State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

Governor Gretchen Whitmer

Prepared by the State Budget Office

State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

GRETCHEN WHITMER
Governor

CHRIS KOLB
State Budget Director

MICHAEL J. MOODY, CPA
Director
Office of Financial Management

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STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
State Budget Office

GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

CHRIS KOLB
DIRECTOR

April 30, 2019

The Honorable Gretchen Whitmer, 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, 2018.

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 457 Plans, the State of Michigan 401K Plans, Michigan Education Savings Program, and the Michigan Achieving a Better Life Experience Program. Many of the essential control features are decentralized, such as the preparation and entry of

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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, 2018, are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2018, are fairly presented in accordance with GAAP and issued unmodified opinions.

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

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

PROFILE OF THE GOVERNMENT

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

Executive Branch: As of March 29, 2019, 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

Fixing Our Roads: Improving the condition of our roads is one of Governor Whitmer's top priorities. Starting with her fiscal year 2020 budget proposal, the Governor intends to work with the Legislature to develop and implement a long-term strategy and funding model that ensures good, safe roads for Michigan's residents and visitors.

Protecting Our Environment and Assuring Clean Water: The Whitmer administration is committed to protecting the health and safety of all Michiganders by protecting our environment and assuring access to clean water. Toward that end, the fiscal year 2020 executive budget recommendation includes investments intended to strengthen our environmental infrastructure and improve the safety of our drinking water.

Championing Our Children: Governor Whitmer is committed to ensuring that our children receive the high-quality education and training needed to succeed. Accordingly, her fiscal year 2020 budget proposal includes a significant increase in funding for K-12 schools, as well as other investments intended to provide additional educational and training opportunities for both children and adults in the State.

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, 2017. 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 31 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; SIGMA Operations and Support; 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 financial reporting.

Sincerely,

Chris Kolb
State Budget Director

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

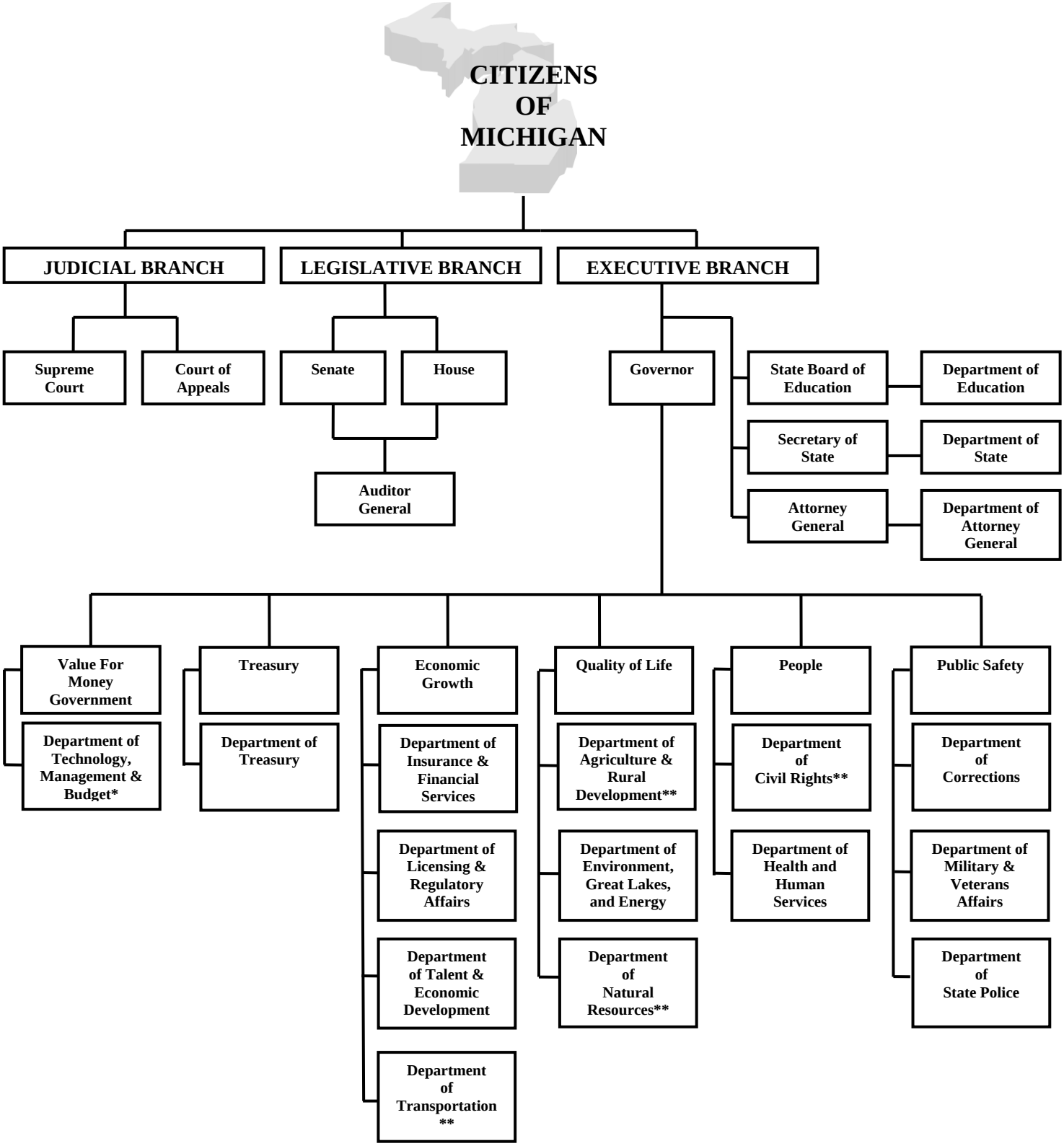
September 30, 2017

Christopher P. Morrill

Executive Director/CEO

STATE OF MICHIGAN
ORGANIZATIONAL STRUCTURE

(As of April 30, 2019)



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

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS
(As of April 30, 2019)

JUDICIAL BRANCH

Supreme Court Justices
Honorable Bridget Mary McCormack, Chief Justice
Honorable Richard Bernstein, Justice
Honorable Megan K. Cavanagh, Justice
Honorable Elizabeth T. Clement, Justice
Honorable Stephen J. Markman, Justice
Honorable David F. Viviano, Justice
Honorable Brian K. Zahra, Justice

LEGISLATIVE BRANCH

Honorable Mike Shirkey
Majority Leader of the Senate

Honorable Lee Chatfield
Speaker of the House of Representatives

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

EXECUTIVE BRANCH

Honorable Gretchen Whitmer, Governor
Honorable Garlin Gilchrist II, Lt. Governor
Honorable Dana Nessel, Attorney General
Honorable Jocelyn Benson, Secretary of State

State Board of Education
Casandra E. Ulbrich, President
Pamela Pugh, Vice President
Michelle Fecteau, Secretary
Tom McMillin, Treasurer
Judith Pritchett
Lupe Ramos-Montigny
Nikki Snyder
Tiffany D. Tilley
Marilyn Schneider, State Board Executive
Honorable Gretchen Whitmer (Ex Officio)
Sheila Alles,
Interim Superintendent of Public Instruction

Michigan Commission of Agriculture & Rural Development
Trever Meachum, Chair
Brian Pridgeon, Vice Chair
Dru Montri, Secretary
Patti Bergdahl
Charlie Meintz
Gary McDowell, Director
Department of Agriculture & Rural Development

Civil Rights Commission
Alma Wheeler Smith, Chair
Stacie Clayton, Vice Chair
Laura Reyes Kopack, Secretary
Ira Combs
Rasha Demashkieh
Regina Gasco-Bentley
Denise Grim
Jeffrey J. Sakwa
Agustin V. Arbulu, Director
Department of Civil Rights

Civil Service Commission
Janet McClelland, Chair
James Barrett
Jase Bolger
Jeff Steffel
Janine M. Winters, State Personnel Director

Heidi E. Washington, Director
Department of Corrections

Liesl Eichler Clark, Director
Department of Environment, Great Lakes, and Energy

Robert Gordon, Director
Department of Health and Human Services

Anita G. Fox, Director
Department of Insurance and Financial Services

Orlene Hawks, Director
Department of Licensing and Regulatory Affairs

Major General Paul D. Rogers, Director
Department of Military and Veterans Affairs

Natural Resources Commission
Vicki J. Pontz, Chair
Keith Creagh
Louise Klarr
David Nyberg
Rex E. Schlaybaugh, Jr.
Chris Tracy
John W. Walters
Daniel Eichinger, Director
Department of Natural Resources

Colonel Joseph Gasper, Director
Department of State Police

Stephanie Beckhorn, Acting Director
Department of Talent & Economic Development

Tricia L. Foster, Director
Department of Technology, Management and Budget

Chris Kolb, State Budget Director

Transportation Commission
Todd Wyett, Chair
Michael D. Hayes, Vice Chair
George K. Heartwell
Charles F. Moser
Chris J. Yatooma
Helen Zeerip
Paul C. Ajegba, Director
Department of Transportation

Rachael Eubanks, State Treasurer

STATE OF MICHIGAN
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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 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report

The Honorable Gretchen Whitmer, 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, 2018 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 Achieving a Better Life Experience Program
- Michigan Finance Authority
- Michigan State Housing Development Authority
- Farm Produce Insurance Authority
- Mackinac Bridge Authority
- Mackinac Island State Park Commission
- Michigan Early Childhood Investment Corporation
- Michigan Education Trust
- State Bar of Michigan
- Venture Michigan Fund
- Central Michigan University
- Western 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%	2.5%
Business-type activities	98.0%	80.8%
Aggregate discretely presented component units	95.2%	90.7%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	6.9%	9.7%

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, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 4 to the financial statements, the State of Michigan:

- Adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.
- Restated the beginning fund balances of the General Fund and the School Aid Fund to correct prior year misstatements of legally required transfers of tax revenue.
- Restated beginning net position, amounts invested in capital assets, of the government-wide governmental activities statements to correct the misstatement of the beginning balance of capital assets.

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 and the required supplementary information other than management's discussion and analysis, 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.

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 - non-major 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 - non-major 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 - non-major 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 solely 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 the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
April 30, 2019

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, 2018. 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, 2018, the State's net position was $14.7 billion. This means that total State assets and deferred outflows of resources exceeded total State liabilities and deferred inflows of resources by $14.7 billion.

- The State's unrestricted net position was negative $15.0 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 $61.1 billion supported expenses of $59.4 billion during fiscal year 2018. As a result, the State's total net position increased by $1.7 billion (13.2 percent). The increase in net position relates mostly to increased tax revenue of $1.3 billion compared to the prior year. This increase is primarily due to increases in revenues from sales tax; single business, Michigan business, and corporate income tax; and gasoline and diesel fuel tax.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $7.5 billion. Governmental fund balances increased $832.6 million (12.4 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 $4.1 billion, an increase of $762.8 million (22.6 percent) from the prior year. Of the total General Fund balance of $3.7 billion, $788.3 million is unassigned and, therefore, available for appropriation in future years. The remaining $2.9 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 $433.5 million is restricted for education purposes.

- The State's proprietary funds reported net position at year-end of $4.1 billion. This represents an increase of $496.8 million (14.0 percent) compared to the prior year-end balance. Most of the increase results from the Michigan Unemployment Compensation Funds increase in net position which was primarily due to a decrease in unemployment benefit payments and an increase in interest revenue.

Long-term Debt

- The State's total long-term bonded debt as of September 30, 2018 was $5.8 billion, a decrease of $267.0 million (4.4 percent) 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 20.

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 28 and 29) 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 30 and 31) 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 35 and 37) 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 assets 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
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 liability)	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 financing sources, uses, and expenditures resulting from debt issuance	Yes	No

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

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

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

The fund financial statements begin on page 34 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 186 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 46. 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

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

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 $1.7 billion (13.2 percent) over the course of this fiscal year's operations. The net position of the governmental activities increased by $1.2 billion (13.2 percent), and business-type activities had an increase of $515.0 million (13.1 percent).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other non-current assets	$ 16,450.9	$ 14,517.7	$ 5,056.3	$ 4,481.0	$ 21,507.2	$ 18,998.7
Capital assets	23,832.9	23,729.1	1.7	5.0	23,834.6	23,734.1
Total assets	40,283.8	38,246.8	5,058.0	4,486.0	45,341.8	42,732.9
Deferred outflows of resources	1,673.7	965.5	10.0	6.0	1,683.7	971.5
Liabilities:						
Current liabilities	6,553.3	5,774.5	311.2	254.1	6,864.6	6,028.6
Long-term liabilities	24,479.4	17,351.6	306.6	263.0	24,786.0	17,614.6
Total liabilities	31,032.8	23,126.1	617.8	517.0	31,650.6	23,643.2
Deferred inflows of resources	638.9	45.1	3.9	0.4	642.8	45.5
Net position:						
Net investment in capital assets	21,014.3	21,736.4	1.0	1.2	21,015.2	21,737.6
Restricted	4,218.4	4,152.9	4,525.8	3,994.6	8,744.2	8,147.4
Unrestricted	(14,946.9)	(9,848.2)	(80.5)	(21.2)	(15,027.4)	(9,869.4)
Total net position	$ 10,285.8	$ 16,041.1	$ 4,446.3	$ 3,974.6	$ 14,732.0	$ 20,015.7

The largest component of the State's net position, at $21.0 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 $8.7 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 $15.0 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:

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

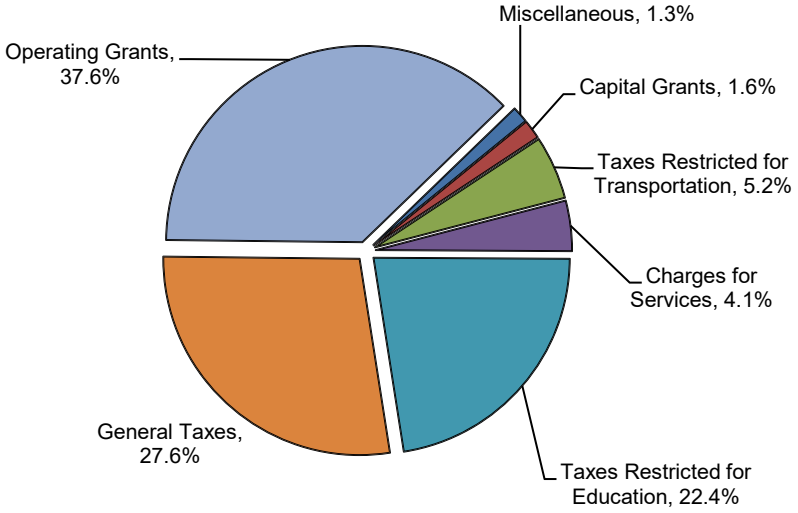
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	$ 2,278.3	$ 2,237.5	$ 6,054.6	$ 5,766.0	$ 8,332.9	$ 8,003.5
Operating grants	20,636.7	20,244.1	90.4	74.7	20,727.1	20,318.8
Capital grants	863.9	953.6	-	-	863.9	953.6
General revenues						
General taxes	15,175.7	14,541.9	-	-	15,175.7	14,541.9
Taxes restricted for educational purposes	12,315.8	11,799.4	-	-	12,315.8	11,799.4
Taxes restricted for transportation purposes	2,872.3	2,673.0	-	-	2,872.3	2,673.0
Unrestricted investment and interest earnings	25.3	11.0	-	0.3	25.3	11.4
Miscellaneous	741.0	545.4	0.1	-	741.0	545.4
Total Revenues	54,909.0	53,005.9	6,145.0	5,841.0	61,054.0	58,847.0
Expenses						
General government	3,334.9	2,595.2	-	-	3,334.9	2,595.2
Education	16,727.7	16,114.1	-	-	16,727.7	16,114.1
Health and human services	24,071.4	23,020.8	-	-	24,071.4	23,020.8
Public safety and corrections	2,899.8	2,686.3	-	-	2,899.8	2,686.3
Conservation, environment, etc.	932.3	784.0	-	-	932.3	784.0
Labor, commerce and regulatory	821.0	890.8	-	-	821.0	890.8
Transportation	3,891.1	3,483.6	-	-	3,891.1	3,483.6
Tax credits	696.1	696.5	-	-	696.1	696.5
Intergovernmental revenue sharing	1,289.1	1,259.0	-	-	1,289.1	1,259.0
Interest on long-term debt	287.5	272.7	-	-	287.5	272.7
Liquor Purchase Revolving Fund	-	-	953.9	903.2	953.9	903.2
State Lottery Fund	-	-	2,654.7	2,424.8	2,654.7	2,424.8
Attorney Discipline System	-	-	5.1	4.9	5.1	4.9
Michigan Unemployment Compensation Funds	-	-	793.5	859.6	793.5	859.6
Total Expenses	54,950.8	51,803.0	4,407.1	4,192.5	59,357.9	55,995.5
Excess (deficiency) Before Contributions and Transfers	(41.8)	1,203.0	1,737.9	1,648.5	1,696.1	2,851.5
Contribution to permanent fund principal	19.7	19.5	-	-	19.7	19.5
Transfers	1,222.9	1,182.9	(1,222.9)	(1,182.9)	-	-
Increase (decrease) in net position	1,200.8	2,405.4	515.0	465.6	1,715.8	2,871.0
Net position - beginning - restated	9,085.0 *	13,635.7	3,931.2 *	3,509.0	13,016.3 *	17,144.7
Net position - ending	$ 10,285.8	$ 16,041.1	$ 4,446.3	$ 3,974.6	$ 14,732.0	$ 20,015.7

*More information regarding the restatement of beginning net position can be found in Note 4 to the financial statements.

Governmental Activities

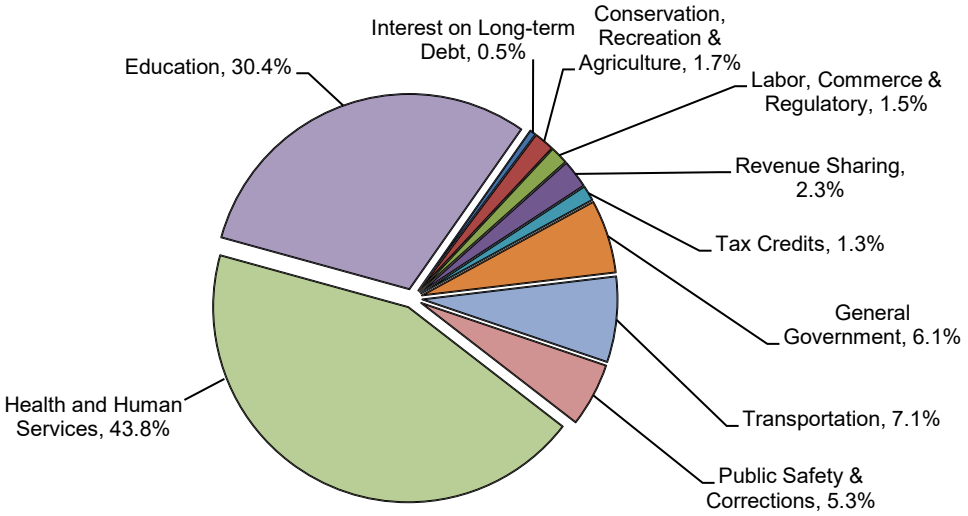
Revenues to fund governmental activities totaled $54.9 billion for fiscal year 2018. As shown in the accompanying chart, 37.6 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 27.7 percent for educational and transportation purposes. Only 27.6 percent of the revenues were available for general use.

Revenues - Governmental Activities for Fiscal Year Ending September 30, 2018
($54.9 billion)



Expenses related to governmental activities totaled $55.0 billion during fiscal year 2018. 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 and human services represent the governmental activities' largest spending categories, accounting for 74.2 percent of the spending.

Expenses - Governmental Activities for Fiscal Year Ending September 30, 2018
($55.0 billion)



Business-type Activities

The business-type activities' net position increased $515.0 million (13.1 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 $528.3 million (13.2 percent). The increase in the change in net position of these funds is primarily related to a decrease in unemployment benefit payments and an increase in interest revenue.

- The State Lottery Fund's net position decreased $13.4 million (43.7 percent) from the fiscal year 2017 amount. The decrease in net position is primarily related to unrealized gains or losses on investments due to changes in market value.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of $7.5 billion. Of this amount, $788.3 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 $3.0 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 $2.5 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 $176.5 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 a negative unassigned fund balance totaling $63.3 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 2018, the General Fund total fund balance was $3.7 billion, of which $788.3 million was unassigned and, therefore, available for appropriation. The General Fund total fund balance of $3.7 billion represents an increase of $816.5 million (28.3 percent) from the fiscal year 2017 ending total fund balance. Included within the General Fund's committed fund balance is $1.0 billion 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 2018 general fund budget was $36.1 billion. During the year, various positive and negative supplemental appropriations and other adjustments resulted in a final enacted budget of $35.0 billion. The difference between the final enacted budget of $35.0 billion and actual spending and encumbrances of $34.8 billion resulted from spending authority net lapses of $140.6 million and restricted revenue authorized, but not spent, totaling $56.5 million. At fiscal year-end, excess restricted revenue of $2.1 billion was carried forward into fiscal year 2019 and is available for appropriation. There were no net overexpenditures or line-item overexpenditures, by State departments, during the year.

School Aid Fund

Fund balance at September 30, 2018, totaled $433.5 million, a decrease of $53.7 million (11.0 percent) from the prior year. Revenues and transfers to the fund totaled $14.9 billion, up $321.5 million (2.2 percent) from the prior year. In fiscal year 2018, tax revenues deposited in the fund increased $503.7 million (4.3 percent). Federal funds collected by the School Aid Fund were down $14.9 million (0.9 percent) over the prior year. Expenditures and transfers to other funds totaled $15.0 billion, an increase of $574.4 million (4.0 percent) over the previous year. The School Aid Stabilization Fund ended the year with $320.5 million in restricted fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2018, the State had invested $23.8 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled $328.1 million.

Capital Assets as of September 30
(Net of Depreciation, In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
Land	$ 3,605.7	$ 3,555.9	$ -	$ -	$ 3,605.7	$ 3,555.9
Land improvements and other assets	200.5	199.7	-	-	200.5	199.7
Land rights	71.9	68.8	-	-	71.9	68.8
Buildings and improvements	1,630.6	1,677.5	1.1	0.3	1,631.7	1,677.8
Equipment	364.9	290.5	0.5	4.7	365.4	295.2
Computer software	628.3	647.1	-	-	628.3	647.1
Infrastructure	15,290.6	14,872.5	-	-	15,290.6	14,872.5
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	21,812.3	21,331.7	1.7	5.0	21,813.9	21,336.7
Construction in progress	2,020.6	2,218.1	-	-	2,020.6	2,218.1
Total	$ 23,832.9	$ 23,549.8	$ 1.7	$ 5.0	$ 23,834.5	$ 23,554.8

*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, 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 29,748 lane miles of roads and 4,852 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 70.0 percent of roads in fair to excellent condition. The most recent condition assessment, completed for calendar year 2017, indicated that 75.0 percent 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 (2018) indicated that the condition of the bridges were the same as the prior year. For fiscal year 2018, 94.5 percent of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of $219.9 million for fiscal year 2018. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

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

Outstanding Bonded Debt as of September 30
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General obligation bonds (backed by the State)	$ 1,531.0	$ 1,550.2	$ -	$ -	$ 1,531.0	$ 1,550.2
Revenue bonds and notes (backed by specific tax and fee revenue)	4,241.6	4,489.4	-	-	4,241.6	4,489.4
Total	$ 5,772.6	$ 6,039.6	$ -	$ -	$ 5,772.6	$ 6,039.6

During the year, the State issued bonds and bond anticipation notes totaling $149.2 million. The proceeds from the new bonds will provide funding for Department of Environmental Quality environmental programs.

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 percent of undedicated revenues received in the preceding year. In fiscal year 2018, the State did not issue any general obligation short-term notes.

ECONOMIC CONDITIONS

As measured by real gross domestic product (GDP), the U.S. economy has grown each calendar year beginning with 2010. (All years cited in this section refer to calendar years.) After slowing from 2.9 percent real gross domestic product (GDP) growth in 2015 to 1.6 percent growth in 2016, real GDP growth accelerated to 2.2 percent in 2017. Real GDP has accelerated in 2018. Through the first three quarters of 2018, average real GDP is up 2.8 percent compared to the first three quarters of 2017.

U.S. employment has increased each year since 2011. Over these seven years (2011-2017), U.S. employment rose by 16.3 million jobs with employment rising to new annual record highs in each of the past four years. Through the first nine months of 2018, average U.S. employment is up 1.6 percent compared to 2017. The U.S. unemployment rate has fallen each year since 2011 with the rate dropping from 9.6 percent in 2010 to 4.4 percent in 2017. Through the first nine months of 2018, the national unemployment rate has averaged 3.9 percent.

The light vehicle sector, which remains a key component of the Michigan economy, recovered markedly from a 27-year low of 10.4 million units in 2009. Light vehicle sales rose each year from 2010 to 2016. In 2016, light vehicle sales rose to a new record high of 17.5 million units. Light vehicle sales declined in 2017 but remained above 17.0 million units. Through September 2018, annualized light vehicle sales were up slightly from 2017.

The U.S. housing market has improved significantly after collapsing during the Great Recession. Housing starts increased each year from 2010 to 2017 – rising from 554,000 units in 2009 to 1.2 million in 2017. Through the first nine months of 2018, annualized starts have averaged 1.3 million units. However, starts remain below their pre-Great Recession annual average of 1.5 million units.

Michigan payroll employment has grown each year since 2011. Over the seven-year period, annual State employment rose by 507,700 jobs to a 12-year high. Through September 2018, average Michigan employment was up 1.3 percent from a year ago. Michigan's September 2018 employment represented the State's highest monthly employment level in over 15 years but remained 251,600 jobs (5.4 percent) below Michigan's monthly peak employment level set in early 2000.

In 2017, Michigan's unemployment rate fell for the eighth straight year and averaged 4.6 percent – a 17-year low and more than nine percentage points lower than the State's Great Recession peak rate of 13.7 percent. Through the first nine months of 2018, the Michigan unemployment rate has averaged 4.5 percent.

In 2017, Michigan personal income and Michigan real GDP both increased for the eighth straight year. Over the last eight years, Michigan personal income rose 37.0 percent – ranking 21st among U.S. states. Still more, in the past eight years, Michigan personal income per person increased 36.1 percent – placing sixth among U.S. states. Similarly, over the past eight years, Michigan real GDP rose 21.3 percent – the eighth largest increase among U.S. states.

In 2017, Michigan personal income rose 3.5 percent, up from 3.1 percent growth in 2016. Nationally, personal income increased 4.4 percent in 2017, up from 2.6 percent growth in 2016. Michigan real GDP increased 2.3 percent in 2017, up from 1.9 percent growth in 2016. In the first two quarters of 2018, Michigan personal income was up 3.6 percent compared with 4.4 percent national growth. In the first quarter of 2018, Michigan real GDP was up 2.1 percent from a year prior.

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 prepare 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, 2018
(In Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	**TOTALS**	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 11,358	$ 7,704	**$ 19,062**	$ 1,239,791
Cash on deposit with fiscal agent	-	4,196,465	**4,196,465**	-
Equity in common cash (Note 5)	3,914,082	283,074	**4,197,156**	1,535,717
Taxes, interest, and penalties receivable (Note 6)	5,538,471	-	**5,538,471**	-
Internal balances	39,295	(39,295)	-	-
Amounts due from component units	5,114	296	**5,409**	30,178
Amounts due from primary government	-	-	-	659,559
Amounts due from federal government	2,558,465	643	**2,559,108**	30,995
Amounts due from local units	194,970	18,273	**213,243**	864,509
Inventories	26,541	26,889	**53,430**	17,697
Investments (Note 8)	193,227	19,590	**212,817**	2,217,988
Other current assets	1,240,056	357,431	**1,597,487**	499,206
Total Current Assets	13,721,580	4,871,068	**18,592,648**	7,095,640
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	-	148,752
Investments	-	-	-	797,652
Mortgages and loans receivable	-	-	-	18,907
Taxes, interest, and penalties receivable (Note 6)	324,631	-	**324,631**	-
Advances to primary government	-	-	-	1,007,919
Amounts due from federal government	15,519	-	**15,519**	-
Amounts due from local units	976,786	-	**976,786**	6,341,695
Mortgages and loans receivable	-	-	-	3,128,109
Investments (Note 8)	1,334,838	161,710	**1,496,548**	4,111,224
Land and property held for resale	-	-	-	11,850
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,804,620	-	**3,804,620**	340,144
Buildings, equipment, and other depreciable assets	6,593,255	7,200	**6,600,455**	6,991,731
Less accumulated depreciation	(3,642,724)	(5,526)	**(3,648,249)**	(3,024,951)
Infrastructure	15,057,148	-	**15,057,148**	102,950
Construction in progress	2,020,599	-	**2,020,599**	284,649
Total capital assets	23,832,899	1,674	**23,834,573**	4,694,521
Interest in joint ventures (Note 7)	37,800	-	**37,800**	-
Other noncurrent assets	39,759	23,500	**63,259**	761,601
Total Noncurrent Assets	26,562,231	186,884	**26,749,115**	21,022,228
Total Assets	40,283,811	5,057,952	**45,341,763**	28,117,868
DEFERRED OUTFLOWS OF RESOURCES (Note 28)	1,673,702	10,014	**1,683,716**	244,362

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	**TOTALS**	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 3,862,340	$ 308,695	**$ 4,171,035**	$ 669,289
Income tax refunds payable (Note 16)	1,003,690	-	**1,003,690**	-
Amounts due to component units	595,174	345	**595,519**	29,360
Amounts due to primary government	-	-	**-**	9,375
Bonds and notes payable (Notes 13 and 14)	479,585	-	**479,585**	1,425,095
Interest payable	102,767	-	**102,767**	161,533
Unearned revenue	167,739	35	**167,774**	107,028
Current portion of other long-term obligations (Note 15)	342,053	2,142	**344,195**	109,888
Total Current Liabilities	6,553,349	311,216	**6,864,566**	2,511,567
Noncurrent Liabilities:				
Advances from component units	901,613	-	**901,613**	-
Prize awards payable (Note 15)	-	155,565	**155,565**	-
Unearned revenue	389,947	-	**389,947**	154,575
Bonds and notes payable (Notes 13 and 14)	5,820,178	-	**5,820,178**	13,374,611
Noncurrent portion of other long-term obligations (Note 15)	17,367,705	151,020	**17,518,725**	2,673,968
Total Noncurrent Liabilities	24,479,443	306,586	**24,786,028**	16,203,154
Total Liabilities	31,032,792	617,802	**31,650,594**	18,714,721
DEFERRED INFLOWS OF RESOURCES (Note 28)	638,940	3,903	**642,843**	310,752
NET POSITION				
Net investment in capital assets	21,014,252	969	**21,015,221**	2,672,929
Restricted For (Note 23):				
Education	895,883	-	**895,883**	173,718
Construction and debt service	-	-	**-**	4,650,612
Public safety and corrections	21,458	-	**21,458**	-
Conservation, environment, recreation, and agriculture	480,792	-	**480,792**	-
Health and human services	77,632	-	**77,632**	-
Transportation	1,061,483	-	**1,061,483**	-
Unemployment compensation	-	4,522,890	**4,522,890**	-
Labor, commerce, and regulatory	206,731	-	**206,731**	-
Other purposes	120,403	2,871	**123,274**	1,210,393
Funds Held as Permanent Investments:				
Expendable	297,644	-	**297,644**	207,071
Nonexpendable	1,056,386	-	**1,056,386**	512,233
Unrestricted	(14,946,883)	(80,469)	**(15,027,352)**	(90,198)
Total Net Position	$ 10,285,781	$ 4,446,260	**$ 14,732,042**	$ 9,336,757

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	$ 3,334,891	$ 627,297	$ 153,381	$ 726
Education	16,727,675	24,025	1,963,711	-
Health and human services	24,071,364	174,607	17,281,290	-
Public safety and corrections	2,899,797	168,028	158,783	16,956
Conservation, environment, recreation, and agriculture	932,250	360,981	237,787	6,855
Labor, commerce, and regulatory	821,050	789,277	399,299	-
Transportation	3,891,092	134,043	442,459	839,318
Tax credits (Note 16)	696,100	-	-	-
Intergovernmental-revenue sharing	1,289,064	-	-	-
Interest on long-term debt	287,506	-	-	-
Total governmental activities	54,950,789	2,278,258	20,636,711	863,854
Business-type Activities:				
Liquor Purchase Revolving Fund	953,854	1,181,472	-	-
State Lottery Fund	2,654,651	3,591,929	-	-
Attorney Discipline System	5,077	4,699	394	-
Michigan Unemployment Compensation Funds	793,535	1,276,504	90,017	-
Total business-type activities	4,407,117	6,054,603	90,410	-
Total primary government	$ 59,357,906	$ 8,332,861	$ 20,727,121	$ 863,854
Total component units	$ 5,122,629	$ 2,765,194	$ 1,317,558	$ 31,299

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
Essential services 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
Extraordinary items
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
$ (2,553,487)	$ -	**$ (2,553,487)**	$ -
(14,739,939)	-	**(14,739,939)**	-
(6,615,467)	-	**(6,615,467)**	-
(2,556,031)	-	**(2,556,031)**	-
(326,627)	-	**(326,627)**	-
367,526	-	**367,526**	-
(2,475,272)	-	**(2,475,272)**	-
(696,100)	-	**(696,100)**	-
(1,289,064)	-	**(1,289,064)**	-
(287,506)	-	**(287,506)**	-
(31,171,967)	-	**(31,171,967)**	-
-	227,618	**227,618**	-
-	937,278	**937,278**	-
-	16	**16**	-
-	572,986	**572,986**	-
-	1,737,897	**1,737,897**	-
(31,171,967)	1,737,897	**(29,434,070)**	-
-	-	-	(1,008,579)
2,899,347	-	**2,899,347**	-
8,109,910	-	**8,109,910**	-
942,942	-	**942,942**	-
567,634	-	**567,634**	-
164,204	-	**164,204**	-
393,357	-	**393,357**	-
1,250,422	-	**1,250,422**	-
99,290	-	**99,290**	-
194,309	-	**194,309**	-
554,313	-	**554,313**	-
6,455,104	-	**6,455,104**	-
2,948,984	-	**2,948,984**	-
2,339,504	-	**2,339,504**	-
339,070	-	**339,070**	-
56,405	-	**56,405**	-
115,423	-	**115,423**	-
61,328	-	**61,328**	-
103,275	-	**103,275**	-
1,469,228	-	**1,469,228**	-
1,295,268	-	**1,295,268**	-
4,535	-	**4,535**	-
25,327	(25)	**25,302**	114,663
740,953	57	**741,010**	363,624
-	-	-	941,938
19,675	-	**19,675**	-
-	-	-	(744)
1,222,917	(1,222,917)	-	-
32,372,724	(1,222,884)	**31,149,840**	1,419,481
1,200,757	515,013	**1,715,770**	410,902
9,085,024	3,931,248	**13,016,272**	8,925,855
$ 10,285,781	$ 4,446,260	**$ 14,732,042**	$ 9,336,757

STATE OF MICHIGAN
TUEBOR
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State Budget Office

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.

