current Assets	2,404	5,959	7,982	1,732
Restricted Assets:				
Cash and cash equivalents	-	-	-	1,012
Investments	-	-	-	2,345
Mortgages and loans receivable	-	5,900	-	-
Investments	3,929	-	63,643	-
Land and property held for resale	-	13,056	-	-
Capital Assets:				
Land and other non-depreciable assets	-	-	125	337
Buildings, equipment, and other depreciable assets	-	-	10,527	14,694
Less accumulated depreciation	-	-	(5,140)	(10,048)
Infrastructure	-	-	102,950	-
Total capital assets	-	-	108,462	4,983
Other noncurrent assets	-	-	-	-
Total Assets	\$ 6,333	\$ 24,915	\$ 180,088	\$ 10,072
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ -	\$ 84	\$ 1,154	\$ 415
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants outstanding	\$ -	\$ 96	\$ -	\$ -
Accounts payable and other liabilities	3,865	1,189	1,006	116
Amounts due to component units	-	-	-	-
Amounts due to primary government	-	6	4,225	-
Bonds and notes payable	-	-	-	55
Interest payable	-	-	-	20
Unearned revenue	-	-	1,173	-
Current portion of other long-term obligations	-	23	138	-
Total Current Liabilities	3,865	1,313	6,543	192
Unearned revenue	-	-	1,177	-
Bonds and notes payable	-	-	-	1,630
Noncurrent portion of other long-term obligations	-	680	6,751	2,437
Total Liabilities	\$ 3,865	\$ 1,993	\$ 14,470	\$ 4,259
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$ -	\$ 79	\$ 749	\$ 286
<b>NET POSITION</b>				
Net investment in capital assets	\$ -	\$ -	\$ 108,462	\$ 3,298
Restricted For:				
Construction and debt service	-	-	-	1,049
Other purposes	-	6,460	-	2,872
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Unrestricted	2,468	16,467	57,559	(1,277)
Total Net Position	\$ 2,468	\$ 22,927	\$ 166,022	\$ 5,943

\* Venture Michigan Fund reported financial results represent a three month period from October 1, 2014 to December 31, 2014.

**Michigan**

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN EDUCATION TRUST	STATE BAR OF MICHIGAN	VENTURE MICHIGAN FUND*	TOTALS*
\$ 208	\$ 24,501	\$ 118,678	\$ 2,751	\$ 32,963	\$ 182,527
-	30,270	-	-	-	33,946
-	13,152	-	-	-	13,152
4,152	409	1,690	-	-	6,252
-	-	-	-	-	2,266
-	-	-	52	-	616
-	11,055	-	4,951	-	23,788
9	2,183	21,940	650	620	25,765
4,369	81,570	142,309	8,404	33,583	288,312
-	356	-	-	60,903	62,270
-	-	-	-	34,159	36,504
-	3,976	-	-	-	9,876
-	44,257	833,985	7,068	154,965	1,107,848
-	-	-	-	-	13,056
-	100	-	381	-	943
960	17,592	-	11,478	-	55,252
(683)	(10,600)	-	(7,553)	-	(34,024)
-	-	-	-	-	102,950
277	7,092	-	4,306	-	125,121
-	162	44,786	148	-	45,096
\$ 4,646	\$ 137,413	\$ 1,021,080	\$ 19,926	\$ 283,611	\$ 1,688,084
\$ -	\$ 2,921	\$ 549	\$ 45	\$ 35,224	\$ 40,391
\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 175
3,115	16,372	-	945	316	26,924
-	434	-	-	-	434
-	778	-	-	-	5,008
-	-	-	-	23,636	23,691
-	-	-	-	11,367	11,387
-	-	-	1,438	-	2,611
53	1,108	112,429	-	-	113,752
3,168	18,771	112,429	2,383	35,319	183,982
-	-	-	-	-	1,177
-	-	-	-	338,667	340,297
-	14,892	874,501	250	35,544	935,054
\$ 3,168	\$ 33,663	\$ 986,930	\$ 2,633	\$ 409,529	\$ 1,460,510
\$ -	\$ 1,622	\$ 212	\$ 30	\$ -	\$ 2,978
\$ 277	\$ 7,092	\$ -	\$ 4,306	\$ -	\$ 123,436
-	-	-	-	-	1,049
-	-	34,488	-	-	43,820
-	-	-	-	60,903	60,903
1,201	97,957	-	13,002	(151,598)	35,779
\$ 1,478	\$ 105,049	\$ 34,488	\$ 17,308	\$ (90,695)	\$ 264,987

**COMBINING STATEMENT OF ACTIVITIES**  
**NON-MAJOR COMPONENT UNITS - AUTHORITIES**  
FISCAL YEAR ENDED SEPTEMBER 30, 2015  
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	\$ 4,222	\$ 353	\$ -	\$ -	\$ (3,869)
Land Bank Fast Track Authority	5,233	-	2,226	740	(2,267)
Mackinac Bridge Authority	20,670	21,834	-	-	1,163
Mackinac Island State Park Commission	4,874	4,679	90	412	306
Michigan Early Childhood Investment Corporation	13,923	-	13,865	-	(59)
Michigan Economic Development Corporation	100,425	-	80,392	-	(20,034)
Michigan Education Trust	19,806	1,650	927	-	(17,229)
State Bar of Michigan	11,495	11,788	-	-	293
Venture Michigan Fund*	7,909	-	-	-	(7,909)
Total	<u>\$ 188,558</u>	<u>\$ 40,303</u>	<u>\$ 97,499</u>	<u>\$ 1,152</u>	<u>\$ (49,603)</u>

\* Venture Michigan Fund reported financial results represent a three month period from October 1, 2014 to December 31, 2014.

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR*
\$ 137	\$ -	\$ -	\$ (3,732)	\$ 6,199	\$ 2,468
4	-	2,827	564	22,363	22,927
2,454	-	-	3,617	162,405	166,022
66	-	-	372	5,571	5,943
-	-	30	(29)	1,507	1,478
3,264	-	4,646	(12,123)	117,171	105,049
-	-	-	(17,229)	51,716	34,488
100	-	-	393	16,915	17,308
4,898	-	-	(3,012)	(87,683)	(90,695)
<u>\$ 10,923</u>	<u>\$ -</u>	<u>\$ 7,504</u>	<u>\$ (31,177)</u>	<u>\$ 296,164</u>	<u>\$ 264,987</u>



## COMPONENT UNITS – STATE UNIVERSITIES

The State has 13 legally separate public universities, 10 of which are included in this report as component units and 3 of which are excluded. Included are the 10 universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by the Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. Excluded are those 3 that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The 3 that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the 10 universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2015. The universities include Western Michigan University presented as a major component unit and the following non-major component units: Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR COMPONENT UNITS**  
**STATE UNIVERSITIES**

JUNE 30, 2015

(In Thousands)

	CENTRAL MICHIGAN UNIVERSITY	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 36,067	\$ 15,397	\$ 38,604	\$ 40,085
Amounts due from component units	-	-	-	-
Amounts due from primary government	54,001	17,809	9,218	63,883
Amounts due from federal government	1,010	2,311	174	3,164
Amounts due from local units	-	-	-	-
Inventories	7,337	1,130	950	2,804
Investments	-	-	48,118	13,124
Other current assets	21,627	18,191	13,494	13,297
Total Current Assets	120,043	54,837	110,557	136,357
Restricted Assets:				
Cash and cash equivalents	24,776	-	-	27,912
Investments	-	86,189	23,887	-
Mortgages and loans receivable	6,115	-	18,155	-
Mortgages and loans receivable	-	8,335	-	8,314
Investments	339,766	24,573	66,209	245,823
Capital Assets:				
Land and other non-depreciable assets	13,724	11,654	6,597	71,409
Buildings, equipment, and other depreciable assets	831,825	773,719	453,574	861,230
Less accumulated depreciation	(385,496)	(331,137)	(182,300)	(294,282)
Construction in progress	46,950	6,867	1,831	47,970
Total capital assets	507,003	461,102	279,702	686,327
Other noncurrent assets	519	9,464	718	21,025
Total Assets	\$ 998,222	\$ 644,500	\$ 499,227	\$ 1,125,759
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 17,863	\$ 7,449	\$ 7,570	\$ 17,431
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	\$ 76,823	\$ 44,216	\$ 18,729	\$ 72,156
Amounts due to primary government	67	20	-	61
Bonds and notes payable	21,741	2,575	5,780	13,893
Interest payable	1,595	2,386	1,108	1,351
Unearned revenue	12,983	7,322	9,001	12,374
Current portion of other long-term obligations	379	400	335	5,441
Total Current Liabilities	113,588	56,919	34,953	105,276
Unearned revenue	73	-	750	5,980
Bonds and notes payable	169,147	251,765	89,178	291,971
Noncurrent portion of other long-term obligations	113,708	99,946	98,650	44,662
Total Liabilities	\$ 396,516	\$ 408,630	\$ 223,531	\$ 447,889
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$ 8,976	\$ 17,692	\$ 6,319	\$ -
<b>NET POSITION</b>				
Net investment in capital assets	\$ 317,612	\$ 183,629	\$ 175,759	\$ 405,375
Restricted For:				
Education	17,502	-	10,426	10,986
Construction and debt service	34,248	-	-	27,739
Other purposes	19	33,188	-	-
Funds Held as Permanent Investments:				
Expendable	24,957	-	18,768	39,316
Nonexpendable	48,217	44,125	23,887	55,454
Unrestricted	168,036	(35,316)	48,108	156,432
Total Net Position	\$ 610,592	\$ 225,626	\$ 276,947	\$ 695,301



# Michigan

LAKE SUPERIOR STATE UNIVERSITY	MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	TOTALS
\$ 2,645	\$ 14,608	\$ 19,642	\$ 30,596	\$ 45,706	\$ 243,350
-	-	8	-	-	8
2,352	9,191	14,928	11,830	20,343	203,556
486	4,136	200	2,843	3,378	17,701
-	-	23	10	-	33
390	1,585	1,499	941	896	17,532
11,296	-	-	-	2	72,539
1,360	9,407	7,793	14,248	6,187	105,604
18,528	38,927	44,094	60,468	76,512	660,323
-	27,385	-	13,471	-	93,544
-	117,068	-	57,601	-	284,745
-	-	-	1,473	-	25,742
2,220	12,085	5,513	-	10	36,477
21,636	14,771	113,706	153,578	78,486	1,058,549
4,554	16,130	7,263	4,625	2,506	138,462
146,638	413,599	415,562	703,030	469,611	5,068,787
(105,644)	(192,362)	(175,558)	(233,389)	(171,718)	(2,071,886)
-	2	1,951	15,035	11,789	132,395
45,548	237,369	249,218	489,301	312,188	3,267,758
697	17,589	4,600	5,215	5,499	65,327
\$ 88,630	\$ 465,195	\$ 417,131	\$ 781,107	\$ 472,695	\$ 5,492,465
\$ 1,168	\$ 3,794	\$ 7,057	\$ 13,447	\$ 1,275	\$ 77,054
\$ 2,898	\$ 10,156	\$ 18,500	\$ 23,195	\$ 20,316	\$ 286,989
135	470	98	593	-	1,446
1,270	2,590	4,821	7,942	4,735	65,346
89	997	-	2,637	-	10,163
1,165	5,809	3,723	14,010	9,933	76,320
453	6,583	1,919	914	100	16,523
6,010	26,605	29,061	49,291	35,085	456,787
-	-	-	2,023	1,190	10,016
19,024	101,870	92,049	237,804	110,705	1,363,513
12,856	42,650	45,027	20,330	4,052	481,881
\$ 37,890	\$ 171,125	\$ 166,136	\$ 309,448	\$ 151,032	\$ 2,312,197
\$ 1,045	\$ 3,480	\$ 3,537	\$ 5,945	\$ -	\$ 46,994
\$ 25,841	\$ 158,566	\$ 155,635	\$ 258,454	\$ 194,259	\$ 1,875,131
16,865	13,487	3,021	23,834	16,209	112,330
1,314	26,234	-	-	268	89,804
2,979	-	-	-	1,546	37,733
-	32,195	25,332	17,318	-	157,886
8,482	80,686	4,835	25,851	51,219	342,754
(4,617)	(16,784)	65,692	153,703	59,436	594,690
\$ 50,864	\$ 294,385	\$ 254,514	\$ 479,161	\$ 322,938	\$ 3,210,328

**COMBINING STATEMENT OF ACTIVITIES**  
**NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES**  
 FISCAL YEAR ENDED JUNE 30, 2015  
 (In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Central Michigan University	\$ 489,419	\$ 357,815	\$ 22,477	\$ 1,616	\$ (107,512)
Eastern Michigan University	355,040	217,563	14,497	-	(122,980)
Ferris State University	252,619	160,773	4,363	-	(87,483)
Grand Valley State University	428,611	317,695	26,109	718	(84,088)
Lake Superior State University	50,877	25,909	11,469	1,419	(12,079)
Michigan Technological University	239,157	118,981	62,564	2,703	(54,909)
Northern Michigan University	165,739	95,695	11,565	4,677	(53,803)
Oakland University	307,274	215,918	19,412	253	(71,691)
Saginaw Valley State University	140,066	98,237	12,454	-	(29,375)
Total	<u>\$ 2,428,803</u>	<u>\$ 1,608,586</u>	<u>\$ 184,911</u>	<u>\$ 11,387</u>	<u>\$ (623,920)</u>