The fund receives State revenues restricted to local school programs, including: the constitutionally dedicated 60 percent of the collections of sales tax imposed at a rate of 4 percent and all of the collections of sales tax imposed at the additional rate of 2 percent; 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. General Fund allocations to the School Aid Fund that are not expended by the end of the state fiscal year are also transferred to the school aid stabilization fund.

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 178.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	**TOTALS**
ASSETS				
Current Assets:				
Cash	$ 9,164	$ 1	$ 2,159	**$ 11,323**
Equity in common cash (Note 5)	1,509,384	-	1,966,006	**3,475,391**
Taxes, interest, and penalties receivable (Note 6)	3,250,263	2,132,874	155,334	**5,538,471**
Amounts due from other funds (Note 19)	1,298,403	5,000	68,641	**1,372,044**
Amounts due from component units	716	-	4,031	**4,747**
Amounts due from federal agencies	2,279,128	69,525	209,812	**2,558,465**
Amounts due from local units	78,859	35,298	80,814	**194,970**
Inventories	8,080	-	7,895	**15,976**
Investments (Note 8)	-	-	193,227	**193,227**
Other current assets	893,158	12	277,355	**1,170,525**
Total Current Assets	9,327,156	2,242,709	2,965,273	**14,535,138**
Noncurrent Assets:				
Taxes, interest, and penalties receivable (Note 6)	261,019	59,539	4,072	**324,631**
Advances to other funds (Note 19)	1,301	-	-	**1,301**
Amounts due from federal agencies	15,519	-	-	**15,519**
Amounts due from local units	908,759	761	67,266	**976,786**
Investments (Note 8)	-	-	1,334,838	**1,334,838**
Other noncurrent assets	8,874	-	1,493	**10,367**
Total Noncurrent Assets	1,195,471	60,300	1,407,669	**2,663,441**
Total Assets	$ 10,522,627	$ 2,303,010	$ 4,372,942	**$ 17,198,579**
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities (Note 24)	$ 2,873,219	$ 161,224	$ 606,434	**$ 3,640,878**
Income tax refunds payable (Note 16)	1,003,690	-	-	**1,003,690**
Amounts due to other funds (Note 19)	77,711	1,247,028	94,574	**1,419,312**
Amounts due to component units	7,256	4,262	54,840	**66,358**
Bonds and notes payable	-	-	46,390	**46,390**
Interest payable	-	-	40	**40**
Unearned revenue	80,728	1	8,778	**89,506**
Total Current Liabilities	4,042,604	1,412,515	811,055	**6,266,175**
Long-Term Liabilities:				
Advances from component units	802,452	-	-	**802,452**
Unearned revenue	4,654	-	63	**4,716**
Total Long-Term Liabilities	807,106	-	63	**807,169**
Total Liabilities	4,849,710	1,412,515	811,118	**7,073,344**
DEFERRED INFLOWS OF RESOURCES (Note 28)	1,970,257	456,990	177,512	**2,604,759**
FUND BALANCES				
Nonspendable	17,813	-	1,063,885	**1,081,697**
Restricted	591,065	433,505	2,020,329	**3,044,898**
Committed	2,128,981	-	363,400	**2,492,381**
Assigned	176,480	-	-	**176,480**
Unassigned (Note 22)	788,321	-	(63,301)	**725,020**
Total Fund Balances (Note 23)	3,702,660	433,505	3,384,312	**7,520,477**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,522,627	$ 2,303,010	$ 4,372,942	**$ 17,198,579**

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, 2018
(In Thousands)

Total fund balances for governmental funds		$ 7,520,477
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	3,726,350	
Buildings, equipment, and other depreciable assets	5,096,891	
Infrastructure	15,057,148	
Construction in progress	2,020,445	
Interest in joint ventures	37,800	
Accumulated depreciation	(2,721,215)	23,217,418
Certain tax revenues are earned but not available and therefore are reported as deferred inflows of resources in the funds.		2,314,707
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.		290,052
Amounts due to component units for long-term loans.		(627,976)
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.		(393,357)
Pension related assets are not available in the current period and therefore are not reported in the funds.		26,512
Deferred outflows of resources not reported in the funds:		
Refunding of debt		26,026
Pension related		844,760
OPEB related		729,801
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.		130
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	(384,669)	
Compensated absences	(373,987)	
Workers' compensation	(49,556)	
Financed infrastructure projects	(60,197)	
Net pension liability	(5,641,843)	
Net OPEB liability	(9,654,912)	
Pollution remediation	(167,926)	
Other long-term liabilities	(365,185)	(16,698,275)
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	(5,772,596)	
Unamortized premiums	(484,644)	
Unamortized discounts	3,868	
Accrued interest payable	(100,577)	(6,353,950)
Deferred inflows of resources not reported in the funds:		
Refunding of debt		(8,312)
Pension related		(357,400)
OPEB related		(244,830)
Net position of governmental activities		$ 10,285,781

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, 2018
(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	**TOTALS**
REVENUES				
Taxes	$ 15,164,813	$ 12,323,724	$ 2,871,166	**$ 30,359,702**
From federal agencies	18,188,110	1,602,840	1,213,846	**21,004,796**
From local agencies	91,962	-	16,551	**108,513**
From services	356,616	-	7,859	**364,475**
From licenses and permits	352,869	-	232,896	**585,765**
Special Medicaid reimbursements	149,350	-	-	**149,350**
Miscellaneous	924,284	26,680	1,160,832	**2,111,796**
Total Revenues	35,228,004	13,953,244	5,503,150	**54,684,397**
EXPENDITURES				
Current:				
General government	2,575,252	11,886	177,808	**2,764,946**
Education	1,793,439	14,814,218	100,299	**16,707,956**
Health and human services	23,871,406	-	53,605	**23,925,010**
Public safety and corrections	2,722,665	-	2,391	**2,725,056**
Conservation, environment, recreation, and agriculture	600,677	-	294,396	**895,072**
Labor, commerce, and regulatory	591,201	-	668,148	**1,259,349**
Transportation	123,308	-	2,811,032	**2,934,340**
Tax credits (Note 16)	696,100	-	-	**696,100**
Capital outlay	109,848	-	1,187,671	**1,297,519**
Intergovernmental-revenue sharing	1,289,064	-	-	**1,289,064**
Debt service:				
Bond principal retirement	-	-	415,853	**415,853**
Bond interest and fiscal charges	-	-	281,758	**281,758**
Capital lease payments	70,907	-	1,260	**72,168**
Total Expenditures	34,443,866	14,826,104	5,994,222	**55,264,192**
Excess of Revenues over (under) Expenditures	784,138	(872,860)	(491,072)	**(579,795)**
OTHER FINANCING SOURCES (USES)				
Bonds and bond anticipation notes issued	147,425	-	1,775	**149,200**
Premium on bond issuance	4,060	-	49	**4,108**
Capital lease acquisitions	22,994	-	389	**23,383**
Proceeds from sale of capital assets	6,236	-	2,218	**8,454**
Transfers from other funds (Note 21)	287,208	944,448	2,283,872	**3,515,528**
Transfers to other funds (Note 21)	(435,574)	(125,265)	(1,727,466)	**(2,288,305)**
Total Other Financing Sources (Uses)	32,349	819,183	560,837	**1,412,368**
Net changes in fund balances	816,487	(53,678)	69,765	**832,574**
Fund Balances - Beginning of fiscal year - restated	2,886,174	487,182	3,314,548	**6,687,903**
Fund Balances - End of fiscal year	$ 3,702,660	$ 433,505	$ 3,384,312	**$ 7,520,477**

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, 2018

(In Thousands)

Net change in fund balance - total governmental funds		$ 832,574
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	87,765	
Buildings, equipment, and other depreciable assets	185,386	
Infrastructure	210,896	
Construction in progress	15,373	
Gain (loss) on disposal of capital assets	(9,110)	
Accumulated depreciation	(201,642)	288,668
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.		2,688
Increase (decrease) in equity interest in joint ventures (Note 7).		(1,417)
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.		4,150
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.		(18,163)
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 repayments exceed proceeds. (Note 13)		
Bond proceeds and premiums received	(153,308)	
Repayment of bond principal	415,853	
Accrued interest and amortization	43,289	305,834
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 obligation reported in the Statement of Net Position. In the current year, these amounts related to:		
Pension costs, net	(267,926)	
OPEB costs, net	(89,904)	
Advances from component units	382,741	
Capital leases	5,109	
Compensated absences payments	2,414	
Litigation recoveries, settlements and payments	(243,450)	
Pollution remediation obligations	(9,438)	
Workers' compensation	5,822	
Financed infrastructure projects	4,640	
Other	(3,584)	(213,576)
Change in net position of governmental activities		$ 1,200,757

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

STATE OF MICHIGAN
TUEBOR
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State Budget Office

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, the change in net other postemployment benefits obligation, capital assets (leasehold improvements and equipment), and the change in net pension liability and deferred inflows and outflows related to pensions. These are required by Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.

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 unemployment insurance benefit overpayments and 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.

Non-Major Funds

Individual fund statements for the Enterprise Funds, whose combined totals are presented on this statement, begin on page 238.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 242.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	
ASSETS					
Current Assets:					
Cash	$ 2	$ 5,490	$ 2,212	**$ 7,704**	$ 35
Cash on deposit with fiscal agent	-	4,196,465	-	**4,196,465**	-
Equity in common cash (Note 5)	4,108	160,104	118,861	**283,074**	438,692
Amounts due from other funds (Note 19)	-	503	-	**503**	33,200
Amounts due from component units	-	296	-	**296**	367
Amounts due from federal agencies	-	643	-	**643**	-
Amounts due from local units	-	18,273	-	**18,273**	-
Inventories	18,700	-	8,189	**26,889**	10,565
Investments (Note 8)	16,656	-	2,933	**19,590**	-
Other current assets	151,974	192,993	12,464	**357,431**	69,510
Total Current Assets	191,440	4,574,768	144,659	**4,910,866**	552,368
Noncurrent Assets:					
Investments (Note 8)	157,686	-	4,023	**161,710**	-
Capital Assets (Note 9):					
Land and other non depreciable assets	-	-	-	-	78,270
Buildings and equipment	6,485	-	715	**7,200**	1,496,365
Allowance for depreciation	(4,982)	-	(544)	**(5,526)**	(921,508)
Construction in progress	-	-	-	-	155
Total capital assets	1,503	-	171	**1,674**	653,281
Other noncurrent assets	-	23,500	-	**23,500**	2,750
Total Noncurrent Assets	159,190	23,500	4,194	**186,884**	656,031
Total Assets	350,629	4,598,268	148,853	**5,097,750**	1,208,399
DEFERRED OUTFLOWS OF RESOURCES	6,256	-	3,758	**10,014**	73,116
LIABILITIES					
Current Liabilities:					
Accounts payable and other liabilities (Note 24)	171,519	26,685	109,976	**308,180**	134,063
Amounts due to other funds (Note 19)	5,351	1,246	33,717	**40,314**	30,523
Amounts due to component units	-	-	345	**345**	-
Interest payable	-	-	-	-	2,150
Unearned revenue	-	-	35	**35**	78,233
Current portion of other long-term obligations (Note 15)	1,013	-	1,129	**2,142**	71,171
Total Current Liabilities	177,883	27,931	145,201	**351,015**	316,140
Long-Term Liabilities:					
Advances from other funds (Note 19)	-	-	-	-	1,301
Prize awards payable	155,565	-	-	**155,565**	-
Unearned revenue	-	-	-	-	385,231
Noncurrent portion of other long-term obligations (Note 15)	64,963	47,447	38,610	**151,020**	943,803
Total Long-Term Liabilities	220,528	47,447	38,610	**306,586**	1,330,335
Total Liabilities	398,411	75,378	183,811	**657,601**	1,646,475
DEFERRED INFLOWS OF RESOURCES	2,423	-	1,480	**3,903**	28,398
NET POSITION					
Net investment in capital assets	960	-	9	**969**	544,376
Restricted For:					
Unemployment compensation	-	4,522,890	-	**4,522,890**	-
Other purposes	-	-	2,871	**2,871**	-
Unrestricted	(44,909)	-	(35,560)	**(80,469)**	(937,734)
Total Net Position	$ (43,949)	$ 4,522,890	$ (32,680)	**$ 4,446,260**	$ (393,357)

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, 2018
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Operating revenues	$ 3,591,929	$ 1,276,504	$ 1,186,170	**$ 6,054,603**	$ 1,888,415
Total Operating Revenues	3,591,929	1,276,504	1,186,170	**6,054,603**	1,888,415
OPERATING EXPENSES					
Salaries, wages, and other administrative	431,910	33	93,455	**525,398**	892,842
Interest expense	10	-	-	**10**	-
Depreciation	732	-	13	**745**	125,724
Purchases for resale	-	-	864,533	**864,533**	64,801
Purchases for prison industries	-	-	-	-	5,919
Lottery prize awards	2,215,041	-	-	**2,215,041**	-
Premiums and claims	-	-	3	**3**	744,816
Unemployment benefits	-	785,758	-	**785,758**	-
Other operating expenses	86	7,744	912	**8,742**	67,540
Total Operating Expenses	2,647,779	793,535	958,916	**4,400,230**	1,901,641
Operating Income (Loss)	944,149	482,969	227,254	**1,654,372**	(13,226)
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	921	89,984	3,250	**94,156**	5,166
Investment revenue (expense) - net	(4,196)	-	394	**(3,802)**	-
Other nonoperating revenues	-	32	58	**90**	2,253
Amortization of prize award obligation discount	(6,825)	-	-	**(6,825)**	-
Interest expense	(47)	-	(15)	**(62)**	(4,756)
Other nonoperating expense	-	-	-	-	(3,549)
Total Nonoperating Revenues (Expenses)	(10,146)	90,017	3,687	**83,557**	(887)
Income (Loss) Before Transfers	934,003	572,986	230,941	**1,737,930**	(14,113)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Transfers To:					
School Aid Fund	(941,283)	-	-	**(941,283)**	-
Other funds	(6,088)	(44,649)	(230,897)	**(281,634)**	(4,050)
Total transfers to other funds	(947,370)	(44,649)	(230,897)	**(1,222,917)**	(4,050)
Change in net position	(13,368)	528,337	44	**515,013**	(18,163)
Total net position - Beginning of fiscal year - restated	(30,582)	3,994,553	(32,724)	**3,931,248**	(375,194)
Total net position - End of fiscal year	$ (43,949)	$ 4,522,890	$ (32,680)	**$ 4,446,260**	$ (393,357)

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	$ -	$ 8,264	$ -	$ **8,264**	$ -
Receipts from customers	3,575,841	1,257,122	1,180,794	**6,013,757**	1,945,750
Membership dues	-	-	4,476	**4,476**	-
Payments to employees	(24,245)	-	(14,456)	**(38,701)**	(316,210)
Payments to suppliers	(66,095)	-	(938,022)	**(1,004,117)**	(723,439)
Payments to prize winners	(2,181,625)	-	-	**(2,181,625)**	-
Payments for commissions to retailers	(334,025)	-	-	**(334,025)**	-
Claims paid	-	(791,130)	(3)	**(791,132)**	(768,267)
Other receipts	-	19,984	170	**20,154**	4,986
Other payments	-	(33)	(1,183)	**(1,216)**	(3,516)
Net cash provided (used) by operating activities	969,851	494,207	231,776	**1,695,834**	139,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances from federal government	-	32	-	**32**	-
Loans or loan repayments from other funds	-	-	-	**-**	50,120
Loans or loan repayments to other funds	-	-	-	**-**	(50,120)
Transfers to other funds	(980,945)	(44,692)	(197,382)	**(1,223,020)**	(4,050)
Net cash provided (used) by noncapital financing activities	(980,945)	(44,660)	(197,382)	**(1,222,987)**	(4,050)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(725)	-	-	**(725)**	(26,308)
Interest paid	-	-	-	**-**	(15)
Capital lease payments (including imputed interest expense)	(69)	-	(14)	**(83)**	(27,663)
Proceeds from sale of capital assets	11	-	-	**11**	-
Net cash provided (used) by capital and related financing activities	(783)	-	(14)	**(797)**	(53,987)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(965)	-	(83)	**(1,048)**	-
Sale of investment securities	-	-	377	**377**	-
Proceeds from sales and maturities of investment securities	14,281	-	-	**14,281**	-
Interest and dividends on investments	921	89,984	3,250	**94,156**	5,166
Expenses from securities lending activities	(3)	-	-	**(3)**	-
Net cash provided (used) by investing activities	14,235	89,984	3,545	**107,763**	5,166
Net cash provided (used) - all activities	2,357	539,531	37,925	**579,813**	86,432
Cash and cash equivalents at beginning of year	1,752	3,822,529	83,148	**3,907,429**	352,294
Cash and cash equivalents at end of year	$ 4,110	$ 4,362,060	$ 121,073	$ **4,487,242**	$ 438,726

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

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Position Classifications:					
Cash	$ 2	$ 5,490	$ 2,212	$ **7,704**	$ 35
Cash on deposit with fiscal agent	-	4,196,465	-	**4,196,465**	-
Equity in common cash	4,108	160,104	118,861	**283,074**	438,692
Cash and cash equivalents at end of year	$ 4,110	$ 4,362,060	$ 121,073	$ **4,487,242**	$ 438,726
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 944,149	$ 482,969	$ 227,254	$ **1,654,372**	$ (13,226)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	732	-	13	**745**	125,724
Pension expense	4,980	-	1,566	**6,546**	57,618
Deferred Outflows - contributions	3,229	-	1,930	**5,159**	37,705
subsequent to measurement date	(6,024)	-	(3,634)	**(9,659)**	(70,392)
Amortization of prize award obligation discount	(6,825)	-	-	**(6,825)**	-
Other nonoperating revenues	(43)	-	58	**15**	2,253
Other nonoperating expenses	-	-	-	**-**	(3,464)
Other reconciling items	357	-	9	**366**	5
Net Changes in Assets and Liabilities:					
Inventories	(760)	-	(765)	**(1,525)**	2,557
Other assets (net)	(15,930)	13,040	(790)	**(3,680)**	(88,914)
Accounts payable and other liabilities	5,745	(1,802)	6,581	**10,524**	52,568
Prize awards payable	40,241	-	-	**40,241**	-
Unearned revenue	-	-	(445)	**(445)**	36,870
Net cash provided (used) by operating activities	$ 969,851	$ 494,207	$ 231,776	$ **1,695,834**	$ 139,304
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Cost of capital assets acquisitions financed by capital leases	$ -	$ -	$ 162	$ **162**	$ 122,259
Capital lease liabilities entered into during the year	(291)	-	(162)	**(453)**	(122,259)
Increase (decrease) in fair value of investments	(11,183)	-	-	**(11,183)**	-
Transfers to other funds (accrual)	(5,000)	(332)	-	**(5,332)**	-
Gain (loss) on disposal of capital assets	-	-	-	**-**	(86)
Total noncash investing, capital, and financing activities	$ (16,474)	$ (332)	$ -	$ **(16,805)**	$ (86)

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FIDUCIARY FUND FINANCIAL STATEMENTS

Individual fund financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 250.
Private Purpose Trust Funds, page 258.
Agency Funds, page 261.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash	$ -	$ 3,802	$ 36,044
Equity in common cash (Note 5)	253,125	123,605	14,549
Receivables:			
From participants	151,313	-	-
From employers	401,412	-	-
Other	79,179	-	-
Interest and dividends	2,676	5,196	-
Due from other funds (Note 19)	19,516	-	-
Due from component unit	709	-	-
Due from other governmental	25,969	-	-
Sale of investments	50	-	-
Investments at Fair Value (Note 8):			
Short-term investments	1,638,234	-	-
Fixed income	8,825,311	15,674	-
Domestic equities	19,260,523	-	-
Real estate	7,688,319	855	-
Alternative investments	15,961	2,577	-
Private equity pools	11,970,766	-	-
International equities	12,559,287	-	-
Absolute return	10,976,537	-	-
Mutual funds	875,330	5,300,311	-
Pooled investment funds	5,184,698	-	-
Separate accounts	2,672,227	-	-
Guaranteed funding agreements	-	858,266	-
Securities lending collateral (Note 8)	3,306,928	-	-
Other current assets	-	26,199	42
Other noncurrent assets	-	450	290,740
Total Assets	85,908,070	6,336,935	341,376
LIABILITIES			
Accounts payable and other liabilities	252,054	18,694	50,635
Amounts due to other funds (Note 19)	294	21	-
Obligations under security lending	3,307,819	-	-
Unearned revenue	3,315	-	-
Other long-term liabilities	-	-	290,740
Total Liabilities	3,563,483	18,715	$ 341,376
NET POSITION			
Restricted for pension, postemployment health-care, deferred compensation participants, and other purposes	$ 82,344,587	$ 6,318,219	

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, 2018
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
From participants	$ 1,014,349	$ 650,838
From employers	5,220,807	-
From clients	-	53,254
From gifts, bequests, and endowments	-	17,759
From other governmental	184,259	-
From other systems	16,101	-
Investment Income:		
Net increase (decrease) in the fair value of investments	6,653,094	219,718
Interest, dividends, and other	1,735,246	153,370
Securities lending income	123,923	-
Less Investment Expense:		
Investment activity expense	299,816	-
Securities lending expense	70,172	-
Net investment income (loss)	8,142,275	373,088
Escheated property	-	98,130
Miscellaneous income	6,232	2,372
Total Additions	14,584,022	1,195,441
DEDUCTIONS		
Benefits paid to participants or beneficiaries	6,720,795	465,773
Medical, dental, and life insurance for retirants	978,100	-
Refunds and transfers to other systems	329,925	-
Amounts distributed to clients, claimants, or third parties	-	166,184
Administrative and other expenses	243,468	15,235
Total Deductions	8,272,288	647,192
Change in net position	6,311,735	548,248
Net position - Beginning of fiscal year	76,032,852	5,769,971
Net position - End of fiscal year	$ 82,344,587	$ 6,318,219

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

COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

MICHIGAN FINANCE AUTHORITY

Executive Order 2010-2 created the Michigan Finance Authority (MFA) to consolidate 10 different public finance authorities. In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the Land Bank Fast Track Authority was transferred to MFA. A seven-member Board of Directors, consisting of the State Treasurer and six appointees of the Governor with advice and consent of the State Senate, governs MFA.

MFA provides sources of funding for loans to governmental units, school districts, nonpublic nonprofit institutions of higher education, and healthcare corporations and facilities. MFA assists governmental units in financing and marketing municipal debt and tax-exempt bonds. MFA also enhances Michigan's student loan efforts by overseeing the collection of federal and state issued loans as well as through the administration of the Michigan Guaranty Agency. 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 corporate and politic created by Section 5 of the Michigan Strategic Fund Act, Michigan Compiled Laws Section 125.2005 to help diversify the economy of the State and to provide for economic development, through the administration of financial support for business development, community development, and state marketing activities, including the promotion of tourism and arts and cultural affairs.

MSF is governed by a board of 11 members, including the State Treasurer or his designee from within the Department of Treasury, the Chief Executive Officer of the Michigan Economic Development Corporation (MEDC), a person in the position of Vice President or higher at either the MEDC or the Department of Talent and Economic Development, appointed by the Governor, eight residents of the state appointed by the Governor.

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

Of the 10 universities included in this report, Central Michigan University and Western Michigan University are reported as major component units. 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 Component Units

The non-major component unit - authorities are presented beginning on page 266.

The non-major component unit - State universities are presented beginning on page 272.

STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2018
(In Thousands)

	AUTHORITIES			
	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	NON-MAJOR
ASSETS				
Current Assets:				
Cash	$ 52,255	$ 394,624	$ 103,169	$ 176,048
Equity in common cash (Note 5)	1,216,011	-	251,428	68,278
Amounts due from component units	-	-	1	30,173
Amounts due from primary government	423,305	-	150	9,711
Amounts due from federal government	1,172	-	10,462	-
Amounts due from local units	857,681	-	-	-
Inventories	-	-	-	702
Investments (Note 8)	1,791,064	286,384	-	18,315
Other current assets	222,604	53,100	63,235	17,763
Total Current Assets	4,564,092	734,108	428,444	320,990
Restricted Assets:				
Cash and cash equivalents	-	-	50,260	37,884
Investments	-	-	-	2,212
Mortgages and loans receivable	-	-	-	-
Advances to primary government	1,007,919	-	-	-
Amounts due from local units	6,341,695	-	-	-
Mortgages and loans receivable	437,129	2,564,852	75,566	10,315
Investments (Note 8)	609,984	591,621	-	1,400,774
Land and property held for resale	-	-	-	11,850
Capital Assets (Note 9):				
Land and other non-depreciable assets	-	-	-	985
Buildings, equipment, and other depreciable assets	-	21,000	-	58,669
Less accumulated depreciation	-	(44)	-	(39,846)
Infrastructure	-	-	-	102,950
Construction in progress	-	-	-	-
Total capital assets	-	20,956	-	122,758
Other noncurrent assets	-	68,385	568,722	37,008
Total Assets	12,960,818	3,979,923	1,122,992	1,943,790
DEFERRED OUTFLOWS OF RESOURCES (Note 28)	46,312	64,202	3,338	26,690

This statement continues on next page.

STATE UNIVERSITIES			
CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	**TOTALS**
$ 38,443	$ 214,800	$ 260,452	**$ 1,239,791**
-	-	-	**1,535,717**
-	-	4	**30,178**
53,728	19,887	152,779	**659,559**
2,044	2,804	14,512	**30,995**
-	4	6,824	**864,509**
4,245	3,002	9,748	**17,697**
-	23,388	98,837	**2,217,988**
23,861	31,026	87,617	**499,206**
122,321	294,911	630,774	**7,095,640**
1	-	60,608	**148,752**
-	410,880	384,559	**797,652**
-	-	18,907	**18,907**
-	-	-	**1,007,919**
-	-	-	**6,341,695**
-	8,049	32,198	**3,128,109**
403,765	182,608	922,472	**4,111,224**
-	-	-	**11,850**
13,761	120,372	205,026	**340,144**
962,865	1,305,141	4,644,056	**6,991,731**
(439,930)	(569,923)	(1,975,208)	**(3,024,951)**
-	-	-	**102,950**
13,731	33,638	237,280	**284,649**
550,427	889,226	3,111,153	**4,694,521**
5,219	14,411	67,856	**761,601**
1,081,733	1,800,086	5,228,526	**28,117,868**
18,653	16,453	68,714	**244,362**

STATEMENT OF NET POSITION
COMPONENT UNITS (Continued)
SEPTEMBER 30, 2018
(In Thousands)

	AUTHORITIES			
	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	NON-MAJOR
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 37,724	$ 42,919	$ 54,739	$ 29,679
Amounts due to component units	-	-	29,313	47
Amounts due to primary government	419	-	71	4,651
Bonds and notes payable (Note 14)	1,186,539	70,495	22,990	60
Interest payable	124,722	12,124	4,950	4,444
Unearned revenue	3,275	-	11,616	3,450
Current portion of other long-term obligations	-	12,564	541	72,539
Total Current Liabilities	1,352,678	138,102	124,220	114,870
Unearned revenue	-	-	123,909	888
Bonds and notes payable (Note 14)	8,435,553	2,533,468	323,163	251,455
Noncurrent portion of other long-term obligations	42,519	563,071	17,035	894,297
Total Liabilities	9,830,750	3,234,641	588,327	1,261,510
DEFERRED INFLOWS OF RESOURCES (Note 28)	1,864	18,986	424	2,590
NET POSITION				
Net investment in capital assets	-	20,956	-	121,243
Restricted For:				
Education	-	-	-	-
Construction and debt service	4,174,073	434,314	-	3,340
Other purposes	-	94,823	684,969	253,479
Funds Held as Permanent Investments:				
Expendable	-	-	-	32,813
Nonexpendable	-	-	-	-
Unrestricted	(999,556)	240,406	(147,390)	295,504
Total Net Position	$ 3,174,517	$ 790,499	$ 537,578	$ 706,380

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

STATE UNIVERSITIES			
CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	**TOTALS**
$ 66,755	$ 174,614	$ 262,859	**$ 669,289**
-	-	-	**29,360**
2,592	-	1,642	**9,375**
6,201	83,642	55,167	**1,425,095**
1,479	1,973	11,843	**161,533**
12,385	8,673	67,628	**107,028**
382	5,684	18,178	**109,888**
89,794	274,586	417,317	**2,511,567**
39	-	29,739	**154,575**
152,667	308,108	1,370,196	**13,374,611**
187,773	370,043	599,231	**2,673,968**
430,273	952,737	2,416,482	**18,714,721**
7,532	129,363	149,994	**310,752**
389,889	445,495	1,695,346	**2,672,929**
26,218	5,476	142,023	**173,718**
6,328	-	32,557	**4,650,612**
-	132,617	44,505	**1,210,393**
30,790	-	143,468	**207,071**
59,763	90,460	362,011	**512,233**
149,594	60,390	310,854	**(90,198)**
$ 662,582	$ 734,438	$ 2,730,764	**$ 9,336,757**

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Authorities:					
Michigan Finance Authority	$ 576,346	$ 423,682	$ 242,744	$ -	$ 90,080
Michigan State Housing Development Authority	774,765	170,725	542,661	-	(61,379)
Michigan Strategic Fund	350,287	1,698	23,130	-	(325,459)
Non-Major	185,900	44,858	216,391	389	75,737
State Universities:					
Central Michigan University	511,325	358,447	38,995	4,577	(109,306)
Western Michigan University	682,105	424,414	62,002	1,338	(194,350)
Non-Major	2,041,902	1,341,371	191,634	24,995	(483,902)
Total	$ 5,122,629	$ 2,765,194	$ 1,317,558	$ 31,299	$ (1,008,579)

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

GENERAL REVENUES						
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	EXTRAORDINARY ITEMS	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
$ -	$ -	$ -	$ -	$ 90,080	$ 3,084,437	$ 3,174,517
3,953	-	-	-	(57,426)	847,925	790,499
13,803	249,359	70,135	-	7,838	529,741	537,578
29,945	80,678	7,616	-	193,976	512,404	706,380
14,995	88,418	27,007	-	21,113	641,468	662,582
12,365	110,572	106,191	-	34,777	699,661	734,438
39,604	412,912	152,675	(744)	120,545	2,610,219	2,730,764
$ 114,663	$ 941,938	$ 363,624	$ (744)	$ 410,902	$ 8,925,855	$ 9,336,757

STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
State Budget Office

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

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Notes to the Financial Statements

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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.

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 receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

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 corporation 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 10 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 had significant transactions with its major discretely presented component units. The significant transactions consist of appropriations to public universities, including $110.6 million to Western Michigan University and $88.4 million to Central Michigan University. The financial statements also reflect a $908.8 million liability related to loans to school districts that have been assigned to Michigan Finance Authority (MFA) and a $521.7 million liability related to amounts owed to MFA from the transfer of bond proceeds to the State that were used to repay federal advances to the State's unemployment trust account. The bonds were secured by an unemployment obligation assessment, which is collected by the State from employers and transferred to MFA to be used for debt service.

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

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

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

The State's Governor is responsible for appointing members of the council of the Local Community Stabilization Authority, but the State's accountability does not extend beyond making the appointments.

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

Jointly Governed Organizations
The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a nonprofit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2018, the State awarded contracts totaling $93.9 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 2018, the State awarded contracts totaling $1.9 million to DWCHA.

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The School Aid Fund's purpose is to aid in the support of the public schools, intermediate school districts, higher education and school employee's retirement systems of the State. The fund receives state revenues restricted to local school programs, including the State Education (property) Tax, portions of the sales and personal income taxes, State Lottery Fund earnings, and a percentage of the adjusted gross receipts from casino gaming. The fund also receives General Fund allocations that are not expended by the end of the State fiscal year.

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

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

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

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

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

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

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

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

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

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

Fiscal Year-Ends

All funds and discretely presented component units are reported using fiscal years which end on September 30, except for MSHDA and the 10 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," "Cash on deposit with fiscal agent," and "Equity in common cash."

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 and GASB Statement No. 72, Fair Value Measurement and Application. 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 (e.g., 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 acquisition value. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

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

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

Deferred Outflows of Resources
Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period; they increase net position, similar to assets. Note 28 provides further detail on the components of deferred outflows of resources.

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, 2018, long-term prize awards of $223.1 million were reported at a present value of $155.6 million, using discount rates ranging from 2.3 to 6.5 percent.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling $151.1 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 percent 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 percent 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 50.0 percent 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 0.0 to 50.0 percent, depending upon the balance of their sick leave hours. Sick leave is valued at 0.0 to 50.0 percent plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2018.

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

The unpaid hours worked accrue to a banked leave time account. Upon an employee's separation, death, or retirement from State service, unused banked leave time hours shall be contributed by the State to the employee's account within the State of Michigan 401K Plans, and if applicable, to the State of Michigan 457 Plans. The banked leave liability is valued at the pay rates in effect as of September 30, 2018.

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 28 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 (e.g., 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 2018, interest charges on general long-term liabilities totaling $47.9 million were reported as functional expenses.

Fund Financial Statements
In the governmental fund financial statements, revenues are reported by sources. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by state law or by outside restriction (e.g., 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 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.

Major Funds:

Governmental:
- General Fund* (p. 34)
- School Aid Fund* (p. 34)

Proprietary:
- State Lottery Fund (p. 40)
- Michigan Unemployment Compensation Funds (p. 40)

Non-Major Funds:

Governmental:

Special Revenue Funds:

Transportation Related:
- Michigan Transportation Fund* (p. 186)
- Comprehensive Transportation Fund* (p. 186)

Conservation, Environment, and Recreation Related:
- Michigan Conservation and Recreation Legacy Fund* (p. 192)
- Michigan Game and Fish Protection Trust Fund (p. 192)
- Michigan Nongame Fish and Wildlife Trust Fund* (p. 193)
- Forest Development Fund* (p. 193)
- Bottle Deposits Fund (p. 193)

Regulatory and Administrative Related:
- Homeowner Construction Lien Recovery Fund* (p. 200)
- Michigan Employment Security Act – Administration Fund* (p. 200)
- Safety Education and Training Fund* (p. 200)
- Second Injury Fund (p. 200)
- Self-Insurers' Security Fund (p. 200)
- Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 201)
- State Construction Code Fund* (p. 201)
- Utility Consumer Representation Fund (p. 201)
- Unemployment Obligation Trust Fund (p. 201)
- State Casino Gaming Fund* (p. 201)

Other State Funds:
- 21st Century Jobs Trust Fund* (p. 210)
- Michigan Merit Award Trust Fund* (p. 210)
- Children's Trust Fund* (p. 210)
- Military Family Relief Fund* (p. 211)
- Community District Education Trust Fund* (p. 211)
- Miscellaneous Special Revenue Funds (p. 211)

Debt Service Funds:
- Combined State Trunkline Bond and Interest Redemption Fund (p. 218)
- Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 218)
- Recreation and Environmental Protection Bond Redemption Fund (p. 218)
- School Loan Bond Redemption Fund (p. 219)
- State Building Authority (p. 219)

Capital Projects Funds:
- State Trunkline Fund* (p. 224)
- State Aeronautics Fund* (p. 224)
- Combined State Trunkline Bond Proceeds Fund (p. 224)
- Combined Comprehensive Transportation Bond Proceeds Fund (p. 224)
- Transportation Related Trust Funds (p. 225)
- State Building Authority (p. 225)
- Advance Financing Funds (p. 225)

Permanent Funds:
- Michigan Natural Resources Trust Fund* (p. 232)
- Michigan State Parks Endowment Fund* (p. 232)
- Michigan Veterans' Trust Fund* (p. 232)

Proprietary:

Enterprise Funds:
- Attorney Discipline System (p. 238)
- Liquor Purchase Revolving Fund (p. 238)

Internal Service Funds:
- Correctional Industries Revolving Fund (p. 242)
- State Sponsored Group Insurance Fund (p. 242)
- Information Technology Fund (p. 242)
- Office Services Revolving Fund (p. 243)
- Motor Transport Fund (p. 243)
- Risk Management Fund (p. 243)

Fiduciary:

Pension (and other employee benefit) Trust Funds:
- State of Michigan 457 Plans (p. 250)
- Legislative Pension Benefits Fund (p. 250)
- Legislative Other Postemployment Benefits Fund (p. 250)
- State Police Pension Benefits Fund (p. 250)
- State Police Other Postemployment Benefits Fund (p. 251)
- State Employees' Pension Benefits Fund (p. 251)
- State Employees' Other Postemployment Benefits Fund (p. 251)
- Public School Employees' Pension Benefits Fund (p. 251)
- Public School Employees' Other Postemployment Benefits Fund (p. 251)
- Judges' Pension Benefits Fund (p. 251)
- Judges' Other Postemployment Benefits Fund (p. 252)
- Military Pension Benefits Fund (p. 252)
- State of Michigan 401K Plans (p. 252)

Private Purpose Trust Funds:
- Michigan Education Savings Program (p. 258)
- Escheats Fund (p. 258)
- Gifts, Bequests, and Deposits Investment Fund (p. 258)
- Hospital Patients' Trust Fund (p. 258)

Agency Funds:
- Environmental Quality Deposits Fund (p. 261)
- Insurance Carrier Deposits Fund (p. 261)
- City Income Tax – Trust Fund (p. 261)
- Child Support Collection Fund (p. 261)
- Social Welfare Fund (p. 261)

Discretely Presented Component Units:

Authorities:

Major Component Units:
- Michigan Finance Authority (p. 50)
- Michigan State Housing Development Authority (p. 50)
- Michigan Strategic Fund (p. 50)

Non-Major Component Units:
- Farm Produce Insurance Authority (p. 266)
- Land Bank Fast Track Authority (p. 266)
- Mackinac Bridge Authority (p. 266)
- Mackinac Island State Park Commission (p. 266)
- Michigan Early Childhood Investment Corporation (p. 267)
- Michigan Economic Development Corporation (p. 267)
- Michigan Education Trust (p. 267)
- State Bar of Michigan (p. 267)
- Venture Michigan Fund (p. 267)

State Universities (1):

Major Component Units:
- Central Michigan University (p. 51)
- Western Michigan University (p. 51)

Non-Major Component Units:
- Eastern Michigan University (p. 272)
- Ferris State University (p. 272)
- Grand Valley State University (p. 272)
- Lake Superior State University (p. 272)
- Michigan Technological University (p. 273)
- Northern Michigan University (p. 273)
- Oakland University (p. 273)
- Saginaw Valley State University (p. 273)

(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 percent.

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2018 are not yet complete. For fiscal year 2017, 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 55.88 percent, reflecting payments that exceeded the minimum required by $2.1 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2018.

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 percent. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1.0 percent or more, the amount in excess must be refunded to personal income tax payers and payers of the State's Corporate Income Tax. If the limit is exceeded by an amount less than 1.0 percent, 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 2018 are not final. For fiscal year 2017, the most recent year for which final calculations are available, total state revenues subject to this limitation were beneath the constitutional limit by $9.2 billion. The State expects that total state revenues subject to the limitation will not exceed the limit for fiscal year 2018.

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 2.0 percent and allows withdrawals from the fund when real economic growth is less than 0.0 percent. Funds can also be withdrawn when the State's unemployment rate exceeds 8.0 percent 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	$	710.0
Interest income		13.5
Tobacco settlement proceeds		17.5
Deposits		265.0
Withdrawals		-
Ending committed fund balance	$	1,006.0

During fiscal year 2014, $194.8 million was transferred to the Michigan Settlement Administration Authority to support the Detroit bankruptcy settlement. That withdrawal is being repaid to the fund in the amount of $17.5 million annually from tobacco settlement funds, beginning in fiscal year 2015. The remaining balance due from the tobacco settlement funds as of September 30, 2018, is $124.8 million.

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 $320.5 million for fiscal year 2018.

Budgetary Overexpenditures
In the event that expenditures exceed authorization during a year, the State 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 overexpenditures or line-item overexpenditures, by State departments, during the year.

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

General Fund and School Aid Fund

Beginning fund balance was decreased for the General Fund and increased for the School Aid Fund by $56.9 million. This reflects $24.8 million in unrecorded use tax transfers required by MCL 205.111 and $32.1 million in Local Community Stabilization Authority transfers that should have been made from the General Fund instead of the School Aid Fund.

Implementation of GASB Statement No. 75

During fiscal year 2018, the State of Michigan adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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 other postemployment benefit (OPEB) liability for the unfunded postemployment benefit plan legacy costs. Some of the changes in this net OPEB liability each year will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to Note 28 for further details. The implementation of this standard resulted in the restatement of the beginning net position for the financial period reported in the September 30, 2018 SOMCAFR, as detailed below. Restatement of the previous reporting year financial statements were not practical as all necessary information for such restatements was not available from the OPEB 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 $297.0 million. Beginning net position for non-University discretely presented component units decreased by $119.2 million. Beginning net position for proprietary enterprise funds decreased by $43.3 million. Beginning net position for governmental activities in the government-wide statements decreased by $6.8 billion, which includes a decrease of $347.1 million for the proprietary internal service funds.

Capital Assets

As a result of the implementation of an Enterprise Resource Planning (ERP) system, a state-wide review concluded that the beginning balance for construction in progress (infrastructure) capital assets was overstated by $179.3 million. The restatement of this balance resulted in a decrease in beginning net investment in capital assets of $179.3 million in the government-wide statements.

Oakland University

Oakland University, a discretely presented component unit, decreased its beginning net position by $2.4 million to reflect the implementation of GASB Statement No. 81, Irrevocable Split-Interest Agreements.

Western Michigan University

Western Michigan University, a discretely presented component unit, decreased its beginning net position by $6.8 million to reflect the implementation of GASB Statement No. 81.

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 2018.

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 as follows (in millions):

Recipient	Max Outstanding	Max Recipient Balance
Municipalities other than school districts	$ 48.0	$ 20.0
Municipal school district transitional operating costs	150.0	150.0
Municipal school districts	70.0	20.0
Wayne County	159.9	159.9

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, 2018, was $53.1 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. A principal repayment of $0.04 million was made on the loan in fiscal year 2018.

In fiscal year 2016 the Emergency Financial Assistance Loan Board authorized the lending of $150.0 million to the School District of the City of Detroit to finance the transitional operating cost of the School District of the City of Detroit to the new district, the Detroit Public Schools Community District in accordance with Public Acts 192 and 197 of 2016. The note bears a 1.3 percent per annum interest rate that may be adjusted by the local Emergency Financial Assistance Loan Board. Interest payments are due every six months starting in September 2016 with principal payments starting September 2022. The note will be paid off by 2026.

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

Assets	
Cash on hand	$ -
Demand deposits	768.5
Time deposits - regular	-
Prime commercial paper - at cost	5,058.3
Interest receivable	6.6
Emergency loans to local units - at cost	290.7
Total Assets	$ 6,124.2
Equities	
Fund equities (net) in common cash:	
Governmental activities	$ 3,914.1
Business-type activities	283.1
Fiduciary funds	391.3
Discretely presented component units	1,535.7
Net Fund Equities	$ 6,124.2

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 19 summarizes interfund receivables and liabilities.

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

Common Cash Deposits

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

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

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

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

The Treasurer’s policy requires the following criteria to lessen custodial credit risk: all financial institutions holding the State’s money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State’s funds; a bank, savings and loan association, or credit union holding state funds must be organized under the laws of Michigan or federal law and maintain a principal office or branch office in the State of Michigan; no deposit in any financial organization may be in excess of 50.0 percent of the net worth of the organization.

At September 30, 2018, the carrying amount of deposits, including time and demand deposits, was $768.5 million. The demand deposit carrying amount includes checks outstanding of $118.1 million. The deposits were reflected in the accounts of the banks at $886.6 million. Of the bank balance, $4.5 million was covered by federal depository insurance and $881.1 million 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 $888.3 million at September 30, 2018.

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, 2018.

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, 2018, 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 within one of the two highest ratings classifications (“1” or “2”) at the time of purchase from not less than two of the nationally recognized ratings organizations specified in Public Act 314 of 1965, as amended. Borrowers must have at least $400.0 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10% of the borrower’s outstanding debt.

Emergency municipal loans are evidenced by unrated notes held by the State in the State’s name. At September 30, 2018 prime commercial paper investments were rated at A-1 or P-1.

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

The Treasurer’s policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2018, the fair value of cash equivalents was $5.1 billion; the weighted average maturity was 22 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, 2018, 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 (SET), which is a statewide property tax. The SET 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 SET 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” (i.e. 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, 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.

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

Tax	General Fund	Other Governmental Funds	Total
Sales and use	$ 539.6	$ 1,061.5	$ 1,601.1
Individual income	2,918.6	428.8	3,347.4
SBT/MBT/CIT	1,266.6	-	1,266.6
State education (property)	-	1,395.1	1,395.1
Telephone & telegraph	10.6	-	10.6
Motor fuel	-	210.5	210.5
Insurance - retaliatory	100.2	-	100.2
Tobacco products	57.3	32.6	89.9
Quality assurance assessment	299.8	-	299.8
Health insurance claims assessment	86.8	-	86.8
Other	26.7	14.1	40.8
Penalties and interest	1,460.6	-	1,460.6
Gross taxes receivable	6,766.7	3,142.7	9,909.4
Less allowances for uncollectibles	3,255.4	790.9	4,046.3
Total taxes receivable (net)	$ 3,511.3	$ 2,351.8	$ 5,863.1
As reported on the Statement of Net Position			
Current taxes, interest, and penalties receivable	$ 3,250.3	$ 2,288.2	$ 5,538.5
Noncurrent taxes, interest, and penalties receivable	261.0	63.6	324.6
Total taxes, interest, and penalties receivable	$ 3,511.3	$ 2,351.8	$ 5,863.1

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, 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 mission is to identify, demonstrate, and promote regional action to enhance the health of the Great Lakes basin ecosystem. Seven of the states bordering the Great Lakes became members by making a required contribution to the GLPF endowment.

Contribution requirements were established in 1989 based upon water consumption and usage. State contributions to the endowment are permanently restricted and cannot be disbursed. Of the seven states, Michigan is the largest contributor at $25.0 million, or 30.9 percent, of the total $81.0 million endowment. 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.

The governor of each of the seven member states appoints two representatives to GLPF's board of directors. Directors control the investment of the endowment, finance and budgeting operations (within the requirements of the Articles of Incorporation), and they determine how to use net earnings to support GLPF's mission. Two-thirds of the net earnings of the endowment (after operating expenses) are available for grants. One-third of the net earnings is returned to the seven member states, proportional to their original contributions, to support local projects. 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, 2017 (SSMBA's most recently audited financial statements), its net position decreased by approximately $0.6 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 $12.8 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), the Michigan Education Savings Program (MESP) and the Michigan Achieving a Better Life Experience (MiABLE) 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, reported as cash in the Statement of Net Position, was $5.5 million. The bank balance of the deposits was $14.8 million; these deposits were either covered by federal depository insurance or were collateralized. Amounts reported as Cash on Deposit with Fiscal Agent, totaling $4.2 billion, represent MUCF's interest in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. MUCF is credited quarterly with trust fund investment earnings, as computed on a daily basis.

The bank deposits of the ADS were $3.0 million; these deposits were covered by Federal Deposit Insurance Corporation 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 $0.2 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.

The deposits of the MiABLE program, which is reported within the Gifts, Bequests, and Deposits Investment Fund, were reflected in bank savings accounts at $2.6 million; these deposits were covered by Federal Deposit Insurance Corporation insurance. The active investments of the program were reflected in various portfolio options, as disclosed in the MiABLE participant disclosure statement, at a fair value of $3.6 million. The MiABLE custodian invests in mutual funds that are not rated by a nationally recognized statistical rating organization. The custodian has no specific investment policies with regards to credit risk, custodial credit risk, interest risk, or foreign currency risk. All of MiABLE investment portfolios, as outlined by the custodian, are uninsured and unregistered. A given MiABLE account owner has an investment in a shared portfolio, not a direct investment in the underlying mutual fund or vehicle to which funds may be allocated; this ownership structure mitigates some inherent custodial credit risk.

Investments – Primary Government

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

Primary Government Total Investments (In millions)

Investment Types	Retirement Systems	Deferred Compensation/ Defined Contribution Funds	Other Funds	Total
Commercial paper	$ 2,404.6	$ -	$ -	$ 2,404.6
Money market funds	-	-	193.2	193.2
Other short-term	557.4	-	2.9	560.3
Separate accounts	-	2,672.2	-	2,672.2
Absolute return	10,575.3	-	-	10,575.3
Fixed income	8,660.6	-	766.9	9,427.5
Mutual funds	84.2	791.1	5,696.0	6,571.4
Pooled investment funds	-	5,184.7	-	5,184.7
Equities	18,959.8	-	0.7	18,960.5
Funding agreements	-	-	862.3	862.3
International	12,498.8	-	-	12,498.8
Real estate	7,573.1	-	42.5	7,615.6
Private Equity	11,673.6	-	322.5	11,996.1
Accrued income	64.1	-	-	64.1
Unsettled investments	(32.3)	-	-	(32.3)
Total	$ 73,019.0	$ 8,648.1	$ 7,887.0	$ 89,554.2

As reported on the Statement of Net Position

Current investments	$ 212.8
Noncurrent investments	1,496.5
Total investments	$ 1,709.4

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

	Current Investments	Noncurrent Investments	Total
Governmental activities	$ 193.2	$ 1,334.8	$ 1,528.1
Business-type activities	19.6	161.7	181.3
Fiduciary funds	1,638.2	86,206.6	87,844.9
Total Investments	$ 1,851.1	$ 87,703.2	$ 89,554.2

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.

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2018, 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 12.0 percent 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 15.0 percent 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 2018 to June 2019. 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. Domestic equity swap agreements matured in December 2017. At September 30, 2018, there were no domestic equity swaps.

To reduce the risk in the fixed income portfolio, the State Treasurer has entered into foreign exchange (FX) swap agreements, interest rate swap agreements and credit default swap agreements with investment grade counterparties. The FX swap agreements are tied to foreign currency forward exchange rates and are used to reduce the currency risk with the fixed income portfolio. The swap agreements are entered into on an as-needed basis and are generally tied to the maturity of a foreign government bond indenture denominated in a foreign currency. The purpose of the FX swap agreement that has a final maturity date of less than three months is to reduce or eliminate the currency risk on foreign bond transactions. U.S. Domestic LIBOR-based floating rate notes, U.S. Treasury securities, and portfolio cash are held to correspond with the notional amount of FX swap agreements within the fixed income portfolio. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions that receive fixed rate, increase exposure to long-term interest rates; short swap positions that pay fixed rate, decrease exposure. Credit default swaps (CDS) are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure, selling protection, obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure, buying protection, providing the right to "Put" bonds to the counterparty in the event of a default.

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
U.S. treasury bond future contracts - fixed income	Enhance management flexibility, manage duration, yield curve and credit exposure.	- %	$ 21.6	$ -	$ 0.3	$ -	$ -
Options - domestic equity and fixed income	Use on single securities to provide downside protection, enhance current income, and to manage interest rate volatility exposures.	0.7	38,801.8	535.0	272.6	-	-
Swap agreements - international equity and fixed income	Diversify the trust funds' portfolio by entering into FX and equity swap agreements that are tied to stock market indices in 46 foreign countries.	3.0	2,580.0	2,194.0	(11.3)	(1.5)	-
Swap agreements - equities and fixed income	Diversify the trust funds' portfolio by entering into interest rate swaps, credit default swaps, and equity swap agreements that are tied to stock market indices in the domestic market.	-	(30.1)	1.0	5.9	3.8	-
Totals			$ 41,373.2	$ 2,730.0	$ 267.4	$ 2.3	$ -

* 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, five State retirement systems' (i.e., State Employees', State Police, Public School Employees', Judges' and Military) investments were contributed to an investment pool structure. A pro rata share of the entire pool represents each system's ownership of a portion of the investments in the State's pool.

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

Risk
Governmental Accounting Standards Board (GASB) 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, 2018, 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, 2018, 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, 2018, the system was in compliance with the policy in all material aspects. The primary government's debt investments as of September 30, 2018, are presented in the following table. Note that securities backed by the full faith and credit of the United States government are excluded.

Debt Investments
(In millions)

Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Pension (and Other Employee Benefit) Trust Funds:				
Retirement Systems:				
Commercial paper	$ 2,134.1	A-1	$ 2,134.1	P-1
	270.5	A-2	49.0	P-2
	-	A-3	221.5	P-3
Government securities				
U.S. agencies - sponsored	1.9	AAA	635.7	Aaa
	633.8	AA	-	Aa
Corporate bonds & notes	154.6	AAA	383.6	Aaa
	283.3	AA	344.4	Aa
	709.5	A	853.8	A
	1,536.1	BBB	1,488.3	Baa
	323.2	BB	298.4	Ba
	241.2	B	286.2	B
	105.8	CCC	112.3	Caa
	24.0	CC	50.7	Ca
	-	C	1.2	C
	20.1	D	-	D
	1,451.4	Unrated	1,030.4	Unrated
International - corporate bonds & notes *	76.2	AAA	63.7	Aaa
	71.8	AA	71.8	Aa
	291.8	A	509.5	A
	1,000.7	BBB	782.9	Baa
	114.3	Unrated	126.7	Unrated
Mutual funds **	33.5	AAA	33.5	Aaa
	29.8	A	29.8	A
	-	BBB	15.2	Baa
	85.5	BB	70.3	Ba
	21.7	B	21.7	B
	15.3	Unrated	15.3	Unrated
Total	9,630.0		9,630.0	
Deferred Compensation/Defined Contribution:				
Common trust funds	708.4	Unavailable	708.4	Baa - Aaa ***
	225.1	A-1+	225.1	Unavailable
	25.9	Below B - AAA	25.9	Unavailable
Stable Value funds	1,142.3	BBB - AAA	1,142.3	Unavailable
Mutual funds	112.5	B - A1+	112.5	Unavailable
	119.8	Unrated	119.8	Unrated
Total	2,333.8		2,333.8	
Other Primary Government Funds:				
Government securities				
Municipal bonds	33.9	AA	33.9	Aa
Corporate bonds & notes	-	AAA	3.0	Aaa
	9.3	AA	26.8	Aa
	81.7	A	105.4	A
	262.2	BBB	243.3	Baa
	66.9	Unrated	41.4	Unrated
Fixed income Exchange Traded Funds	0.3	Unrated	0.3	Unrated
Mutual funds	69.6	BB	69.6	Ba
Total	523.8		523.8	
Total Primary Government	$ 12,487.7		$ 12,487.7	

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

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, 2018, the fair value of prime commercial paper was $2.4 billion; the weighted average maturity was 28 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 those of the U.S. Treasury determines, in part, what is an acceptable risk for the return. Therefore, market conditions such as lower interest rates result in shorter duration; higher interest rates result in longer duration.

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

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

	Fair Value	Duration In Years
Retirement Systems:		
Government securities		
U.S. Treasury bonds	$ 2,173.5	7.3
U.S. agencies - backed	581.3	3.0
U.S. agencies - sponsored	635.7	4.0
Total Governmental	3,390.6	
Corporate bonds & notes	5,004.7	4.0
International - corporate bonds & notes *		
U.S. Treasury	643.9	2.7
Corporate	1,554.6	0.4
Total International	2,198.5	
Mutual funds - fixed income	30.5	4.3
Total	10,624.2	
Deferred Compensation/Defined Contribution:		
Common trust funds		
SSgA Bond Market index fund	708.4	8.4
BlackRock Government Short-Term Investment fund	225.1	0.1
Prudential High Yield Fund	25.9	6.1
Total Common Trust Funds	959.3	
Stable value funds		
Synthetic guaranteed investment contracts	1,142.3	3.8
Total Stable Value Funds	1,142.3	
Mutual funds		
PIMCO Total Return Fund	112.5	5.7
Oakpark Equity and Income Fund	119.8	2.6
Total Mutual Funds	232.3	
Total	2,333.8	
Total Pension (and Other Employee Benefit) Trust Funds	$ 12,958.1	

*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

The State of Michigan (SOM) categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Not all investments held by SOM are recorded at fair value. GASB Statement No. 72, Fair Value of Measurement and Application, allows for certain investments to be recorded at cost (or amortized cost or any other valuation method), and therefore, they are not presented in the fair value hierarchy table. Equity and fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity swaps and fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique and other significant observable inputs. Equity and fixed income securities classified as Level 3 of the fair value hierarchy are valued using third party data and reports that are unobservable. Securities reported at Net Asset Value (NAV) are valued using the most recent third party statements adjusted for cash flows as of September 30, 2018. Investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

The Pension (and Other Employee Benefit) Trust Funds have the following recurring fair value measurements as of September 30 (in millions):

	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 1.2	$ 1.2	$ -	$ -
Equity				
Depository Receipts	174.9	174.9	-	-
Warrants	0.1	-	-	0.1
Common Stocks	16,669.0	16,667.2	-	1.8
Preferred Stocks	2.4	2.4	-	-
Options on Equity	523.4	523.4	-	-
Equity Swaps	(75.1)	-	(75.1)	-
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	9,762.1	9,762.1	-	-
Real Estate Investment Trusts	1,537.9	1,537.9	-	-
Options on Index	11.7	11.7	-	-
Convertible Bonds	0.6	-	0.6	-
Equity Total	28,607.0	28,679.6	(74.4)	1.8
Fixed Income				
Asset Backed	1,014.9	-	1,014.9	-
Corporate Bonds	4,162.0	-	4,135.3	26.7
Commercial Mortgage-backed	1,712.1	-	1,712.1	-
Government Issues	3,017.1	2,817.4	196.6	3.0
Swaps	1.5	-	1.5	-
U.S. Agency Issues	518.1	-	518.1	-
Futures on Fixed Income	9.7	9.7	-	-
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	152.3	152.3	-	-
Fixed Income Total	10,587.7	2,979.4	7,578.6	29.7
Total Investments Measured at Fair Value	39,195.9	$ 31,660.2	$ 7,504.2	$ 31.5
Investments Measured at NAV:				
Absolute Return Total	4,056.2			
Real Return Total	6,519.1			
Private Equity Total	11,566.5			
Real Estate and Infrastructure Total	7,476.5			
Other Limited Partnerships Total	1,592.0			
Total Investments Measured at NAV	31,210.3			
Total Pension (and Other Employee Benefit) Trust Funds	$ 70,406.2			

The Other Primary Government Funds have the following recurring fair value measurements as of September 30 (in millions):

	Total	Level 1	Level 2
Equity			
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	$ 5,693.1	$ 5,693.1	$ -
Equity Total	5,693.1	5,693.1	-
Fixed Income			
Corporate Bonds	380.7	-	380.7
Commercial Mortgage-backed	74.6	-	74.6
Government Issues	241.5	67.2	174.3
U.S. Agency Issues	0.2	-	0.2
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	69.9	69.9	-
Fixed Income Total	766.9	137.1	629.8
Total Investments Measured at Fair Value	6,459.9	$ 5,830.2	$ 629.8
Investments Measured at NAV:			
Private Equity Total	188.5		
Real Estate Total	42.5		
Hedge Funds Total	63.5		
Multi-Strategy Hedge Funds	70.5		
Total Investments Measured at NAV	365.0		
Total Other Primary Government Funds	$ 6,825.0		

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SOM's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Additional disclosures for fair value measurements of investments in certain entities that calculate the NAV per share (or its equivalent):

Pension (and Other Postemployment Benefit) Trust Funds:

Absolute Return Portfolio: This type invests in hedge funds and hedge funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this portfolio have been determined using the NAV per share (or its equivalent) of the investments. For 86.7 percent of the investments, investors may redeem at various dates between October 1, 2018, and April 1, 2021; 7.7 percent of the investments are redeemable between April 1, 2021 through August, 2027. The remaining 5.6 percent is not redeemable on demand.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $4.1 billion and $161.9 million, respectively.

Real Return and Opportunistic Portfolio: This type includes 81 funds that invest in private credit, tangible and intangible real assets, or other real return and opportunistic strategies. The fair values of the investments in this portfolio have been determined using the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 5 to 10 years. This type also includes one fund that offers quarterly redemptions with 65 days of advanced notice.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $6.5 billion and $3.7 billion, respectively.

Private Equity Portfolio: This type of investment includes investments in approximately 243 partnerships that invest in leveraged buyouts, venture capital, mezzanine debt, distressed debt, secondary funds and other investments. These types of investments can never be redeemed with the funds, but distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund are liquidated over a period of five to eight years.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $11.6 billion and $7.3 billion, respectively. However, it is probable that all of the investments in this group will be sold at an amount different from the NAV per share (or its equivalent). Therefore, the fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. As of September 30, 2018, a buyer for these investments has not been identified.

Real Estate and Infrastructure Portfolio: These funds include approximately 106 accounts (limited partnerships, limited liability companies, etc.) that invest in real estate or infrastructure related assets. The fair value has been determined in accordance with GAAP using the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital. These types of investments cannot be redeemed with the funds. Distributions from these funds will be received as the underlying investments are sold and liquidated over time. It is expected that the underlying assets will be sold over the next five to 15 years. However, buyers have not been determined so the fair value has been determined using the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $7.5 billion and $1.3 billion, respectively.

Other Limited Partnerships:

The balance of plan assets reported at NAV includes:

- A limited partnership that invests in the equity of Japanese companies. The limited partnership permits partners to withdraw funds quarterly with 180 days of advanced notice.
- Limited partnerships that invest in senior secured debt financing of a third-party investment fund. This investment cannot be redeemed by limited partners. The debt has a ten-year maturity, with partnership distributions to include principal as the loan collateral matures four years after the initial investment.
- Limited partnerships permitting partners to redeem its debt securities with 45 days of advanced notice or quarterly with 65 days of advanced notice.
- Limited partnerships that can never be redeemed, but distributions are received through the liquidation of the underlying assets of the fund.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $1.6 billion and $91.9 million, respectively.

Other Primary Government Funds:

Private Equity Portfolio: This type of investment includes investments in 61 partnerships that invest in various credit strategies, real assets, and other investments. These types of investments can never be redeemed with the funds, but distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund are liquidated over a period of five to eight years.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $188.5 million and $68.3 million, respectively. However, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital. Therefore, the fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

Real Estate and Infrastructure Portfolio: This type of investment includes investment in 16 partnerships that invest primarily in multi-family preferred equity structure in the U.S. This type of investment can never be redeemed with the funds, but distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund are liquidated over a period of 10 to 12 years.

The total market value and unfunded commitments of these investments as of September 30, 2018, are $42.5 million and $18.7 million, respectively. However, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital. Therefore, the fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

Event-Driven Hedge Funds: This type includes five investments specializing in event-driven investing. It typically applies a fundamental value discipline to identify undervalued companies that have one or more specific catalysts to unlock the value. It focuses on "active shareholder engagement" and invests both long and short and across the capital structure including equity and debt.

These types of investments can never be redeemed with the funds, but distributions are received through the liquidation of the underlying assets of the fund. Distribution proceeds from the sale of partnership investments, dividends, or interest must be returned to the limited partners within 90 days following receipt by the partnership. Such distributable amounts shall increase the unfunded portion of the limited partnership commitment and may be called again for contribution to the partnership by the general partner.

It is expected that the underlying assets of the fund are liquidated over a period of three to six years. The total market value and unfunded commitments of these investments as of September 30, 2018, are $63.5 million and $18.2 million, respectively.

Market price observability is impacted by a number of factors, including the type of investment and characteristics specific to the investment.

Multi-Strategy Hedge Funds: This type includes investments in six funds that pursue multiple strategies to diversify risks and reduce volatility. It is organized for the primary purpose of developing and actively managing an investment portfolio of non-traditional portfolio managers. This is an open-ended fund that invests in equities, credit-driven, global macro, relative value, interest rate-driven, commodities, managed-futures and event-driven, with redemption restriction terms ranging from zero to 96 months.

These types of investments offer limited partnership "Class A" interests. Generally, the limited partner may withdraw all or any portion of its Class A interests capital account at any time upon not less than 95 days' prior written notice to the fund. The general partner will submit withdrawal requests with respect to the fund's investments. Payment of the withdrawal proceeds will be made promptly after the fund receives withdrawal proceeds from such investments.

The fair value of investments in limited partnerships and investment funds and affiliated limited partnerships and investment funds ("investee funds") is generally determined using the reported net asset value per share of the investee fund, or its equivalent, as a practical expedient for fair value. The total market value of these investments as of September 30, 2018 is $70.5 million.

State of Michigan 457 Plans and State of Michigan 401K Plans:

The plans have the following recurring fair value measurements as of September 30 (in millions):

State of Michigan 457 Plans:

	Total	Level 1	Level 2
Investments by fair value level:			
Mutual Funds	$ 171.3	$ 171.3	$ -
Common Trust Funds	1,153.3	790.1	363.3
Tier III Investments*	43.9	-	43.9
Stable Value Fund	551.1	-	551.1
Voya Small Cap Growth Strategy Fund	36.7	-	36.7
Jennison Large Cap Growth Equity Fund	91.2	-	91.2
Artisan Mid Cap Fund	23.6	-	23.6
Dodge & Cox Stock Fund	138.5	-	138.5
Total Investments Measured at Fair Value	$ 2,209.5	$ 961.4	$ 1,248.1

* Tier III investments exclude cash held in participant accounts totaling approximately $6.3 million.

State of Michigan 401K Plans:

	Total	Level 1	Level 2
Investments by fair value level:			
Mutual Funds	$ 619.9	$ 619.9	$ -
Common Trust Funds	4,031.4	2,587.8	1,443.6
Tier III Investments*	138.1	-	138.1
Stable Value Fund	591.2	-	591.2
Voya Small Cap Growth Strategy Fund	140.2	-	140.2
Jennison Large Cap Growth Equity Fund	328.9	-	328.9
Artisan Mid Cap Fund	81.1	-	81.1
Dodge & Cox Stock Fund	486.5	-	486.5
Total Investments Measured at Fair Value	$ 6,417.2	$ 3,207.6	$ 3,209.5

* Tier III investments exclude cash held in participant accounts totaling approximately $15.1 million.

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, 2018, the fair value of SGIC's underlying investments was $1.1 billion. The wrap contract did not have a value because the market value of SGIC's underlying investments was higher than SGIC's contract value; therefore, the wrap contract does not have a value.

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

Other Funds
Debt Securities (In millions)

		Investment Maturities (In years)			
Investment Type	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10
U.S. Treasury bonds	$ 207.6	$ 12.1	$ 74.0	$ 78.6	$ 42.9
Municipal bonds	33.9	4.5	17.3	5.2	6.8
U.S. bonds - backed	44.1	-	-	5.9	38.2
U.S. agency bonds - sponsored	0.3	-	-	-	0.3
Corporate bonds	411.2	-	61.6	256.8	92.9
Mutual funds	1,943.8	19.9	-	1,917.0	6.9
Total	$ 2,640.8	$ 36.6	$ 152.9	$ 2,263.5	$ 187.8

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 State invests in various global foreign securities. These investments are limited to 30.0 percent of the total assets of the system and are additionally limited to 5.0 percent 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 fixed income, equities, mutual funds, real estate, and limited partnerships. At September 30, 2018, total foreign investments were $13.7 billion. As of September 30, 2018, the State held the following investments subject to foreign currency risk:

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

		Fair Value (In U.S. Dollars)			
Currency	Country	Private Equity, Real Estate, and Infrastructure	Fixed Income	Equity	International and Absolute Return Derivatives
Retirement Systems:					
Americas					
Dollar	Canada	$ 36.4	$ 7.5	$ -	$ 122.0
Peso	Mexico	102.0	20.2	-	-
Peso	Uruguay	-	0.7	-	-
Real	Brazil	29.7	0.6	-	-
Sol	Peru	-	1.5	-	-
Peso	Colombia	-	2.1	-	-
Peso	Chile	-	3.0	-	-
Europe					
Euro	European Union	738.9	66.1	73.9	252.7
Franc	Switzerland	-	-	26.3	112.2
Krona	Sweden	-	3.4	0.1	30.1
Krone	Denmark	-	-	-	19.7
Krone	Norway	-	-	0.8	19.3
Sterling	United Kingdom	64.7	12.9	71.3	176.9
Zloty	Poland	-	2.4	-	-
Leu	Romania	-	6.2	-	-
Asia/Pacific					
Dollar	Australia	-	-	1.5	60.9
Renminbi	China	36.9	-	125.4	-
Dollar	Hong Kong	-	-	0.8	64.1
Rupee	India	148.9	-	-	-
Yen	Japan	-	13.0	-	562.1
Dollar	New Zealand	-	-	-	0.5
Dollar	Singapore	-	2.3	0.4	11.7
Rupiah	Indonesia	-	2.2	-	-
Ringgit	Malaysia	-	3.3	-	-
Dollar	New Taiwan	-	-	4.9	12.3
Baht	Thailand	-	3.7	-	-
Rupee	Sri Lanka	-	1.1	-	-
Middle East					
Shekel	Israel	-	5.6	-	22.7
Africa					
Pound	Egypt	-	2.1	-	-
Rand	South Africa	-	6.8	0.8	-
Dollar	Liberia	-	-	57.9	-
World-wide					
Various	Various	1,916.9	-	36.8	8,453.8
Total		3,074.4	166.6	400.8	9,921.1
Deferred Compensation/Defined Contribution:					
Various	Various	-	-	2,549.6	-
Total		$ 3,074.4	$ 166.6	$ 2,950.4	$ 9,921.1

∗ 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.