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
\$ 1,663	\$ 80,753	\$ 28,383	\$ 3,288	\$ 607,304	\$ 610,592
1,275	75,022	37,685	(8,998)	234,624	225,626
904	50,264	36,203	(113)	277,059	276,947
2,325	81,606	37,566	37,410	657,891	695,301
495	12,897	-	1,313	49,551	50,864
983	46,533	8,198	805	293,580	294,385
(67)	44,915	12,829	3,875	250,640	254,514
5,126	64,987	21,900	20,322	458,839	479,161
(678)	27,619	15,221	12,787	310,151	322,938
<u>\$ 12,028</u>	<u>\$ 484,595</u>	<u>\$ 197,986</u>	<u>\$ 70,689</u>	<u>\$ 3,139,639</u>	<u>\$ 3,210,328</u>





## STATISTICAL SECTION



Index  
STATISTICAL SECTION

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

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**SOURCES:**

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

**NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS**

(In Thousands)

(Accrual Basis of Accounting)

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 15,827,600	\$ 15,739,094	\$ 15,909,317	\$ 16,313,696
Restricted	2,064,965	2,292,779	2,599,760	2,577,249
Unrestricted	(1,313,574)	(1,337,824)	(1,868,935)	(3,928,376)
Total governmental activities net position	<u>\$ 16,578,992</u>	<u>\$ 16,694,049</u>	<u>\$ 16,640,142</u>	<u>\$ 14,962,570</u>
Business-type activities				
Net investment in capital assets	\$ 412	\$ 367	\$ 807	\$ 735
Restricted	621,982	358,712	72,672	137,064
Unrestricted	7,827	4,798	(121,773)	(2,425,221)
Total business-type activities net position	<u>\$ 630,220</u>	<u>\$ 363,877</u>	<u>\$ (48,294)</u>	<u>\$ (2,287,423)</u>
Primary government				
Net investment in capital assets	\$ 15,828,012	\$ 15,739,461	\$ 15,910,124	\$ 16,314,431
Restricted	2,686,947	2,651,490	2,672,432	2,714,313
Unrestricted	(1,305,747)	(1,333,025)	(1,990,708)	(6,353,597)
Total primary government net position	<u>\$ 17,209,212</u>	<u>\$ 17,057,926</u>	<u>\$ 16,591,848</u>	<u>\$ 12,675,147</u>
Reconciliation of net position				
Beginning net position	\$ 17,301,980	\$ 17,209,212	\$ 17,057,926	\$ 16,591,848
Restatement of beginning net position	188,188	-	(54,373)	(176,594)
Beginning net position - restated	17,490,168	17,209,212	17,003,554	16,415,254
Statement of Activities - changes in net position	(692,181)	(575,518)	(495,759)	(3,757,816)
Change in reporting entity	411,225	424,232	84,053	17,709
Ending net position	<u>\$ 17,209,212</u>	<u>\$ 17,057,926</u>	<u>\$ 16,591,848</u>	<u>\$ 12,675,147</u>



2010	2011	2012	2013	2014	2015
\$ 16,859,070	\$ 17,782,073	\$ 18,198,345	\$ 19,649,694	\$ 20,279,584	\$ 20,578,869
2,691,477	3,552,062	3,394,212	3,773,962	3,824,871	3,647,713
(4,860,007)	(5,325,636)	(5,349,668)	(5,192,624)	(5,876,457)	(9,942,038)
<u>\$ 14,690,540</u>	<u>\$ 16,008,499</u>	<u>\$ 16,242,889</u>	<u>\$ 18,231,031</u>	<u>\$ 18,227,998</u>	<u>\$ 14,284,544</u>
\$ 603	\$ 578	\$ 355	\$ 813	\$ 606	\$ 1,557
145,056	131,453	1,276,713	1,843,965	2,442,471	2,989,561
(3,163,457)	(2,911,176)	5,926	5,538	5,834	(11,862)
<u>\$ (3,017,798)</u>	<u>\$ (2,779,145)</u>	<u>\$ 1,282,994</u>	<u>\$ 1,850,316</u>	<u>\$ 2,448,910</u>	<u>\$ 2,979,255</u>
\$ 16,859,673	\$ 17,782,652	\$ 18,198,700	\$ 19,650,507	\$ 20,280,190	\$ 20,580,426
2,836,533	3,683,515	4,670,926	5,617,926	6,267,342	6,637,274
(8,023,463)	(8,236,812)	(5,343,743)	(5,187,086)	(5,870,623)	(9,953,900)
<u>\$ 11,672,743</u>	<u>\$ 13,229,354</u>	<u>\$ 17,525,883</u>	<u>\$ 20,081,347</u>	<u>\$ 20,676,909</u>	<u>\$ 17,263,800</u>
\$ 12,675,147	\$ 11,672,743	\$ 13,229,354	\$ 17,525,883	\$ 20,081,347	\$ 20,676,909
-	(5,377)	(2,954)	6,459	(36,068)	(4,780,332)
12,675,147	11,667,366	13,226,400	17,532,342	20,045,279	15,896,577
(1,002,404)	1,561,989	4,299,483	2,549,005	631,630	1,367,223
-	-	-	-	-	-
<u>\$ 11,672,743</u>	<u>\$ 13,229,354</u>	<u>\$ 17,525,883</u>	<u>\$ 20,081,347</u>	<u>\$ 20,676,909</u>	<u>\$ 17,263,800</u>

**CHANGES IN NET POSITION****LAST TEN FISCAL YEARS**

(In Thousands)

(Accrual Basis of Accounting)

	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,289,294	\$ 2,205,613	\$ 1,671,584	\$ 1,753,403
Education	14,695,186	14,660,163	15,080,883	15,251,821
Human services	4,384,311	4,453,497	4,699,046	5,410,078
Public safety and corrections	2,541,630	2,583,916	2,895,133	2,994,466
Conservation, environment, recreation, and agriculture	688,407	596,972	572,755	617,768
Labor, commerce, and regulatory	951,519	963,444	995,714	1,187,368
Health services	9,963,373	10,832,862	11,622,966	12,334,951
Transportation	3,133,137	3,191,784	3,235,394	3,244,824
Tax credits (Note 16)	834,000	883,400	931,600	963,500
Intergovernmental-revenue sharing	1,103,625	1,071,104	1,076,445	1,040,031
Interest on long-term debt	293,128	304,702	318,654	350,421
Total governmental activities	40,877,610	41,747,457	43,100,174	45,148,632
Business-type activities:				
Liquor Purchase Revolving Fund	582,982	602,280	621,991	633,093
State Lottery Fund	1,584,186	1,654,823	1,636,858	1,710,718
Attorney Discipline System	4,122	4,282	4,976	5,026
Michigan Unemployment Compensation Funds	1,990,197	2,012,082	2,403,043	6,215,392
Total business-type activities	4,161,487	4,273,467	4,666,868	8,564,229
Total primary government expenses	\$ 45,039,097	\$ 46,020,924	\$ 47,767,042	\$ 53,712,861
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,087,877	\$ 1,195,965	\$ 737,401	\$ 768,411
Education	9,306	10,377	6,616	5,790
Human services	56,367	59,285	57,963	46,903
Public safety and corrections	160,829	164,345	168,789	157,751
Conservation, environment, recreation, and agriculture	251,591	185,978	282,008	254,128
Labor, commerce, and regulatory	262,021	312,983	304,145	306,657
Health services	72,564	72,338	79,683	84,647
Transportation	84,280	79,459	72,651	69,685
Operating grants and contributions	11,623,141	12,295,825	12,956,983	16,755,408
Capital grants and contributions	779,269	627,057	719,518	921,847
Total governmental activities program revenues	\$ 14,387,246	\$ 15,003,612	\$ 15,385,756	\$ 19,371,229
Business-type activities:				
Charges for services:				
Liquor Purchase Revolving Fund	\$ 718,085	\$ 742,959	\$ 768,085	\$ 781,896
State Lottery Fund	2,232,204	2,363,001	2,351,082	2,398,995
Attorney Discipline System	4,631	4,782	4,885	4,943
Michigan Unemployment Compensation Funds	1,727,761	1,765,871	1,998,292	3,922,144
Operating grants and contributions	53,932	55,783	44,262	104,154
Total business-type activities program revenues	4,736,614	4,932,397	5,166,606	7,212,131
Total primary government program revenues	\$ 19,123,860	\$ 19,936,008	\$ 20,552,362	\$ 26,583,360
<b>Net (Expenses)/Revenues</b>				
Governmental activities	\$ (26,490,364)	\$ (26,743,845)	\$ (27,714,418)	\$ (25,777,403)
Business-type activities	575,127	658,929	499,738	(1,352,097)
Total primary government net expenses	\$ (25,915,237)	\$ (26,084,916)	\$ (27,214,680)	\$ (27,129,501)

# Michigan

2010	2011	2012	2013	2014	2015
\$ 1,752,504	\$ 2,286,436	\$ 2,491,270	\$ 2,093,352	\$ 2,455,999	\$ 3,240,918
14,989,964	15,269,638	14,601,171	14,617,662	14,941,366	15,452,338
6,136,852	6,423,345	5,953,946	5,931,424	5,508,011	5,259,337
2,859,301	2,863,890	2,816,575	2,663,440	2,638,272	2,685,500
577,952	575,118	657,527	593,446	714,019	609,306
1,261,908	1,178,970	956,357	965,696	956,256	953,030
13,250,231	13,917,219	13,722,762	13,853,422	15,036,289	17,931,541
2,947,845	2,460,553	2,840,961	2,914,884	3,309,442	3,325,519
1,351,500	1,271,900	1,226,300	689,900	676,500	662,400
994,196	1,091,527	1,032,243	1,077,514	1,120,593	1,210,557
362,626	217,014	196,040	178,561	174,522	162,859
46,484,880	47,555,610	46,495,152	45,579,303	47,531,269	51,493,305
634,925	660,861	696,723	742,611	779,276	825,796
1,676,994	1,631,489	1,654,234	1,758,718	1,868,607	1,990,582
4,733	4,941	4,818	4,846	4,798	4,710
6,803,393	4,350,158	2,991,500	2,188,132	1,246,507	952,773
9,120,044	6,647,450	5,347,275	4,694,307	3,899,188	3,773,861
\$ 55,604,924	\$ 54,203,060	\$ 51,842,428	\$ 50,273,610	\$ 51,430,457	\$ 55,267,166
\$ 775,018	\$ 790,054	\$ 844,661	\$ 678,845	\$ 688,044	\$ 666,648
5,320	5,491	15,688	7,206	9,388	(3,752)
38,797	34,810	69,219	38,648	85,213	85,532
168,141	166,034	158,707	164,019	161,447	163,821
360,261	266,062	269,307	271,119	299,073	301,529
313,368	316,941	548,543	750,517	754,054	749,576
72,036	90,558	59,850	69,009	67,298	77,236
75,466	92,045	91,690	96,842	96,727	100,403
19,150,043	19,608,970	17,373,332	17,194,905	17,981,852	20,431,030
964,605	1,061,715	845,873	867,155	850,174	926,670
\$ 21,923,056	\$ 22,432,679	\$ 20,276,870	\$ 20,138,265	\$ 20,993,270	\$ 23,498,693
\$ 780,265	\$ 812,140	\$ 856,717	\$ 912,112	\$ 957,054	\$ 1,021,890
2,379,975	2,357,417	2,430,281	2,491,131	2,608,920	2,785,133
4,977	5,114	5,166	4,887	4,867	4,024
6,012,375	4,441,664	3,529,515	2,776,790	1,809,854	1,461,988
79,966	172,038	251,786	21,710	59,881	67,628
9,257,558	7,788,373	7,073,466	6,206,631	5,440,576	5,340,663
\$ 31,180,614	\$ 30,221,052	\$ 27,350,336	\$ 26,344,896	\$ 26,433,845	\$ 28,839,356
\$ (24,561,824)	\$ (25,122,932)	\$ (26,218,282)	\$ (25,441,038)	\$ (26,538,000)	\$ (27,994,612)
137,514	1,140,924	1,726,190	1,512,324	1,541,388	1,566,801
\$ (24,424,311)	\$ (23,982,008)	\$ (24,492,092)	\$ (23,928,714)	\$ (24,996,612)	\$ (26,427,810)

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS (Continued)**

(In Thousands)

(Accrual Basis of Accounting)

	2006	2007	2008	2009
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
General:				
Sales and use	\$ 2,665,614	\$ 2,635,341	\$ 2,701,052	\$ 2,439,220
Personal income	5,123,885	5,321,169	6,229,339	4,639,740
Single business, Michigan business, and corporate income	1,926,884	1,771,854	1,715,861	1,372,597
Tobacco products	690,234	678,826	652,609	631,339
Beer, wine, and liquor	119,429	123,592	126,040	126,475
Insurance company	218,104	223,753	223,398	261,006
Quality assurance assessment	676,923	832,562	1,026,698	858,512
Penalties and interest	146,807	155,789	167,297	145,675
Other	337,920	334,097	320,484	244,166
Restricted For Educational Purposes:				
Sales and use	5,240,334	5,230,217	5,424,253	4,848,489
Personal income	2,069,435	2,142,251	2,174,393	1,855,533
Michigan business	-	-	341,000	669,341
Corporate income	-	-	-	-
Education, property, and real estate transfers	2,320,578	2,336,474	2,266,377	2,163,883
Tobacco products	466,985	449,912	427,303	410,590
Beer, wine, and liquor	34,212	35,730	37,120	37,717
Casino Gaming Wagering	104,069	106,681	112,067	108,080
Other	154,173	154,917	101,666	55,764
Restricted For Transportation Purposes:				
Sales and use	66,405	67,678	82,114	82,887
Gasoline and diesel fuel	1,054,766	1,016,957	992,502	970,794
Motor vehicle weight	867,663	874,287	854,736	839,648
Other	5,974	6,339	5,675	5,591
Unrestricted investment and interest earnings	9,991	12,097	7,595	4,911
Miscellaneous	1,281,229	1,378,751	739,602	568,855
Contributions to permanent fund principal	35,153	26,165	57,937	30,091
Transfers	864,406	943,460	927,763	905,523
Total governmental activities	<u>\$ 26,481,174</u>	<u>\$ 26,858,903</u>	<u>\$ 27,714,884</u>	<u>\$ 24,276,425</u>
Business-type activities:				
Taxes	12,654	13,133	13,663	14,093
Investment earnings	4,861	5,055	2,192	763
Miscellaneous	-	-	-	3,636
Transfers	(864,406)	(943,460)	(927,763)	(905,523)
Total business-type activities	<u>(846,892)</u>	<u>(925,273)</u>	<u>(911,909)</u>	<u>(887,031)</u>
Total primary government	<u>\$ 25,634,282</u>	<u>\$ 25,933,630</u>	<u>\$ 26,802,975</u>	<u>\$ 23,389,393</u>
<b>Changes in Net Position</b>				
Governmental activities	\$ (9,190)	\$ 115,057	\$ 466	\$ (1,500,979)
Business-type activities	(271,766)	(266,343)	(412,171)	(2,239,129)
Total primary government	<u>\$ (280,956)</u>	<u>\$ (151,286)</u>	<u>\$ (411,705)</u>	<u>\$ (3,740,107)</u>

NOTES: In years prior to fiscal year 2012 a portion of the Michigan Business Tax was restricted for educational purposes. Tax law changes enacted during fiscal year 2012 eliminated that restriction.