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 5.0 percent of the outstanding obligations of any one issuer or investing more than 5.0 percent of a system's assets in the obligations of any one issuer.

At September 30, 2018, there were no investments in any single issuer that accounted for more than 5.0 percent of the system's assets.

Pension trust fund investments represent 89.7 percent 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, $174.3 million, are all in the form of zero coupon U.S. Treasury bonds and State of Michigan Municipal bonds. These investments are held to provide funding for deferred prize awards.

Securities Lending Transactions
The State of Michigan, pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company ("State Street") to act as agent in lending the State's securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the State, certain securities of the State held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. The types of securities lent were equity, and fixed income, which includes government and corporate bonds and notes. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the State in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the State and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2018, the investment pool had an average duration of 9 days and an average weighted final maturity of 96 days for U.S. Dollar (USD). Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2018, the State had no credit risk exposure to borrowers. The market value of collateral held and the market value (USD) of securities on loan for the client as of September 30, 2018, was $3.3 billion and $3.2 billion, respectively.

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

Debt Investments
(In millions)

Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Securities Lending Collateral				
Short-term	$ 194.0	A-1	$ 194.0	P-1
	250.0	Unrated	517.0	Unrated
	53.0	AA	184.1	Aa
	783.4	A	385.3	A
Corporate	-	BB	2,026.5	Ba
	2,026.5	Unrated	-	Unrated
Total	$ 3,306.9		$ 3,306.9	

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 $850.4 million. The deposits were reflected in the accounts of the banks at $791.7 million. Of the bank balance, $635.5 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. Investment policies for the State universities are typically set forth by their governing boards and include a broad range of investment types. The Michigan Education Trust's (MET) 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.

Each discretely presented component unit separately issues a publicly available financial report that includes its financial statements and notes to financial statements. GASB Statement No. 72 related disclosures for the investments of discretely presented component units are available within those reports and 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.

Restricted Assets
Restricted investments on the government-wide Statement of Net Position, totaling $797.7 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.

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

		Investment Maturities (In years)				
	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10	N/A
Time deposits	$ 227.5	$ 216.6	$ 10.9	$ -	$ -	$ -
Money market accounts	2,081.6	2,072.0	-	-	9.6	-
Commercial paper	85.1	85.1	-	-	-	-
Repurchase agreements	386.0	-	37.8	162.2	186.0	-
Government securities	884.9	630.2	176.5	71.7	6.5	-
Insured mortgage backed securities	597.2	46.2	122.4	25.0	403.7	-
Government backed securities	483.3	243.1	148.3	32.2	59.7	-
Investment agreements	2.6	-	-	-	-	2.6
Corporate bonds and notes	304.2	19.4	128.7	110.1	45.9	-
Equities	279.1	163.3	-	-	16.3	99.6
Real estate	27.6	-	3.4	0.7	23.6	-
Venture capital & leveraged buyouts	30.3	-	-	-	30.3	-
Mutual bond/equity funds	1,857.0	170.4	398.5	155.3	480.7	652.1
Pooled investment funds	73.0	29.9	43.1	-	-	-
Other Investments	965.2	2.4	76.8	24.4	167.9	693.7
Total Investments	8,284.7	$ 3,678.5	$ 1,146.4	$ 581.6	$ 1,430.2	$ 1,448.0

Less Investments Reported as "Cash" on Statement of Net Position	1,157.8
Total Investments	$ 7,126.9

As reported on the Statement of Net Position

Current investments	$ 2,218.0
Noncurrent restricted investments	797.7
Noncurrent investments	4,111.2
Total Investments	$ 7,126.9

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 (e.g., 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 acquisition 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 $5.0 thousand, computer software is capitalized when the cost exceeds $5.0 million, and all other capital assets are capitalized when the cost of individual items or projects exceed $100.0 thousand.

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

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

Depreciation and useful lives
Applicable capital assets are depreciated using the straight-line method. Capital assets that were put into service prior to October 1, 2017 had a half-year's depreciation charged in the year of acquisition. Depreciation expense for capital assets put into service after September 30, 2017 is calculated on a daily basis. 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 regarding 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, bridges and ramps maintained by the Department of Transportation are accounted for using the modified approach.

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

Governmental Activities	Beginning Balance Restated*	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 3,555.9	$ 50.5	$ (0.7)	$ 3,605.7
Land improvements and other assets	16.2	-	-	16.2
Computer software projects in progress	-	93.6	(2.5)	91.0
Land rights	68.8	3.2	-	71.9
Mineral rights	19.8	-	-	19.8
Construction in progress (buildings)	72.0	53.8	(14.0)	111.7
Construction in progress (infrastructure) *	2,146.1	558.3	(795.5)	1,908.9
Infrastructure	14,644.4	741.5	(328.7)	15,057.1
Total capital assets, not being depreciated	20,523.0	1,500.8	(1,141.4)	20,882.4
Capital assets, being depreciated:				
Land improvements and other assets	287.1	12.3	(0.8)	298.6
Equipment and vehicles	971.1	146.4	(19.7)	1,097.7
Computer software	1,118.3	19.2	(31.1)	1,106.3
Buildings	3,678.1	78.8	(22.7)	3,734.1
Infrastructure	339.9	20.9	(4.3)	356.5
Total capital assets, being depreciated	6,394.4	277.5	(78.6)	6,593.3
Less accumulated depreciation for:				
Land improvements and other assets	(103.6)	(10.8)	-	(114.3)
Equipment and vehicles	(680.5)	(69.0)	16.7	(732.8)
Computer software	(471.2)	(119.8)	21.9	(569.1)
Buildings	(2,000.6)	(115.8)	12.9	(2,103.5)
Infrastructure	(111.7)	(12.1)	0.8	(123.1)
Total accumulated depreciation	(3,367.6)	(327.4)	52.2	(3,642.7)
Total capital assets, being depreciated, net	3,026.8	(49.9)	(26.4)	2,950.5
Governmental activity capital assets, net	$ 23,549.8	$ 1,450.9	$ (1,167.8)	$ 23,832.9

* The beginning balance for construction in progress (infrastructure) was restated due to a prior period error. See Note 4 for additional information on this restatement.

The Department of Transportation permanently impaired security system equipment utilized by the Blue Water Bridge due to unexpected obsolescence. The total impairment loss of $3.3 million pertains to depreciable infrastructure.

Business - Type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Buildings	$ 0.3	$ 1.2	$ -	$ 1.5
Computer software	0.4	-	(0.2)	0.2
Equipment and vehicles	9.3	-	(3.9)	5.5
Total capital assets, being depreciated	10.0	1.2	(4.0)	7.2
Less accumulated depreciation for:				
Buildings	-	(0.4)	-	(0.4)
Computer software	(0.3)	-	0.1	(0.2)
Equipment and vehicles	(4.6)	(0.3)	-	(4.9)
Total accumulated depreciation	(5.0)	(0.7)	0.1	(5.5)
Total capital assets, being depreciated, net	5.0	0.5	(3.9)	1.7
Business-type activity capital assets, net	$ 5.0	$ 0.5	$ (3.9)	$ 1.7

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

		Amount
Governmental Activities:		
General government	$	35.2
Education		0.3
Health and human services		54.6
Public safety and corrections		59.1
Conservation, environment, recreation and agriculture		17.9
Labor, commerce, and regulatory		3.3
Transportation		31.2
Depreciation on capital assets held by the State's internal service funds charged to the various functions based on their use of the assets		125.7
Total Depreciation Expense - Governmental Activities	$	327.4
Business-type Activities:		
Enterprise	$	0.7
Total Depreciation Expense - Business-type Activities	$	0.7

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	$	340.1
Buildings, equipment, and other depreciable assets		6,991.7
Infrastructure		102.9
Construction in progress		284.6
Total		7,719.5
Less accumulated depreciation		(3,025.0)
Capital Assets, Net - Discretely Presented Component Units	$	4,694.5

Service Concession Agreements

Northern Michigan University entered an agreement on July 22, 2016 with a third party developer, Education Realty Trust (EdR), to construct and manage the premises of six resident living-learning community buildings with connectors, housing 1,229 beds, multipurpose meeting spaces, tutoring center, and classrooms. The project, known as the Woods, has an estimated cost of $79.3 million and is being built on land owned by the University and leased to EdR for a 75-year term. Under the terms of the Lease Agreement and the Operating Agreement, EdR will control, manage, maintain and operate the project and will receive the gross revenue of the project, which consists of substantially all of the revenue and other income received from the operation of the project. Upon completion of construction of the project, EdR will make rental payments to the University for the duration of the lease term based on a percentage of the gross revenue of the project. The University will account for the Lease Agreement as a concession arrangement in accordance with GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.

Under the phase-in approach, Phase I consisted of two buildings that opened in August 2017 and two buildings that opened in January 2018. Phase II consisted of two buildings that opened in August 2018. The residence halls are reported as a capital asset with a carrying value of $75.9 million at June 30, 2018, and deferred inflows of resources in the amount of $67.0 million pursuant to the service concession agreement. The University is responsible for the trash removal and insurance coverage for the term of the contract. As such, the University recorded a liability at present value for trash removal and insurance in the amount of $2.5 million and $2.1 million, respectively. The 75-year term lease with EdR includes maintenance standards for the facilities and parameters for the room rental rates for the contract duration. The University will receive a percentage of the total revenues and a share of the net income, after EdR achieves a minimum internal rate of return. The amount of deferred inflow of resources is included in Note 28.

On January 4, 2018, Eastern Michigan University entered into a 35-year lease and concession agreement with Preston Hollow. Operations of the agreement began on April 23, 2018. ParkEMU operates the University's parking concession on Preston Hollow's behalf. Under the agreement, ParkEMU operates, maintains and retains parking revenues from the University's parking lots and structures. This agreement also regulates the parking rates that may be charged and future increases in these rates. The University received a lump sum payment of $55.0 million from this agreement and will use the proceeds for University reserves and operations, as necessary.

The lump-sum payment under this service concession agreement is reported as a deferred inflow of resources and is being amortized to operating revenue over the life of the agreement. Deferred inflows related to the parking agreement were $54.7 million at June 30, 2018. The University reports the parking lots and structures as capital assets with a carrying value of $14.5 million at June 30, 2018. The amount of deferred inflow of resources is included in Note 28.

NOTE 10 – PENSION BENEFITS

Defined Benefit Pension Plans

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

The defined benefit pension plans are administered through a trust and follow the disclosure requirements set forth in Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

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 multiple employer	685
Judges' Retirement System (JRS)**	Single employer	1
Military Retirement Provisions (MRP)	Single employer	1

*The State of Michigan is not an employer within PSERS; therefore, pension plan information is not disclosed in this note.
**The Judges' Retirement System, previously classified as a cost sharing multiple employer plan, has been reclassified as a single employer plan in fiscal year 2018.

Each plan 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 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by visiting https://audgen.michigan.gov/wp-content/uploads/2018/01/MLRS-FY17-FINAL-CAFR.pdf 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. MRP is open to new National Guard members.

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. The 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 2018, the contribution rates for SERS were 24.6 to 28.5 percent of the defined benefit employee wages and 19.7 percent of the defined contribution employee wages. The contribution rates for SPRS were 65.0 percent and 66.7 percent of the defined benefit employee wages for non-command and command officers, respectively, and 57.8 percent of the hybrid defined benefit and defined contribution employee wages. The Actuarially Determined Contribution was $1.7 million for JRS, $6.8 million for MRP, and $8.2 million for LRS. The employer contribution to SERS, SPRS, JRS, MRP, and LRS for the fiscal year ending September 30, 2018, was $745.0 million from the primary government and $8.6 million from its component units (SERS only).

Net Pension Liability
The net pension liability for SERS, SPRS, JRS, MRP, and LRS was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, 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 and mortality. Amounts determined regarding the funded status of the plan and the Actuarially Determined Contributions 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. The actuarial methods and assumptions in the table below are used to calculate the total pension liability.

	LRS	SPRS	SERS	JRS	MRP
Latest actuarial valuation date	9/30/2016	9/30/2016	9/30/2016	9/30/2016	9/30/2016
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 as of October 1, 2016	10 years	20 years	20 years	20 years	20 years
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value
Actuarial assumption:					
Investment rate of return	4.4%	7.5% Non-hybrid 7.0% Hybrid	7.5%	8.0%	7.5%
Projected salary increases	4.0%	4.0 - 93.5%	3.5 - 12.5%	4.0%	3.5%
Includes inflation at	4.0%	3.5%	3.5%	3.5%	3.5%
Cost-of-living adjustments	4.0% annual compounded (non-compounded for legislators who first became members after 1/1/1995)	2.0% annual non-compounded max. annual increase $500	3.0% annual non-compounded with max. annual increase $300	Assumed 4.0% 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, and the September 30, 2015, valuation for MRP. For SERS, SPRS, MRP, 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 are 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 service.

The investment return assumption was lowered from 7.5 percent to 7.0 for SERS, 7.5 percent to 7.1 for SPRS, and 8.0 percent to 7.5 for JRS for use in the annual funding valuations beginning with the September 30, 2017, valuations. The September 30, 2017, funding valuation will establish the actuarially determined contribution amounts for fiscal year 2020 for SERS, SPRS, and MRP and fiscal year 2018 for JRS and LRS.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Allocation for SERS, SPRS, JRS, and MRP

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Private Equity Pools	18.0	8.7
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate & Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0 %	

*Long-term Rate of Returns are net of administrative expenses and 2.3 percent inflation.

Asset Allocation for LRS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return**
Large Cap Equity	27.0 %	5.0 %
Small Cap Equity	13.0	5.5
International Developed Equity	11.0	7.0
International Small Cap Equity	5.0	7.0
Emerging Markets	9.0	9.5
Fixed Income	18.0	2.2
Hedge Fund	5.0	5.2
Public Natural Resources	10.0	7.0
Cash	2.0	1.5
Total	100.0 %	

**Rate of Return does not include 2.2 percent inflation.

Rate of Return
For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.2 percent for SERS, SPRS, and JRS, 1.4 percent for MRP, and 12.4 percent for LRS. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
For SERS, SPRS, and MRP, a discount rate of 7.5 percent, compared to a prior year rate of 8.0 percent, was used to measure the total pension liability (7.0 percent for the Pension Plus Plan related to SPRS only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5 percent (7.0 percent for the Pension Plus Plan related to SPRS only). For JRS, a discount rate of 8.0 percent was used to measure the total pension liability. This discount rate was based on

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

For LRS, the single discount rate used to measure the total pension liability increased to 4.4 percent, compared to the prior year's rate of 4.0 percent. This single discount rate was based on an expected rate of return on pension plan investments of 7.0 percent and a municipal bond rate of 3.5 percent (the municipal bond rate is based on an index of twenty-year general obligation bonds with average AA credit ratings, which is published by the Federal Reserve). The projection of cash flows used to determine this single discount rate assumes that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2029. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2029, and the municipal bond rate was applied to all benefit payments after 2029.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents SERS, SPRS, and MRP's net pension liability, calculated using a discount rate of 7.5 percent (7.0 percent for Pension Plus Plan related to SPRS only), as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	1% Decrease 6.5%/6.0%	Current Discount 7.5%/7.0%	1% Increase 8.5%/8.0%
SERS Net Pension Liability/(Asset)	$ 6,784,157.2	$ 5,192,813.2	$ 3,821,309.5
SPRS Net Pension Liability/(Asset)	875,488.7	656,065.6	472,071.6
MRP Net Pension Liability/(Asset)	50,296.1	44,949.9	40,487.6

The following presents JRS's net pension liability (asset), calculated using a discount rate of 8.0 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	1% Decrease 7.0%	Current Discount 8.0%	1% Increase 9.0%
JRS Net Pension Liability/(Asset)	$ 2,302.4	$ (14,877.7)	$ (29,599.2)

The following presents LRS's net pension liability, calculated using a discount rate of 4.4 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	1% Decrease 3.4%	Current Discount 4.4%	1% Increase 5.4%
LRS Net Pension Liability/(Asset)	$ 145,809.6	$ 114,827.8	$ 89,247.8

Changes in the Net Pension Liability/Asset

The amounts included for the primary government and component units in the table below are related to SERS (in millions):

	Primary Government Increase (Decrease)			Component Units Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) - (b)
Balances at 9/30/2017	$ 16,055.8	$ 10,834.3	$ 5,221.5	$ 216.4	$ 146.0	$ 70.4
Changes for the year:						
Service cost	67.4	-	67.4	0.9	-	0.9
Interest	1,235.0	-	1,235.0	16.6	-	16.6
Differences between expected/actual	19.5	-	19.5	0.3	-	0.3
Changes of assumptions	701.2	-	701.2	9.4	-	9.4
Contributions - employer	-	693.8	(693.8)	-	9.4	(9.4)
Contributions - member	-	40.3	(40.3)	-	0.5	(0.5)
Net investment income	-	1,392.6	(1,392.6)	-	18.8	(18.8)
Benefit payments, including refunds of member contributions	(1,305.1)	(1,305.1)	-	(17.6)	(17.6)	-
Administrative and other expenses	-	(5.9)	5.9	-	(0.1)	0.1
Net changes	718.0	815.7	(97.7)	9.7	11.0	(1.3)
Balances at 9/30/2018	$ 16,773.8	$ 11,650.1	$ 5,123.8	$ 226.1	$ 157.0	$ 69.1

The amounts included in the table below are related to SPRS (in millions):

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) - (b)
Balances at 9/30/2017	$ 1,896.2	$ 1,278.1	$ 618.1
Changes for the year:			
Service cost	20.9	-	20.9
Interest	147.2	-	147.2
Differences between expected/actual	18.3	-	18.3
Changes of assumptions	94.3	-	94.3
Contributions - employer	-	74.8	(74.8)
Contributions - member	-	3.1	(3.1)
Net investment income	-	165.4	(165.4)
Benefit payments, including refunds of member contributions	(130.2)	(130.2)	-
Administrative and other expenses	-	(0.6)	0.6
Net changes	150.5	112.5	38.0
Balances at 9/30/2018	$ 2,046.6	$ 1,390.6	$ 656.1

The amounts included in the table below are related to MRP (in millions):

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) - (b)
Balances at 9/30/2017	$ 47.1	$ 3.6	$ 43.5
Changes for the year:			
Service cost	0.1	-	0.1
Interest	3.6	-	3.6
Differences between expected/actual	0.1	-	0.1
Changes of assumptions	2.5	-	2.5
Contributions - employer	-	5.2	(5.2)
Net investment income	-	0.1	(0.1)
Benefit payments, including refunds of member contributions	(4.1)	(4.1)	-
Administrative and other expenses	-	(0.5)	0.5
Net changes	2.2	0.8	1.4
Balances at 9/30/2018	$ 49.3	$ 4.3	$ 44.9

The amounts included in the table below are related to LRS (in millions):

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) - (b)
Balances at 9/30/2017	$ 265.7	$ 130.6	$ 135.1
Changes for the year:			
Service cost	0.1	-	0.1
Interest	10.2	-	10.2
Differences between expected/actual	(1.6)	-	(1.6)
Changes of assumptions	(13.5)	-	(13.5)
Net investment income	-	15.8	(15.8)
Benefit payments, including refunds of member contributions	(14.3)	(14.3)	-
Administrative and other expenses	-	(0.4)	0.4
Net changes	(19.1)	1.2	(20.3)
Balances at 9/30/2018	$ 246.6	$ 131.7	$ 114.8

The amounts included in the table below are related to JRS (in millions):

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) - (b)
Balances at 9/30/2017	$ 257.0	$ 254.9	$ 2.1
Changes for the year:			
Service cost	1.9	-	1.9
Interest	19.7	-	19.7
Differences between expected/actual	(4.9)	-	(4.9)
Contributions - employer	-	1.0	(1.0)
Contributions - member	-	0.7	(0.7)
Net investment income	-	32.3	(32.3)
Benefit payments, including refunds of member contributions	(23.7)	(23.7)	-
Administrative and other expenses	-	(0.3)	0.3
Net changes	(7.1)	9.9	(17.0)
Balances at 9/30/2018	$ 249.9	$ 264.8	$ (14.9)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2018, the State recognized pension expense related to the primary government and its component units of $1,043.2 million and $8.3 million, respectively. Pension expense by plan is listed in the table below (in millions):

Plan	Primary Government	Component Unit
SERS	$ 984.7	$ 8.3
SPRS	82.2	-
MRP	(5.3)	-
LRS	(12.5)	-
JRS	(5.9)	-
Total	$ 1,043.2	$ 8.3

The total reported deferred outflows of resources and deferred inflows of resources related to pensions, including component units, are identified in Note 28. For each plan, the deferred outflows of resources and deferred inflows of resources related to pensions are in the table below (in millions):

	Primary Government					Component Unit	
Deferred Outflows of Resources:	SERS	SPRS	MRP	LRS	JRS	SERS Only	Total
Difference between expected and actual experience	$ 1.2	$ 18.2	$ -	$ -	$ -	$ -	$ 19.4
Changes of assumptions	42.2	73.0	3.8	-	-	0.6	119.6
Net difference between projected and actual earnings on pension plan investments	-	-	0.3	-	-	-	0.3
Changes in proportion and differences between employer contributions and proportionate share of contributions	0.6	-	-	-	-	0.1	0.7
Contributions subsequent to the measurement date	642.1	84.9	16.2	-	1.7	8.6	753.7
Total Deferred Outflows of Resources:	$ 686.1	$ 176.1	$ 20.4	$ -	$ 1.7	$ 9.3	$ 893.6
Deferred Inflows of Resources:							
Difference between expected and actual experience	-	1.8	4.7	-	-	-	6.5
Changes of assumptions	-	-	15.5	-	-	-	15.5
Net difference between projected and actual earnings on pension plan investments	307.4	37.1	-	1.4	6.9	4.1	357.0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0.6	-	-	-	-	0.1	0.6
Total Deferred Inflows of Resources:	$ 307.9	$ 38.9	$ 20.2	$ 1.4	$ 6.9	$ 4.3	$ 379.6

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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (amounts in millions):

	Primary Government Pension Expense Amount					Component Unit Pension Expense Amount	
Year Ended September 30	SERS	SPRS	MRP	LRS	JRS	SERS Only	Total
2019	$ (80.5)	$ 11.2	$ (9.2)	$ 0.5	$ (2.8)	$ (1.1)	$ (81.9)
2020	25.0	29.7	(6.9)	1.4	0.7	0.3	50.3
2021	(98.7)	13.5	(0.1)	(1.9)	(2.3)	(1.3)	(90.8)
2022	(109.7)	(2.1)	0.1	(1.4)	(2.5)	(1.5)	(117.2)

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.

Defined Contribution Pension Plans

State of Michigan Defined Contribution Retirement Plan
The Plan, now within the State of Michigan 401K Plans Fund, 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 SERS (defined benefit) and 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. Michigan Compiled Laws Section 38.686 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 4.0 percent of annual covered payroll. The State is also required to match employee contributions up to 3.0 percent of annual covered payroll. The Plan provides for eligible public school reporting units and the Michigan State Police to make a mandatory contribution of 50.0 percent of participants' voluntary contributions up to 1.0 percent of compensation. The Plan also provides for the EAA to make a mandatory contribution of 100 percent of participants' voluntary contributions up to 7.5 percent 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 2.0 percent of compensation. State of Michigan employees hired prior to January 1, 2012, who elected to transfer to this plan received an employer match up to 2.0 percent 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 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, 2018, the State recognized pension expense of $196.3 million. For the year ended September 30, 2018, forfeitures reduced the State's pension expense by $11.1 million.

Component Units
In addition to the PSERS, the state university component units participate in a defined contribution multiple-employer pension plan primarily administered by the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and also, in some cases, Fidelity Investments. The state university component units are required to contribute between 4.0 percent and 15.0 percent of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF and Fidelity Investments for all state university component units was $113.9 million for the year ending June 30, 2018.

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, 2018.

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

The component unit information required to be disclosed in this note is related to the State Employees' Retirement System (SERS) and Postemployment Life Insurance Benefit (PELIB) plan. All other component units of the State participate in Other Postemployment Benefit Plans (OPEB) plans where the State is not an employer.

The other postemployment benefit plans are administered through a trust and follow the disclosure requirements set forth in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

PLAN DESCRIPTION

The State of Michigan administers the following 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	Single employer	1
Public School Employees' Retirement System (PSERS)*	Cost sharing multiple employer	685
Judges' Retirement System (JRS)**	Single employer	1
Postemployment Life Insurance Benefit ***	Single employer	1

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

**The Judges' Retirement System, previously classified as a cost sharing multiple employer plan, has been reclassified as a single employer plan in fiscal year 2018.

***Postemployment Life Insurance Benefit plan is not administered through a trust but follows the disclosure requirements set forth in GASB Statement No. 75.

Each plan, except for PELIB, is accounted for in a separate OPEB 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 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by visiting https://audgen.michigan.gov/wp-content/uploads/2018/01/MLRS-FY17-FINAL-CAFR.pdf or by calling (517) 373-0575. The PELIB information is included in a separate section at the end of this note.

Pursuant to Michigan Public Act 200 of 2011, the LRS OPEB plan became closed. All qualified participants must have completed six years of service before January 1, 2013, to qualify for health insurance in the plan.

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 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. SERS no longer gives health, medical, and dental benefits to employees hired on or after January 1, 2012, or to those employees that elected the Personal Healthcare Fund. SPRS no longer gives health, medical, and dental benefits to employees hired on or after June 10, 2012, or to those employees that elected the Personal Healthcare Fund. These employees receive contributions to the Personal Healthcare Fund (as described in Note 10).

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 2018, the contribution rates for SERS were 22.1 percent of the defined benefit employee wages and the defined contribution employee wages. The contribution rate for SPRS was 41.9 percent of wages for defined benefit non-command and command officers and for hybrid defined benefit and defined contribution employees. The actuarially determined contribution was $0.6 million for JRS and $11.6 million for LRS. The employer contribution to SERS, SPRS, JRS, and LRS for the fiscal year ending September 30, 2018, was $741.8 million from the primary government and $9.0 million from its component units (SERS only).

Net OPEB Liability
The net OPEB liability for SERS, SPRS, JRS, and LRS was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, and rolled forward using generally accepted actuarial procedures.

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. 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. The actuarial methods and assumptions in the table below are used to determine the net OPEB liability.

	LRS	SPRS	SERS	JRS
Latest actuarial valuation date	9/30/2016	9/30/2016	9/30/2016	9/30/2016
Actuarial cost method	Entry Age	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 as of October 1, 2016	24 years	20 years	20 years	20 years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value
Actuarial assumption:				
Investment rate of return	3.7%	7.5%	7.5%	8.0%
Projected salary increases	4.0%	4.0 – 93.5%	3.5 - 12.5%	4.0%
Includes inflation at	4.0%	3.5%	3.5%	3.5%
Healthcare cost trend rate	8.8% Year 1 graded to 4.0% Year 10	9.0% Year 1 graded to 3.5% Year 10	9.0% Year 1 graded to 3.5% Year 10	9.0% Year 1 graded to 3.5% Year 10

For SERS, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table, for males and females, adjusted for mortality improvements to 2015 using projection scale BB. For JRS and LRS, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table, for males and females, adjusted for mortality improvements to 2020 using projection scale BB. For SPRS, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2030 using projection scale BB for males and 2015 using projection scale BB for females.

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 OPEB valuations beginning with the September 30, 2014, valuations for SERS, SPRS, and JRS. For SPRS and JRS, the rates of retirement, which are 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 service.

In accordance with directions provided by the Office of Retirement Services, the investment return assumption was lowered from 8.0 percent to 7.5 percent for SPRS and SERS for use in the annual funding valuations beginning with the September 30, 2016 valuation. For use in the annual funding valuations beginning with the September 30, 2017 valuation, the investment return assumption was lowered from 7.5 percent to 7.4 percent for SPRS and SERS. The September 30, 2017, funding valuation will establish the actuarially determined contribution amounts for fiscal year 2020 for SERS and SPRS and for the fiscal year 2018 for JRS and LRS.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Allocation for SERS, SPRS, and JRS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Private Equity Pools	18.0	8.7
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate & Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0 %	

*Long-term Rate of Returns are net of administrative expenses and 2.3 percent inflation.

Asset Allocation for LRS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return**
Large Cap Equity	27.0 %	5.0 %
Small Cap Equity	13.0	5.5
International Developed Equity	11.0	7.0
International Small Cap Equity	5.0	7.0
Emerging Markets	9.0	9.5
Fixed Income	18.0	2.2
Hedge Fund	5.0	5.2
Public Natural Resources	10.0	7.0
Cash	2.0	1.5
Total	100.0 %	

**Rate of Return do not include 2.2 percent inflation.

Rate of Return
For the year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.3 percent for SERS and SPRS, 11.5 percent for JRS, and 14.9 percent for LRS. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
For SERS and SPRS a discount rate of 7.5 percent was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5 percent. For JRS, a discount rate of 8.0 percent was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 8.0 percent. The projection of cash flows used to determine this discount rate assumed that plan member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current plan

members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For LRS, the single discount rate of 3.7 percent, compared to a prior year rate of 7.0 percent, was used to measure the total OPEB liability. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.0 percent and a municipal bond rate of 3.5 percent (the municipal bond rate is based on an index of twenty-year general obligation bonds with average AA credit ratings, which is published by the Federal Reserve). The projection of cash flows used to determine this single discount rate assumes that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2024. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2024, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents SERS and SPRS's net OPEB liability, calculated using a discount rate of 7.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
SERS Net OPEB Liability	$ 9,388,040.3	$ 8,246,147.4	$ 7,278,535.7
SPRS Net OPEB Liability	724,961.6	630,197.4	551,343.3

The following presents JRS's net OPEB liability (asset), calculated using a discount rate of 8.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	1% Decrease 7.0%	Current Discount 8.0%	1% Increase 9.0%
JRS Net OPEB Liability	$ 6,640.8	$ 5,981.9	$ 5,408.6

The following presents LRS's net OPEB liability, calculated using a discount rate of 3.7 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	1% Decrease 2.7%	Current Discount 3.7%	1% Increase 4.7%
LRS Net OPEB Liability	$ 200,234.8	$ 168,336.2	$ 143,055.3

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate
The following presents SERS and SPRS's net OPEB liability, calculated using a healthcare trend rate of 9.0 percent graded to 3.5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current trend rate (in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
SERS Net OPEB Liability	$ 7,222,241.0	$ 8,246,147.4	$ 9,420,436.8
SPRS Net OPEB Liability	547,320.3	630,197.4	727,170.5

The following presents JRS's net OPEB liability (asset), calculated using a healthcare trend rate of 9.0 percent graded to 3.5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current trend rate (in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
JRS Net OPEB Liability	$ 5,377.2	$ 5,981.9	$ 6,654.0

The following presents LRS's net OPEB liability, calculated using a healthcare trend rate of 8.8 percent graded to 4.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current trend rate (in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
LRS Net OPEB Liability	$ 142,222.8	$ 168,336.2	$ 200,734.3

Changes in the Net OPEB Liability

The amounts included for the primary government and component units in the table below are related to SERS (in millions):

	Primary Government Increase (Decrease)			Component Units Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Assets) (a) – (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Assets) (a) – (b)
Balances at 9/30/2017 - restated	$ 9,862.6	$ 1,580.3	$ 8,282.3	$ 134.3	$ 21.5	$ 112.8
Changes for the year:						
Service cost	107.1	-	107.1	1.5	-	1.5
Interest	726.1	-	726.1	9.9	-	9.9
Differences between expected/actual	(70.9)	-	(70.9)	(1.0)	-	(1.0)
Contributions – employer	-	693.9	(693.9)	-	9.4	(9.4)
Net investment income	-	215.0	(215.0)	-	2.9	(2.9)
Benefit payments, including refunds of member contributions	(469.8)	(469.8)	-	(6.4)	(6.4)	-
Administrative and other expenses	-	0.3	(0.3)	-	-	-
Net changes	292.5	439.5	(147.0)	4.0	6.0	(2.0)
Balances at 9/30/2018	$ 10,155.1	$ 2,019.7	$ 8,135.4	$ 138.3	$ 27.5	$ 110.8

The amounts included in the table below are related to SPRS (in millions):

	Primary Government Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Assets) (a) – (b)
Balances at 9/30/2017 - restated	$ 753.5	$ 116.7	$ 636.7
Changes for the year:			
Service cost	9.9	-	9.9
Interest	55.6	-	55.6
Differences between expected/actual	(4.1)	-	(4.1)
Contributions - employer	-	51.9	(51.9)
Net investment income	-	16.1	(16.1)
Benefit payments, including refunds of member contributions	(33.9)	(33.9)	-
Administrative and other expenses	-	(0.1)	0.1
Net changes	27.4	34.0	(6.5)
Balances at 9/30/2018	$ 780.9	$ 150.7	$ 630.2

The amounts included in the table below are related to LRS (in millions):

	Primary Government Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Assets) (a) - (b)
Balances at 9/30/2017 - restated	$ 123.7	$ 22.9	$ 100.7
Changes for the year:			
Service cost	0.8	-	0.8
Interest	8.5	-	8.5
Changes of assumptions	66.2	-	66.2
Contributions - employer	-	4.6	(4.6)
Net investment income	-	2.8	(2.8)
Benefit payments, including refunds of member contributions	(6.3)	(6.3)	-
Administrative and other expenses	-	0.6	(0.6)
Net changes	69.2	1.6	67.6
Balances at 9/30/2018	$ 192.8	$ 24.5	$ 168.3

The amounts included in the table below are related to JRS (in millions):

	Primary Government Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Assets) (a) - (b)
Balances at 9/30/2017 - restated	$ 6.7	$ 1.0	$ 5.6
Changes for the year:			
Service cost	0.2	-	0.2
Interest	0.5	-	0.5
Contributions – employer	-	0.2	(0.2)
Contributions – member	-	0.1	(0.1)
Net investment income	-	0.1	(0.1)
Benefit payments, including refunds of member contributions	(0.3)	(0.3)	-
Administrative and other expenses	-	(0.1)	0.1
Net changes	0.3	-	0.3
Balances at 9/30/2018	$ 7.0	$ 1.0	$ 6.0

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2018, the State recognized OPEB expense related to the primary government and its component units of $793.7 million and $9.1 million, respectively. OPEB expense for SERS, SPRS, LRS, and JRS is listed by plan in the table below (in millions):

Plan	Primary Government	Component Units
SERS	$ 666.0	$ 9.1
SPRS	53.9	-
LRS	73.1	-
JRS	0.6	-
Total	$ 793.7	$ 9.1

The total reported deferred outflows of resources and deferred inflows of resources related to OPEB, including component units, are identified in Note 28. For each plan, the deferred outflows of resources and deferred inflows of resources related to OPEB for SERS, SPRS, LRS, and JRS are in the table below (in millions):

	Primary Government				Component Units	
Deferred Outflows of Resources:	SERS	SPRS	LRS	JRS	SERS Only	Total
Contributions subsequent to the measurement date	$ 679.8	$ 56.8	$ 4.7	$ 0.5	$ 9.0	$ 750.9
Total Deferred Outflows of Resources:	$ 679.8	$ 56.8	$ 4.7	$ 0.5	$ 9.0	$ 750.9
Deferred Inflows of Resources:						
Difference between expected and actual experience	$ 59.0	$ 3.3	$ -	$ -	$ 0.8	$ 63.1
Net difference between projected and actual earnings on pension plan investments	70.5	5.3	1.0	-	1.0	77.7
Changes in proportion and differences between employer contributions and proportionate share of contributions	51.6	-	-	-	0.7	52.3
Total Deferred Inflows of Resources:	$ 181.1	$ 8.6	$ 1.0	$ 0.1	$ 2.4	$ 193.1

Amounts reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB for SERS, SPRS, LRS, and JRS will be recognized in OPEB expense as follows (amounts in millions):

	Primary Government OPEB Expense Amount				Component Units OPEB Expense Amount	
Year Ended September 30	SERS	SPRS	LRS	JRS	SERS Only	Total
2019	$ (39.8)	$ (2.2)	$ (0.2)	$ -	$ (0.5)	$ (42.8)
2020	(39.8)	(2.2)	(0.2)	-	(0.5)	(42.8)
2021	(39.8)	(2.2)	(0.2)	-	(0.5)	(42.8)
2022	(39.8)	(2.0)	(0.2)	-	(0.5)	(42.6)
2023	(21.9)	-	-	-	(0.3)	(22.2)

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

Postemployment Life Insurance Benefit

PLAN DESCRIPTION

The State of Michigan provides PELIB to eligible individuals upon retirement from State employment. Members of SERS, SPRS, JRS, and certain members of the Military Retirement Provisions (MRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. PELIB is a single-employer, state-wide, defined benefit OPEB plan. The State contracts with Minnesota Life to administer the payout of life insurance benefits. PELIB is administered by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

Activity of PELIB is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

PELIB is not a trust and has no plan assets.

Benefits Provided

The State's group policy with Minnesota Life includes any active employee in the category of classified State service with an appointment of at least 720 hours duration, but excluding employees with non-career appointments and those working less than 40.0 percent of full time; any active official or active unclassified employee of the State who has been approved for coverage by the Civil Service Commission; any retired employee or official who was insured under this policy or the prior policies it replaced prior to entry into a State Retirement System; and Wayne County employees who a) were State Judicial Council employees on October 1, 1996, and whose employment was transferred to the Recorder's Court on October 1, 1996, and b) whose employer subsequently became the Wayne County Clerk's Office.

Eligible retirees are provided with life insurance coverage equal to 25.0 percent of the active life insurance coverage (which amount is rounded to the next higher $100 provided the retiree retired after July 1, 1974), $1,000 for spouse and $1,000 for each dependent under age 23. The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $100,000 and a maximum of $200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $10,000 and a maximum of $50,000.

Contributions
The State contributes 100 percent of the premiums for employee and retiree life insurance coverage. The premium rates for fiscal year 2017 and fiscal year 2018 were 24 cents and 28 cents, respectively, for each $1,000 of coverage of active payroll. The employee contributes 100 percent of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies. The employer contribution to PELIB for retirees and their eligible dependents for the fiscal year ending September 30, 2018, was $30.5 million from the primary government and $0.4 million from its component units.

More specific information concerning eligibility requirements, benefit level, and funding policies is included in employee collective bargaining agreements, benefit plan booklets, and rules and regulations issued by the Michigan Civil Service Commission.

Total OPEB Liability
The total OPEB liability for PELIB as of the September 30, 2017, measurement date is based on the result of an actuarial valuation date of September 30, 2017. The total OPEB liability for PELIB as of the September 30, 2016, measurement date is based on the result of an actuarial valuation date of September 30, 2015, and rolled-forward using general accepted actuarial procedures.

Actuarial Valuations and Assumptions
Actuarial valuations for PELIB 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 and mortality.

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 consistent with the long-term perspective of the calculations.

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Individual Entry-Age
Wage Inflation Rate:	3.5%
Investment Rate of Return (discount rate):	3.5% per year

Mortality: Healthy Life and Disabled Life Mortality (Percentages of the Male and Female rates used in the pension valuations):

Plan	Percent of Male Rates	Percent of Female Rates
SERS	115%	121%
SPRS	111	121
JRS	120	128
MRP	111	121

Claims Incurred But Not Reported (IBNR): A liability equal to 25.0 percent of expected first year cash flow was held for postemployment life insurance benefits claims IBNR.

Spouse Benefits for Future Retirees: The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees as follows:

SERS plan members:	3.0%
SPRS Non-Hybrid plan members:	2.0%
SPRS Hybrid plan members:	4.0%
JRS plan members:	1.0%
Special Duty Officer members:	1.0%

Spouse Benefits for Current Retirees: Data regarding postemployment life insurance benefits coverage for spouses of current retirees was not available. Liabilities for retired members were loaded to account for postemployment life insurance benefits payable to the spouses of current retirees as follows:

SERS retirees:	4.0%
SPRS retirees:	3.0%
JRS retirees:	2.0%
Special Duty Officer retirees:	2.0%

Opt Out Factors: The data provided to the actuary for this valuation indicates that a portion of JRS members are not members of PELIB. Approximately 52.0 percent of JRS active members participate in the Program. A list of current retiree members of JRS who participate in PELIB was not available. JRS retiree member liabilities were developed by multiplying total potential JRS retiree liabilities by 52.0 percent.

Compensation: For some SERS retirees, final average compensation (FAC) was not reported. The FAC for these members was assumed to be $51,045 (the average of all SERS retiree records reported with FAC).

For purposes of valuing the postemployment life insurance benefit policies for retirees, base wage at retirement was not available and was approximated by applying a factor to the reported FAC at retirement. The factor used to covert an FAC to a base wage is based on the length of the FAC period for each group. The factor used for each affected plan follows:

SERS	Conservation:	0.983092 (2 year FAC)
	Corrections and All Others:	0.966565 (3 year FAC)
SPRS	Non-Hybrid:	0.983092 (2 year FAC)
	Hybrid:	0.934616 (5 year FAC)

For SERS defined contribution plan retirees, compensation at retirement and other information was not provided to the actuary. The postemployment life insurance benefit policies for this group were assumed to have the same average value as the policies for retirees in the SERS defined benefit plan.

Other: The face values of PELIB policies currently in force were requested by the actuary but were not available for use in this valuation. The actuary estimated the value of the PELIB policies for retirees as follows:

Individuals retired after July 1974: 50.0 percent of compensation at retirement (compensation reported for the 2017 retirement system valuations)

Individuals retired on or before July 1974: A minimum benefit of $1,000 and a maximum benefit of $5,000 for an average of $3,000

Spousal benefits $1,000

Data for current retiree members of PELIB was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2017 retirement valuations were included in this valuation of PELIB.

Discount Rate
A discount rate of 3.5 percent was used to measure the ending total OPEB liability for PELIB as of September 30, 2017. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since PELIB has no assets. The municipal bond rate of 3.1 percent was used for determining the beginning total OPEB liability for PELIB as of September 30, 2016. For the prior valuation, dated September 30, 2015, the discount rate used was 4.0 percent. A decrease in the discount rate used affects the measurement of total OPEB liability for PELIB by increasing its total OPEB liability.

Total OPEB Liability for Postemployment Life Insurance Benefits
PELIB total liability is measured as the total liability, less the amount of the PELIB net position. In actuarial terms, this is the accrued liability less the market value of assets. PELIB has no assets (amounts below are in millions).

Total OPEB Liability as of September 30, 2016	$1,309.0
Total OPEB Liability as of September 30, 2017	1,279.2
Total Covered Payroll	2,949.2
Total Liability as a Percentage of Covered Payroll	43.38%

Sensitivity of the Total OPEB Liability for Postemployment Life Insurance
The following table presents total OPEB liability for PELIB, calculated using a Single Discount Rate of 3.5 percent, as well as what the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher (in thousands):

	1% Decrease 2.5%	Current Discount 3.5%	1% Increase 4.5%
PELIB Total OPEB Liability	$ 1,503,614.3	$ 1,279,236.6	$ 1,100,375.8

Changes in the Total OPEB Liability
The amounts included in the table below are related to PELIB (in millions):

	Primary Government Increase (Decrease)	Component Units Increase (Decrease)
	Total OPEB Liability (a)	Total OPEB Liability (a)
Balances at 9/30/2017 - restated	$ 1,292.2	$ 16.7
Changes for the year:		
Service cost	30.8	0.4
Interest	40.1	0.5
Changes of benefit terms	10.9	0.1
Differences between expected/actual	1.3	-
Changes of assumptions	(82.5)	(1.1)
Benefit payments, including refunds of member contributions	(29.9)	(0.4)
Net changes	(29.4)	(0.4)
Balances at 9/30/2018	$ 1,262.9	$ 16.4

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Life Insurance OPEB

For the year ended September 30, 2018, the State recognized OPEB expense related to PELIB of $67.9 million for the primary government and $0.9 million for the component units.

The deferred outflows of resources and deferred inflows of resources related to PELIB are included in Note 28 and in the table below (in millions):

	Primary Government	Component Units
Deferred Outflows of Resources:		
Difference between expected and actual experience	$ 1.1	$ -
Contributions subsequent to the measurement date	30.5	0.4
Total Deferred Outflows of Resources:	$ 31.6	$ 0.4
Deferred Inflows of Resources:		
Changes of assumptions	68.5	0.9
Total Deferred Inflows of Resources:	$ 68.5	$ 0.9

Amounts reported as deferred outflows of resources related to PELIB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total PELIB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to PELIB will be recognized in PELIB expense as follows (amounts in millions):

Year Ended September 30	Primary Government OPEB Expense Amount	Component Units OPEB Expense Amount
2019	$ (13.8)	$ (0.2)
2020	(13.8)	(0.2)
2021	(13.8)	(0.2)
2022	(13.8)	(0.2)
2023	(12.1)	(0.2)

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

NOTE 12 – LEASES

Accounting Policy

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

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

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

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

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

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

During fiscal 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 $56.1 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled $55.1 million, $46.5 million, and $17.4 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling $11.4 million, $10.8 million, and $0.0 million, 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: Principal	Capital Leases: Interest	Capital Leases: Executory Costs	Capital Leases: Total
2019	$ 11.8	$ 49.8	$ 45.6	$ 17.9	$ 113.3
2020	7.9	49.9	42.0	16.9	108.8
2021	6.0	45.4	38.3	14.8	98.6
2022	3.0	43.0	34.9	13.1	91.0
2023	1.5	41.3	31.6	11.4	84.4
2024-2028	0.6	135.3	112.9	43.1	291.3
2029-2033	0.1	59.0	47.4	15.1	121.5
2034-2038	0.1	24.7	26.5	6.9	58.0
2039-2043	0.1	21.4	13.0	1.8	36.2
Thereafter	0.4	18.8	3.6	-	22.5
Total	$ 31.5	$ 488.6	$ 395.9	$ 141.0	$ 1,025.5

The above capital leases relate to governmental activities which include the General Fund, other governmental funds, and the internal service funds. A liability of $488.6 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 $190.3 million.

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

	Governmental Activities	Business-Type Activities
Buildings	$ 486.4	$ 1.0
Equipment	270.5	-
Total	756.9	1.0
Accumulated Depreciation	(348.5)	(0.4)
Net Buildings and Equipment	$ 408.4	$ 0.7

Included in the table above is the historical cost and accumulated depreciation for the capital leases between the State and MSF of $250.7 million and $103.9 million, respectively.

Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled $0.4 million during the fiscal year.

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

Year Ended September 30	Operating Leases	Capital Leases: Principal	Capital Leases: Interest	Capital Leases: Executory Costs	Capital Leases: Total
2019	$ 0.3	$ 0.1	$ 0.1	$ 0.1	$ 0.2
2020	0.2	0.1	0.1	0.1	0.2
2021	0.1	0.1	0.1	0.1	0.2
2022	-	-	0.1	0.1	0.2
2023	-	-	0.1	0.1	0.2
2024-2028	-	0.3	0.3	0.2	0.8
2029-2033	-	0.1	0.2	0.1	0.4
2034-2038	-	0.1	0.1	0.1	0.2
Total	$ 0.7	$ 0.8	$ 1.0	$ 0.7	$ 2.4

Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled $18.7 million. Total capital lease obligations were $25.6 million, $9.1 million, and $0.0 million 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 percent 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 2018, the State did not issue any general obligation short-term notes.

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

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

	Beginning Balance	Draws	Repayments	Ending Balance
Commercial Paper Notes	$ 105.5	$ 46.6	$ 105.7	$ 46.4

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 September 30	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Average Interest Rate Percentage
General Obligation Debt:					
Series 2008 A (Refunding) (2)	$ 200.8	$ 28.4	2011	2019	4.94 %
Series 2008 B (Refunding) (3)	19.4	1.3	2011	2019	4.33
Series 2010 A (Refunding)	46.6	26.1	2013	2021	4.44
Series 2011 A (Refunding) (2)(3)	44.0	44.0	2022	2026	3.83
Series 2011 B (Refunding) (2)(3)	65.4	22.1	2014	2021	1.72
Series 2012 (Refunding)	92.3	67.8	2017	2021	4.49
Series 2014 A (3)	65.1	65.1	2024	2029	5.00
Series 2014 B (3)	20.2	20.2	2027	2027	3.59
Series 2015 A (Refunding)	129.1	109.3	2017	2029	4.82
Series 2016 A (3)	82.2	82.2	2022	2025	5.00
Series 2016 B (Refunding)	60.0	60.0	2022	2026	4.78
Series 2017 A (1)(2)(3)	79.0	79.0	2022	2027	5.00
Series 2017 B (1)(2)(3)	40.6	40.6	2020	2025	1.95
Series 2018 (2)(3)	149.2	149.2	2027	2033	3.49
School Loan Bonds:					
Series 2009 A (Refunding)	204.1	112.1	2016	2021	6.59
Series 2009 B (Refunding) (5)	193.7	27.3	2010	2030	5.58
Series 2010 B (Refunding)	83.8	55.4	2017	2021	3.73
Series 2011 A	150.0	71.6	2014	2023	3.71
Series 2011 B	30.1	30.1	2023	2023	3.70
Series 2012 A (Refunding)	225.0	115.6	2013	2026	2.32
Series 2013 A	200.0	200.0	2024	2033	3.33
Series 2016 A (Refunding)	129.1	123.5	2017	2023	1.69
Total General Obligation Bonded Debt	2,309.6	1,531.0			

Revenue Dedicated Bonded Debt	Amounts Issued	Outstanding September 30	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Average Interest Rate Percentage
State Park Related:					
2002 - Gross Revenue Bonds	$ 15.5	$ 5.3	2004	2023	3.76 %
Total Revenue Dedicated Bonded Debt - State Park Related	15.5	5.3			
Transportation Related:					
Tax Dedicated Bonds:					
Comprehensive Transportation Fund Bonds:					
Series 2005 (Refunding)	62.2	34.1	2009	2023	5.25
Series 2009 (Refunding)	42.3	8.1	2012	2019	4.49
Series 2011 (Refunding)	18.5	8.7	2013	2022	4.50
Series 2013 (Refunding)	10.1	1.5	2014	2023	4.70
Series 2015 (Refunding)	29.4	27.3	2017	2031	4.89
State Trunkline Fund Bonds:					
Series 1998 (Series A Refunding)	377.9	34.1	2006	2019	5.15
Series 2004 (Refunding)	103.5	45.4	2006	2022	5.02
Series 2005 (Refunding)	223.0	89.8	2010	2022	5.24
Series 2009 (Revenue and Refunding)	146.2	146.2	2018	2027	4.99
Series 2011	91.0	79.4	2014	2037	4.72
Series 2012 (Refunding)	49.3	24.7	2014	2022	4.80
Series 2014 (Refunding)	265.1	123.8	2016	2022	4.49
Series 2015 (Refunding)	54.1	54.1	2023	2023	4.84
Grant Anticipation Bonds:					
Series 2016 (Refunding)	607.1	601.3	2018	2027	4.97
Total Revenue Dedicated Bonded Debt - Transportation Related	2,079.6	1,278.5			
State Building Authority:					
Series 2007 I Multi-modal (4)	96.5	32.5	2009	2043	1.59
Series 2008 I (Revenue and Refunding)	192.3	6.0	2011	2039	6.08
Series 2009 I (Refunding)	222.1	127.0	2010	2027	4.88
Series 2009 II	113.5	91.1	2011	2034	4.99
Series 2011 I A (Revenue and Refunding)	409.6	365.0	2012	2046	5.16
Series 2011 I B	12.2	9.6	2013	2032	5.69
Series 2011 II A (Revenue and Refunding)	180.7	173.2	2012	2042	5.23
Series 2011 II B (Refunding) (4)	45.8	45.3	2014	2044	1.59
Series 2013 I A (Revenue and Refunding)	531.3	378.5	2015	2048	4.76
Series 2015 I (Revenue and Refunding)	989.3	980.6	2016	2051	3.86
Series 2016 I (Revenue and Refunding)	665.2	640.2	2018	2052	3.06
Series 2017 I (4)	109.0	109.0	2019	2053	1.55
Total State Building Authority Bonded Debt	3,567.3	2,957.9			
Total Revenue Dedicated Bonded Debt	5,662.4	4,241.6			
Total General Obligation and Revenue Dedicated Bonded Debt	$ 7,972.1	$ 5,772.6			

(1) Sections 324.19301 and 324.71301 of the Michigan Compiled Law (MCL) authorized the issuance of bonds totaling $800.0 million. As of September 30, 2018, $800.0 million of such bond proceeds had been received, leaving no remaining authorization. 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, 2018, $637.4 million of such bond proceeds had been received, leaving remaining authorization of $37.6 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) In 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, 2018, $655.0 million of such bond proceeds had been recognized as received, leaving remaining authorization of $345.0 million. Included in the amount recognized as received is $100.0 million in bonds issued on December 18, 2003, to a discretely presented component unit, Michigan Finance Authority (MFA) ($10.0 million relating to Strategic Water Quality

and $90.0 million relating to the previously existing State Water Quality Revolving Fund). No cash traded hands in the issuance of the bonds to MFA, the registered owner of the bonds.

The $10.0 million bond was being used as collateral for Strategic Water Quality revenue bonds issued by MFA. MFA funded the principal and interest costs of the issued revenue bonds until the State refunded the general obligation bond document. This transaction allowed the State's General Fund to defer principal and interest costs until future years when the bond was repurchased/redeemed. In addition, the $10.0 million bond included a provision that required the State to repurchase all or any portion of this bond upon 10-days written notice from the registered owner, MFA. For this reason, the State had recognized the bond related to Strategic Water Quality as a liability in the entity-wide statements. The $10.0 million bond was reduced to a net obligation of $6.0 million when $4.0 million of the proceeds from the General Obligation Recreation and Environmental Protection Series 2006 B (which was fully refunded in fiscal year 2009) were used to refund a portion of the original obligation. The remaining $6.0 million net obligation was fully refunded by General Obligation Environmental Program and Refunding Bonds Series 2017 A.

The $90.0 million "bond" document issued for the State Water Quality Revolving Fund does not contain the 10-day repurchase provision that the $10.0 million bond did. 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.

(4) SBA Multi-Modal and variable rate bonds bear interest at a remarketed weekly rate. Estimated interest was computed using the weekly rates as of September 30, 2018.

(5) 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 following table 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	$ 27.3	$ 42.2	2010	2030

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

	Amounts Outstanding
Recreation and Environmental Protection:	
Series 2009 A	$ 64.1
School Loan Bonds:	
Series 2008 A	$ 116.0
State Building Authority:	
Series 2008 I (Revenue and Refunding)	$ 130.8

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	
2019	$ 174.7	$ 54.4	$ 159.9	$ 60.7	$ 98.5	$ 137.8	$ 686.1
2020	155.7	49.8	162.7	52.4	82.5	133.6	636.7
2021	162.5	43.1	140.4	44.8	86.7	129.5	607.0
2022	162.4	38.1	147.8	37.5	89.9	125.1	600.8
2023	155.5	32.0	112.9	30.7	95.7	120.6	547.4
2024-2028	476.3	93.2	505.0	66.8	548.2	526.9	2,216.4
2029-2033	258.7	23.9	31.8	9.2	725.8	370.7	1,420.1
2034-2038	-	-	23.3	2.4	627.6	209.2	862.5
2039-2043	-	-	-	-	352.9	100.9	453.9
2044-2048	-	-	-	-	190.8	38.4	229.3
2049-2053	-	-	-	-	59.0	4.8	63.8
Total	$ 1,545.9	$ 334.5	$ 1,283.8	$ 304.5	$ 2,957.9	$ 1,897.6	$ 8,324.1

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

Changes in Bonds and Notes Payable

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

Governmental Activities	Beginning Balance	Additions	Reductions	Accretion	Ending Balance	Amounts Due Within One Year	Due Thereafter
Bonds Payable:							
General obligation debt	$ 1,550.2	$ 149.2	$ (170.7)	$ 2.3	$ 1,531.0	$ 174.7	$ 1,356.3
Revenue bonds	1,435.8	-	(152.0)	-	1,283.8	159.9	1,123.8
State Building Authority	3,053.7	-	(95.8)	-	2,957.9	98.5	2,859.3
Unamortized Discounts:							
General obligation debt	(0.9)	-	0.2	-	(0.7)	-	(0.7)
State Building Authority	(3.2)	-	0.1	-	(3.1)	-	(3.1)
Unamortized Premiums:							
General obligation debt	85.1	4.1	(12.5)	-	76.7	-	76.7
Revenue dedicated debt	188.0	-	(24.9)	-	163.1	-	163.1
State Building Authority	252.7	-	(7.9)	-	244.8	-	244.8
Total bonds and notes payable	$ 6,561.3	$ 153.3	$ (463.5)	$ 2.3	6,253.4	433.2	5,820.2
Plus State Building Authority commercial paper notes reported as "Current Liabilities: Bonds and Notes Payable" on the Statement of Net Position					46.4	46.4	-
As reported on the Statement of Net Position					$ 6,299.8	$ 479.6	$ 5,820.2

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

Bonds and Notes Payable

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

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

Fiscal Years Ending In	Principal	Fixed Interest	Estimated Interest	Total
2019	$ 976.5	$ 533.1	$ 21.2	$ 1,530.7
2020	941.4	497.5	21.4	1,460.2
2021	848.1	456.3	21.2	1,325.6
2022	688.5	421.7	21.0	1,131.2
2023	649.9	393.2	20.8	1,063.8
Total five years	4,104.3	2,301.7	105.6	6,511.6
2024-2028	2,535.2	1,588.0	104.8	4,228.0
2029-2033	2,210.8	1,072.3	93.3	3,376.4
2034-2038	1,594.0	599.2	86.3	2,279.5
2039-2043	1,024.0	328.0	79.1	1,431.1
2044-2048	1,331.1	123.6	71.4	1,526.1
2049-2053	1,857.0	35.5	35.3	1,927.8
Thereafter	4,474.1	9.3	-	4,483.4
2024 -Thereafter	15,026.2	3,755.8	470.3	19,252.3
Total	19,130.5	$ 6,057.5	$ 575.9	$ 25,763.9
Unamortized discount	(15.5)			
Unamortized premium	481.9			
Off market borrowings	44.7			
Unpaid accretion for capital appreciation bonds	(5,851.0)			
Total Principal	$ 13,790.6			

Included in the table above is $1.7 billion of demand bonds comprised of $954.3 million issued by MSHDA, $600.0 million issued by the Michigan Finance Authority (MFA), and $127.0 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, 2018, MFA has short-term notes outstanding of $438.9 million and long-term notes outstanding of $286.5 million.

As of December 31, 2017, VMF has long-term notes outstanding of $250.0 million.

State universities have short-term notes outstanding of $2.1 million and long-term notes outstanding of $31.5 million as of June 30, 2018.

Unrecorded Limited Obligation Debt

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

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

MFA issues limited obligation 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, 2018, MFA had bonds outstanding of $9.3 billion. Of this amount, $679.6 million of the bonds have been defeased in substance, leaving a remaining undefeased balance of $8.6 billion.

The Michigan Strategic Fund (MSF) issues taxable and tax-exempt private activity bonds, formerly known as industrial development revenue bonds, which are not recorded as liabilities. The total amount of private activity bonds issued by MSF and its predecessor entity for the period January 1, 1979, through September 30, 2018 was $10.5 billion. The amount of tax-exempt bonds issued during fiscal year 2018 was $62.8 million. In fiscal year 2018, taxable bonds were issued in the amount of $3.7

million 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, 2018, limited obligation bonds had been issued totaling $909.1 million, of which 77 issues totaling $730.6 million had been retired. The aggregated principal of all MSHDA outstanding debt may not exceed $4.2 billion.

MSHDA entered into several interest rate exchange agreements for a total of $804.4 million as of June 30, 2018, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 2.7 percent to 5.4 percent.

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, $73.8 million at September 30, 2018, has been recorded at its discounted present value of $49.6 million, using a discount rate of approximately 8.0 percent. The present value of the current portion of this liability is $11.0 million. In fiscal year 2018, state agencies paid reimbursement for actual workers’ compensation claims and administrative fees totaling $20.8 million.

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

Net Other Postemployment Benefits (OPEB) Liability
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, 2018, is $167.9 million ($20.0 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 $124.4 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 10.0 percent of the cost of remediation action and 100 percent 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 $19.1 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.

Financed Infrastructure Projects
This liability represents contracts entered into by the Department of Transportation for the design, building, and financing of highway lighting projects. The liability of $60.2 million at September 30, 2018, represents the amount of work completed at year-end.

Other Claims and Judgments
The governmental activities estimated liability for other claims and litigation losses, $506.3 million at September 30, 2018, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving state taxes 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 for other claims and judgments also includes $132.9 million for the expected sale and redemption or nullification of Venture Michigan Fund tax vouchers. This liability is further described in Note 25.

The liability recorded for other claims and judgments within business-type activities includes overpayments by employers to the Michigan Unemployment Compensation Funds totaling $47.4 million.

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Other Long-term Obligations:						
Capital lease obligations:						
Component units	$ 201.7	$ -	$ 11.4	$ 190.3	$ 12.4	$ 177.9
Others	298.6	43.5	43.7	298.3	37.3	261.0
Compensated absences	399.0	301.8	303.9	396.8	220.6	176.2
Workers' compensation	55.4	6.5	12.3	49.6	11.0	38.5
Net pension liability	5,983.2	42.3	122.1	5,903.4	-	5,903.4
Net OPEB liability**	10,250.7	67.9	181.6	10,137.0	-	10,137.0
Pollution remediation	158.5	27.3	17.9	167.9	20.0	147.9
Financed infrastructure projects	64.8	-	4.6	60.2	-	60.2
Other claims and judgments	262.5	276.6	32.8	506.3	40.7	465.6
Total Governmental Activities	$ 17,674.2	$ 765.9	$ 730.4	$ 17,709.8	$ 342.1	$ 17,367.7
Business-type Activities						
Other Long-term Obligations:						
Lottery prize awards*	$ 177.3	$ 8.1	$ 15.1	$ 170.3	$ 14.8	$ 155.6
Capital lease obligations	0.6	0.2	0.1	0.7	0.1	0.6
Compensated absences	2.4	1.9	1.3	3.0	2.0	1.0
Net pension liability	37.2	0.2	1.1	36.2	-	36.2
Net OPEB liability**	67.0	-	1.2	65.8	-	65.8
Other claims and judgments	46.5	0.9	-	47.4	-	47.4
Total Business-type Activities	$ 331.0	$ 11.3	$ 18.8	$ 323.5	$ 16.9	$ 306.6

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

The General Fund, other governmental, and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence and workers’ compensation liabilities will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension liabilities and net OPEB liabilities will be liquidated by the State’s governmental and proprietary 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. 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 $665.8 million for component units, which includes $69.1 million related to authorities participating in the State Employees’ Retirement System, $575.3 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.

The net OPEB liability totaled $278.6 million for component units, which includes $110.8 million related to authorities participating in the State Employees’ Retirement System, $148.4 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, 2018, shows the actuarial present value of future tuition obligations to be $61.7 million, as compared to the actuarially determined market value of assets available of $111.2 million. The actuarial assumptions used include: a projected tuition increase rate of 6.0 percent for year 1, 5.5 percent for year 2, 5.0 percent for year 3 and 4.5 percent for year 4 and beyond; and a discount rate of 3.6 percent.

The actuarial report on the status of MET Plan D, as of September 30, 2018, shows the actuarial present value of future tuition obligations to be $813.6 million, as compared to the actuarially determined market value of assets available of $1.0 billion. The actuarial assumptions used include: a projected tuition increase rate of 6.0 percent for year 1, 5.5 percent for year 2, 5.0 percent for year 3 and 4.5 percent for year 4 and beyond; and a discount rate of 5.5 percent.

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 1996 Tax Act.

NOTE 16 – INCOME TAX CREDITS AND REFUNDS

Income Tax Credits

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

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

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

Property tax credits:	
General homestead	$ 286.2
Senior citizens	196.8
Blind and disabled	51.7
Farmland preservation	46.4
Veterans	0.3
Subtotal - property tax credits	581.4
Earned income tax credit	114.4
Home heating (excluding federal share)	0.3
Total tax credits	$ 696.1

Income Tax Refunds Payable

The $1.0 billion 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 – TAX ABATEMENTS

During fiscal year 2017, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. The State employs a variety of tax abatements that encourage economic development within the State, or otherwise benefits Michigan citizens. A tax abatement (for financial reporting purposes) is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the State or citizens of the State. GASB Statement No. 77 requires disclosure of certain information about tax abatement agreements. The State administers other programs and policies that reduce the taxes that an individual or entity would otherwise owe that do not meet the definition of a tax abatement as defined by GASB Statement No. 77 and are therefore not included in this disclosure.

As of September 30, the State provided tax abatements through the following programs:

Program Name	**Brownfield Redevelopment Credit Program**
Program purpose	The Brownfield Redevelopment Credit Program was established to encourage businesses to make an investment in eligible Michigan property that was used or is currently used for commercial, industrial, public, or residential purposes and is either a facility (environmentally contaminated property), functionally obsolete, or blighted.
Taxes being abated	Michigan Business Tax (MBT)
Authority under which abatement agreements are entered	Public Acts 381 of 1996 and 39 of 2011 Michigan Compiled Laws (MCL) Sections 125.2651 - 125.2670, 207.801 - 207.810, and 208.1437
Criteria to be eligible to receive abatements	Taxpayer enters into an agreement with the Michigan Economic Growth Authority (MEGA) and agrees to fulfill investment necessary for the demolition, construction, restoration, alteration, renovation, or improvement of buildings located in Brownfield development zones. Eligible property must be owned or leased by the taxpayer and designated in a locally approved Brownfield Plan created under the Brownfield Redevelopment Financing Act. Credits are awarded to projects that best meet criteria for selection priorities.
How taxes are reduced	Taxpayer claims a credit when filing annual tax return. Credit is computed and certified by the Michigan Economic Development Corporation (MEDC).
How amount of abatement is determined	Tax liability is reduced via credit based on a formula set by law that considers the amount of eligible investment.
Provisions and conditions under which abated taxes become eligible for recapture	The disposal or transfer to another location of personal property used to calculate this credit will result in an addition to the tax liability of the qualified taxpayer that was originally awarded the credit in the year in which the disposal or transfer occurs. This is true even if the credit was assigned to someone else. This additional liability will be calculated as of the date of the disposition or transfer by multiplying the same percentage used to calculate the credit times the federal basis of the property used to calculate gain or loss (as calculated for federal purposes). The amount otherwise added to the tax liability may also be used to reduce any carryforward of credits available to the taxpayer. For multiphase projects, if all components are not completed by ten years after the date on which the preapproval letter was issued, the qualified taxpayer shall pay to the state treasurer, as a penalty, an amount equal to the sum of all credits claimed and assigned for all components of the project. No credits based on that multiphase project shall be claimed after that date by the qualified taxpayer or any assignee.
Types of commitments made by the recipients of the tax abatements	Perform eligible investment per MEGA agreement. Taxpayer will need to perform either demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property, the addition of machinery, equipment, and fixtures to eligible property, or various environmental clean-up activities on eligible property.
Total revenue estimated to be reduced for fiscal year 2018	$55.9 million

Program Name	**Brownfield Redevelopment Tax Increment Financing Program**
Program purpose	This Brownfield Redevelopment Tax Increment Financing Program was established to encourage businesses to revitalize and redevelop eligible Michigan property that was used or is currently used for commercial, industrial, public, or residential purposes and is either a facility (environmentally contaminated property), functionally obsolete, or blighted.
Taxes being abated	State Education Tax (SET)
Authority under which abatement agreements are entered	MCL Sections 125.2651 - 125.2670
Criteria to be eligible to receive abatements	A work plan in accordance with P.A. 381 of 1996 to remediate a Brownfield property must be approved by either the Department of Environmental Quality for environmental eligible activities or the Michigan Strategic Fund (MSF) for nonenvironmental eligible activities. The size and the duration of tax incentives are highly discretionary, as each is determined on a case-by-case basis by the Brownfield Redevelopment Authority of the relevant locality.
How taxes are reduced	Taxes are reduced using tax increment financing. The developer of the Brownfield property is repaid for its Brownfield related investment via capture of the increased taxable value.
How amount of abatement is determined	The amount of abatement is based on the increase in taxable value caused by redevelopment of the Brownfield property.
Provisions and conditions under which abated taxes become eligible for recapture	No provisions for recapturing abated taxes.
Types of commitments made by the recipients of the tax abatements	Adherence to Brownfield work plans for rehabilitation of Brownfield properties.
Total revenue estimated to be reduced for fiscal year 2018	$5.1 million

Program Name	**Farmland Preservation Credit - Corporate and Non-Corporate Program**
Program Purpose	The Farmland Preservation Credit Program was established to provide tax incentive for farmland owners, which include individuals and corporations, that enter into a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Agriculture and Rural Development (MDARD) and agree to preserve the land as farmland and not develop for another use. The credit gives back to farmland owners a portion of the property taxes paid on farmland.
Taxes being abated	Individual Income Tax (IIT) MBT
Authority under which abatement agreements are entered	Public Act 39 of 2011 MCL Section 324.36109
Criteria to be eligible to receive abatements	Taxpayer must own farmland and have entered into an FDRA agreement with MDARD.
How taxes are reduced	Taxpayer claims a credit when filing annual tax return.
How amount of abatement is determined	Tax liability is reduced via credit based on a formula set by law that considers the proportion of eligible and non-eligible property taxes paid on the farmland.
Provisions and conditions under which abated taxes become eligible for recapture	If a parcel is released from the program, the land owner is required to repay the tax credits taken during the last seven years under the agreement, plus six percent simple interest.