Beginning in fiscal year 2012, a portion of the Corporate Income Tax was restricted for educational purposes.

# Michigan

2010	2011	2012	2013	2014	2015
\$ 2,651,757	\$ 2,784,245	\$ 2,735,674	\$ 2,620,176	\$ 2,993,426	\$ 3,250,886
4,931,508	5,822,443	6,119,213	6,946,947	6,078,008	7,260,820
1,107,589	1,456,727	1,283,584	825,044	528,174	892,039
612,414	593,462	586,108	587,598	578,154	586,133
126,269	128,574	133,276	139,728	143,105	144,449
257,359	271,198	290,383	302,015	362,287	322,988
845,612	884,412	955,029	974,563	971,377	1,017,823
135,939	132,724	163,496	172,049	117,734	131,601
239,425	239,306	412,904	503,413	514,504	433,640
5,006,696	5,399,478	5,515,083	5,668,592	5,872,729	5,905,831
1,756,587	1,999,556	2,121,630	2,479,897	2,276,581	2,557,141
604,395	611,433	-	-	-	-
-	-	10,703	34,568	34,566	-
2,047,056	2,015,369	1,939,493	1,908,481	2,033,711	2,110,325
392,113	377,288	371,774	373,296	357,389	360,645
37,476	39,165	41,065	44,069	45,722	48,706
101,816	114,017	115,753	110,667	106,903	110,785
74,083	66,231	59,568	56,503	65,172	61,643
76,778	90,025	98,101	212,970	102,026	90,806
956,999	959,479	940,099	953,108	958,745	1,003,958
841,840	859,783	875,952	906,633	940,637	977,958
5,188	5,621	5,027	5,034	5,052	6,383
1,464	696	710	1,204	990	1,187
495,556	648,297	659,801	628,204	517,297	500,891
101,587	28,773	20,359	22,847	23,865	18,261
882,287	917,966	1,000,841	945,115	942,883	999,812
<u>\$ 24,289,795</u>	<u>\$ 26,446,268</u>	<u>\$ 26,455,626</u>	<u>\$ 27,422,722</u>	<u>\$ 26,571,035</u>	<u>\$ 28,794,710</u>
14,107	14,855	15,737	-	-	-
276	191	139	112	87	133
16	649	3,320,915	-	3	1
(882,287)	(917,966)	(1,000,841)	(945,115)	(942,883)	(999,812)
<u>(867,889)</u>	<u>(902,271)</u>	<u>2,335,949</u>	<u>(945,003)</u>	<u>(942,793)</u>	<u>(999,677)</u>
<u>\$ 23,421,906</u>	<u>\$ 25,543,997</u>	<u>\$ 28,791,575</u>	<u>\$ 26,477,719</u>	<u>\$ 25,628,241</u>	<u>\$ 27,795,033</u>
\$ (272,029)	\$ 1,323,336	\$ 237,344	\$ 1,981,683	\$ 33,035	\$ 800,098
(730,375)	238,653	4,062,139	567,322	598,595	567,124
<u>\$ (1,002,404)</u>	<u>\$ 1,561,989</u>	<u>\$ 4,299,483</u>	<u>\$ 2,549,005</u>	<u>\$ 631,630</u>	<u>\$ 1,367,223</u>

**FUND BALANCES, GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS**

(In Thousands)

(Modified Accrual Basis of Accounting)

	2006	2007	2008	2009
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund				
Reserved	\$ 1,066,757	\$ 722,948	\$ 833,104	\$ 794,464
Unreserved	2,482	259,080	457,870	177,244
Total general fund	<u>\$ 1,069,240</u>	<u>\$ 982,028</u>	<u>\$ 1,290,974</u>	<u>\$ 971,708</u>
All Other Governmental Funds				
Reserved	\$ 1,657,248	\$ 1,945,448	\$ 1,968,781	\$ 1,941,203
Unreserved, reported in:				
Special revenue funds	779,910	689,356	483,130	605,513
Debt service funds	189,851	208,868	220,517	207,916
Capital projects funds	(87,918)	(239,869)	(238,718)	(182,786)
Permanent funds	43,791	41,361	54,791	40,473
Total all other governmental funds	<u>\$ 2,582,883</u>	<u>\$ 2,645,164</u>	<u>\$ 2,488,501</u>	<u>\$ 2,612,318</u>
Reconciliation of governmental fund balances				
Beginning fund balances	\$ 3,404,284	\$ 3,652,123	\$ 3,627,192	\$ 3,779,475
Restatement of beginning fund balances	-	-	-	-
Beginning fund balances - restated	3,404,284	3,652,123	3,627,192	3,779,475
Excess of revenues and other sources over				
(under) expenditures and other uses	336,067	35,653	131,789	(220,414)
Change in accounting entity	(88,228)	(60,583)	20,494	24,965
Ending fund balances	<u>\$ 3,652,123</u>	<u>\$ 3,627,192</u>	<u>\$ 3,779,475</u>	<u>\$ 3,584,026</u>

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

# Michigan

2010	2011	2012	2013	2014	2015
\$ -	\$ 267,289	\$ 237,955	\$ 221,614	\$ 189,095	\$ 115,937
-	351,551	364,497	376,977	383,025	395,945
-	463,685	805,402	933,666	998,674	1,108,240
-	67,021	68,583	137,947	206,875	176,405
-	553,746	979,205	1,186,647	306,382	694,734
<u>\$ -</u>	<u>\$ 1,703,292</u>	<u>\$ 2,455,642</u>	<u>\$ 2,856,852</u>	<u>\$ 2,084,052</u>	<u>\$ 2,491,262</u>
\$ -	\$ 929,077	\$ 951,453	\$ 968,433	\$ 992,581	\$ 1,016,322
-	2,269,086	2,086,927	2,200,564	2,250,773	1,989,423
-	137,910	196,931	322,056	547,466	352,699
-	(41,126)	(144,804)	(13,216)	(106,128)	(56,951)
<u>\$ -</u>	<u>\$ 3,294,948</u>	<u>\$ 3,090,508</u>	<u>\$ 3,477,837</u>	<u>\$ 3,684,691</u>	<u>\$ 3,301,493</u>
\$ 828,553	\$ -	\$ -	\$ -	\$ -	\$ -
187,220	-	-	-	-	-
<u>\$ 1,015,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,048,256	\$ -	\$ -	\$ -	\$ -	\$ -
379,140	-	-	-	-	-
222,322	-	-	-	-	-
(161,980)	-	-	-	-	-
75,486	-	-	-	-	-
<u>\$ 2,563,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,584,026	\$ 3,578,997	\$ 4,998,240	\$ 5,546,150	\$ 6,334,689	\$ 5,768,743
-	-	(15,602)	-	-	-
3,584,026	3,578,997	4,982,638	5,546,150	6,334,689	5,768,743
(5,029)	1,419,243	563,512	788,538	(565,945)	24,011
-	-	-	-	-	-
<u>\$ 3,578,997</u>	<u>\$ 4,998,240</u>	<u>\$ 5,546,150</u>	<u>\$ 6,334,689</u>	<u>\$ 5,768,743</u>	<u>\$ 5,792,755</u>

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

(In Thousands)

(Modified Accrual Basis of Accounting)

	2006	2007	2008	2009
<b>Revenues</b>				
Taxes	\$ 24,198,924	\$ 24,370,884	\$ 26,075,135	\$ 23,348,354
From federal agencies	12,160,022	12,655,930	13,432,638	17,377,416
From local agencies	124,101	139,429	126,550	118,190
From services	269,593	284,370	291,380	288,877
From licenses and permits	437,560	444,841	441,407	454,981
Special Medicaid reimbursements	93,621	102,670	115,797	135,667
Miscellaneous	1,948,214	2,271,059	1,667,798	1,524,220
Total revenues	<u>39,232,034</u>	<u>40,269,182</u>	<u>42,150,705</u>	<u>43,247,704</u>
<b>Expenditures</b>				
General government	1,631,483	1,590,733	1,553,671	1,587,314
Education	14,758,992	14,664,715	15,094,266	15,249,946
Human services	4,341,774	4,447,992	4,609,481	5,334,263
Public safety and corrections	2,455,145	2,467,512	2,617,048	2,591,858
Conservation, environment, recreation, and agriculture	642,815	568,398	597,267	557,602
Labor, commerce, and regulatory	952,921	957,023	966,091	1,145,954
Health services	9,958,104	10,741,285	11,588,207	12,450,287
Transportation	2,082,847	2,178,923	2,338,907	2,195,721
Tax credits	834,000	883,400	931,600	963,500
Capital outlay	1,462,405	1,376,891	1,234,427	1,279,372
Intergovernmental - revenue sharing	1,103,625	1,071,104	1,076,445	1,040,031
Debt service:				
Bond principal retirement	773,826	238,789	228,261	215,380
Bond interest and fiscal charges	294,093	295,878	285,333	341,194
Capital lease payments	49,183	46,074	50,176	50,107
Total expenditures	<u>41,341,213</u>	<u>41,528,716</u>	<u>43,171,179</u>	<u>45,002,530</u>
Excess of revenues over (under) expenditures	(2,109,179)	(1,259,534)	(1,020,474)	(1,754,825)
<b>Other Financing Sources (Uses)</b>				
Bonds and bond anticipation notes issued	-	-	-	-
Bonds and notes issued	963,105	485,115	121,500	601,500
Refunding bonds issued	1,494,050	-	208,780	775,640
Premium on bond issuance	46,234	18,662	16,811	10,748
Discount on bond issuance	(496,444)	-	-	(4,263)
Payment to refunded bond escrow agent	(563,776)	(240,280)	(223,319)	(777,179)
Capital lease acquisitions	34,059	20,906	110,838	41,205
Proceeds from sale of capital assets	13,974	5,347	30,505	3,027
Transfers from other funds	2,736,772	2,826,854	2,697,131	2,603,766
Transfers to other funds	<u>(1,870,956)</u>	<u>(1,882,002)</u>	<u>(1,789,489)</u>	<u>(1,695,068)</u>
Total other financing sources (uses)	<u>2,357,018</u>	<u>1,234,604</u>	<u>1,172,757</u>	<u>1,559,376</u>
Net change in fund balances	<u>\$ 247,839</u>	<u>\$ (24,930)</u>	<u>\$ 152,283</u>	<u>\$ (195,449)</u>
Debt service as a percentage of noncapital expenditures	3%	1%	1%	1%



# Michigan

2010	2011	2012	2013	2014	2015
\$ 23,174,824	\$ 24,691,957	\$ 24,769,943	\$ 25,239,420	\$ 25,335,788	\$ 27,176,341
19,832,846	20,401,399	17,830,166	17,800,913	18,524,648	21,096,200
106,172	102,979	102,776	109,771	100,372	105,270
300,992	321,799	314,059	322,553	326,560	330,508
458,303	464,756	481,994	501,581	511,416	527,500
123,205	155,059	186,194	134,353	133,909	120,904
1,575,643	1,523,221	1,896,663	1,721,838	1,714,576	1,734,331
45,571,986	47,661,170	45,581,795	45,830,430	46,647,268	51,091,052
1,464,412	1,857,989	1,937,876	1,870,041	2,066,169	2,741,135
15,051,983	15,297,255	14,636,439	14,652,527	14,973,104	15,493,658
6,042,987	6,346,672	5,886,563	5,925,320	5,537,228	5,301,268
2,573,093	2,549,993	2,567,504	2,604,520	2,669,883	2,707,199
546,510	516,098	582,955	571,371	681,072	615,656
1,223,197	1,143,962	923,059	961,279	961,934	978,003
13,218,598	13,905,003	13,698,746	13,862,531	15,063,455	17,985,890
2,279,890	2,069,572	2,149,628	2,362,335	2,611,213	2,604,129
1,351,500	1,271,900	1,226,300	689,900	676,500	662,400
1,322,304	1,169,458	1,045,060	1,013,461	1,113,770	1,160,142
994,196	1,091,527	1,032,243	1,077,514	1,120,593	1,210,557
247,532	231,577	342,241	404,396	452,631	468,085
316,163	311,955	346,861	339,908	317,873	305,687
50,982	56,146	56,327	58,990	63,028	66,939
46,683,346	47,819,108	46,431,804	46,394,092	48,308,452	52,300,750
(1,111,361)	(157,938)	(850,008)	(563,662)	(1,661,184)	(1,209,697)
-	-	-	-	-	177,965
177,480	474,278	360,260	377,326	85,295	-
142,190	543,367	163,035	508,109	295,085	969,870
10,569	12,216	22,071	38,495	47,579	156,548
-	(150)	(1,339)	(14)	-	(298)
(150,488)	(549,296)	(172,223)	(537,743)	(299,121)	(1,107,996)
39,101	172,111	34,567	18,285	18,846	25,373
1,895	1,797	3,160	4,148	3,466	5,250
2,834,719	2,616,900	2,956,635	3,115,335	3,354,150	3,024,769
(1,949,134)	(1,694,043)	(1,952,646)	(2,171,741)	(2,410,062)	(2,017,772)
1,106,331	1,577,181	1,413,520	1,352,200	1,095,238	1,233,709
\$ (5,029)	\$ 1,419,243	\$ 563,512	\$ 788,538	\$ (565,945)	\$ 24,011
1%	1%	2%	2%	2%	2%