Program Name	**Farmland Preservation Credit - Corporate and Non-Corporate Program**
Types of commitments made by the recipients of the tax abatements	Taxpayer agrees not to develop farmland for another purpose besides farming.
Total revenue estimated to be reduced for fiscal year 2018	$49.2 million (IIT) $1.8 million (MBT)

Program Name	**Historic Preservation Credit Program**
Program purpose	The Historic Preservation Credit Program was established to provide tax incentives for homeowners, commercial property owners, and businesses to rehabilitate historic resources located in Michigan. Rehabilitation projects must be certified by the State Historic Preservation Office (SHPO).
Taxes being abated	MBT IIT
Authority under which abatement agreements are entered	Public Act 39 of 2011 MCL Sections 206.266 and 208.1435
Criteria to be eligible to receive abatements	Taxpayer has a rehabilitation plan certified for the rehabilitation of a historic resource, and/or the taxpayer applies and receives confirmation from the Michigan State Housing Development Authority that the historic significance, the rehabilitation plan, and the completed rehabilitation of the historic resource meet criteria determined by the law. This credit is no longer available to new property owners and no new applications are being accepted, however there are existing projects actively using the credit.
How taxes are reduced	Taxpayer claims a credit when filing annual tax return. Credit is computed and certified by SHPO.
How amount of abatement is determined	Tax liability is reduced via credit based on a formula set by law that considers the amount of qualified eligible investment certified by SHPO, scale of project, and whether the taxpayer is eligible for the federal Rehabilitation Credit under Section 47 of Internal Revenue Code.
Provisions and conditions under which abated taxes become eligible for recapture	If the historic resource is sold or disposed of less than five years after being placed in service, a percentage of the credit amount previously claimed shall be added back to the tax liability of the qualified taxpayer based on the number of years the resource had been in service.
Types of commitments made by the recipients of the tax abatements	Make qualified expenditures to rehabilitate a historic resource.
Total revenue estimated to be reduced for fiscal year 2018	$12.9 million (MBT) $0.1 million (IIT)

Program Name	**MEGA Battery Credit Program**
Program purpose	The MEGA Battery Tax Credit Program was established to stimulate the domestic commercialization and affordability of high-power energy batteries, the lack of which today is limiting hybrid, plug-in hybrid battery-electric, and fuel cell vehicle applications, and to help ensure that job growth from battery technology and commercial production develops alongside advanced vehicle technology development and renewable power generation initiatives both within and outside the transportation sector.
Taxes being abated	MBT
Authority under which abatement agreements are entered	Public Act 39 of 2011 MCL Sections 207.801 - 207.810 and 208.1434
Criteria to be eligible to receive abatements	Taxpayer enters into agreement with MEGA regarding manufacturing and commercialization of batteries and performs qualified activities as required by law.
How taxes are reduced	Taxpayer claims a credit when filing annual tax return. Credit is computed and certified by MEDC.
How amount of abatement is determined	Tax liability is reduced via credit based on a formula set by law that considers the type of battery produced or commercialized, and/or the qualified related activity performed by taxpayer.
Provisions and conditions under which abated taxes become eligible for recapture	As determined by MEGA, the taxpayer may have its credit reduced or terminated, or have a percentage of the credit amount previously claimed added back to the tax liability of the taxpayer in the year that the taxpayer fails to comply with the agreement. MEGA battery manufacturing facility credit agreements include a repayment provision if the taxpayer fails to meet certain requirements of the agreement. MEGA large-scale battery credit agreements include the following repayment provisions: • the taxpayer fails to meet certain requirements of the agreement • the taxpayer fails to create 750 new jobs wherein the taxpayer shall have its credit reduced by $65,000 for each job less than 750 that was not created • the taxpayer fails to create at least 500 new jobs wherein a provision regarding an additional claw back of any credit or benefit received pursuant to the agreement is initiated MEGA advanced lithium ion battery credit agreements include a repayment provision if the taxpayer relocates its advanced lithium ion battery pack assembly facility outside Michigan during the term of the agreement or subsequently fails to meet the capital investment or new jobs requirements of the agreement entered for this credit.
Types of commitments made by the recipients of the tax abatements	The taxpayer will manufacture battery packs in Michigan, make qualified capital investments, or increase engineering activities related to the support of advanced battery technology.
Total revenue estimated to be reduced for fiscal year 2018	$10.6 million

Program Name	**MEGA Employment Credit Program**
Program purpose	The MEGA Tax Credit Program was established in 1995 to promote economic growth and job creation within the State. The MEGA tax credit is a refundable tax credit to a company's business tax liability to the State of Michigan. A MEGA tax credit certificate is granted to a Michigan business once it fulfills an agreed upon number of created and retained jobs and amount of capital investment in the State. As of December 2011, no new tax credit applications have been accepted or awarded.
Taxes being abated	MBT

Program Name	**MEGA Employment Credit Program**
Authority under which abatement agreements are entered	Public Act 39 of 2011 MCL Sections 207.801 - 207.810 and 208.1431
Criteria to be eligible to receive abatements	Taxpayer agrees to retain or add qualified new jobs as defined in MCL Section 207.803.
How taxes are reduced	Taxpayer claims a credit when filing annual tax return. Credit is computed and certified by MEDC.
How amount of abatement is determined	Tax liability is reduced via credit based on the amount of payroll attributable to qualified new or retained jobs, health care costs, tax rate, and specific annual limits defined by law.
Provisions and conditions under which abated taxes become eligible for recapture	As determined by MEGA, the taxpayer may have its credit reduced or terminated, or have a percentage of the credit amount previously claimed added back to the tax liability of the taxpayer in the tax year that the taxpayer: • fails to meet the requirements for the credit • violates any conditions included in the agreement entered with MEGA • removes any of the qualified new jobs from Michigan during the term of the written agreement and for a period of years after the term of the written agreement
Types of commitments made by the recipients of the tax abatements	Retain or add qualified new jobs as defined in MCL Section 207.803.
Total revenue estimated to be reduced for fiscal year 2018	$611.8 million

Program Name	**MEGA Poly-Silicon Energy Cost Credit Program**
Program purpose	The MEGA Poly-Silicon Energy Cost Credit Program was established to stimulate the manufacturing of polycrystalline silicon to be used for solar cells and semiconductor microchips.
Taxes being abated	MBT
Authority under which abatement agreements are entered	Public Act 39 of 2011 MCL Sections 207.801 - 207.810 and 208.1432
Criteria to be eligible to receive abatements	Taxpayer enters into agreement with MEGA and agrees to construct and operate a new or expanded facility for the manufacturing of polycrystalline silicon.
How taxes are reduced	Taxes are reduced for a period of 12 years by taxpayer claiming a credit when filing annual tax return. Credit is computed and certified by MEDC.
How amount of abatement is determined	Tax liability is reduced via credit based on a formula set by law that considers the annual guaranteed cost of electricity and the annual projected cost of electricity.
Provisions and conditions under which abated taxes become eligible for recapture	No provisions for recapturing abated taxes.
Types of commitments made by the recipients of the tax abatements	Construct and operate a new or expanded facility to manufacture polycrystalline silicon to be used for solar cells and semiconductor microchips.
Total revenue estimated to be reduced for fiscal year 2018	$23.4 million

Program Name	**Renaissance Zone Credit - Development Program**
Program purpose	The Renaissance Zone Credit - Development Program provides incentive for businesses and individuals to help revitalize a designated Renaissance Zone. Originally, Michigan Renaissance Zones were geographic regions of the State designated as virtually tax free for any business or resident presently in or moving into a Renaissance Zone for a period of up to 15 years. Since then, the Renaissance Zone Act, (P.A. 376 of 1996, as amended) has been expanded shifting away from larger geographic area designations and now focuses on project-specific and parcel-specific designations. All Renaissance Zone types receive the same benefit. As of December 31, 2011, the geographic region portion of the program is being phased out and time extensions and new geographic subzones are no longer available.
Taxes being abated	MBT
Authority under which abatement agreements are entered	Public Act 39 of 2011 MCL Sections 125.2681 - 125.2696 and 208.1433
Criteria to be eligible to receive abatements	Renaissance Zone Credits reported under GASB Statement No. 77 are limited to credits claimed by taxpayers with a development agreement executed between the taxpayer and MSF board or that are part of a qualified collaborative agreement. Taxpayers with an agreement must be located and conducting business activity in a Renaissance Zone.
How taxes are reduced	Taxpayer claims a credit when filing annual tax return.
How amount of abatement is determined	Tax liability is reduced via credit based on a formula that considers the level of business activity performed in the Renaissance Zone with respect to the level of activity performed outside of the Renaissance Zone.
Provisions and conditions under which abated taxes become eligible for recapture	Recapture conditions vary and only occur when expressly provided in the agreement signed by the taxpayer and MSF board.
Types of commitments made by the recipients of the tax abatements	Locate and conduct business in the Renaissance Zone and create jobs or make capital investment.
Total revenue estimated to be reduced for fiscal year 2018	$38.9 million

Program Name	**Renaissance Zone Property Tax Exemption Program**
Program purpose	The Renaissance Zone Property Tax Exemption Program provides incentive for businesses and individuals to help revitalize a designated Renaissance Zone. Originally, Michigan Renaissance Zones were geographic regions of the State designated as virtually tax free for any business or resident presently in or moving into a Renaissance Zone for a period of up to 15 years. Since then, the Renaissance Zone Act (P.A. 375 of 1996, as amended) has been expanded shifting away from larger geographic area designations and now focuses on project-specific and parcel-specific designations. All Renaissance Zone types receive the same benefit. As of December 31, 2011, the geographic region portion of the program is being phased out and time extensions and new geographic subzones are no longer available.
Taxes being abated	SET
Authority under which abatement agreements are entered	MCL Sections 125.2681 - 125.2696 and 211.7ff
Criteria to be eligible to receive abatements	Renaissance Zone exemptions reported under GASB Statement No. 77 are limited to exemptions claimed by taxpayers with a development agreement executed between the taxpayer and MSF board or that are part of a qualified collaborative agreement. Taxpayers must be located and conducting business activity in a Renaissance Zone.

Program Name	Renaissance Zone Property Tax Exemption Program
How taxes are reduced	For taxpayers with an executed development agreement, real and personal property in a Renaissance Zone is exempt from taxation under the General Property Tax Act with certain exceptions as specified in MCL 211.7ff.
How amount of abatement is determined	Property tax exemption applies to all taxes levied except for debt millage, school district sinking fund millage, independent school district enhancement millage, and special assessments.
Provisions and conditions under which abated taxes become eligible for recapture	Recapture conditions vary and only occur when expressly provided in the agreement signed by the taxpayer and MSF board.
Types of commitments made by the recipients of the tax abatements	Locate and conduct business in the Renaissance Zone and create jobs or make capital investment.
Total revenue estimated to be reduced for fiscal year 2018	$3.9 million

NOTE 18 – 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. Prior to fiscal year 2016, the 457 and the 401k deferred compensation plans were combined for reporting purposes under the heading of “State of Michigan Deferred Compensation Funds.” In fiscal year 2016, the 401k deferred compensation plan was transferred to the State of Michigan 401k Plans Fund and combined with the defined contribution pension plan. As a result, the remaining 457 deferred compensation plan amounts are now included within the State of Michigan 457 Plans Fund.

Although the 457 plan and 401k plan are no longer combined for reporting purposes, the following policies still apply. Generally, the State 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 State 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.

NOTE 19 – INTERFUND RECEIVABLES AND PAYABLES

Primary Government

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

	Due To						
Due From	General Fund	School Aid Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ -	$ -	$ 0.5	$ 5.8	$ 71.5	$ 77.7
School Aid Fund	1,247.0	-	-	-	-	-	1,247.0
Non-Major Governmental Funds	17.9	-	67.4	-	0.8	8.5	94.6
State Lottery Fund	-	5.0	-	-	-	0.3	5.4
Unemployment Compensation Funds	-	-	1.2	-	-	-	1.2
Non-Major Enterprise Funds	33.5	-	-	-	-	0.2	33.7
Internal Service Funds	-	-	-	-	26.6	3.9	30.5
Fiduciary Funds	-	-	-	-	-	0.3	0.3
Total	$ 1,298.4	$ 5.0	$ 68.6	$ 0.5	$ 33.2	$ 84.7	$ 1,490.5

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: $1.3 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 20 – 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, 2018, MBA has repaid a total of $15.8 million of the advance from the Michigan Transportation Fund, leaving a balance of $47.2 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 21 – TRANSFERS

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

	Transfer To			
Transferred From	General Fund	School Aid Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 3.2	$ 432.4	$ 435.6
School Aid Fund	-	-	125.3	125.3
Non-Major Governmental Funds	48.7	-	1,678.8	1,727.5
State Lottery Fund	3.4	941.3	2.7	947.4
Unemployment Compensation Funds	-	-	44.6	44.6
Non-Major Enterprise Funds	230.9	-	-	230.9
Internal Service Funds	4.1	-	-	4.1
Fiduciary Funds	0.3	-	-	0.3
Total	$ 287.2	$ 944.4	$ 2,283.9	$ 3,515.5

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) move 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 22 – FUND DEFICITS

Primary Government

Governmental Funds reporting a fund balance deficit:
The Advance Financing Funds, a capital projects fund, had a fund balance deficit of $19.6 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 $43.7 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 reporting a net position deficit (in millions):

Enterprise Funds:	
State Lottery Fund (SLF)	$ 43.9
Liquor Purchase Revolving Fund	37.2
Internal Service funds:	
Correctional Industries Revolving Fund	3.1
Information Technology Fund	587.3
Office Services Revolving Fund	9.0
Motor Transport Fund	3.2

The deficits above are primarily attributable to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The Statement of Net Position now includes a portion of net Other Postemployment Benefits liability related to the State Employees' Retirement System (SERS) that was allocated to the fund in accordance with GASB standards. The deficit is also attributed to GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The Statement of Net Position includes a portion of net pension liability related to the SERS that was allocated to the fund in accordance with GASB standards.

In addition the SLF deficit is also attributed to the unrealized losses on investments that SLF holds to fund future payments due on annuitized lottery prizes. Accounting principles dictate that SLF record the gain or loss related to the change in market value of investments.

NOTE 23 – 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	$ 16.2	$ -	$ -	$ -	$ 7.5	$ -	$ 23.7
Long term notes/receivables	1.6	-	-	-	-	-	1.6
Permanent principal	-	-	236.0	-	-	820.4	1,056.4
Restricted							
General government	123.5	-	12.7	-	-	-	136.3
Education	5.4	433.5	-	126.8	-	-	565.7
Public safety and corrections	19.1	-	2.4	-	-	11.3	32.8
Conservation, environment, recreation, and agriculture	222.5	-	281.2	3.7	-	286.3	793.7
Health and human services	74.7	-	2.8	-	-	-	77.5
Transportation	-	-	187.9	-	997.1	-	1,185.1
Labor, commerce, and regulatory	145.8	-	59.2	-	-	-	205.0
Other purposes	-	-	-	48.9	-	-	48.9
Committed							
General government	1,308.2	-	351.9	-	-	-	1,660.1
Education	116.0	-	11.5	-	-	-	127.5
Public safety and corrections	192.5	-	-	-	-	-	192.5
Conservation, environment, recreation, and agriculture	85.8	-	-	-	-	-	85.8
Health and human services	243.6	-	-	-	-	-	243.6
Transportation	127.9	-	-	-	-	-	127.9
Labor, commerce, and regulatory	55.1	-	-	-	-	-	55.1
Assigned							
General government	28.4	-	-	-	-	-	28.4
Education	2.1	-	-	-	-	-	2.1
Public safety and corrections	68.2	-	-	-	-	-	68.2
Conservation, environment, recreation, and agriculture	52.8	-	-	-	-	-	52.8
Health and human services	19.5	-	-	-	-	-	19.5
Transportation	0.9	-	-	-	-	-	0.9
Labor, commerce, and regulatory	4.6	-	-	-	-	-	4.6
Unassigned	788.3	-	-	-	(63.3)	-	725.0
Total Fund Balances	$ 3,702.7	$ 433.5	$ 1,145.6	$ 179.3	$ 941.3	$ 1,118.0	$ 7,520.5

* $1,006.0 million of this balance relates to the Counter-Cyclical Budget and Economic Stabilization Fund as referenced in Note 3.

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	$ 4.7	$ 891.2	$ 895.9
Public safety and corrections	15.8	5.7	21.5
Conservation, environment, recreation, and agriculture	261.3	219.5	480.8
Health and human services	46.2	31.5	77.6
Transportation	-	1,061.5	1,061.5
Labor, commerce, and regulatory	206.4	0.3	206.7
Other purposes	114.8	5.6	120.4
Funds Held as Permanent Investments:			
Expendable	-	297.6	297.6
Nonexpendable	13.7	1,042.7	1,056.4
Total Restricted Net Position - Governmental	$ 662.9	$ 3,555.6	$ 4,218.4
Business - Type Activities:			
Restricted For:			
Unemployment compensation	$ 4,522.9	$ -	$ 4,522.9
Other purposes	-	2.9	2.9
Total Restricted Net Position - Business - Type	$ 4,522.9	$ 2.9	$ 4,525.8
Total Primary Government:			
Restricted For:			
Education	$ 4.7	$ 891.2	$ 895.9
Public safety and corrections	15.8	5.7	21.5
Conservation, environment, recreation, and agriculture	261.3	219.5	480.8
Health and human services	46.2	31.5	77.6
Transportation	-	1,061.5	1,061.5
Unemployment compensation	4,522.9	-	4,522.9
Labor, commerce, and regulatory	206.4	0.3	206.7
Other purposes	114.8	8.5	123.3
Funds Held as Permanent Investments:			
Expendable	-	297.6	297.6
Nonexpendable	13.7	1,042.7	1,056.4
Total Restricted Net Position - Primary Government	$ 5,185.7	$ 3,558.4	$ 8,744.2

NOTE 24 – 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	$ 1,558.7	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,558.7
Non-Medicaid Health and Human Services Programs	375.5	-	0.9	-	-	-	-	376.4
Transportation Programs	-	-	469.3	-	-	-	-	469.3
School Aid Programs	-	139.7	-	-	-	-	-	139.7
Other State Programs	411.9	-	34.9	-	-	-	-	446.8
Merit Award Scholarships	-	-	1.1	-	-	-	-	1.1
Payroll and Withholdings	189.2	-	23.1	-	0.9	-	0.5	213.7
Tax Refunds other than Income Tax	275.0	21.5	7.7	-	-	-	-	304.2
Unearned Receipts	41.0	-	9.3	-	-	-	-	50.3
Amounts Held for Others	21.8	-	46.6	-	2.3	-	-	70.7
Capital Projects - Non-Transportation	-	-	13.6	-	-	-	-	13.6
Prize Awards	-	-	-	-	151.1	-	-	151.1
Liquor Purchase	-	-	-	-	-	-	109.0	109.0
Unemployment Payments	-	-	-	-	-	26.7	-	26.7
Internal Service Fund Liabilities	-	-	-	134.1	-	-	-	134.1
Due to Fiduciary Funds *	-	-	-	87.9	-	-	-	87.9
Miscellaneous	-	-	-	-	17.2	-	0.4	17.7
Total	$ 2,873.2	$ 161.2	$ 606.4	$ 222.0	$ 171.5	$ 26.7	$ 110.0	$ 4,171.0

* 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. 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 25 – 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; and commerce and budgetary reductions to school districts and governmental units. 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:

Melisa Mays v Governor Snyder: The State of Michigan, Governor Snyder, Department of Environmental Quality (DEQ), Department of Health and Human Services (DHHS) and various other State employees, officers, and boards have been sued in approximately 90 lawsuits arising out of the Flint Water Crisis. Plaintiffs allege that the State defendants are responsible for a decision to use the Flint River as the drinking water source, which caused them to be exposed to contaminated water. According to plaintiffs, DEQ failed to order Flint to properly treat the drinking water, which allegedly caused the plaintiffs to be exposed to unsafe levels of lead and to legionella bacteria. Plaintiffs also allege DHHS failed to warn plaintiffs of the increased exposure to lead and to legionella. Over 2,700 individuals have filed notices of intent against the State defendants in the Court of Claims. Multiple individual and class actions have been filed against the State defendants seeking injunctive relief and monetary damages arising out of claims for bodily injury, property damage, statutory violations, and infringement of constitutional rights. Plaintiffs have not yet stated the total damages being sought, but the claimed damages will certainly exceed $1.0 billion. The State defendants have asserted multiple defenses to those claims, which are under consideration by the courts. Recovery of the above amount is believed to be remote at this time.

Taxpayers for Michigan Constitutional Government v The State of Michigan: On September 7, 2016, plaintiffs filed suit against defendants in the Michigan Court of Appeals under the provisions of the Headlee Amendment to the Michigan Constitution. Plaintiffs named the Department of Technology, Management and Budget, the Office of the Auditor General, and the State as defendants. Among its provision, Section 30 of the Headlee Amendment requires that "The proportion of total state spending paid to all units of local government, taken as a group, shall not be reduced below that proportion in effect in fiscal year 1978-79." The figure was recalculated in 1993 based on prior litigation. This means that each year, state spending in the form of aid to local governments, in the aggregate, must be at least 48.97 percent of total state spending from state revenue sources, as those terms are defined.

This case challenges whether certain categories of state spending should be counted toward, or excluded from, the 48.97 percent calculation. Plaintiffs' allegations challenged Proposal A funding for schools, including public school academies, transportation funding, and other unspecified state spending to aid units of local government. The transportation funding claims were later dismissed. Although plaintiffs do not quantify a specific dollar amount in contention as to the remaining claims, making it impossible to estimate the precise fiscal impact of this case, the State's annual school spending alone is a substantial portion of the State's overall budget. Any Court decision changing how these categories of state spending are treated under Headlee could have a substantial impact on the State's overall budget and the Legislature's annual appropriation process. The parties have filed cross motions for summary disposition on the underlying legal theories. The Court heard oral argument on January 22, 2019, and the case is pending an opinion.

Concerned Pastors for Social Action et al v Nick Khouri et al: On January 27, 2016, plaintiffs filed suit against defendants in a lawsuit arising out of the Flint Water Crisis. A settlement agreement was reached on March 27, 2017. As a part of the settlement agreement the State is required to allocate $87.0 million from a combination of State and federal funding sources to reimburse the City of Flint through calendar year 2020 for costs related to identifying service line materials and replacing lead and galvanized steel service lines. Of the $87.0 million, $20.0 million will originate from federal funds under the Water Infrastructure Improvements for the Nation Act (WIIN) and $20.0 million will be from State matching funds related to the WIIN federal funds. The remaining $47.0 million is required to be allocated by the State from sources other than WIIN. In addition, the State is required to reserve an additional $10.0 million in federal WIIN funds in the event that the $87.0 million in allocated funds do not cover all costs. As of September 30, 2018, the State has expended $35.4 million (cash and accrued) for service line replacements. Other components of the settlement agreement require the State to conduct the following activities until all lead service lines are replaced: provide tap water monitoring; perform filter installation, maintenance and education activities; and continue to operate and maintain funding at current levels for several existing programs.

John Doe et al v Department of Corrections et al: Plaintiffs filed class action complaints in Washtenaw County Circuit Court and federal district court against the Department of Corrections (DOC), Governor Snyder, DOC's Director and Deputy Directors, and several DOC employees, including individual wardens. The state-court complaint is based on alleged violations of the Elliott-Larsen Civil Rights Act (ELCRA). The federal complaint alleges violations of 42 USC § 1983, as well as claims based on international law. The proposed class includes "youthful prisoners," described as those between 14 and 17 years old "who, since October 2010, have been, are now, or will be hereafter incarcerated in adult correctional facilities under the jurisdiction of the DOC and who have been subjected to physical and sexual abuse, assaults, harassment, and/or degrading treatment by adult prisoners and/or DOC custodial staff." Plaintiffs are, in effect, attempting to hold the Defendants strictly liable for any assault (sexual or otherwise; committed by staff or another prisoner) on a youthful offender while housed in an adult facility and not separated from adult offenders. Plaintiffs' theory is based in large part on the Prison Rape Elimination Act, 42 USC § 15601, et seq, which requires that youthful offenders be separated by sight and sound from adult prisoners. Plaintiffs have demanded $310.0 million. Trial is scheduled for January 2020. If liability is established, the damages could exceed $100.0 million. Currently, the state case has an application for leave to appeal pending in the Michigan Supreme Court on the issue of whether ELCRA applies to the prisoner plaintiffs. Discovery in the circuit court is active. The federal case has motions and an appeal pending on whether plaintiffs exhausted their administrative remedies. The likelihood of an unfavorable outcome for the State is believed to be reasonably possible at this time.

Federal Grants
The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. Disallowances are recognized as liabilities in the governmental fund financial statements when the loss becomes due and payable. As of September 30, 2018, the State had been notified of disallowances totaling approximately $195.7 million for which the State believes the possibility of full repayment is reasonably possible. 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 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.

Master Settlement Annual Payment: In 1998, the major United States tobacco product manufacturers entered into the Master Settlement Agreement (MSA) with the State of Michigan and 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 Order on December 11, 1998. The MSA 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 Independent 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 MSA requires the PMs to make their payments by April 15 of each year, in perpetuity, with Michigan receiving an allocable share of 4.3519476 percent of the total.

In December 2012, the State of Michigan along with over 20 other states signed the term sheet settlement; an agreement in principle designed to settle litigation over the application and interpretation of the Nonparticipating Manufacturers (NPM) adjustment and diligent enforcement provisions of the MSA. As a result of the term sheet, the uncertainty regarding the State's disputed payment account and whether the State was diligently enforcing its collection obligations pursuant to the MSA during years 2003 through 2012 was substantially eliminated. The State of Michigan avoided any further reduction of its tobacco payments for those years, and the State's share of those funds was released.

In October 2017, the parties to the term sheet settlement formalized their 2012 understanding by signing the NPM Adjustment Settlement Agreement, which provided a more definitive framework for avoiding similar disputes in subsequent years but retains the potential for additional diligent enforcement-based adjustments after 2016.

On April 9, 2018, the State of Michigan received an annual payment of $299.6 million pursuant to the terms of the tobacco MSA. This figure represents a combined total of the amounts received by the Michigan Department of Treasury Receipts Processing Division and the Trustee for the Michigan Tobacco Settlement Finance Authority, which receives 24.11 percent of Michigan's annual MSA payment pursuant to Michigan Compiled Law (MCL) Section 129.261, et seq.

It is impossible to calculate with precision the amount of the MSA's sales-based annual payment that Michigan will receive in April 2019, but is expected to be in the range of $240.0 million to $275.0 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, 2018, the principal amount of qualified bonds outstanding was $13.1 billion. Total debt service requirements on these bonds including interest will be approximately $1.8 billion in 2019. 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, 2018, is $802.5 million. Interest due on these loans as of September 30, 2018, is $106.3 million.

Venture Michigan Fund Tax Vouchers
As of September 30, 2018, the Venture Michigan Fund had $250.0 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. Of this amount, the State has recognized a liability of $132.9 million in the government-wide statements. The liability represents the tax vouchers expected to be sold and redeemed or nullified during the next five 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, 2018, an estimated $6.5 billion in MEGA tax credits remained outstanding. The amount of MEGA tax credits expected to be redeemed is estimated at $531.5 million in fiscal year 2019; $607.8 million in fiscal year 2020; $565.7 million in fiscal year 2021; and the remainder in subsequent fiscal years.

Michigan Economic Growth Authority (MEGA) Poly-Silicon Energy Cost Credit
The MEGA Poly-Silicon Energy Cost Credit was established to stimulate the manufacturing of polycrystalline silicon to be used for solar cells and semiconductor microchips. The law allows a refundable credit awarded before 2009 to be claimed for a period of 12 years starting in 2012 (tax years 2012 – 2023). As of September 30, 2018, an estimated $213.5 million in Poly-Silicon Energy Cost Credits remained outstanding. The amount of Poly-Silicon Credits expected to be redeemed is estimated at $36.9 million in fiscal year 2019; $39.6 million in fiscal year 2020; $37.4 million in fiscal year 2021; 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, 2018, an estimated $158.5 million in Brownfield Tax Credits remained outstanding. The amount of Brownfield Tax Credits expected to be redeemed is estimated at $30.5 million in fiscal year 2019; $39.0 million in fiscal year 2020; $42.0 million in fiscal year 2021; and the remainder in subsequent fiscal years.

Other Contingent Liabilities
The State has been involved in a court case challenging MCL Section 38.1343a, as enacted by P.A. 75 of 2010, which was in effect from July 1, 2010 to September 3, 2012, that has been amended by P.A. 300 of 2012. Public Act 75 of 2010 required that active members of the Michigan Public School Employees Retirement System (MPSERS) contribute 3.0 percent of their compensation to help pay for the cost of health care for retirees of MPSERS. On December 20, 2017, the Michigan Supreme Court affirmed that P.A. 75 of 2010 is unconstitutional as it substantially impaired the plaintiff's employment contracts by involuntarily reducing the plaintiffs' wages by 3.0 percent. As a result, the funds collected pursuant to P.A. 75 of 2010 were refunded to the plaintiffs, by order of the Court of Claims. The amount refunded totaled $554.0 million, including actual interest accrued. During post-judgment proceedings, the Court of Claims additionally awarded plaintiffs additional judgment interest totaling approximately $80.0 million to $90.0 million. The State has filed an appeal related to the Court of Claims' order awarding the plaintiffs judgment interest; the appeal is pending in the Court of Appeals.

Commitments and Encumbrances
The Michigan Department of Transportation has construction and consultant commitments that will be paid with transportation related funds. As of September 30, 2018, these commitments equaled $1.1 billion; a portion of this balance, $101.4 million, has been encumbered.

Encumbrance balances are comprised of grant agreements and other contracts the State 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	$ 0.8	$ 31.2	$ -	$ 32.0
Public safety and corrections	20.3	-	-	20.3
Conservation, environment, recreation and agriculture	84.2	-	83.9	168.0
Health and human services	17.8	-	0.0	17.8
Transportation	-	-	317.5	317.5
Labor, commerce, and regulatory	10.4	-	14.8	25.2
Other purposes	12.9	-	0.2	13.2
Committed				
Education	0.7	-	-	0.7
Public safety and corrections	12.8	-	-	12.8
Conservation, environment, recreation and agriculture	33.4	-	-	33.4
Health and human services	4.0	-	-	4.0
Transportation	11.9	-	-	11.9
Labor, commerce, and regulatory	7.6	-	-	7.6
Other purposes	25.8	-	48.7	74.5
Assigned				
Education	2.1	-	-	2.1
Public safety and corrections	68.4	-	-	68.4
Conservation, environment, recreation and agriculture	58.4	-	-	58.4
Health and human services	25.2	-	-	25.2
Transportation	0.9	-	-	0.9
Labor, commerce, and regulatory	1.5	-	-	1.5
Other purposes	28.6	-	-	28.6
Total Encumbrances	$ 427.6	$ 31.2	$ 465.1	$ 923.9

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 5.0 percent for the fiscal year ended September 30, 2018. In the event of future adverse default experience, MGA could be liable for up to 25.0 percent of defaulted loans. While management believes the MGA expected maximum contingent liability is less than 25.0 percent of outstanding guaranteed loans, the maximum contingent liability at 25.0 percent is $308.7 million as of September 30, 2018. 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, 2018.

Multi-Family Mortgage Loans

As of June 30, 2018, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of $130.0 million and single-family mortgage loans in the amount of $59.9 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 26 – 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 2018, expenditures for payments to former State employees (not including university employees) totaled $5.1 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. 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 $5.1 million. This includes a long-term portion, which is recorded at $3.2 million.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2018 and 2017 are as follows (in millions):

	2018	2017
Balance - beginning	$ 5.4	$ 6.6
Current year claims and changes in estimates	2.1	(0.5)
Claim payments	(2.3)	(0.7)
Balance - ending	$ 5.1	$ 5.4

The Risk Management Fund also has general liability insurance with $1.0 million recorded in long-term liabilities. General liability insurance amounts were previously reported as part of the Fund's automobile liability. The combined total for the automobile liability and general liability insurances is $6.1 million in 2018 and was $6.4 million in 2017.

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, 2018 and 2017 are as follows (in millions):

	2018	2017
Balance - beginning	$ 55.4	$ 61.9
Current year claims and changes in estimates	6.5	7.3
Claim payments	(12.3)	(13.8)
Balance - ending	$ 49.6	$ 55.4

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. 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 $135.0 million. This includes a long-term portion, which is recorded at a discounted present value of $96.4 million. For all claims incurred prior to October 1, 2018, 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 percent.

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 $38.3 million at September 30, 2018. Unrestricted net position totaled $201.9 million at September 30, 2018.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2018 and 2017 are as follows (in millions):

	2018	2017
Balance - beginning	$ 134.3	$ 130.3
Current year claims and changes in estimates	728.4	718.3
Claim payments	(727.7)	(714.3)
Balance - ending	$ 135.0	$ 134.3

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 27 – 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, 13.3 percent of the State's share of the TSRs was pledged to pay tobacco settlement bonds issued in 2006; beginning April 1, 2010, 10.8 percent of TSRs was pledged to pay tobacco settlement bonds issued as part of the 2007 tobacco securitization. From 2018-2025, the State's share of the settlement 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, 2018, the State's pledged revenue to MFA was $72.2 million. A total amount of $71.9 million was received in MFA's tobacco settlement debt service fund to contribute to annual debt service requirements of $74.6 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 2018, $462.7 million was recognized as revenue in the State's Unemployment Obligation Trust Fund and $462.7 million was paid to MFA's unemployment obligation assessment debt service fund; debt service of $512.5 million was paid by MFA during the current fiscal year. Remaining principal and interest requirements of the secured bonds totaled $791.2 million at September 30, 2018.

NOTE 28 – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources:				
Accumulated decrease in fair value of hedging derivatives	$ -	$ -	$ -	$ 44.9
Refunding of debt	26.0	-	26.0	121.3
Pension Related:				
Differences between expected and actual experience	19.4	-	19.4	1.0
Changes of assumptions	118.7	0.3	119.0	11.6
Net difference between projected and actual earnings on pension plan investments	0.3	-	0.3	-
Changes in proportion and differences between contributions and proportionate share of contributions	0.6	-	0.6	0.2
Contributions subsequent to the measurement date	740.4	4.6	745.0	40.6
Total Pension Related	879.3	5.0	884.3	53.5
Other Postemployment Benefits Related:				
Differences between expected and actual experience	1.1	-	1.1	-
Changes of assumptions	-	-	-	0.4
Contributions subsequent to the measurement date	767.3	5.1	772.3	24.2
Total Other Postemployment Benefits Related	768.3	5.1	773.4	24.6
Total Deferred Outflows of Resources	$ 1,673.7	$ 10.0	$ 1,683.7	$ 244.4
Deferred Inflows of Resources:				
Accumulated increase in fair value of hedging derivatives	$ -	$ -	$ -	$ 0.8
Loan origination fees	-	-	-	15.1
Refunding of debt	8.3	-	8.3	7.2
Irrevocable split-interest agreements	-	-	-	13.0
Service concession arrangements	-	-	-	121.7
Pension Related:				
Differences between expected and actual experience	6.5	-	6.5	0.8
Changes of assumptions	15.5	-	15.5	2.7
Net difference between projected and actual earnings on pension plan investments	350.7	2.2	352.9	17.2
Changes in proportion and differences between contributions and proportionate share of contributions	0.4	-	0.5	0.4
Total Pension Related	373.1	2.2	375.4	21.2
Other Postemployment Benefits Related:				
Differences between expected and actual experience	61.9	0.4	62.3	33.4
Changes of assumptions	68.0	0.5	68.5	92.0
Net difference between projected and actual earnings on pension plan investments	76.3	0.5	76.8	5.6
Changes in proportion and differences between contributions and proportionate share of contributions	51.3	0.3	51.6	0.9
Total Other Postemployment Benefits Related	257.5	1.7	259.2	131.9
Total Deferred Inflows of Resources	$ 638.9	$ 3.9	$ 642.8	$ 310.8

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 Funds	Total Governmental Funds
Taxes considered unavailable	$ 1,847.4	$ 457.0	$ 10.3	$ 2,314.7
Tobacco settlement receivables	13.1	-	162.4	175.6
School loan revolving program	106.3	-	-	106.3
Other	3.4	-	4.8	8.2
Total Deferred Inflows of Resources	$ 1,970.3	$ 457.0	$ 177.5	$ 2,604.8

Service Concession Arrangements

This deferred inflow of resources is described in more detail in Note 9. The Service Concession Arrangements are related to Eastern Michigan University and Northern Michigan University.

NOTE 29 – SUBSEQUENT EVENTS

Investment Authority

Effective November 26, 2018, Executive Order 2018-10 created the State of Michigan Investment Board and transferred fiduciary responsibilities and investment authority for the State Treasurer to the new board.

Short-Term Borrowing

On January 17, 2019, the State Building Authority issued $96.6 million of commercial paper notes bearing an interest rate of 1.6 percent. The notes mature on June 13, 2019.

Short-Term Borrowing - Discretely Presented Component Units

On January 14, 2019, the Michigan Finance Authority issued $15.4 million of tax anticipation revenue notes bearing a variable interest rate of 4.2 percent. The notes will mature on June 30, 2020.

During July 2018, the Michigan State Housing Development Authority entered into a $100.0 million short-term credit agreement in order to fund the single-family housing program until funding was available from additional bonds issuances. This short-term credit agreement expired in November 2018.

Long-Term Borrowing - Discretely Presented Component Units

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

	Bonds Issued
Grand Valley State University	$ 41.1
Lake Superior State University	21.9
Michigan Finance Authority	616.3
Michigan State Housing Development Authority	562.8
Western Michigan University	63.0
Total	$ 1,305.1

On February 26, 2019, the Michigan State Housing Development Authority entered into a $100.0 million revolving credit line to be utilized until permanent financing, in the form of bonds, is in place.

STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
State Budget Office

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning budgetary fund balance - restated	$ 2,627,802	$ 2,627,802	$ 2,627,802	$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	9,569,600	10,109,483	10,109,483	-
Federal	25,000	2,911	2,911	-
Local	100	164	164	-
Licenses and permits	12,500	14,174	14,174	-
Services	7,000	2,772	2,772	-
Miscellaneous	174,200	180,238	180,238	-
Proceeds from sale of capital assets	-	3,400	3,400	-
Transfers in	225,000	232,633	232,633	-
Restricted Revenues:				
Taxes	3,130,153	5,055,330	5,055,330	-
Federal	19,656,666	18,185,199	18,185,199	-
Local	157,851	241,148	241,148	-
Licenses and permits	485,427	338,695	338,695	-
Services	350,795	353,844	353,844	-
Miscellaneous	1,263,215	744,046	744,046	-
Proceeds from bonds issued and bond anticipation notes	-	151,484	151,484	-
Proceeds from sale of capital assets	-	2,836	2,836	-
Transfers in	425,024	54,575	54,575	-
Total Revenue Inflows	35,482,532	35,672,933	35,672,933	-
Amounts Available for Appropriation	38,110,334	38,300,734	38,300,734	-
Charges to Appropriations (outflows):				
Legislative Branch	211,073	170,017	168,030	1,987
Judicial Branch	300,071	270,616	270,429	187
Executive Branch:				
Agriculture and Rural Development	115,383	99,732	99,453	279
Attorney General	108,730	94,378	93,805	574
Civil Rights	16,948	14,827	14,150	677
Colleges and Universities Grants	1,395,090	1,385,446	1,385,167	279
Corrections	2,094,959	1,913,875	1,905,323	8,552
Education	576,526	420,672	418,982	1,690
Environmental Quality	487,538	442,870	442,868	1
Executive Office	6,849	6,849	5,921	927
Health and Human Services	25,433,211	24,205,143	24,124,534	80,609
Insurance and Financial Services	66,741	51,949	51,799	150
Licensing and Regulatory Affairs	392,221	365,856	338,050	27,806
Military and Veterans Affairs	174,764	178,856	178,311	545
Natural Resources	157,833	112,696	112,548	148
State	263,706	251,821	249,194	2,627
State Police	728,578	657,903	657,282	621
Talent and Economic Development	613,518	456,105	454,604	1,500
Technology, Management and Budget	947,311	1,153,687	1,118,974	34,713
Transportation	115,619	151,758	151,758	-
Treasury	1,850,908	3,405,894	3,372,707	33,187
Intrafund expenditure reimbursements	-	(789,818)	(789,818)	-
Total Charges to Appropriations	36,057,578	35,021,132	34,824,071	197,060
Reconciling Items:				
Change in noncurrent assets	-	9,595	9,595	-
Net Reconciling Items	-	9,595	9,595	-
Ending budgetary fund balance	$ 2,052,756	$ 3,289,198	$ 3,486,258	$ 197,060

SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
$ 453,097	$ 453,097	$ 453,097	$ -
12,290,575	12,322,130	12,322,130	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	18,026	18,026	-
-	-	-	-
887,700	921,829	921,829	-
1,500	1,593	1,593	-
1,726,944	1,602,840	1,602,840	-
-	-	-	-
-	-	-	-
-	-	-	-
23,100	8,655	8,655	-
-	-	-	-
-	-	-	-
-	22,618	22,618	-
14,929,819	14,897,691	14,897,691	-
15,382,915	15,350,788	15,350,788	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
636,645	636,645	635,894	751
-	-	-	-
14,298,690	14,321,194	14,299,041	22,154
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	11,886	11,886	-
-	-	-	-
14,935,335	14,969,725	14,946,821	22,904
-	1,131	1,131	-
-	1,131	1,131	-
$ 447,580	$ 382,194	$ 405,098	$ 22,904

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	GENERAL FUND	SCHOOL AID FUND
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	$ 38,300,734	$ 15,350,788
Differences - Budget-to-GAAP:		
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(2,627,802)	(453,097)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(6,236)	-
Bonds issued are inflows of budgetary resources but are not revenues for financial reporting purposes.	(151,484)	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(287,208)	(944,448)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 35,228,004	$ 13,953,244
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	$ 34,824,071	$ 14,946,821
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.	32,375	4,548
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(435,574)	(125,265)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as capital outlay expenditures and other financing sources under GAAP.	22,994	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 34,443,866	$ 14,826,104

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 2018, 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, capital projects, 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, 2017, 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 State Budget Office, 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 29,748 lane miles of roads and 4,852 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. The Sufficiency Rating had served as the State's primary method to measure and monitor pavement conditions since 1961; however, Sufficiency Rating has now been eliminated. MDOT has now adopted the Pavement Surface Evaluation and Rating (PASER) as the State's primary method to measure and monitor pavement conditions. The PASER Rating is a visual analysis conducted by trained road agency staff and includes a 10-point scale, as follows:

Rating	Asphalt	Concrete
10, 9, 8 = Good	New, like new construction, from no defects to occasional transverse crack, crack width tight (hairline) or sealed. Few if any longitudinal cracks on joints.	New, like new construction, from no defects to slight traffic wear, slight map cracking, minor surface defects-pop outs, map cracking or flight scaling, isolated meander cracks, isolated cracks at manholes.
7, 6, 5 = Fair	Little or no crack erosion, little or no raveling, few if any patches in good condition or slight to moderate polishing or flushing, no patches or few, slight raveling or patching/wedging in good condition, moderate raveling, extensive to several flushing and polishing. Sound structural condition.	Minor surface scaling, some open joints, isolated settlement or heave areas or moderate surface scaling <25.0% of surface, several corner cracks tight or well-sealed or moderate to severe scaling or polishing between 25.0% to 50.0% of surface, spalling from shallow reinforcement, multiple corner cracks.
4, 3, 2, 1 = Poor	Severe surface raveling, multiple longitudinal and transverse cracks with slight crack erosion or longitudinal and transverse cracks showing extensive crack erosion, occasional potholes, patches in fair/poor condition or closely spaced cracks with erosion, frequent potholes, extensive patches in poor condition or loss of surface integrity, extensive surface distress.	Severe scaling, polishing, map cracking or spalling >50.0% of surface, corner cracks missing pieces or patches, pavement blowups or extensive patching in fair to poor condition or extensive and severely spalled slab cracks, extensive failed patches, joints failed, severe and extensive settlement and heaves or extensive potholes, total loss or pavement integrity.

Established Condition Level

No more than 30 percent of the pavements shall be rated as "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 10 through 5 above and "Poor" represents ratings of 4 through 1 on the PASER rating scale.

Rating	2017	2016	2015
Good	75.0%	77.2%	78.2%
Poor	25.0%	22.8%	21.8%

Bridges

Measurement Scale
MDOT utilizes the National Bridge Inventory (NBI) rating scale to monitor the condition of all bridges 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 percent of the bridges shall be rated as “structurally deficient.”

Assessed Conditions
A 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 reported in the NBI (spans in excess of 20 feet) whose condition was assessed as “structurally deficient,” in the stated year:

Fiscal Year	Structurally Deficient
2018	5.5%
2017	5.5%
2016	5.5%

Bridges that are not intended to carry highway traffic are not included in MDOT’s condition assessment shown above. As a result, the number of bridges that were included in the structurally deficient calculation (4,496) in fiscal year 2018 is less than the total (4,852) maintained and assessed 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
2019	$ 1,049.9	$ -
2018	919.4	1,077.0
2017	844.8	830.3
2016	824.2	879.9
2015	729.3	748.5
2014	689.0	784.5

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LEGISLATIVE RETIREMENT SYSTEM

LAST FOUR FISCAL YEARS*
(In Thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 86	$ 74	$ 62	$ 57
Interest	10,213	11,025	11,839	11,297
Differences between expected and actual experience	(1,617)	1,899	406	-
Changes of assumptions	(13,497)	18,937	20,080	24,547
Benefit payments, including refunds of member contributions	(14,282)	(13,919)	(14,495)	(13,550)
Net Change in Total Pension Liability	(19,097)	18,016	17,891	22,351
Total Pension Liability - Beginning	265,662	247,646	229,755	207,404
Total Pension Liability - Ending	$ 246,565	$ 265,662	$ 247,646	$ 229,755
Plan Fiduciary Net Position				
Contributions - member	$ 4	$ 4	$ 3	$ 6
Net investment income	15,841	11,325	(6,545)	14,868
Benefit payments, including refunds of member contributions	(14,282)	(13,919)	(14,495)	(13,550)
Pension plan administrative expense	(392)	(405)	(362)	(430)
Other	7	-	-	-
Net Changes in Plan Fiduciary Net Pension	1,177	(2,996)	(21,400)	893
Plan Fiduciary Net Position - Beginning	130,560	133,557	154,957	154,063
Plan Fiduciary Net Position - Ending	$ 131,738	$ 130,560	$ 133,557	$ 154,957
Net Pension Liability (Assets) - Ending	$ 114,828	$ 135,102	$ 114,090	$ 74,799
Plan fiduciary net position as a percentage of the total pension liability	53.4%	49.2%	53.9%	67.4%
Covered payroll	$ 72	$ 72	$ 72	$ 72
Net pension liability as a percentage of covered payroll	160183.9%	188466.1%	159154.3%	104343.7%

*Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
LEGISLATIVE RETIREMENT SYSTEM
(In Thousands)

		2018
Total OPEB Liability		
Service cost	$	797
Interest		8,464
Changes of benefit terms		-
Differences between expected and actual experience		18
Changes of assumptions		66,226
Benefit payments, including refunds of member contributions		(6,343)
Net Change in Total OPEB Liability		69,162
Total OPEB Liability - Beginning		123,681
Total OPEB Liability - Ending	$	192,843
Plan Fiduciary Net Position		
Contributions - employer	$	4,572
Contributions - member		6
Net investment income		2,755
Benefit payments, including refunds of member contributions		(6,343)
OPEB plan administrative expense		(69)
Other		644
Net Changes in Plan Fiduciary Net Position		1,565
Plan Fiduciary Net Position - Beginning		22,942
Plan Fiduciary Net Position - Ending	$	24,507
Net OPEB Liability (Assets) - Ending	$	168,336
Plan fiduciary net position as a percentage of the total OPEB liability		12.7%
Covered-employee payroll*	$	1,662
Net OPEB liability as a percentage of covered-employee payroll		10129.4%

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

* The Legislative Retirement System does not base contributions to the other postemployment benefits plan on a measure of pay. Therefore, in accordance with GASB Statement No. 85, Omnibus 2017, covered-employee payroll is presented in this schedule instead of covered payroll.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
STATE POLICE RETIREMENT SYSTEM

LAST FOUR FISCAL YEARS*
(In Thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 20,908	$ 19,774	$ 19,952	$ 21,142
Interest	147,193	143,436	140,575	134,317
Differences between expected and actual experience	18,289	8,440	(6,998)	-
Changes of assumptions	94,280	-	-	36,683
Benefit payments, including refunds of member contributions	(130,208)	(119,094)	(115,469)	(110,551)
Net Change in Total Pension Liability	150,462	52,556	38,060	81,591
Total Pension Liability - Beginning	1,896,167	1,843,611	1,805,551	1,723,960
Total Pension Liability - Ending	$ 2,046,629	$ 1,896,167	$ 1,843,611	$ 1,805,551
Plan Fiduciary Net Position				
Contributions - employer	$ 74,814	$ 70,505	$ 70,351	$ 58,391
Contributions - member	3,142	3,009	2,677	2,174
Net investment income	165,384	90,811	26,236	174,085
Benefit payments, including refunds of member contributions	(130,208)	(119,094)	(115,469)	(110,551)
Pension plan administrative expense	(666)	(575)	(561)	(575)
Other	27	10	3	-
Net Changes in Plan Fiduciary Net Pension	112,492	44,666	(16,762)	123,524
Plan Fiduciary Net Position - Beginning	1,278,071	1,233,405	1,250,168	1,126,643
Plan Fiduciary Net Position - Ending	$ 1,390,564	$ 1,278,071	$ 1,233,405	$ 1,250,168
Net Pension Liability (Assets) - Ending	$ 656,066	$ 618,096	$ 610,206	$ 555,384
Plan fiduciary net position as a percentage of the total pension liability	67.9%	67.4%	66.9%	69.2%
Covered payroll	$ 125,085	$ 118,060	$ 114,278	$ 114,480
Net pension liability as a percentage of covered payroll	524.5%	523.5%	534.0%	485.1%

*Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
STATE POLICE RETIREMENT SYSTEM
(In Thousands)

		2018
Total OPEB Liability		
Service cost	$	9,855
Interest		55,607
Differences between expected and actual experience		(4,142)
Changes of assumptions		-
Benefit payments, including refunds of member contributions		(33,904)
Net Change in Total OPEB Liability		27,416
Total OPEB Liability - Beginning		753,452
Total OPEB Liability - Ending	$	780,868
Plan Fiduciary Net Position		
Contributions - employer	$	51,886
Contributions - member		-
Net investment income		16,063
Benefit payments, including refunds of member contributions		(33,904)
OPEB plan administrative expense		(100)
Other		15
Net Change in Plan Fiduciary Net Position		33,961
Plan Fiduciary Net Position - Beginning		116,709
Plan Fiduciary Net Position - Ending	$	150,670
Net OPEB Liability (Assets) - Ending	$	630,197
Plan fiduciary net position as a percentage of the total OPEB liability		19.3%
Covered payroll	$	125,085
Net OPEB liability as a percentage of covered payroll		503.8%

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
STATE EMPLOYEES' RETIREMENT SYSTEM

LAST FOUR FISCAL YEARS*
(In Thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 68,311	$ 74,042	$ 80,413	$ 84,040
Interest	1,251,600	1,250,117	1,242,353	1,206,258
Differences between expected and actual experience	19,798	3,441	55,072	-
Changes of assumptions	710,646	-	-	406,962
Benefit payments, including refunds of member contributions	(1,322,657)	(1,289,728)	(1,265,480)	(1,223,033)
Net Change in Total Pension Liability	727,697	37,872	112,358	474,227
Total Pension Liability - Beginning	16,272,175	16,234,303	16,121,945	15,647,718
Total Pension Liability - Ending	$ 16,999,872	$ 16,272,175	$ 16,234,303	$ 16,121,945
Plan Fiduciary Net Position				
Contributions - employer	$ 703,131	$ 716,465	$ 749,332	$ 705,100
Contributions - member	40,839	46,666	46,688	47,527
Net investment income	1,411,395	781,528	232,588	1,529,626
Benefit payments, including refunds of member contributions	(1,322,657)	(1,289,728)	(1,265,480)	(1,223,033)
Pension plan administrative expense	(6,285)	(6,629)	(6,228)	(6,931)
Other	294	278	55	-
Net Changes in Plan Fiduciary Net Pension	826,716	248,580	(243,044)	1,052,290
Plan Fiduciary Net Position - Beginning	10,980,343	10,731,762	10,974,806	9,922,516
Plan Fiduciary Net Position - Ending	$ 11,807,059	$ 10,980,343	$ 10,731,762	$ 10,974,806
Net Pension Liability (Assets) - Ending	$ 5,192,813	$ 5,291,832	$ 5,502,541	$ 5,147,139
Plan fiduciary net position as a percentage of the total pension liability	69.5%	67.5%	66.1%	68.1%
Covered payroll**	$ 3,050,238	$ 872,358	$ 946,977	$ 1,006,633
Net pension liability as a percentage of covered payroll	170.2%	606.6%	581.1%	511.3%

* Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

** GASB Statement No. 82, Pension Issues, which is effective for fiscal year 2017, states that the measure of payroll that is presented in schedules of required supplementary information required by GASB Statement No. 68 is covered payroll. GASB Statement No. 82 defines covered payroll as the payroll on which contributions to a pension plan are based. To match this definition, the amount reported as covered payroll in this schedule (based on the fiscal year 2017 measurement period) for the State Employees' Retirement System increased significantly from fiscal year 2017 to fiscal year 2018. Prior to fiscal year 2018, these amounts are reported as covered-employee payroll.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
STATE EMPLOYEES' RETIREMENT SYSTEM
(In Thousands)

	2018
Total OPEB Liability	
Service cost	$ 108,530
Interest	735,979
Differences between expected and actual experience	(71,816)
Benefit payments, including refunds of member contributions	(476,200)
Net Change in Total OPEB Liability	296,493
Total OPEB Liability - Beginning	9,996,883
Total OPEB Liability - Ending	$ 10,293,376
Plan Fiduciary Net Position	
Contributions - employer	$ 703,330
Contributions - member	27
Net investment income	217,955
Benefit payments, including refunds of member contributions	(476,200)
OPEB plan administrative expense	(445)
Other	778
Net Changes in Plan Fiduciary Net Position	445,447
Plan Fiduciary Net Position - Beginning	1,601,782
Plan Fiduciary Net Position - Ending	$ 2,047,229
Net OPEB Liability (Assets) - Ending	$ 8,246,147
Plan fiduciary net position as a percentage of the total OPEB liability	19.9%
Covered payroll	$ 3,050,238
Net OPEB liability as a percentage of covered payroll	270.3%

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
JUDGES' RETIREMENT SYSTEM

LAST FOUR FISCAL YEARS*
(In Thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 1,862	$ 2,036	$ 2,439	$ 2,747
Interest	19,688	19,743	19,771	19,569
Differences between expected and actual experience	(4,923)	(1,290)	924	-
Changes of assumptions	-	2,423	-	3,246
Benefit payments, including refunds of member contributions	(23,724)	(23,302)	(23,241)	(22,536)
Net Change in Total Pension Liability	(7,096)	(389)	(108)	3,025
Total Pension Liability - Beginning	257,036	257,426	257,534	254,509
Total Pension Liability - Ending	$ 249,940	$ 257,036	$ 257,426	$ 257,534
Plan Fiduciary Net Position				
Contributions - employer	$ 1,020	$ 2,180	$ 2,634	$ 3,164
Contributions - member	697	805	902	1,025
Net investment income	32,258	18,425	5,840	37,166
Benefit payments, including refunds of member contributions	(23,724)	(23,302)	(23,241)	(22,536)
Pension plan administrative expense	(354)	(335)	(312)	(288)
Other	10	15	3	-
Net Changes in Plan Fiduciary Net Pension	9,907	(2,211)	(14,175)	18,530
Plan Fiduciary Net Position - Beginning	254,910	257,121	271,296	252,766
Plan Fiduciary Net Position - Ending	$ 264,817	$ 254,910	$ 257,121	$ 271,296
Net Pension Liability (Assets) - Ending	$ (14,878)	$ 2,126	$ 304	$ (13,762)
Plan fiduciary net position as a percentage of the total pension liability	106.0%	99.2%	99.9%	105.3%
Covered payroll	$ 12,685	$ 14,757	$ 17,518	$ 18,803
Net pension liability as a percentage of covered payroll	-117.3%	14.4%	1.7%	-73.2%

*Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
JUDGES' RETIREMENT SYSTEM
(In Thousands)

	2018
Total OPEB Liability	
Service cost	$ 177
Interest	527
Differences between expected and actual experience	(32)
Benefit payments, including refunds of member contributions	(334)
Net Change in Total OPEB Liability	339
Total OPEB Liability - Beginning	6,669
Total OPEB Liability - Ending	$ 7,007
Plan Fiduciary Net Position	
Contributions - employer	$ 189
Contributions - member	117
Net investment income	119
Benefit payments, including refunds of member contributions	(334)
OPEB plan administrative expense	(95)
Net Changes in Plan Fiduciary Net Position	(4)
Plan Fiduciary Net Position - Beginning	1,030
Plan Fiduciary Net Position - Ending	$ 1,026
Net OPEB Liability (Assets) - Ending	$ 5,982
Plan fiduciary net position as a percentage of the total OPEB liability	14.6%
Covered-employee payroll*	5,918
Net OPEB liability as a percentage of covered-employee payroll	101.1%

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recentfiscal year end).

* The Judges' Retirement System does not base contributions to the other postemployment benefits plan on a measure of pay. Therefore, in accordance with GASB Statement No. 85, Omnibus 2017, covered-employee payroll is presented in this schedule instead of covered payroll.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MILITARY RETIREMENT PROVISIONS

LAST THREE FISCAL YEARS*
(In Thousands)

	2018	2017	2016
Total Pension Liability			
Service cost	$ 110	$ 403	$ 357
Interest	3,609	2,829	3,564
Differences between expected and actual experience	58	-	(17,548)
Changes of assumptions	2,505	(30,216)	7,086
Benefit payments, including refunds of member contributions	(4,090)	(3,950)	(3,923)
Net Change in Total Pension Liability	2,192	(30,933)	(10,463)
Total Pension Liability - Beginning	47,107	78,040	88,503
Total Pension Liability - Ending	$ 49,299	$ 47,107	$ 78,040
Plan Fiduciary Net Position			
Contributions - employer	$ 5,245	$ 7,780	$ 4,267
Net investment income	78	12	-
Benefit payments, including refunds of member contributions	(4,090)	(3,950)	(3,923)
Pension plan administrative expense	(482)	(251)	(344)
Other	7	-	-
Net Changes in Plan Fiduciary Net Pension	758	3,591	-
Plan Fiduciary Net Position - Beginning	3,591	-	-
Plan Fiduciary Net Position - Ending	$ 4,349	$ 3,591	$ -
Net Pension Liability (Assets) - Ending	$ 44,950	$ 43,515	$ 78,040
Plan fiduciary net position as a percentage of the total pension liability	8.8%	7.6%	0.0%
Covered payroll	$ 466	$ 469	$ 484
Net pension liability as a percentage of covered payroll	9652.5%	9269.3%	16110.3%

*Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
POST EMPLOYMENT LIFE INSURANCE BENEFITS
(In Thousands)

	2018
Total OPEB Liability	
Service cost	$ 31,154
Interest	40,592
Changes of benefit terms	11,048
Differences between expected and actual experience	1,294
Changes of assumptions	(83,587)
Benefit payments, including refunds of member contributions	(30,244)
Net Change in Total OPEB Liability	(29,744)
Total OPEB Liability - Beginning	1,308,980
Total OPEB Liability - Ending	$ 1,279,237
Covered payroll	$ 2,949,242
Total OPEB liability as a percentage of covered payroll	43.4%

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires the presentation of supplementary information for each of the 10 most recent fiscal years. However, until a full 10-year trend is compiled, the State will present information for the years which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

The Post Employment Life Insurance Benefit plan is not a trust and has no assets.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR PENSION
LEGISLATIVE RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 8,237	$ 7,878	$ 8,063	$ 7,843
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	$ 8,237	$ 7,878	$ 8,063	$ 7,843
Covered payroll	$ 72	$ 72	$ 72	$ 72
Contributions as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2017.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	10 years, Open
Asset Valuation Method	Five-year smoothed fair value
Inflation	4.0 percent
Salary Increases	4.0 percent
Investment Rate of Return	7.0 percent
Retirement Age	Age-based tables of rates with a 100 percent probability of retirement once a member is subject to term limits.
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale BB.

2014	2013	2012	2011	2010	2009
$ 6,327	$ 5,993	$ 4,391	$ 2,915	$ 775	$ 270
-	-	-	-	-	270
$ 6,327	$ 5,993	$ 4,391	$ 2,915	$ 775	$ -
$ 72	$ 72	$ 72	$ 143	$ 1,173	$ 1,151
0.0%	0.0%	0.0%	0.0%	0.0%	23.5%

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS
LEGISLATIVE RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 11,632	$ 11,337	$ 10,464	$ 9,363
Contributions in relation to the actuarially determined contribution	4,657	4,572	4,538	4,473
Contribution deficiency (excess)	$ 6,975	$ 6,765	$ 5,926	$ 4,889
Covered-employee payroll*	$ 1,662	$ 1,662	$ 1,662	$ 1,734
Contributions as a percentage of covered-employee payroll	280.2%	275.1%	273.0%	258.0%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2017.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, closed
Remaining Amortization Period	23 years, as of October 1, 2017
Asset Valuation Method	Fair value
Inflation	4.0 percent
Salary Increases	4.0 percent
Investment Rate of Return	4.0 percent
Retirement Age	Age-based tables of rates with a 100 percent probability of retirement once a member is subject to term limits.
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale BB.
Healthcare Trend Rates	8.8 percent trend, gradually decreasing to 4.0 percent in 10 years
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

* The Legislative Retirement System does not base contributions to the other postemployment benefits plan on a measure of pay. Therefore, in accordance with Governmental Accounting Standards Board Statement No. 85, Omnibus 2017, covered-employee payroll is presented in this schedule instead of covered payroll.

2014	2013	2012	2011	2010	2009
$ 9,382	$ 9,630	$ 9,674	$ 11,817	$ 10,842	$ 7,979
4,323	4,240	7,840	4,288	4,515	4,302
$ 5,058	$ 5,390	$ 1,834	$ 7,530	$ 6,327	$ 3,676
$ 2,497	$ 3,312	$ 3,587	$ 3,659	$ 11,598	$ 11,718
173.1%	128.0%	218.6%	117.2%	38.9%	36.7%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR PENSION
STATE POLICE RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 78,531	$ 72,632	$ 70,858	$ 63,271
Contributions in relation to the actuarially determined contribution	84,930	74,814	70,505	70,351
Contribution deficiency (excess)	$ (6,399)	$ (2,182)	$ 353	$ (7,080)
Covered payroll	$ 134,177	$ 125,085	$ 118,060	$ 114,278
Contributions as a percentage of covered payroll	63.3%	59.8%	59.7%	61.6%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2016.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	19 years, as of October 1, 2017
Asset Valuation Method	Five-year smoothed fair value
Inflation	2.5 percent
Salary Increases	4.0 - 93.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.5 percent (7.0 percent for Hybrid plan) net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	Post-Retirement Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 using projection scale BB for males and adjusted for mortality improvements to 2015 using projection scale BB for females. Pre-Retirement Mortality: 50.0 percent of the post retirement mortality table rates.

2014	2013	2012	2011	2010	2009
$ 61,401	$ 57,668	$ 52,276	$ 47,248	$ 41,607	$ 36,698
58,391	49,004	40,687	38,574	37,898	35,435
$ 3,010	$ 8,663	$ 11,589	$ 8,674	$ 3,709	$ 1,263
$ 114,480	$ 110,244	$ 104,876	$ 110,280	$ 118,571	$ 123,238
51.0%	44.5%	38.8%	35.0%	32.0%	28.8%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS
STATE POLICE RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 58,368	$ 52,301	$ 50,857	$ 47,674
Contributions* in relation to the actuarially determined contribution	56,779	51,886	47,348	47,722
Contribution deficiency (excess)	$ 1,589	$ 415	$ 3,509	$ (48)
Covered payroll	$ 134,177	$ 125,085	$ 118,060	$ 114,278
Contributions as a percentage of covered payroll	42.3%	41.5%	40.1%	41.8%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2016.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	19 years, as of October 1, 2017
Asset Valuation Method	Fair value
Inflation	2.5 percent
Salary Increases	4.0 - 93.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.5 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	Post-Retirement Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 using projection scale BB for males and adjusted for mortality improvements to 2015 using projection scale BB for females. Pre-Retirement Mortality: 50.0 percent of the post retirement mortality table rates.
Healthcare Trend Rates	9.0 percent trend, gradually decreasing to 3.5 percent in year 10
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

* From fiscal year 2009 through fiscal year 2017, contributions included both employer contributions and other governmental contributions.

2014	2013	2012	2011	2010	2009
$ 43,383	$ 46,803	$ 68,335	$ 73,690	$ 60,004	$ 63,929
48,373	45,659	47,252	35,271	33,213	30,213
$ (4,990)	$ 1,144	$ 21,083	$ 38,419	$ 26,791	$ 33,716
$ 114,480	$ 110,244	$ 104,876	$ 110,280	$ 118,571	$ 123,238
42.3%	41.4%	45.1%	32.0%	28.0%	24.5%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR PENSION
STATE EMPLOYEES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 627,621	$ 709,651	$ 752,161	$ 654,515
Contributions in relation to the actuarially determined contribution	650,740	703,131	716,465	749,332
Contribution deficiency (excess)	$ (23,118)	$ 6,520	$ 35,697	$ (94,817)
Covered payroll *	$ 3,115,261	$ 3,050,238	$ 872,358	$ 946,977
Contributions as a percentage of covered payroll	20.9%	23.1%	82.1%	79.1%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2016.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	19 years, as of October 1, 2017
Asset Valuation Method	Five-year smoothed fair value
Inflation	2.5 percent
Salary Increases	3.5 - 12.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.5 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100 percent of the table rates were used. For active members, 50.0 percent of the table rates were used for males and females.

* Governmental Accounting Standards Board (GASB) Statement No. 82, Pension Issues, which is effective for fiscal year 2017, states that the measure of payroll that is presented in schedules of required supplementary information required by GASB Statement No. 68 is covered payroll. GASB Statement No. 82 defines covered payroll as the payroll on which contributions to a pension plan are based. To match this definition, the amount reported as covered payroll for the State Employees Retirement System increased significantly from fiscal year 2016 to fiscal year 2017. Prior to fiscal year 2017, these amounts are reported as covered-employee payroll.

2014	2013	2012	2011	2010	2009
$ 624,467	$ 611,132	$ 512,616	$ 447,924	$ 418,428	$ 351,647
705,100	604,845	419,927	424,547	369,953	343,787
$ (80,633)	$ 6,287	$ 92,689	$ 23,377	$ 48,475	$ 7,859
$ 1,006,633	$ 1,104,669	$ 1,155,757	$ 1,321,472	$ 1,603,842	$ 1,698,834
70.0%	54.8%	36.3%	32.1%	23.1%	20.2%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS
STATE EMPLOYEES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 744,210	$ 676,227	$ 659,698	$ 645,412
Contributions* in relation to the actuarially determined contribution	688,884	703,330	686,652	713,661
Contribution deficiency (excess)	$ 55,326	$ (27,103)	$ (26,954)	$ (68,249)
Covered payroll	$ 3,115,261	$ 3,050,238	$ 2,989,101	$ 3,029,113
Contributions as a percentage of covered payroll	22.1%	23.1%	23.0%	23.6%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2016.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	19 years, as of October 1, 2017
Asset Valuation Method	Fair value
Inflation	2.5 percent
Salary Increases	3.5 - 12.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.5 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For active members, 50.0 percent of the table rates were used for males and females.
Healthcare Trend Rates	9.0 percent trend, gradually decreasing to 3.5 percent in year 10
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

* From fiscal year 2009 through fiscal year 2017, contributions included both employer contributions and other governmental contributions.