**PERSONAL INCOME BY INDUSTRY**

LAST TEN FISCAL YEARS

(In Millions)

	2005	2006	2007
Farm earnings	\$ 1,087	\$ 1,067	\$ 1,174
Forestry, fishing, and related activities	295	359	330
Mining	791	930	799
Utilities	2,234	2,482	2,611
Construction	15,286	15,256	13,762
Manufacturing	50,968	50,243	49,087
Wholesale trade	12,394	12,837	13,160
Retail trade	16,461	16,396	16,425
Transportation and warehousing	7,264	7,201	7,426
Information	4,803	4,714	4,851
Finance and insurance	12,047	12,168	12,488
Real estate and rental and leasing	3,353	3,064	2,771
Professional, scientific, and technical services	22,845	23,744	24,395
Management of companies and enterprises	7,289	6,997	7,043
Administrative and waste services	11,441	11,888	11,672
Educational services	2,323	2,472	2,614
Health care and social assistance	25,735	27,413	28,555
Arts, entertainment, and recreation	2,224	2,299	2,164
Accommodation and food services	6,190	6,256	6,608
Other services, except public administration	8,802	9,172	9,172
Government and government enterprises	38,256	38,931	39,767
Total earnings by place of work	252,084	255,888	256,870
Total earnings by place of work	252,084	255,888	256,870
less: Contributions for government social insurance	28,945	29,754	30,190
plus: Adjustment for residence	1,085	1,349	1,612
Net earnings by place of residence	224,223	227,483	228,291
Net earnings by place of residence	224,223	227,483	228,291
plus: Dividends, interest, and rent	53,499	55,395	58,414
plus: Personal current transfer receipts	51,662	54,951	59,835
Total Personal Income	\$ 329,385	\$ 337,829	\$ 346,539
Statutory Tax Rate (blended rate)	3.90%	3.90%	3.90%

NOTES: Earnings presented are blended averages. Due to the use of averages and blended amounts, the totals may not equal the sum of the industry amounts presented.

Earnings includes wages and salaries, supplements to wages and proprietors' income.

Industries categorized using the North American Industry Classification System.

Fiscal year 2014 is the most recent year for which data is available.

SOURCES: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Office of Revenue and Tax Analysis, Michigan Department of Treasury.

# Michigan

2008	2009	2010	2011	2012	2013	2014
\$ 1,496	\$ 1,059	\$ 1,410	\$ 2,579	\$ 1,990	\$ 2,354	\$ 2,003
305	342	394	383	453	430	490
1,119	789	765	1,040	1,069	1,051	1,115
2,734	2,720	2,724	2,723	2,693	2,765	2,975
12,418	10,717	10,100	10,569	11,548	12,334	13,280
45,999	37,700	36,656	40,071	43,378	45,335	47,294
13,324	12,379	12,181	13,148	13,880	14,372	14,933
16,127	15,565	15,547	15,858	16,140	16,291	16,733
7,201	6,612	6,623	7,287	7,716	7,967	8,272
4,714	4,666	4,431	4,480	4,561	4,735	5,025
12,136	12,038	12,318	11,545	12,323	12,943	13,125
2,661	2,644	2,713	2,957	3,663	4,750	5,051
25,293	23,088	22,216	23,820	25,273	26,363	27,643
6,790	6,079	5,890	6,612	6,863	7,157	7,436
11,496	10,506	10,588	11,564	12,282	12,492	12,899
2,714	2,855	2,916	2,924	3,099	3,152	3,324
29,944	31,024	31,826	32,443	33,261	33,671	34,333
2,226	2,085	2,050	1,930	1,946	2,138	2,218
6,589	6,308	6,342	6,689	7,247	7,450	7,742
8,818	8,691	8,778	8,988	9,502	9,555	9,971
40,784	41,199	42,426	41,683	40,840	41,049	41,733
<u>254,886</u>	<u>239,065</u>	<u>238,891</u>	<u>249,291</u>	<u>259,726</u>	<u>268,348</u>	<u>277,592</u>
254,886	239,065	238,891	249,291	259,726	268,348	277,592
30,239	28,738	28,552	27,180	27,487	31,240	33,204
1,741	1,567	1,558	1,702	1,853	1,911	2,034
<u>226,388</u>	<u>211,894</u>	<u>211,897</u>	<u>223,813</u>	<u>234,093</u>	<u>239,020</u>	<u>246,422</u>
226,388	211,894	211,897	223,813	234,093	239,020	246,422
61,126	54,525	50,348	57,307	61,235	65,789	66,704
68,122	75,092	81,594	82,740	82,156	83,413	85,911
<u>\$ 355,635</u>	<u>\$ 341,511</u>	<u>\$ 343,839</u>	<u>\$ 363,860</u>	<u>\$ 377,484</u>	<u>\$ 388,223</u>	<u>\$ 399,037</u>
4.35%	4.35%	4.35%	4.35%	4.35%	4.25%	4.25%

**TAXABLE SALES BY INDUSTRY**

LAST TEN FISCAL YEARS

(In Millions)

	2005	2006	2007	2008
Farming	\$ 78.9	\$ 78.5	\$ 73.6	\$ 70.4
Agricultural	277.5	270.7	250.3	240.4
Mining	181.0	192.5	183.4	180.2
Construction	788.3	782.3	706.4	695.9
Manufacturing	3,577.2	3,424.2	3,283.3	3,331.8
Transportation and utilities	10,359.4	11,715.5	12,091.0	12,650.3
Wholesale trade	3,270.5	3,400.5	2,881.0	3,031.4
Retail trade	84,719.4	83,382.5	83,464.8	86,572.7
Finance, insurance, and real estate	460.8	435.6	333.3	323.9
Services	7,121.3	6,215.0	6,483.1	6,426.7
State and local government	184.3	197.7	202.6	166.7
Other classifications	1,021.3	806.4	1,091.1	943.9
Total	<u>\$ 112,040.0</u>	<u>\$ 110,901.4</u>	<u>\$ 111,043.7</u>	<u>\$ 114,634.3</u>
Direct Sales Tax Rate	6%	6%	6%	6%

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry.

Industries categorized by using the Standard Industrial Classification.

Fiscal year 2014 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

2009	2010	2011	2012	2013	2014
\$ 57.1	\$ 56.1	\$ 58.5	\$ 61.7	\$ 69.4	\$ 79.2
226.6	211.8	216.2	238.1	254.3	349.8
118.8	116.2	145.7	156.1	136.2	152.1
565.0	497.3	534.1	601.6	617.9	665.3
2,608.5	2,645.7	2,738.4	3,131.6	3,514.0	3,435.2
12,708.7	12,041.1	12,860.4	12,412.4	12,763.8	11,567.7
2,516.5	2,426.9	2,861.1	2,727.9	2,652.0	2,574.0
78,680.5	80,195.7	85,484.6	90,639.0	94,582.1	93,964.6
356.8	193.0	254.6	263.4	355.8	386.7
5,696.8	5,405.8	5,831.0	6,092.7	6,223.3	6,412.5
154.6	240.0	93.3	178.5	187.3	187.6
1,802.9	1,007.5	1,048.7	1,290.4	1,255.7	1,433.4
<u>\$ 105,492.7</u>	<u>\$ 105,036.9</u>	<u>\$ 112,126.5</u>	<u>\$ 117,793.5</u>	<u>\$ 122,611.9</u>	<u>\$ 121,208.3</u>
6%	6%	6%	6%	6%	6%

**PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL**

TAX YEARS 2004 AND 2013

Adjusted Gross Income (AGI) Group	Tax Year 2004				Tax Year 2013			
	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total
\$50,000 and under	2,884,931	65.8%	\$ 577	11.8%	2,973,218	64.3%	\$ 662	9.7%
\$50,001 - \$100,000	1,008,008	23.0%	1,864	38.0%	1,009,106	21.8%	2,094	30.6%
\$100,001 - \$250,000	411,696	9.4%	1,619	33.0%	550,323	11.9%	2,520	36.8%
\$250,001 - \$1,000,000	77,321	1.8%	829	16.9%	82,108	1.8%	1,079	15.8%
\$1,000,001 and higher	510	0.0%	13	0.3%	11,601	0.3%	485	7.1%
Total	<u>4,382,466</u>	<u>100.0%</u>	<u>\$ 4,902</u>	<u>100.0%</u>	<u>4,626,356</u>	<u>100.0%</u>	<u>\$ 6,840</u>	<u>100.0%</u>

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

Tax year 2013 is the most recent year for which data is available.

Tax year 2004 personal income tax amount refers to tax amount net of nonrefundable credits, and net of Home Heating Credits (HHC), Homestead Property Tax Credits (HPTC), Farmland Preservation, and Adoption Credits.

Tax year 2013 personal income tax amount refers to tax amount net of nonrefundable credits, and net of HHC, HPTC, Michigan Earned Income Tax, Farmland Preservation, and Historic Preservation Credits.

SOURCE: Michigan Department of Treasury.

## SALES TAX PAYERS BY INDUSTRY

FISCAL YEARS 2005 AND 2014

	2005				2014			
	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total
Farming	550	0.53%	\$ 4.7	0.07%	657	0.73%	\$ 4.8	0.07%
Agricultural	1,521	1.47%	16.7	0.25%	1,679	1.85%	21.0	0.29%
Mining	287	0.28%	10.9	0.16%	394	0.44%	9.4	0.13%
Construction	2,463	2.38%	47.3	0.72%	1,730	1.91%	39.9	0.56%
Manufacturing	6,182	5.98%	214.6	3.25%	6,117	6.76%	206.1	2.90%
Transportation and utilities	1,272	1.23%	495.5	7.51%	8,461	9.34%	537.4	7.55%
Wholesale trade	2,274	2.20%	196.2	2.97%	1,320	1.46%	154.4	2.17%
Retail trade	62,479	60.43%	5,083.2	77.06%	44,595	49.25%	5,637.9	79.23%
Finance, insurance, and real estate	460	0.44%	27.6	0.42%	878	0.97%	23.2	0.33%
Services	24,408	23.61%	427.3	6.48%	20,805	22.98%	384.7	5.41%
State and local government	318	0.31%	11.1	0.17%	2,514	2.78%	11.3	0.16%
Other classifications	1,181	1.14%	61.3	0.93%	1,393	1.54%	86.0	1.21%
Total	103,395	100.00%	\$ 6,596.3	100.00%	90,543	100.00%	\$ 7,116.0	100.00%

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

Fiscal year 2014 is the most recent year for which data is available.

Industries categorized using the Standard Industrial Classification.

SOURCE: Michigan Department of Treasury.

**RATIOS OF OUTSTANDING DEBT BY TYPE**

LAST TEN FISCAL YEARS

(In Millions)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		
	GENERAL OBLIGATION BONDS	STATE PARK REVENUE BONDS	TRANSPORTATION REVENUE BONDS
2006	\$ 1,794	\$ 14	\$ 1,889
2007	1,488	13	2,328
2008	1,487	13	2,257
2009	1,673	12	2,474
2010	1,680	12	2,369
2011	1,889	11	2,261
2012	2,018	10	2,226
2013	2,048	9	2,105
2014	1,942	9	1,960
2015	1,734	8	1,821

NOTES: Article 9, Section 15 of the State Constitution allows for long-term borrowing by the State for specific purposes in amounts as may be provided by acts of the Legislature adopted by a vote of two-thirds of the members in each house, and approved by a majority of the bodies people voting at a general election. The debts of public bodies corporate and politic created by law are not general obligation debts and liabilities of the State of Michigan. Details regarding the State's debt can be found in the bonds and notes payable note of the financial statements.

SOURCES: U.S. Census Bureau, Population Division.  
 Department of Technology, Management and Budget.  
 U.S. Department of Commerce, Bureau of Economic Analysis.  
 Department of Treasury.



GOVERNMENTAL ACTIVITIES				
STATE BUILDING AUTHORITY BONDS	CAPITAL LEASES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
\$ 3,449	\$ 252	\$ 7,398	2.18%	\$ 737
3,366	248	7,443	2.14%	744
3,375	320	7,452	2.09%	789
2,969	330	7,458	2.21%	753
3,008	345	7,414	2.13%	751
3,175	407	7,743	2.10%	784
3,103	416	7,773	2.03%	786
3,182	407	7,751	2.00%	783
3,106	394	7,411	1.84%	748
3,107	429	7,099	Unavailable	Unavailable



**RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING**

LAST TEN FISCAL YEARS

(In Millions)

<u>FISCAL YEAR</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>LESS DEBT SERVICE FUNDS</u>	<u>NET BONDED GENERAL OBLIGATION BONDS</u>	<u>PERCENTAGE OF PERSONAL INCOME</u>	<u>PER CAPITA</u>
2006	\$ 1,794	\$ 1	\$ 1,793	0.53%	\$ 179
2007	1,487	1	1,486	0.43%	149
2008	1,487	1	1,486	0.42%	149
2009	1,673	1	1,672	0.49%	169
2010	1,680	1	1,678	0.48%	170
2011	1,889	1	1,888	0.51%	191
2012	2,018	1	2,017	0.53%	204
2013	2,048	1	2,046	0.53%	207
2014	1,942	2	1,941	0.48%	196
2015	1,734	192	1,543	Unavailable	Unavailable

SOURCES: U.S. Census Bureau, Population Division.  
Department of Technology, Management and Budget.  
U.S. Department of Commerce, Bureau of Economic Analysis.  
Department of Treasury.

**DEBT SERVICE COVERAGE**  
**COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS**  
 LAST TEN FISCAL YEARS  
 (In Millions)

	2006	2007	2008	2009
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 1,055.3	\$ 1,027.8	\$ 989.3	\$ 964.0
Registration Taxes	867.7	871.7	855.0	839.7
Miscellaneous Fees	36.0	35.7	36.2	33.0
Total	1,959.0	1,935.3	1,880.6	1,836.7
Less Deductions	149.5	137.9	138.3	137.2
Remaining Balance	1,809.5	1,797.4	1,742.3	1,699.5
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	165.4	164.7	159.9	155.3
Motor Vehicle Related Sales Tax Revenues	\$ 1,111.2	\$ 1,117.5	\$ 1,249.0	\$ 1,188.3
Allocation to Comprehensive Transportation Fund	66.4	67.7	82.1	82.9
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	\$ 231.8	\$ 232.4	\$ 242.0	\$ 238.2
Plus Other Revenues (primarily interest)	0.5	5.9	1.4	0.9
Money Available for Debt Service	\$ 232.3	\$ 238.3	\$ 243.5	\$ 239.1
Debt Service:				
Principal	\$ 19.1	\$ 20.2	\$ 21.3	\$ 7.5
Interest	12.0	12.9	12.0	10.4
Actual Annual Debt Service (1)	31.1	33.2	33.3	17.9
Debt Service Coverage	7.5 x	7.2 x	7.3 x	13.3 x

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

# Michigan

2010	2011	2012	2013	2014	2015
\$ 962.1	\$ 957.7	\$ 945.9	\$ 950.9	\$ 958.8	\$ 1,003.8
842.1	859.7	876.1	906.5	940.6	978.1
33.8	34.2	35.0	36.1	37.4	38.8
1,837.9	1,851.5	1,857.0	1,893.5	1,936.8	2,020.7
138.1	137.4	138.0	133.2	135.3	143.5
1,699.9	1,714.1	1,719.0	1,760.4	1,801.5	1,877.2
155.2	156.7	157.0	161.4	165.5	172.5
\$ 1,182.5	\$ 1,290.7	\$ 1,406.5	\$ 1,476.3	\$ 1,462.7	\$ 1,301.9
76.8	90.0	98.1	103.0	102.0	90.8
\$ 232.0	\$ 246.7	\$ 255.1	\$ 264.4	\$ 267.5	\$ 263.3
1.2	1.0	0.6	1.1	1.1	1.5
\$ 233.2	\$ 247.8	\$ 255.8	\$ 265.4	\$ 268.6	\$ 264.8
\$ 10.1	\$ 10.2	\$ 14.0	\$ 13.9	\$ 14.5	\$ 15.9
10.5	10.0	9.3	8.6	7.9	7.3
20.6	20.1	23.4	22.4	22.4	23.2
11.3 x	12.3 x	10.9 x	11.8 x	12.0 x	11.4 x

**DEBT SERVICE COVERAGE**  
**STATE TRUNKLINE FUND RELATED BONDS**  
**LAST TEN FISCAL YEARS**  
(In Millions)

	2006	2007	2008	2009
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 1,055.3	\$ 1,027.8	\$ 989.3	\$ 964.0
Registration Taxes	867.7	871.7	855.0	839.7
Miscellaneous Fees	36.0	35.7	36.2	33.0
Total	1,959.0	1,935.3	1,880.6	1,836.7
Less Deductions:				
Critical Bridge Debt Service	2.5	2.8	2.8	2.8
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Collection Costs	57.1	46.2	48.1	47.8
Waterways/Recreational Improvement Fund	18.0	17.6	16.9	16.6
Comprehensive Transportation Fund (excluding interest)	165.4	164.7	159.9	155.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	28.9	28.3	27.5	27.0
Economic Development Fund	40.3	40.3	40.3	40.3
Total Deductions	388.2	375.9	371.5	365.7
Constitutionally Restricted Revenues				
Available for Distribution	1,570.8	1,559.4	1,509.1	1,471.0
Plus Other Revenues (primarily interest)	8.9	8.2	9.0	2.3
Total Money Available for Distribution	1,579.7	1,567.5	1,518.0	1,473.3
Distributions to:				
Cities and Villages	344.8	342.8	332.1	322.4
County Road Commissions	603.3	599.7	580.9	563.7
State Trunkline Fund	631.5	625.0	605.0	587.2
Money Available for Debt Service:				
State Trunkline Fund	631.5	625.0	605.0	587.2
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Economic Development Fund	40.3	40.3	40.3	40.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	2.5	2.8	2.8	2.8
Miscellaneous (1)	-	-	40.5	27.1
Total Available for Debt Service	750.3	744.1	764.6	733.3
Debt Service:				
Principal	\$ 19.9	\$ 20.0	\$ 43.5	\$ 45.6
Interest	74.7	84.8	91.5	90.1
Actual Annual Debt Service (2)	94.6	104.8	135.0	135.7
Debt Service Coverage	7.9 x	7.1 x	5.7 x	5.4 x

## NOTES:

(1) Beginning fiscal year 2008, miscellaneous revenues were available for debt service.

(2) The table above excludes amounts related to refunded bonds and federally funded debt.

SOURCE: Michigan Department of Transportation.

2010	2011	2012	2013	2014	2015
\$ 962.1	\$ 957.7	\$ 945.9	\$ 950.9	\$ 958.8	\$ 1,003.8
842.1	859.7	876.1	906.5	940.6	978.1
33.8	34.2	35.0	36.1	37.4	38.8
1,838.0	1,851.5	1,857.0	1,893.5	1,936.8	2,020.7
3.3	3.3	3.3	3.0	2.4	2.3
43.0	43.0	43.0	43.0	43.0	43.0
47.9	47.8	48.6	43.9	46.4	53.2
16.7	16.5	16.4	16.4	16.5	17.2
155.2	156.7	157.0	161.4	165.5	172.5
33.0	33.0	33.0	33.0	33.0	33.0
27.2	26.9	26.8	26.8	26.9	27.8
40.3	40.3	40.3	40.3	40.3	40.3
366.6	367.4	368.4	367.8	374.1	389.3
1,471.4	1,484.1	1,488.6	1,525.7	1,562.8	1,631.5
2.2	0.6	1.2	1.1	1.1	1.4
1,473.6	1,484.7	1,489.8	1,526.8	1,563.8	1,632.9
322.4	324.6	326.0	334.2	342.3	357.2
563.8	568.4	569.3	584.5	598.9	625.4
587.4	591.7	592.5	607.7	622.6	650.3
587.4	591.7	592.5	607.7	622.6	650.3
43.0	43.0	43.0	43.0	43.0	43.0
40.3	40.3	40.3	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
3.3	3.3	3.3	3.0	2.4	2.3
36.4	39.5	35.4	133.0	35.7	26.4
743.4	750.7	747.4	860.1	777.0	795.4
\$ 79.2	\$ 82.6	\$ 86.3	\$ 88.5	\$ 106.5	\$ 111.4
80.9	77.5	75.6	73.2	59.2	48.7
160.1	160.1	161.9	161.8	165.7	160.1
4.6 x	4.7 x	4.6 x	5.3 x	4.7 x	5.0 x

**DEBT SERVICE COVERAGE**  
**STATE BUILDING AUTHORITY**  
 LAST TEN FISCAL YEARS  
 (In Millions)

	2006	2007	2008	2009
Revenue - Lease and Rental Payments	\$ 255.5	\$ 213.2	\$ 219.4	\$ 230.4
Less: Operating Expenses	9.9	0.8	0.8	1.1
Net Available Revenue	<u>245.6</u>	<u>212.4</u>	<u>218.6</u>	<u>229.3</u>
Debt Service:				
Principal	82.1	83.6	87.1	100.5
Interest	<u>140.8</u>	<u>117.5</u>	<u>123.4</u>	<u>122.2</u>
Actual Annual Debt Service (1)	222.9	201.1	210.5	222.7
Debt Service Coverage	1.1 x	1.1 x	1.0 x	1.0 x

## NOTE:

(1) The table above excludes amounts related to refunded bonds.



# Michigan

2010	2011	2012	2013	2014	2015
\$ 230.1	\$ 233.1	\$ 234.3	\$ 234.4	\$ 231.0	\$ 230.9
1.6	1.4	1.6	1.3	1.1	1.0
<u>228.5</u>	<u>231.7</u>	<u>232.7</u>	<u>233.1</u>	<u>229.9</u>	<u>229.9</u>
96.1	128.9	96.2	126.6	102.2	139.5
<u>120.0</u>	<u>122.5</u>	<u>121.0</u>	<u>124.8</u>	<u>118.5</u>	<u>121.7</u>
216.1	251.4	217.2	251.4	220.6	261.2
1.1 x	0.9 x	1.1 x	0.9 x	1.0 x	0.9 x

**DEMOGRAPHIC AND ECONOMIC INDICATORS**  
 LAST TEN CALENDAR YEARS

	2005	2006	2007	2008
Population (a) (in thousands)				
Michigan	10,051	10,036	10,001	9,947
United States	295,517	298,380	301,231	304,094
Total Personal Income (b) (in billions)				
Michigan	\$ 330.8	\$ 339.7	\$ 348.6	\$ 356.4
United States	\$ 10,610.3	\$ 11,381.4	\$ 11,995.4	\$ 12,492.7
Per Capita Income (b)				
Michigan	\$ 32,914	\$ 33,845	\$ 34,855	\$ 35,828
United States	\$ 35,904	\$ 38,144	\$ 39,821	\$ 41,082
Unemployment Rate (c)				
Michigan	6.8%	7.0%	7.0%	8.0%
United States	5.1%	4.6%	4.6%	5.8%
Michigan estimated wage and salary employees (c) (in thousands)				
Goods Producing:				
Mining and Logging	8.4	8.0	7.7	7.9
Construction	189.5	178.4	166.7	153.5
Manufacturing	677.5	648.2	617.3	572.0
Total Goods Producing	875.4	834.6	791.7	733.3
Service-Providing:				
Private Service-Providing				
Trade, Transportation, and Utilities:				
Wholesale Trade	170.7	170.6	169.0	167.8
Retail Trade	506.0	496.0	489.7	478.1
Transportation and Utilities	128.3	128.4	128.3	124.5
Information	64.9	63.9	62.9	60.2
Financial Activities:				
Finance and Insurance	159.9	158.9	156.2	149.9
Real Estate and Rental and Leasing	56.1	54.9	53.3	52.0
Professional and Business Services:				
Professional, Scientific, and Technical Services	247.7	246.2	246.2	243.9
Management of Companies and Enterprises	67.9	64.9	60.0	56.9
Administrative, Support Services, and Waste Management	277.5	275.1	274.5	262.8
Educational and Health Services:				
Educational Services	74.8	76.1	78.7	80.5
Health Care and Social Assistance	501.0	507.2	518.0	526.9
Leisure and Hospitality:				
Accommodation and Food Services	350.2	352.3	351.5	345.6
Other	55.4	54.5	55.5	54.3
Other Services	179.6	177.5	176.6	175.6
Total Private Service-Providing	2,840.2	2,826.6	2,820.4	2,778.8
Government	674.1	665.3	655.7	650.0
Total Service-Providing	3,514.3	3,491.9	3,476.1	3,428.8
Total Wage and Salary Employment	4,389.7	4,326.5	4,267.8	4,162.1

NOTES: Calendar year 2014 is the most recent year for which data is available.

Wage and Salary Employment based on North American Industry Classification System.

Components in Wage and Salary Employment may not total due to truncation.

**SOURCES:**

- (a) U.S. Census Bureau, Population Division.
- (b) U.S. Department of Commerce, Bureau of Economic Analysis.
- (c) Michigan Department of Technology, Management and Budget  
and U.S. Department of Labor, Bureau of Labor Statistics.

# Michigan

2009	2010	2011	2012	2013	2014
9,902	9,876	9,876	9,885	9,898	9,910
306,772	309,347	311,722	314,112	316,498	318,857
\$ 338.2	\$ 347.6	\$ 368.8	\$ 382.1	\$ 388.0	\$ 403.7
\$ 12,079.4	\$ 12,459.6	\$ 13,233.4	\$ 13,904.5	\$ 14,064.5	\$ 14,683.1
\$ 34,159	\$ 35,199	\$ 37,343	\$ 38,652	\$ 39,197	\$ 40,740
\$ 39,376	\$ 40,277	\$ 42,453	\$ 44,266	\$ 44,438	\$ 46,049
13.7%	12.6%	10.4%	9.1%	8.9%	7.3%
9.3%	9.6%	8.9%	8.1%	7.4%	6.2%
6.9	7.1	7.4	7.8	8.0	8.3
127.6	121.6	125.3	128.2	133.5	141.3
463.1	473.9	509.7	537.6	556.1	575.9
597.6	602.6	642.4	673.6	697.6	725.6
152.9	150.7	155.0	159.5	163.6	168.0
451.4	446.5	448.6	449.3	455.3	460.3
112.9	113.5	118.2	121.5	125.2	129.0
56.3	54.8	53.2	53.3	55.3	57.0
142.6	139.8	144.2	148.3	153.5	154.0
48.8	48.3	48.9	48.2	49.4	50.8
220.9	222.6	235.0	247.9	258.4	267.7
51.1	51.0	53.6	55.3	57.4	58.2
229.5	242.4	265.7	277.7	286.9	293.2
79.2	77.3	73.5	73.3	74.1	75.6
530.1	534.5	548.2	559.0	565.3	568.8
330.8	329.0	332.8	341.9	350.3	357.0
50.9	48.6	47.7	46.9	47.9	48.3
168.8	166.3	167.3	169.3	170.5	171.0
2,626.2	2,625.1	2,691.9	2,751.2	2,813.2	2,858.8
646.8	635.6	617.4	608.5	598.6	595.4
3,272.9	3,260.7	3,309.3	3,359.7	3,411.7	3,454.2
3,870.5	3,863.3	3,951.8	4,033.3	4,109.3	4,179.7

**CLASSIFIED EMPLOYEES BY FUNCTION**  
 LAST TEN FISCAL YEARS

	2006	2007	2008	2009
General Government	7,144	7,264	7,347	7,328
Education	367	369	380	405
Human services	9,778	9,759	9,582	10,168
Public safety and corrections	20,060	19,948	19,451	19,310
Conservation, environment, recreation, and agriculture	3,662	3,586	3,439	3,466
Labor, commerce, and regulatory	4,128	3,967	3,781	4,056
Health services	4,241	4,225	3,964	4,075
Transportation	2,880	2,895	2,854	2,892
Total	52,259	52,013	50,799	51,699

NOTES: This report reflects classified employees who are full-time, part-time, permanent intermittent, limited term, seasonal, non-career, or on worker's compensation in primary positions only, except for the following non career appointments: student assistant, transportation aide, and state worker.

Each fiscal year in this schedule also includes approximately 2,000 classified employees for the business type activities and discretely presented component unit authorities. Although the expenses for the business type activities and component unit authorities are reported separately in the government-wide financial statements, the employee counts were combined in this schedule to ensure consistency with the Civil Service Commission reports and for administrative efficiency.

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

SOURCE: Michigan Civil Service Commission, Annual Work Force Report.

## Michigan

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
6,995	6,645	7,026	7,273	7,377	6,888
445	446	476	518	518	515
10,414	10,365	11,052	11,772	11,388	10,954
18,388	17,508	16,689	16,561	16,154	16,019
3,359	3,041	3,049	3,033	3,050	3,119
4,298	3,727	3,756	2,899	2,817	3,431
3,873	3,448	3,003	3,113	3,128	3,092
<u>2,844</u>	<u>2,639</u>	<u>2,632</u>	<u>2,570</u>	<u>2,573</u>	<u>2,570</u>
50,615	47,818	47,683	47,739	47,003	46,588

**OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

	2006	2007	2008	2009
General government				
Tax forms processed (6)	8,259,132	8,245,905	8,335,760	8,320,921
Passenger, commercial, and recreational vehicle registrations	8,732,938	8,785,222	8,570,421	8,506,838
Driver licenses issued	1,724,108	1,875,932	1,915,459	1,910,604 <sup>(5)</sup>
Education				
K-12 students	1,697,936	1,678,579	1,648,585	1,614,975
Public university students	253,020	253,576	254,231	257,148
Community college students	133,359	139,219	146,234	157,225
Human services				
Food assistance program recipients (1)	1,133,793	1,204,409	1,262,951	1,462,710
Family independence program recipients (1)	217,318	237,102	210,181	202,693
Day care recipients (1)	114,758	106,062	97,856	83,137
Children in foster care	18,414	18,943	18,016	16,115
State disability assistance recipients (1)	10,591	11,015	10,427	10,528
Finalized adoptions (yearly total) (2)	2,621	2,638	2,899	3,087
Juvenile justice youth served	1,655	1,512	1,371	1,047
Open child support cases with support orders established	764,500	754,511	755,004	763,919
Public safety and corrections				
Inmates, parolees, and probationers (as of 9/30)	120,337	123,032	126,100	125,854
State police patrol miles driven	17,632,736	14,916,802	17,071,748	15,138,587
Criminal offender DNA samples entered into federal indexing database (calendar year)	41,888	30,519	25,263	19,029
National Guard members (as of 9/30)	11,768	11,862	11,991	11,817
Veteran homes average daily census	902	896	891	875
Conservation, environment, recreation and agriculture				
Hunting and/or fishing license holders (3)	1,950,676	1,981,382	1,964,480	1,951,579
Camping nights in State parks	956,030	929,753	891,607	894,410
Population impacted by water purification projects	1,046,379	490,298	1,331,867	359,015
Underground storage tank releases closed	320	233	159	203
Scrap tires collected (passenger tire equivalent)	6,081,447	3,736,086	3,772,376	5,517,872
Labor, commerce, and regulatory				
Processed applications for new and renewal occupational licenses	164,153	198,430	151,230	150,118
Building related permits issued	33,031	26,942	24,025	19,604
Building related safety inspections conducted	45,921	42,931	35,759	41,623
Occupational safety and health enforcement inspections conducted	5,102	5,001	5,032	5,071
Alleged occupational safety and health violations identified	17,311	16,712	15,781	14,006
Financial and insurance service providers chartered	297,662	323,791	334,685	328,182
Health services				
Medicaid recipients (1)	1,490,384	1,524,299	1,536,853	1,622,758
Women, Infants, and Children Food and Nutrition Program recipients (1)	229,770	232,280	239,145	242,453
Children's special health care services recipients (1)	30,449	30,898	31,452	30,008
Mentally ill/developmental disability service recipients (1)	207,407	213,257	219,238	228,258
Substance abuse service recipients	71,175	69,564	70,978	73,334

## NOTES:

- (1) Monthly average.
- (2) Total adoptions were completed by the Department of Health and Human Services (DHHS) and private agencies under contract with DHHS.
- (3) The licensing season runs April 1 through March 31. Amounts reported under fiscal year 2015 are for the licensing year ending March 31, 2015.
- (4) Amount estimated.
- (5) Enhanced driver licenses were sold starting in fiscal year 2009.
- (6) Numbers for fiscal years 2006 through 2008 are on a calendar year basis. Effective fiscal year 2009, the numbers are on a fiscal year basis.

SOURCES: Various State departments.

# Michigan

2010	2011	2012	2013	2014	2015
8,078,164	8,521,664	8,539,957	8,360,575	8,432,444	8,253,892
8,459,499	8,479,747	8,435,868	8,496,407	8,543,342	8,604,852
1,791,417	1,901,673	1,969,253	1,956,686	1,811,237	1,907,776
1,592,598	1,565,324	1,550,111	1,533,442	1,522,039	1,507,455
262,615	264,903	264,913	263,817	262,537	261,989
177,277	176,370	164,827	154,111	143,829	136,124
1,776,368	1,928,478	1,828,384	1,775,646	1,680,721	1,571,403
224,651	227,490	154,941	129,185	89,957	71,156
63,643	54,049	50,028	43,246	35,501	29,624
15,261	14,043	13,504	13,902	13,209	13,317
10,628	10,094	8,713	7,845	6,723	5,600
2,612	2,506	2,554	2,361	2,186	1,738 (4)
988	951	801	790	729	749
764,388	772,687	774,463	771,108	760,284	683,193 (4)
125,231	117,152	112,049	108,738	106,966	104,345
16,148,708	15,045,772	17,633,319	18,852,703	21,249,946	22,731,503
20,911	16,475	16,098	21,283	14,776	17,776 (4)
11,900	11,504	11,156	10,901	10,537	10,001
852	798	690	665	649	610
1,934,765	1,912,262	1,851,287	1,919,692	1,947,508	1,838,505
916,289	899,311	987,189	1,021,712	939,105	1,022,791 (4)
370,662	725,931	463,457	691,102	677,175	821,323
231	171	184	285	488	427
1,121,596	220,508	161,704	399,921	182,891	179,991 (4)
155,035	147,791	125,603	135,734	341,132	128,071
20,078	18,182	19,221	17,783	17,066	18,051
48,614	46,510	49,614	58,223	56,098	52,578
5,202	5,343	5,394	5,267	5,231	4,437
14,221	14,333	13,744	12,741	10,693	11,266
331,410	349,269	390,005	225,927	255,121	277,147
1,823,178	1,899,107	1,875,544	1,854,880	1,842,957	1,706,468
256,229	252,123	255,954	254,126	251,713	244,829
31,818	31,587	29,958	31,083	33,550	33,512
228,215	231,091	242,884	251,019	241,329	Unavailable
71,382	70,069	70,145	70,664	71,248	68,977 (4)

**OPERATING INDICATORS BY FUNCTION - (Continued)**  
**LAST TEN FISCAL YEARS**

	2006	2007	2008	2009
Transportation				
Annual vehicle miles of travel on State Trunkline roads (11)	51,500,000,000	52,000,000,000	51,500,000,000	48,700,000,000
Miles of intercity bus travel receiving State funding	1,086,793	1,081,038	1,087,543	1,080,543
Miles of local bus travel receiving State funding	102,760,387	105,068,260	113,567,301	112,642,720
Railroad crossing maintenance/safety inspections	2,531	2,679	2,586	1,932
Tax credits				
Taxpayers claiming refundable credits (8) (10)	1,525,500	1,581,700	2,322,600	2,566,100
Intergovernmental-revenue sharing				
Township grants	1,241	1,241	1,241	1,240
City grants	274	274	274	275
Village grants	259	259	259	258
County grants (9)	-	-	1	7
Liquor Purchase Revolving Fund				
Annual retail liquor licenses issued	15,942	15,838	15,763	15,771
Liquor sales volume (cases)	6,293,797	6,464,739	6,611,415	6,734,253
Beer sales volume (barrels)	6,647,438	6,588,385	6,601,138	6,465,495
Wine sales volume (liters)	68,139,758	71,385,503	72,797,847	73,200,249
Pre-mixed spirit drink sales volume (liters)	871,900	1,008,073	811,286	787,948
State Lottery Fund				
Retailers	10,880	10,973	10,969	10,680
Winners greater than \$600	52,124	49,585	44,962	53,986
Millionaire prizewinners	17	42	37	40
Michigan Unemployment Compensation Funds				
Individuals receiving benefits (calendar year)	569,721	547,950	633,558	913,568

## NOTES:

- (7) Amount estimated.
- (8) Tax credits are reported based on the tax year. Credits claimed during tax year 2014, for example, are reported above in fiscal year 2014.
- (9) County grants were suspended beginning in fiscal year 2005. Instead, each county expends from its revenue sharing reserve fund created by State statute in 2004. Each fiscal year, counties are allowed only to expend from the fund the amount the Department of Treasury certifies them to spend. Once a county has exhausted its revenue sharing reserve fund, the county will return to revenue sharing.
- (10) Amount estimated and rounded to nearest hundred.
- (11) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.

SOURCES: Various State departments.



# Michigan

2010	2011	2012	2013	2014	2015
48,700,000,000	49,800,000,000	48,700,000,000	49,400,000,000	50,000,000,000	52,500,000,000
1,080,444	1,086,022	1,094,911	1,110,733	1,109,738	1,112,920
108,426,363	105,267,567	104,317,459	101,203,565	100,071,938	98,723,499 <sup>(7)</sup>
1,454	2,563	2,644	1,970	1,624	1,787
2,454,200	2,363,800	1,882,600	1,840,900	1,818,100	Unavailable
1,240	1,240	1,240	1,240	1,240	1,240
277	277	277	277	277	279
256	256	256	256	256	254
20	36	50	62	63	74
15,898	15,870	15,961	16,026	15,989	15,940
6,877,873	7,117,299	7,373,714	7,532,846	7,709,480	8,043,595
6,448,197	6,250,673	6,318,295	6,206,452	6,221,433	6,302,160
79,440,328	81,504,221	84,253,865	88,096,394	92,044,380	92,562,421
983,029	954,712	1,076,369	1,058,511	1,074,364	1,142,527
10,797	10,746	10,879	10,848	10,684	10,654
60,543	48,567	44,904	52,365	56,735	56,178
39	28	31	36	39	42
825,858	636,493	527,507	449,388	370,980	352,698

**CAPITAL ASSETS BY FUNCTION**  
 LAST TEN FISCAL YEARS

	2006	2007	2008	2009
General Government:				
Buildings	281	280	296	279
Vehicles	747	754	756	772
Education				
Buildings	27	27	27	27
Vehicles	28	21	21	23
Human services				
Buildings	208	208	210	207
Vehicles	838	844	931	926
Public safety and corrections				
Buildings	1,390	1,390	1,403	1,393
Vehicles	3,401	3,548	3,605	3,542
Conservation, environment, recreation, and agriculture				
Buildings	249	300	314	326
Vehicles	3,452	3,763	3,832	3,850
Environmental quality air-monitoring instruments	188	194	195	198
Environmental quality lab/analyzing equipment	131	153	147	147
Natural resources acres of land	4,562,444	4,566,708	4,574,274	4,582,771
Harbors	16	16	16	17
Hatcheries	6	6	6	6
State park & recreation areas	97	98	98	98
Labor, commerce, and regulatory				
Buildings	160	164	158	154
Vehicles	482	482	509	510
Health services				
Buildings	239	239	241	241
Vehicles	272	276	287	290
Transportation				
Buildings	437	437	439	436
Vehicles	1,841	1,872	1,777	1,764
Highway lane miles (calendar year)	27,521	27,514	27,478	27,438
Heavy equipment owned	2,162	2,184	2,164	2,173

NOTES: Acres of land are on a tax year basis rather than a fiscal year basis.

SOURCES: Michigan Departments of Technology, Management and Budget, Natural Resources, Environmental Quality, and Transportation.

# Michigan

2010	2011	2012	2013	2014	2015
261	247	239	240	240	241
812	762	783	927	974	972
27	27	27	27	28	28
23	24	28	27	29	32
193	188	177	216	202	208
930	997	1,104	1,338	1,457	1,469
1,389	1,386	1,255	1,254	1,254	1,253
3,568	3,448	3,433	3,547	3,700	3,705
340	339	335	325	327	330
3,912	3,829	3,853	3,985	4,053	4,159
202	202	202	231	229	229
144	150	156	159	143	147
4,588,442	4,586,891	4,586,922	4,595,866	4,592,910	4,597,121
17	18	19	19	19	19
6	6	6	6	6	6
98	99	101	101	102	102
173	166	112	45	45	27
492	490	585	484	495	493
241	241	243	243	241	231
305	300	213	208	225	239
436	435	374	373	373	372
1,770	1,729	1,707	1,692	1,682	1,674
27,432	27,439	27,437	27,424	27,459	27,488
2,184	2,211	2,150	2,150	2,156	2,185





## OTHER INFORMATION

**COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2015**  
(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
<b>TAXES</b>			
Sales	\$ 7,246,989	\$ 1,890,651	\$ 5,356,338
Personal income	9,650,339	7,130,934	2,519,405
Single business, Michigan business, and corporate income	891,594	891,594	-
Use	2,062,838	1,382,043	680,795
State education (property)	1,857,684	-	1,857,684
Real estate transfer	258,398	-	258,398
Tobacco products	954,481	590,631	363,850
Beer and wine	46,686	46,686	-
Liquor	148,006	98,922	49,084
Horse race wagering	3,904	3,904	-
Casino gaming wagering	110,785	-	110,785
Telephone and telegraph company	41,764	41,764	-
Commercial mobile radio service	28,084	28,084	-
Insurance company	322,999	322,999	-
Health insurance claims assessment	225,888	225,888	-
Motor vehicle registration	981,179	3,033	978,146
Gasoline	867,037	-	867,037
Diesel fuel	136,971	-	136,971
Gas and oil severance	31,448	31,448	-
Industrial facilities	34,651	-	34,651
Convention hotel accommodation	23,628	23,628	-
Airport parking	24,950	24,950	-
Quality assurance assessment	1,007,464	1,007,464	-
Penalties and interest	128,723	128,723	-
Other	83,469	56,133	27,336
	<u>27,169,955</u>	<u>13,929,477</u>	<u>13,240,477</u>
<b>FROM FEDERAL AGENCIES</b>			
Department of Health and Human Services	14,639,173	14,637,172	2,001
Department of Education	1,266,192	145,083	1,121,110
Department of Agriculture	3,225,635	2,741,466	484,169
Department of Labor	160,460	25,322	135,138
Department of Housing and Urban Development	12,410	12,410	-
Department of Energy	12,223	12,223	-
Department of Transportation	150,389	31,695	118,694
Department of Interior	35,044	30,641	4,403
Department of Defense	59,493	59,493	-
Department of Justice	34,007	34,007	-
Environmental Protection Agency	50,126	49,854	272
Other	155,448	155,242	206
	<u>19,800,600</u>	<u>17,934,609</u>	<u>1,865,992</u>
<b>FROM LOCAL AGENCIES</b>			
Counties	65,676	65,676	-
Cities, villages, and townships	7,604	7,604	-
School districts	5,378	5,378	-
Other	12,014	12,014	-
	<u>90,672</u>	<u>90,672</u>	<u>-</u>
<b>SPECIAL MEDICAID REIMBURSEMENTS</b>	<u>120,904</u>	<u>120,904</u>	<u>-</u>
	120,904	120,904	-

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
<b>FROM SERVICES</b>			
Charges for providing vehicle and driver services	\$ 139,127	\$ 135,257	\$ 3,870
Revenue for patient, ward, and inmate care	33,659	33,659	-
Other	153,702	153,692	10
	<u>326,488</u>	<u>322,608</u>	<u>3,880</u>
<b>FROM LICENSES AND PERMITS</b>			
Liquor retailer, manufacturer, and wholesaler licenses	17,201	17,201	-
Motor vehicle operator and chauffeur licenses	46,542	45,915	627
Examination fees - financial institutions and insurance industry	32,529	32,529	-
Concession and privilege fees - State parks	971	-	971
Motor vehicle related	36,893	2,654	34,239
Hunting, fishing, and trapping licenses	62,501	-	62,501
Public utility assessment fees	29,803	29,803	-
Regulatory licenses and permits	77,089	68,223	8,866
Auto repair facility and mechanic licenses and fees	3,584	3,584	-
Corporation franchise fees	22,820	22,820	-
Recreation user fees and permits	89,675	1,938	87,737
Other	90,750	88,901	1,849
	<u>510,359</u>	<u>313,569</u>	<u>196,790</u>
<b>MISCELLANEOUS</b>			
Income from investments	7,646	1,837	5,809
Tobacco settlement proceeds	190,989	17,569	173,420
Various fines, fees, and assessments	80,298	44,987	35,311
Court fines, fees, and assessments	239,827	228,941	10,886
Oil and gas royalties, fees, assignments, and rentals	8,781	5,436	3,345
Environmental pollution settlements	3,680	2,517	1,163
Child support	13,879	13,879	-
Unemployment obligation assessment	470,348	-	470,348
Other	614,385	478,739	135,645
	<u>1,629,833</u>	<u>793,904</u>	<u>835,929</u>
Total Revenues	<u>49,648,811</u>	<u>33,505,743</u>	<u>16,143,068</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from bond issues and bond anticipation notes	-	-	-
Capital lease acquisitions	25,373	25,298	75
Proceeds from sale of capital assets	3,008	3,008	-
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	195,720	195,720	-
From State Lottery Fund	788,392	4,249	784,143
From other funds	417,582	51,699	365,882
Total Other Financing Sources	<u>1,430,075</u>	<u>279,974</u>	<u>1,150,101</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>\$ 51,078,886</u>	<u>\$ 33,785,717</u>	<u>\$ 17,293,169</u>

**SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES****GENERAL FUND**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
<b>TAXES</b>			
Sales	\$ 1,890,651	\$ 646,800	\$ 1,243,851
Personal income	7,130,934	6,323,233	807,701
Single business, Michigan business, and corporate income	891,594	442,344	449,250
Use	1,382,043	1,361,522	20,521
Tobacco products	590,631	188,079	402,552
Beer and wine	46,686	46,686	-
Liquor	98,922	49,591	49,330
Horse race wagering	3,904	-	3,904
Telephone and telegraph company	41,764	41,764	-
Commercial mobile radio service	28,084	-	28,084
Insurance company	322,999	322,405	594
Health insurance claims assessment	225,888	-	225,888
Motor vehicle registration	3,033	-	3,033
Gas and oil severance	31,448	30,448	1,000
Convention hotel accommodation	23,628	-	23,628
Airport parking	24,950	-	24,950
Quality assurance assessment	1,007,464	-	1,007,464
Penalties and interest	128,723	116,588	12,135
Other	56,133	2,742	53,391
	<u>13,929,477</u>	<u>9,572,203</u>	<u>4,357,274</u>
<b>FROM FEDERAL AGENCIES</b>			
Department of Health and Human Services	14,637,172	26,380	14,610,792
Department of Education	145,083	1,509	143,574
Department of Agriculture	2,741,466	2,804	2,738,661
Department of Labor	25,322	1,034	24,288
Department of Housing and Urban Development	12,410	37	12,373
Department of Energy	12,223	63	12,161
Department of Transportation	31,695	1,777	29,918
Department of Interior	30,641	313	30,328
Department of Defense	59,493	53	59,441
Department of Justice	34,007	206	33,801
Environmental Protection Agency	49,854	2,608	47,247
Other	155,242	1,669	153,573
	<u>17,934,609</u>	<u>38,453</u>	<u>17,896,155</u>
<b>FROM LOCAL AGENCIES</b>			
Counties	65,676	1	65,676
Cities, villages, and townships	7,604	-	7,604
School districts	5,378	-	5,378
Other	12,014	-	12,014
	<u>90,672</u>	<u>1</u>	<u>90,671</u>
<b>SPECIAL MEDICAID REIMBURSEMENTS</b>			
	<u>120,904</u>	<u>-</u>	<u>120,904</u>
	<u>120,904</u>	<u>-</u>	<u>120,904</u>



<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
<b>FROM SERVICES</b>			
Charges for providing vehicle and driver services	\$ 135,257	\$ -	\$ 135,257
Revenue for patient, ward, and inmate care	33,659	-	33,659
Other	153,692	7,232	146,460
	<u>322,608</u>	<u>7,232</u>	<u>315,376</u>
<b>FROM LICENSES AND PERMITS</b>			
Liquor retailer, manufacturer, and wholesaler licenses	17,201	1,463	15,738
Motor vehicle operator and chauffeur licenses	45,915	1,063	44,852
Examination fees - financial institutions and insurance industry	32,529	-	32,529
Motor vehicle related	2,654	21	2,633
Public utility assessment fees	29,803	-	29,803
Regulatory licenses and permits	68,223	7,281	60,942
Auto repair facility and mechanic licenses and fees	3,584	168	3,416
Corporation franchise fees	22,820	60	22,760
Recreation user fees and permits	1,938	366	1,572
Other	88,901	1,125	87,776
	<u>313,569</u>	<u>11,548</u>	<u>302,021</u>
<b>MISCELLANEOUS</b>			
Income from investments	1,837	398	1,438
Various fines, fees, and assessments	44,987	802	44,185
Court fines, fees, and assessments	228,941	82,859	146,082
Oil and gas royalties, fees, assignments, and rentals	5,436	-	5,436
Environmental pollution settlements	2,517	-	2,517
Tobacco settlement proceeds	17,569	-	17,569
Child support	13,879	-	13,879
Other	478,739	91,942	386,798
	<u>793,904</u>	<u>176,001</u>	<u>617,904</u>
Total Revenues	<u>33,505,743</u>	<u>9,805,438</u>	<u>23,700,305</u>
<b>OTHER FINANCING SOURCES</b>			
Capital lease acquisitions	25,298	-	25,298
Proceeds from sale of capital assets	3,008	-	3,008
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	195,720	194,697	1,023
From State Lottery Fund	4,249	2,873	1,376
From other funds	51,699	3,500	48,199
Total Other Financing Sources	<u>279,974</u>	<u>201,070</u>	<u>78,904</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>33,785,717</u>	<u>10,006,508</u>	<u>23,779,209</u>
<b>BUDGETARY BASIS ADJUSTMENTS</b>			
Capital lease acquisitions	(25,298)	-	(25,298)
Total Revenue and Other Financing Sources (Budgetary Basis)	<u>\$ 33,760,419</u>	<u>\$ 10,006,508</u>	<u>\$ 23,753,912</u>

**SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR	RESTRICTED REVENUE ADDITIONS	LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED/USED
Legislative Branch	\$ 142,408	\$ 400	\$ 436	\$ 13,738	\$ 11,410	\$ (620)
Judicial Branch	186,667	-	-	21,754	75,007	(14,086)
Executive Branch:						
Agriculture and Rural Development	45,316	-	6	10,630	33,629	(8,481)
Attorney General	38,267	-	-	9,615	48,381	(6,796)
Civil Rights	13,448	-	-	7	2,097	-
Colleges and Universities Grants	1,210,211	-	-	580	93,804	-
Community Health	3,101,679	-	-	155,888	15,379,912	(139,558)
Corrections	1,960,098	-	-	102,330	40,657	(33,923)
Education	104,676	-	-	3,337	183,599	(2,037)
Environmental Quality	37,476	-	-	144,257	181,028	(147,275)
Executive Office	5,916	-	-	-	-	-
Human Services	982,606	-	-	22,769	4,333,188	(6,910)
Insurance and Financial Services	55	-	-	35,248	47,817	(23,494)
Licensing and Regulatory Affairs	39,721	-	-	103,956	243,185	(105,266)
Military and Veterans Affairs	52,455	-	-	18,287	105,309	(2,665)
Natural Resources	47,592	-	-	16,454	61,579	(14,748)
State	17,739	-	-	37,822	201,555	(35,502)
State Police	398,565	-	-	29,199	222,097	(28,100)
Technology, Management and Budget	615,999	-	-	575,370	396,427	(516,609)
Transportation	284,648	-	372	121,778	-	-
Treasury	607,280	-	48	152,212	2,820,152	(73,275)
Intrafund expenditure reimbursements	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 9,892,820</b>	<b>\$ 400</b>	<b>\$ 862</b>	<b>\$ 1,575,230</b>	<b>\$ 24,480,834</b>	<b>\$ (1,159,345)</b>

\* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenue not authorized/used, which includes revenues that by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenue is subject to annual legislative appropriation. However, the restricted revenue may also be used in subsequent years to finance expenditures in multi-year appropriations and for encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs that could have been used in the current period but were not.

For budgetary purposes, encumbrance authorization are considered use of spending authority in the year the State incurs an obligation.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

# Michigan

		"BUDGET"	"ACTUAL"		"VARIANCES"		
GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
\$ 167,771	\$ (11,927)	\$ 155,844	\$ 153,953	\$ 270	\$ 72	\$ 1,549	\$ -
269,342	(3,704)	265,637	256,247	5,827	-	3,563	-
81,100	(199)	80,901	75,219	5,435	-	248	-
89,468	(3,781)	85,687	85,047	449	-	191	-
15,552	-	15,552	15,085	135	-	332	-
1,304,594	(30)	1,304,565	1,304,276	-	-	289	-
18,497,920	(14,815)	18,483,105	18,348,987	24,592	-	109,526	-
2,069,163	(6,059)	2,063,104	1,970,146	70,980	573	21,406	-
289,575	(200)	289,375	282,212	1,249	235	5,679	-
215,486	(7,700)	207,786	207,348	433	-	5	-
5,916	-	5,916	5,655	-	-	261	-
5,331,653	(3,274)	5,328,379	5,301,847	8,164	-	18,368	-
59,626	-	59,626	59,571	-	-	55	-
281,596	(5,825)	275,771	269,792	1,678	407	3,894	-
173,386	(1,740)	171,646	161,669	5,041	-	4,937	-
110,876	(4,133)	106,743	93,751	12,976	-	17	-
221,614	(3,490)	218,123	213,976	756	91	3,301	-
621,761	(4,143)	617,618	613,678	3,332	-	608	-
1,071,187	(107,159)	964,028	943,919	9,160	834	10,115	-
406,797	(76,913)	329,884	294,699	35,185	-	-	-
3,506,417	(24,882)	3,481,535	3,423,056	12,851	28,357	17,271	-
-	-	(726,922)	(726,922)	-	-	-	-
<u>\$ 34,790,801</u>	<u>\$ (279,975)</u>	<u>\$ 33,783,905</u>	<u>\$ 33,353,209</u>	<u>\$ 198,512</u>	<u>\$ 30,570</u>	<u>\$ 201,613</u>	<u>\$ -</u>
Prior Year encumbrances		(225,551)	(225,551)				
Amount reported on Budgetary Comparison Schedule		<u>\$ 33,558,354</u>	<u>\$ 33,127,659</u>	<u>\$ 198,512</u>	<u>\$ 30,570</u>	<u>\$ 201,613</u>	<u>\$ -</u>

**SOURCE AND DISPOSITION OF  
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS  
APPROPRIATION YEAR 2015  
FISCAL YEAR ENDED SEPTEMBER 30, 2015**  
(In Thousands)

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION*</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>
Legislative Branch	\$ 142,408	\$ 917	\$ 436
Judicial Branch	186,667	-	-
Executive Branch:			
Agriculture and Rural Development	45,316	-	6
Attorney General	38,267	-	-
Civil Rights	13,448	-	-
Colleges and Universities Grants	1,210,211	-	-
Community Health	3,101,679	-	-
Corrections	1,960,098	-	-
Education	104,676	-	-
Environmental Quality	37,476	-	-
Executive Office	5,916	-	-
Human Services	982,606	-	-
Insurance and Financial Services	55	-	-
Licensing and Regulatory Affairs	39,721	-	-
Military and Veterans Affairs	52,455	-	-
Natural Resources	47,592	-	-
State	17,739	-	-
State Police	398,565	-	-
Technology, Management and Budget	615,999	-	-
Transportation	284,648	-	372
Treasury	607,280	-	48
	<u>\$ 9,892,820</u>	<u>\$ 917</u>	<u>\$ 862</u>
TOTAL	<u>\$ 9,892,820</u>	<u>\$ 917</u>	<u>\$ 862</u>

\* The amounts in the "Current Legislative Appropriation" column include certain appropriations that do not appear as line-item appropriations in the budget bills. These appropriations are authorized in narrative "boilerplate" language in the budget bills. "Boilerplate" appropriations include interfund borrowing, interest on general obligation notes and bonds, and certain interfund transfers.

"Boilerplate" appropriations accounted for \$204.1 million of the "Current Legislative Appropriation" for the Appropriation Year 2015.

GROSS SPENDING AUTHORITY	"ACTUAL"			"VARIANCES"	
	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
\$ 143,761	\$ 133,285	\$ 154	\$ 9,268	\$ 1,053	\$ -
186,667	177,115	4,869	1,289	3,394	-
45,322	40,535	4,427	199	162	-
38,267	34,175	249	3,781	62	-
13,448	12,983	135	-	329	-
1,210,211	1,209,922	-	-	289	-
3,101,679	2,960,971	17,887	14,083	108,737	-
1,960,098	1,901,842	37,993	5,321	14,942	-
104,676	98,043	884	200	5,550	-
37,476	35,340	433	1,700	2	-
5,916	5,655	-	-	261	-
982,606	955,830	6,612	2,395	17,769	-
55	-	-	-	55	-
39,721	29,975	370	5,600	3,777	-
52,455	46,601	1,138	691	4,024	-
47,592	35,210	9,284	3,092	5	-
17,739	14,148	45	2,440	1,106	-
398,565	393,598	2,607	2,027	333	-
615,999	526,454	5,233	74,237	10,074	-
285,020	206,409	11,554	67,057	-	-
607,328	580,464	3,534	6,412	16,918	-
<u>\$ 9,894,599</u>	<u>\$ 9,398,556</u>	<u>\$ 107,408</u>	<u>\$ 199,793</u>	<u>\$ 188,842</u>	<u>\$ -</u>

**REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS  
GENERAL AND SPECIAL REVENUE FUNDS**

LAST TEN YEARS

SEPTEMBER 30, 2015

(In Thousands)

<u>SOURCE</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>TAXES:</b>				
Sales	\$ 6,638,110	\$ 6,552,240	\$ 6,773,276	\$ 6,089,106
Personal Income (net of tax credits)	6,226,304	6,442,678	7,226,049	5,856,753
Amount reported as tax credits	834,000	883,400	931,600	963,500
Single Business, Michigan Business, and Corporate Income	1,886,168	1,786,213	2,482,035	2,285,237
Use	1,413,758	1,380,375	1,377,077	1,283,685
State Education (Property)	2,003,527	2,080,977	2,079,703	2,040,647
Real Estate Transfer	297,680	237,483	169,835	125,294
Tobacco Products	1,169,005	1,129,226	1,073,650	1,041,541
Beer, Wine, and Liquor	155,184	159,109	162,104	164,068
Casino Gaming Wagering	155,461	159,363	129,684	121,363
Insurance Company	219,538	223,754	223,198	261,002
Health Insurance Claims Assessment	-	-	-	-
Motor Vehicle and Fuel	1,926,069	1,902,811	1,847,540	1,806,694
Quality Assurance Assessment	676,923	827,776	1,023,766	859,482
Penalties and Interest	140,581	158,218	160,939	150,334
Other	450,642	440,925	409,333	293,955
<b>TOTAL TAXES</b>	<b>24,192,949</b>	<b>24,364,549</b>	<b>26,069,791</b>	<b>23,342,662</b>
<b>FEDERAL AGENCIES</b>	<b>11,060,621</b>	<b>11,452,444</b>	<b>12,283,854</b>	<b>16,040,813</b>
<b>LOCAL AGENCIES</b>	<b>105,566</b>	<b>117,653</b>	<b>114,856</b>	<b>102,040</b>
<b>SPECIAL MEDICAID REIMBURSEMENTS</b>	<b>93,621</b>	<b>102,670</b>	<b>115,797</b>	<b>135,667</b>
<b>SERVICES</b>	<b>269,040</b>	<b>283,907</b>	<b>290,934</b>	<b>288,373</b>
<b>LICENSES AND PERMITS</b>	<b>419,753</b>	<b>427,915</b>	<b>435,108</b>	<b>450,009</b>
<b>MISCELLANEOUS</b>	<b>1,764,227</b>	<b>1,835,865</b>	<b>1,401,128</b>	<b>1,362,184</b>
<b>TOTAL REVENUE</b>	<b>37,905,776</b>	<b>38,585,002</b>	<b>40,711,468</b>	<b>41,721,749</b>
<b>PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES</b>	<b>234,738</b>	<b>18,662</b>	<b>26,215</b>	<b>144,225</b>
<b>CAPITAL LEASE ACQUISITIONS</b>	<b>34,059</b>	<b>20,906</b>	<b>110,374</b>	<b>41,205</b>
<b>PROCEEDS FROM SALE OF CAPITAL ASSETS</b>	<b>1,339</b>	<b>2,478</b>	<b>27,381</b>	<b>2,209</b>
<b>TOTAL REVENUE, BOND PROCEEDS, CAPITAL LEASE ACQUISITIONS, AND PROCEEDS FROM SALE OF CAPITAL ASSETS</b>	<b>\$ 38,175,912</b>	<b>\$ 38,627,048</b>	<b>\$ 40,875,439</b>	<b>\$ 41,909,387</b>

NOTES: (1) Effective January 1, 2008, the State replaced the single business tax with the Michigan business tax. Effective January 1, 2012, the State replaced the Michigan business tax with the Corporate income tax.

(2) Legislation established the Health Insurance Claims Assessment, effective January 1, 2012.

# Michigan

2010	2011	2012	2013	2014	2015
\$ 6,176,843	\$ 6,710,882	\$ 6,955,198	\$ 7,050,204	\$ 7,362,620	\$ 7,246,989
5,531,348	6,417,078	6,921,033	8,271,838	8,020,054	8,987,939
1,351,500	1,271,900	1,226,300	689,900	676,500	662,400
1,853,557	2,098,407	1,321,782	721,602	419,554	891,594
1,573,667	1,548,914	1,428,284	1,300,590	1,639,442	2,062,838
1,930,480	1,845,086	1,789,672	1,771,083	1,804,238	1,857,684
121,632	123,254	150,106	202,323	233,416	258,398
1,006,527	968,512	963,181	957,485	940,337	954,481
164,071	167,487	175,181	182,878	189,792	194,692
101,816	114,017	115,753	110,667	106,903	110,785
257,511	271,257	290,385	301,883	362,397	322,999
-	-	176,419	270,489	271,861	225,888
1,807,185	1,820,367	1,825,091	1,860,582	1,902,612	1,985,186
840,254	882,600	959,267	969,767	975,786	1,007,464
137,793	139,251	167,882	171,092	115,439	128,723
315,218	307,324	299,383	292,011	309,781	271,896
23,169,402	24,686,336	24,764,916	25,124,393	25,330,732	27,169,955
18,351,960	18,972,659	16,612,723	16,598,202	17,259,668	19,800,600
89,633	85,674	85,394	87,578	89,644	90,672
123,205	155,059	186,194	134,353	133,909	120,904
300,362	320,469	310,275	318,403	322,271	326,488
452,620	448,012	464,072	484,059	494,595	510,359
1,293,772	1,387,068	1,716,779	1,594,097	1,558,174	1,629,833
43,780,955	46,055,277	44,140,354	44,341,085	45,188,992	49,648,811
60,583	211,001	270,001	200,000	97,651	-
39,101	171,094	34,567	17,224	18,371	25,373
1,576	1,742	2,848	3,064	1,626	3,008
<u>\$ 43,882,215</u>	<u>\$ 46,439,114</u>	<u>\$ 44,447,770</u>	<u>\$ 44,561,373</u>	<u>\$ 45,306,640</u>	<u>\$ 49,677,192</u>

**SCHEDULE OF EXPENDITURES BY FUNCTION**  
**GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS**  
 LAST TEN YEARS  
 SEPTEMBER 30, 2015  
 (In Thousands)

	2006	2007	2008	2009
Current:				
General government	\$ 1,628,520	\$ 1,580,973	\$ 1,546,624	\$ 1,582,399
Education	14,710,682	14,572,261	15,029,489	15,195,462
Human services	4,341,774	4,447,992	4,609,481	5,334,263
Public safety and corrections	2,453,297	2,465,362	2,614,768	2,589,942
Conservation, environment, recreation, and agriculture	626,802	552,992	580,246	539,796
Labor, commerce, and regulatory	952,921	957,023	966,091	1,145,954
Health services	9,958,104	10,741,285	11,588,207	12,450,287
Transportation	1,182,924	1,183,513	1,162,196	1,137,584
Tax credits	834,000	883,400	931,600	963,500
Capital outlay	58,365	42,290	31,978	38,429
Intergovernmental - revenue sharing	1,103,625	1,071,104	1,076,445	1,040,031
Debt service:				
Bond interest and fiscal charges	174	-	-	-
Capital lease payments	49,032	45,997	50,086	49,936
Total Expenditures	<u>\$ 37,900,220</u>	<u>\$ 38,544,191</u>	<u>\$ 40,187,211</u>	<u>\$ 42,067,585</u>



# Michigan

2010	2011	2012	2013	2014	2015
\$ 1,463,926	\$ 1,856,935	\$ 1,935,857	\$ 1,868,138	\$ 2,064,016	\$ 2,738,104
14,995,595	15,216,151	14,540,137	14,604,622	14,909,901	15,366,390
6,042,987	6,346,672	5,886,563	5,925,320	5,537,228	5,301,268
2,571,390	2,547,868	2,564,921	2,601,307	2,666,541	2,704,901
528,387	501,050	563,310	545,565	656,061	586,028
1,223,197	1,143,962	923,059	961,279	961,934	978,003
13,218,598	13,905,003	13,698,746	13,862,531	15,063,455	17,985,890
1,154,659	1,149,640	1,180,615	1,395,444	1,532,228	1,527,057
1,351,500	1,271,900	1,226,300	689,900	676,500	662,400
38,136	21,659	26,765	35,676	70,695	237,442
994,196	1,091,527	1,032,243	1,077,514	1,120,593	1,210,557
-	-	-	-	-	-
50,811	55,803	55,867	58,357	62,237	66,295
<u>\$ 43,633,381</u>	<u>\$ 45,108,168</u>	<u>\$ 43,634,383</u>	<u>\$ 43,625,653</u>	<u>\$ 45,321,388</u>	<u>\$ 49,364,335</u>

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## ACKNOWLEDGMENTS

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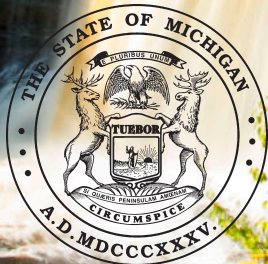
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**Fiscal Year Ended September 30, 2015**  
**Governor Rick Snyder, CPA**  
**Prepared by the State Budget Office**