2014	2013	2012	2011	2010	2009
$ 619,512	$ 678,650	$ 960,640	$ 1,020,144	$ 870,012	$ 922,791
755,883	729,863	672,655	452,969	387,184	384,406
$ (136,371)	$ (51,213)	$ 287,985	$ 567,175	$ 482,828	$ 538,385
$ 2,857,324	$ 2,881,140	$ 2,895,193	$ 3,039,875	$ 2,937,995	$ 2,972,101
26.5%	25.3%	23.2%	14.9%	13.2%	12.9%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR PENSIONS
JUDGES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 1,736	$ 1,020	$ 2,138	$ 2,593
Contributions in relation to the actuarially determined contribution	1,736	1,020	2,180	2,634
Contribution deficiency (excess)	$ -	$ -	$ (41)	$ (41)
Covered payroll	$ 12,047	$ 12,685	$ 14,757	$ 17,518
Contributions as a percentage of covered payroll	14.4%	8.0%	14.8%	15.0%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2017.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal (Term Cost for death and disability)
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	19 years, as of October 1, 2017
Asset Valuation Method	Five-year smoothed fair value
Inflation	2.5 percent
Salary Increases	4.0 percent, including wage inflation at 3.5 percent
Investment Rate of Return	6.8 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale BB. For active members, 50.0 percent of the post retirement table rates were used for males and females.

2014	2013	2012	2011	2010	2009
$ 3,123	$ 2,751	$ 1,068	$ -	$ -	$ -
3,164	2,793	1,111	43	43	43
$ (41)	$ (42)	$ (43)	$ (43)	$ (43)	$ (43)
$ 18,803	$ 18,939	$ 22,922	$ 23,565	$ 25,504	$ 27,027
16.8%	14.7%	4.8%	0.2%	0.2%	0.2%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS
JUDGES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 559	$ 487	$ 712	$ 663
Contributions* in relation to the actuarially determined contribution	539	189	247	275
Contribution deficiency (excess)	$ 20	$ 298	$ 465	$ 388
Covered-employee payroll**	$ 6,143	$ 5,918	$ 5,889	$ 5,926
Contributions as a percentage of covered-employee payroll	8.8%	3.2%	4.2%	4.6%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2017.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	19 years, as of October 1, 2017
Asset Valuation Method	Fair value
Inflation	2.5 percent
Salary Increases	4.0 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.5 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale BB. For active members, 50.0 percent of the table rates were used for males and females.
Healthcare Trend Rates	9.0 percent trend, gradually decreasing to 3.5 percent in year 10
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

* From fiscal year 2009 through fiscal year 2017, contributions included both employer contributions and other governmental contributions.

** The Judges' Retirement System does not base contributions to the other postemployment benefits plan on a measure of pay. Therefore, in accordance with Governmental Accounting Standards Board Statement No. 85, Omnibus 2017, covered-employee payroll is presented in this schedule instead of covered payroll.

2014	2013	2012	2011	2010	2009
$ 659	$ 699	$ 597	$ 605	$ 490	$ 515
69	55	100	312	712	335
$ 591	$ 644	$ 497	$ 293	$ (222)	$ 180
$ 6,080	$ 6,203	$ 6,190	$ 5,413	$ 5,936	$ 6,095
1.1%	0.9%	1.6%	5.8%	12.0%	5.5%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FOR PENSIONS
MILITARY RETIREMENT PROVISIONS

LAST TEN FISCAL YEARS
(In Thousands)

	2018	2017	2016	2015
Actuarially determined contribution	$ 6,849	$ 5,200	$ 5,200	$ 6,293
Contributions in relation to the actuarially determined contribution	16,245	5,245	7,780	4,267
Contribution deficiency (excess)	$ (9,396)	$ (45)	$ (2,580)	$ 2,026
Covered payroll *	$ 527	$ 466	$ 469	$ 484
Contributions as a percentage of covered payroll	3081.9%	1126.3%	1657.3%	880.9%

Valuation Date:
Actuarially determined contribution amounts are calculated as of September 30, 2015.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2018:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	21 years, as of October 1, 2017
Asset Valuation Method	N/A
Inflation	2.5 percent
Salary Increases	3.5 percent for Special Duty officers
Investment Rate of Return	8.0 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. For active members, 50.0 percent of the table rates were used.

* Covered payroll relates to the three active Special Duty officers (Generals). Non-special duty members receive $600 in annual pension benefits, which is not based on a percentage of payroll. Therefore, contributions expressed as percentages of active member payroll are not useful.

2014	2013	2012	2011	2010	2009
$ 6,293	$ 5,359	$ 5,359	$ 3,892	$ 3,892	$ 3,811
4,223	3,982	4,007	3,709	3,613	3,382
$ 2,071	$ 1,377	$ 1,351	$ 183	$ 280	$ 429
Unavailable	$ 457	Unavailable	$ 142	Unavailable	$ 428
	871.2%		2612.5%		790.1%

STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
State Budget Office

FINANCIAL SECTION

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

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
SEPTEMBER 30, 2018
(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 173	$ 1,815	$ 170	$ -	**$ 2,159**
Equity in common cash	962,814	1,864	944,065	57,263	**1,966,006**
Taxes, interest, and penalties receivable	154,787	-	546	-	**155,334**
Amounts due from other funds	41,392	-	27,249	-	**68,641**
Amounts due from component units	-	-	4,031	-	**4,031**
Amounts due from federal agencies	51,204	-	158,608	-	**209,812**
Amounts due from local units	4,487	-	76,310	16	**80,814**
Inventories	418	-	7,478	-	**7,895**
Investments	-	175,515	17,713	-	**193,227**
Other current assets	232,514	223	35,748	8,871	**277,355**
Total Current Assets	1,447,788	179,417	1,271,918	66,150	**2,965,273**
Taxes, interest, and penalties receivable	4,057	-	14	-	**4,072**
Amounts due from local units	19,174	-	48,092	-	**67,266**
Investments	273,362	-	-	1,061,476	**1,334,838**
Other noncurrent assets	1,493	-	-	-	**1,493**
Total Assets	$ 1,745,875	$ 179,417	$ 1,320,024	$ 1,127,627	**$ 4,372,942**
LIABILITIES					
Current Liabilities:					
Accounts payable and other liabilities	$ 334,980	$ 72	$ 262,207	$ 9,174	**$ 606,434**
Amounts due to other funds	26,273	-	67,885	416	**94,574**
Amounts due to component units	54,840	-	-	-	**54,840**
Bonds and notes payable	-	-	46,390	-	**46,390**
Interest payable	-	-	40	-	**40**
Unearned revenue	6,637	-	2,141	-	**8,778**
Total Current Liabilities	422,729	72	378,663	9,590	**811,055**
Long-Term Liabilities:					
Unearned revenue	43	-	19	-	**63**
Total Liabilities	422,773	72	378,683	9,590	**811,118**
DEFERRED INFLOWS OF RESOURCES	177,496	-	15	-	**177,512**
FUND BALANCES					
Nonspendable	236,015	-	7,478	820,392	**1,063,885**
Restricted	546,191	179,345	997,149	297,644	**2,020,329**
Committed	363,400	-	-	-	**363,400**
Unassigned	-	-	(63,301)	-	**(63,301)**
Total Fund Balances	1,145,606	179,345	941,326	1,118,036	**3,384,312**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,745,875	$ 179,417	$ 1,320,024	$ 1,127,627	**$ 4,372,942**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	**TOTALS**
REVENUES					
Taxes	$ 2,859,468	$ -	$ 11,698	$ -	**$ 2,871,166**
From federal agencies	166,186	-	1,047,660	-	**1,213,846**
From local agencies	-	-	16,551	-	**16,551**
From services	4,215	-	3,644	-	**7,859**
From licenses and permits	215,579	-	17,317	-	**232,896**
Miscellaneous	880,997	1,498	190,673	87,664	**1,160,832**
Total Revenues	4,126,445	1,498	1,287,543	87,664	**5,503,150**
EXPENDITURES					
Current:					
General government	174,492	-	-	3,316	**177,808**
Education	65,937	1,596	32,766	-	**100,299**
Health and human services	53,605	-	-	-	**53,605**
Public safety and corrections	881	-	-	1,510	**2,391**
Conservation, environment, recreation, and agriculture	241,744	-	-	52,652	**294,396**
Labor, commerce, and regulatory	668,148	-	-	-	**668,148**
Transportation	1,731,628	4	1,079,400	-	**2,811,032**
Capital outlay	12,613	-	1,170,798	4,260	**1,187,671**
Debt service:					
Bond principal retirement	-	415,853	-	-	**415,853**
Bond interest and fiscal charges	-	281,758	-	-	**281,758**
Capital lease payments	793	-	462	6	**1,260**
Total Expenditures	2,949,840	699,211	2,283,427	61,744	**5,994,222**
Excess of Revenues over (under) Expenditures	1,176,605	(697,713)	(995,884)	25,920	**(491,072)**
OTHER FINANCING SOURCES (USES)					
Bonds and bond anticipation notes issued	-	1,775	-	-	**1,775**
Premium on bond issuance	-	49	-	-	**49**
Capital lease acquisitions	-	-	389	-	**389**
Proceeds from sale of capital assets	-	-	2,218	-	**2,218**
Transfers from other funds	436,989	689,814	1,157,069	-	**2,283,872**
Transfers to other funds	(1,459,449)	(279)	(267,439)	(299)	**(1,727,466)**
Total Other Financing Sources (Uses)	(1,022,460)	691,359	892,237	(299)	**560,837**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	154,145	(6,355)	(103,647)	25,621	**69,765**
Fund Balances - Beginning of fiscal year	991,461	185,699	1,044,973	1,092,415	**3,314,548**
Fund Balances - End of fiscal year	$ 1,145,606	$ 179,345	$ 941,326	$ 1,118,036	**$ 3,384,312**

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 2018
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 8	$ 159	$ 6	$ -	**$ 173**
Equity in common cash	269,975	238,223	81,244	373,372	**962,814**
Taxes, interest, and penalties receivable	154,418	369	-	-	**154,787**
Amounts due from other funds	40,175	-	1,217	-	**41,392**
Amounts due from federal agencies	26,870	5,252	19,082	-	**51,204**
Amounts due from local units	1,602	2,886	-	-	**4,487**
Inventories	-	418	-	-	**418**
Other current assets	1,409	6,527	61,709	162,868	**232,514**
Total Current Assets	494,457	253,833	163,257	536,241	**1,447,788**
Taxes, interest, and penalties receivable	4,056	1	-	-	**4,057**
Amounts due from local units	42	19,133	-	-	**19,174**
Investments	-	247,889	-	25,473	**273,362**
Other noncurrent assets	-	222	-	1,271	**1,493**
Total Assets	$ 498,555	$ 521,078	$ 163,257	$ 562,985	**$ 1,745,875**
LIABILITIES					
Current Liabilities:					
Accounts payable and other liabilities	$ 283,839	$ 22,005	$ 26,337	$ 2,799	**$ 334,980**
Amounts due to other funds	16,160	2,453	7,607	52	**26,273**
Amounts due to component units	-	-	54,840	-	**54,840**
Unearned revenue	284	3,232	3,121	-	**6,637**
Total Current Liabilities	300,283	27,691	91,904	2,851	**422,729**
Long-Term Liabilities:					
Unearned revenue	43	-	-	-	**43**
Total Liabilities	300,327	27,691	91,904	2,851	**422,773**
DEFERRED INFLOWS OF RESOURCES	10,297	353	3,440	163,407	**177,496**
FUND BALANCES					
Nonspendable	-	211,837	21	24,157	**236,015**
Restricted	187,931	281,197	64,241	12,821	**546,191**
Committed	-	-	3,651	359,749	**363,400**
Total Fund Balances	187,931	493,034	67,913	396,727	**1,145,606**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 498,555	$ 521,078	$ 163,257	$ 562,985	**$ 1,745,875**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	**TOTALS**
REVENUES					
Taxes	$ 2,858,903	$ 565	$ -	$ -	**$ 2,859,468**
From federal agencies	42,714	6,382	116,642	448	**166,186**
From services	4,183	4	28	-	**4,215**
From licenses and permits	38,141	166,100	11,337	-	**215,579**
Miscellaneous	20,903	106,904	527,552	225,638	**880,997**
Total Revenues	2,964,843	279,956	655,559	226,087	**4,126,445**
EXPENDITURES					
Current:					
General government	-	3,238	30,173	141,081	**174,492**
Education	-	-	-	65,937	**65,937**
Health and human services	-	-	-	53,605	**53,605**
Public safety and corrections	-	-	-	881	**881**
Conservation, environment, recreation, and agriculture	-	241,744	-	-	**241,744**
Labor, commerce, and regulatory	-	-	655,928	12,220	**668,148**
Transportation	1,731,628	-	-	-	**1,731,628**
Capital outlay	-	12,613	-	-	**12,613**
Debt service:					
Capital lease payments	-	117	676	-	**793**
Total Expenditures	1,731,628	257,711	686,778	273,724	**2,949,840**
Excess of Revenues over (under) Expenditures	1,233,215	22,245	(31,219)	(47,637)	**1,176,605**
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	250,285	43,837	48,967	93,900	**436,989**
Transfers to other funds	(1,420,981)	(24,687)	(13,743)	(38)	**(1,459,449)**
Total Other Financing Sources (Uses)	(1,170,696)	19,150	35,224	93,862	**(1,022,460)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	62,519	41,396	4,005	46,226	**154,145**
Fund Balances - Beginning of fiscal year	125,412	451,639	63,908	350,502	**991,461**
Fund Balances - End of fiscal year	$ 187,931	$ 493,034	$ 67,913	$ 396,727	**$ 1,145,606**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2018

(In Thousands)

	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 2,858,903	$ 2,858,903	$ -	$ 565	$ 565	$ -
From federal agencies	42,714	42,714	-	6,382	6,382	-
From services	4,183	4,183	-	4	4	-
From licenses and permits	38,141	38,141	-	166,100	166,100	-
Miscellaneous	20,903	20,903	-	58,114	58,114	-
Transfers in	250,285	250,285	-	43,837	43,837	-
Total Revenues and Other Sources	3,215,128	3,215,128	-	275,003	275,003	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health and Human Services	-	-	-	-	-	-
Licensing and Regulatory Affairs	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Natural Resources	-	-	-	265,780	259,907	5,873
Talent and Economic Development	-	-	-	-	-	-
Transportation	3,357,694	3,292,160	65,535	-	-	-
Treasury	-	-	-	3,268	2,901	367
Total Expenditures, Transfers Out, and Encumbrances	3,357,694	3,292,160	65,535	269,048	262,808	6,241
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (142,566)	(77,031)	$ 65,535	$ 5,955	12,195	$ 6,241
Reconciling Items:						
Encumbrances at September 30		139,550			23,243	
Funds not annually budgeted		-			5,958	
Net Reconciling Items		139,550			29,200	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		62,519			41,396	
FUND BALANCES (GAAP BASIS)						
Beginning balances		125,412			451,639	
Ending balances (GAAP Basis)		$ 187,931			$ 493,034	

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			**TOTALS**		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	**BUDGET**	**ACTUAL**	**VARIANCE**
$ -	$ -	$ -	$ -	$ -	$ -	**$ 2,859,468**	**$ 2,859,468**	**$ -**
116,642	116,642	-	448	448	-	**166,186**	**166,186**	**-**
28	28	-	-	-	-	**4,215**	**4,215**	**-**
11,337	11,337	-	-	-	-	**215,579**	**215,579**	**-**
47,123	47,123	-	212,979	212,979	-	**339,120**	**339,120**	**-**
48,967	48,967	-	93,900	93,900	-	**436,989**	**436,989**	**-**
224,098	224,098	-	307,328	307,328	-	**4,021,557**	**4,021,557**	**-**
-	-	-	500	379	120	**500**	**379**	**120**
-	-	-	65,937	65,937	-	**65,937**	**65,937**	**-**
-	-	-	53,609	53,605	4	**53,609**	**53,605**	**4**
20,562	18,351	2,211	-	-	-	**20,562**	**18,351**	**2,211**
-	-	-	1,000	50	950	**1,000**	**50**	**950**
-	-	-	843	842	1	**843**	**842**	**1**
-	-	-	-	-	-	**265,780**	**259,907**	**5,873**
161,291	161,291	-	-	-	-	**161,291**	**161,291**	**-**
-	-	-	-	-	-	**3,357,694**	**3,292,160**	**65,535**
41,359	41,359	-	474,313	140,723	333,590	**518,940**	**184,983**	**333,957**
223,212	221,000	2,211	596,201	261,536	334,665	**4,446,156**	**4,037,504**	**408,652**
$ 886	3,098	$ 2,211	$ (288,873)	45,792	$ 334,665	**$ (424,599)**	**(15,947)**	**$ 408,652**
	10			4			**162,808**	
	897			430			**7,284**	
	907			434			**170,092**	
	4,005			46,226			**154,145**	
	63,908			350,502			**991,461**	
	$ 67,913			$ 396,727			**$ 1,145,606**	

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 247.660b, 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, 2018
(In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	**TOTALS**
ASSETS			
Current Assets:			
Cash	$ 8	$ -	**$ 8**
Equity in common cash	101,961	168,013	**269,975**
Taxes, interest, and penalties receivable	154,418	-	**154,418**
Amounts due from other funds	-	40,175	**40,175**
Amounts due from federal agencies	-	26,870	**26,870**
Amounts due from local units	-	1,602	**1,602**
Other current assets	108	1,301	**1,409**
Total Current Assets	256,496	237,961	**494,457**
Taxes, interest, and penalties receivable	4,056	-	**4,056**
Amounts due from local units	-	42	**42**
Total Assets	$ 260,553	$ 238,002	**$ 498,555**
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	$ 234,213	$ 49,626	**$ 283,839**
Amounts due to other funds	16,043	118	**16,160**
Unearned revenue	-	284	**284**
Total Current Liabilities	250,256	50,028	**300,283**
Long-Term Liabilities:			
Unearned revenue	-	43	**43**
Total Liabilities	250,256	50,071	**300,327**
DEFERRED INFLOWS OF RESOURCES	10,297	-	**10,297**
FUND BALANCES			
Restricted	-	187,931	**187,931**
Total Fund Balances	-	187,931	**187,931**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 260,553	$ 238,002	**$ 498,555**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	**TOTALS**
REVENUES			
Taxes	$ 2,762,785	$ 96,118	**$ 2,858,903**
From federal agencies	-	42,714	**42,714**
From services	4,183	-	**4,183**
From licenses and permits	37,809	333	**38,141**
Miscellaneous	3,330	17,573	**20,903**
Total Revenues	2,808,106	156,737	**2,964,843**
EXPENDITURES			
Current:			
Transportation	1,405,714	325,914	**1,731,628**
Total Expenditures	1,405,714	325,914	**1,731,628**
Excess of Revenues over (under) Expenditures	1,402,392	(169,177)	**1,233,215**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	143	250,141	**250,285**
Transfers to other funds	(1,402,535)	(18,446)	**(1,420,981)**
Total Other Financing Sources (Uses)	(1,402,392)	231,696	**(1,170,696)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	62,519	**62,519**
Fund Balances - Beginning of fiscal year	-	125,412	**125,412**
Fund Balances - End of fiscal year	$ -	$ 187,931	**$ 187,931**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN TRANSPORTATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 2,762,785	$ 2,762,785	$ -
From federal agencies	-	-	-
From services	4,183	4,183	-
From licenses and permits	37,809	37,809	-
Miscellaneous	3,330	3,330	-
Transfers in	143	143	-
Total Revenues and Other Sources	2,808,250	2,808,250	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	2,867,195	2,808,250	58,945
Total Expenditures, Transfers Out, and Encumbrances	2,867,195	2,808,250	58,945
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (58,945)	-	$ 58,945
Reconciling Items:			
Encumbrances at September 30		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-	
FUND BALANCES (GAAP BASIS)			
Beginning balances		-	
Ending balances (GAAP Basis)		$ -	

COMPREHENSIVE TRANSPORTATION FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	**BUDGET**	**ACTUAL**	**VARIANCE**
$ 96,118	$ 96,118	$ -	**$ 2,858,903**	**$ 2,858,903**	**$ -**
42,714	42,714	-	**42,714**	**42,714**	**-**
-	-	-	**4,183**	**4,183**	**-**
333	333	-	**38,141**	**38,141**	**-**
17,573	17,573	-	**20,903**	**20,903**	**-**
250,141	250,141	-	**250,285**	**250,285**	**-**
406,879	406,879	-	**3,215,128**	**3,215,128**	**-**
490,499	483,910	6,589	**3,357,694**	**3,292,160**	**65,535**
490,499	483,910	6,589	**3,357,694**	**3,292,160**	**65,535**
$ (83,620)	(77,031)	$ 6,589	**$ (142,566)**	**(77,031)**	**$ 65,535**
	139,550			**139,550**	
	139,550			**139,550**	
	62,519			**62,519**	
	125,412			**125,412**	
	$ 187,931			**$ 187,931**	

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 percent 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 percent returned to the dealers and 75 percent to fund several sub-funds.

The 75 percent 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 percent is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10 percent 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, 2018
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
ASSETS		
Current Assets:		
Cash	$ 159	$ -
Equity in common cash	140,233	2,708
Taxes, interest, and penalties receivable	369	-
Amounts due from federal agencies	4,954	-
Amounts due from local units	1,478	-
Inventories	418	-
Other current assets	4,822	764
Total Current Assets	152,432	3,471
Taxes, interest, and penalties receivable	1	-
Amounts due from local units	-	-
Investments	2,904	237,464
Other noncurrent assets	-	-
Total Assets	$ 155,337	$ 240,935
LIABILITIES		
Current Liabilities:		
Accounts payable and other liabilities	$ 16,554	$ -
Amounts due to other funds	1,744	-
Unearned revenue	2,621	-
Total Current Liabilities	20,920	-
Total Liabilities	20,920	-
DEFERRED INFLOWS OF RESOURCES	1	-
FUND BALANCES		
Nonspendable	-	192,141
Restricted	134,416	48,794
Total Fund Balances	134,416	240,935
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 155,337	$ 240,935

MIGHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	**$ 159**
1,800	39,271	54,211	**238,223**
-	-	-	**369**
-	298	-	**5,252**
-	-	1,408	**2,886**
-	-	-	**418**
46	210	685	**6,527**
1,846	39,780	56,304	**253,833**
-	-	-	**1**
-	-	19,133	**19,133**
7,522	-	-	**247,889**
-	-	222	**222**
$ 9,368	$ 39,780	$ 75,658	**$ 521,078**
$ 40	$ 3,535	$ 1,876	**$ 22,005**
3	467	239	**2,453**
-	611	-	**3,232**
43	4,612	2,116	**27,691**
43	4,612	2,116	**27,691**
-	-	351	**353**
6,000	-	13,696	**211,837**
3,325	35,167	59,495	**281,197**
9,325	35,167	73,191	**493,034**
$ 9,368	$ 39,780	$ 75,658	**$ 521,078**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
REVENUES		
Taxes	$ 565	$ -
From federal agencies	5,916	-
From services	4	-
From licenses and permits	166,099	-
Miscellaneous	7,783	21,115
Total Revenues	180,367	21,115
EXPENDITURES		
Current:		
General government	2,901	336
Conservation, environment, recreation, and agriculture	180,460	126
Capital outlay	12,044	-
Debt service:		
Capital lease payments	95	-
Total Expenditures	195,500	463
Excess of Revenues over (under) Expenditures	(15,133)	20,652
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	42,837	-
Transfers to other funds	(3,279)	(18,422)
Total Other Financing Sources (Uses)	39,558	(18,422)
Excess Revenues and Other Sources over (under) Expenditures and Other Uses	24,425	2,231
Fund Balances - Beginning of fiscal year	109,991	238,704
Fund Balances - End of fiscal year	$ 134,416	$ 240,935

MIGHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	**$ 565**
-	466	-	**6,382**
-	-	-	**4**
-	1	-	**166,100**
444	49,887	27,675	**106,904**
444	50,355	27,675	**279,956**
-	-	-	**3,238**
391	39,350	21,416	**241,744**
-	569	-	**12,613**
-	22	-	**117**
391	39,941	21,416	**257,711**
53	10,414	6,259	**22,245**
1,000	-	-	**43,837**
(3)	(451)	(2,532)	**(24,687)**
997	(451)	(2,532)	**19,150**
1,050	9,963	3,727	**41,396**
8,275	25,204	69,464	**451,639**
$ 9,325	$ 35,167	$ 73,191	**$ 493,034**

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, 2018
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND			MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 565	$ 565	$ -	$ -	$ -	$ -
From federal agencies	5,916	5,916	-	-	-	-
From services	4	4	-	-	-	-
From licenses and permits	166,099	166,099	-	-	-	-
Miscellaneous	7,783	7,783	-	444	444	-
Transfers in	42,837	42,837	-	1,000	1,000	-
Total Revenues and Other Sources	223,204	223,204	-	1,444	1,444	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	215,512	210,494	5,018	500	400	100
Treasury	3,268	2,901	367	-	-	-
Total Expenditures, Transfers Out and Encumbrances	218,781	213,395	5,385	500	400	100
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 4,423	9,809	$ 5,385	$ 944	1,044	$ 100
Reconciling Items:						
Encumbrances at September 30		14,616			6	
Funds not annually budgeted		-			-	
Net Reconciling Items		14,616			6	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		24,425			1,050	
FUND BALANCES (GAAP BASIS)						
Beginning balances		109,991			8,275	
Ending balances (GAAP Basis)		$ 134,416			$ 9,325	

FOREST DEVELOPMENT FUND			FUNDS NOT ANNUALLY BUDGETED		TOTALS		
			MICHIGAN GAME AND FISH PROTECTION TRUST FUND	BOTTLE DEPOSITS FUND			
BUDGET	ACTUAL	VARIANCE	ACTUAL	ACTUAL	**BUDGET**	**ACTUAL**	**VARIANCE**
$ -	$ -	$ -	$ -	$ -	**$ 565**	**$ 565**	**$ -**
466	466	-	-	-	**6,382**	**6,382**	**-**
-	-	-	-	-	**4**	**4**	**-**
1	1	-	-	-	**166,100**	**166,100**	**-**
49,887	49,887	-	-	-	**58,114**	**58,114**	**-**
-	-	-	-	-	**43,837**	**43,837**	**-**
50,355	50,355	-	-	-	**275,003**	**275,003**	**-**
49,768	49,012	755	-	-	**265,780**	**259,907**	**5,873**
-	-	-	-	-	**3,268**	**2,901**	**367**
49,768	49,012	755	-	-	**269,048**	**262,808**	**6,241**
$ 587	1,343	$ 755	-	-	**$ 5,955**	**12,195**	**$ 6,241**
	8,621		-	-		**23,243**	
	-		2,231	3,727		**5,958**	
	8,621		2,231	3,727		**29,200**	
	9,963		2,231	3,727		**41,396**	
	25,204		238,704	69,464		**451,639**	
	$ 35,167		$ 240,935	$ 73,191		**$ 493,034**	

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 Section 570.1201 was repealed effective August 23, 2010. The fund is still accruing monies received from licensees who had final orders issued by the Michigan Residential Builders' and Maintenance and Alteration Contractors' Board to reimburse the payouts from the fund and/or legal costs.

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 Talent and Economic Development. 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 supporting the safety education and training activities of the Department of Licensing and Regulatory Affairs' Michigan Occupational Safety and Health Administration.

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 and self-insured employers licensed or authorized in Michigan 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 and self-insured employers licensed or authorized in Michigan.

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 (MCL) 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. The costs of operation and expenses incurred by the Utility Consumer Participation board in performing its duties under this section and MCL Section 460.6l, shall also be paid from the fund. 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 Section 12.271 et seq.) and MCL Section 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 Section 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, 2018
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
ASSETS					
Current Assets:					
Cash	$ -	$ -	$ -	$ -	$ -
Equity in common cash	285	-	6,227	11,227	31,890
Amounts due from other funds	-	332	-	-	-
Amounts due from federal agencies	-	19,082	-	-	-
Other current assets	-	205	3,935	330	1,047
Total Current Assets	285	19,618	10,162	11,557	32,937
Total Assets	$ 285	$ 19,618	$ 10,162	$ 11,557	$ 32,937
LIABILITIES					
Current Liabilities:					
Accounts payable and other liabilities	$ -	$ 12,535	$ 415	$ 1,350	$ 10,335
Amounts due to other funds	-	7,083	137	17	12
Amounts due to component units	-	-	-	-	-
Unearned revenue	-	-	-	2,541	338
Total Current Liabilities	-	19,618	552	3,908	10,684
Total Liabilities	-	19,618	552	3,908	10,684
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	21	1
Restricted	285	-	9,610	7,629	22,251
Committed	-	-	-	-	-
Total Fund Balances	285	-	9,610	7,649	22,252
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 285	$ 19,618	$ 10,162	$ 11,557	$ 32,937

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**
$ -	$ -	$ -	$ -	$ 5	**$ 6**
1,666	11,632	2,579	1,554	14,184	**81,244**
-	-	-	885	-	**1,217**
-	-	-	-	-	**19,082**
136	4	-	55,840	213	**61,709**
1,803	11,636	2,579	58,279	14,402	**163,257**
$ 1,803	$ 11,636	$ 2,579	$ 58,279	$ 14,402	**$ 163,257**
$ 369	$ 255	$ 256	$ -	$ 823	**$ 26,337**
4	100	9	-	245	**7,607**
-	-	-	54,840	-	**54,840**
242	-	-	-	-	**3,121**
615	355	265	54,840	1,067	**91,904**
615	355	265	54,840	1,067	**91,904**
-	-	-	3,440	-	**3,440**
-	-	-	-	-	**21**
1,187	11,281	2,314	-	9,684	**64,241**
-	-	-	-	3,651	**3,651**
1,187	11,281	2,314	-	13,334	**67,913**
$ 1,803	$ 11,636	$ 2,579	$ 58,279	$ 14,402	**$ 163,257**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
REVENUES					
From federal agencies	$ -	$ 116,642	$ -	$ -	$ -
From services	-	-	25	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	25	-	11,224	10,383	4,166
Total Revenues	25	116,642	11,249	10,383	4,166
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Labor, commerce, and regulatory	-	159,537	9,867	9,528	4,106
Debt Service:					
Capital lease payments	-	492	35	84	46
Total Expenditures	-	160,029	9,902	9,612	4,153
Excess of Revenues over (under) Expenditures	25	(43,388)	1,348	771	13
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	44,649	-	-	-
Transfers to other funds	-	(1,261)	(141)	(22)	(14)
Total Other Financing Sources (Uses)	-	43,388	(141)	(22)	(14)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	25	-	1,207	749	(1)
Fund Balances - Beginning of fiscal year	260	-	8,403	6,900	22,253
Fund Balances - End of fiscal year	$ 285	$ -	$ 9,610	$ 7,649	$ 22,252

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**
$ -	$ -	$ -	$ -	$ -	**$ 116,642**
-	3	-	-	-	**28**
-	10,304	-	-	1,033	**11,337**
1,368	174	1,832	462,679	35,700	**527,552**
1,368	10,481	1,832	462,679	36,733	**655,559**
-	-	998	-	29,176	**30,173**
1,343	8,184	683	462,679	-	**655,928**
19	-	-	-	-	**676**
1,363	8,184	1,681	462,679	29,176	**686,778**
5	2,297	152	-	7,558	**(31,219)**
-	-	-	-	4,318	**48,967**
(6)	(114)	(3)	-	(12,183)	**(13,743)**
(6)	(114)	(3)	-	(7,865)	**35,224**
-	2,183	149	-	(307)	**4,005**
1,188	9,098	2,165	-	13,642	**63,908**
$ 1,187	$ 11,281	$ 2,314	$ -	$ 13,334	**$ 67,913**

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, 2018
(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND			MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ 116,642	$ 116,642	$ -
From services	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	25	25	-	-	-	-
Transfers in	-	-	-	44,649	44,649	-
Total Revenues and Other Sources	25	25	-	161,291	161,291	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Licensing and Regulatory Affairs	-	-	-	-	-	-
Talent and Economic Development	-	-	-	161,291	161,291	-
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	161,291	161,291	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 25	25	$ -	$ -	-	$ -
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)		25			-	
FUND BALANCES (GAAP BASIS)						
Beginning balances		260			-	
Ending balances (GAAP Basis)		$ 285			$ -	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
25	25	-	3	3	-
-	-	-	10,304	10,304	-
11,224	11,224	-	174	174	-
-	-	-	-	-	-
11,249	11,249	-	10,481	10,481	-
11,144	10,043	1,101	9,418	8,308	1,110
-	-	-	-	-	-
-	-	-	-	-	-
11,144	10,043	1,101	9,418	8,308	1,110
$ 105	1,207	$ 1,101	$ 1,063	2,173	$ 1,110
	-			10	
	-			-	
	-			10	
	1,207			2,183	
	8,403			9,098	
	$ 9,610			$ 11,281	

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, 2018
(In Thousands)

	STATE CASINO GAMING FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From services	-	-	-
From licenses and permits	1,033	1,033	-
Miscellaneous	35,700	35,700	-
Transfers in	4,318	4,318	-
Total Revenues and Other Sources	41,052	41,052	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Licensing and Regulatory Affairs	-	-	-
Talent and Economic Development	-	-	-
Treasury	41,359	41,359	-
Total Expenditures, Transfers Out, and Encumbrances	41,359	41,359	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (307)	(307)	$ -
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)		(307)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		13,642	
Ending balances (GAAP Basis)		$ 13,334	

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
$ -	$ -	$ -	$ -	$ -	$ 116,642	$ 116,642	$ -
-	-	-	-	-	28	28	-
-	-	-	-	-	11,337	11,337	-
-	-	-	-	-	47,123	47,123	-
-	-	-	-	-	48,967	48,967	-
-	-	-	-	-	224,098	224,098	-
-	-	-	-	-	20,562	18,351	2,211
-	-	-	-	-	161,291	161,291	-
-	-	-	-	-	41,359	41,359	-
-	-	-	-	-	223,212	221,000	2,211
-	-	-	-	-	$ 886	3,098	$ 2,211
-	-	-	-	-		10	
749	(1)	-	149	-		897	
749	(1)	-	149	-		907	
749	(1)	-	149	-		4,005	
6,900	22,253	1,188	2,165	-		63,908	
$ 7,649	$ 22,252	$ 1,187	$ 2,314	$ -		$ 67,913	

SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

21st CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21st Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. Executive Order 2010-2 moved the Authority to the Michigan Finance Authority. The bonds were issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 2023, 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 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.

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 (MCL Section 722.603) to coordinate and fund activities for the prevention of child abuse and neglect in the State. All money contributed to the fund in a fiscal year, plus 5.0 percent of the rolling average of the fund for the previous twelve quarters shall be available for disbursement if the rolling average of the fund is at least $23.5 million. If the rolling average of the fund for the previous twelve quarters is less than $23.5 million then up to 4.25 percent of the twelve-quarter rolling average is available for disbursement. In addition, money granted or received as gifts or donations to the trust fund is available for disbursement upon appropriation. Funds that are not available for disbursement are reported as nonspendable fund balance.

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.

COMMUNITY DISTRICT EDUCATION TRUST FUND

Michigan Compiled Laws Section (MCL) 12.262 created this fund to provide funding to community districts for the duration they are prohibited under MCL Section 380.386 from levying a school operating tax by offsetting the absence of local school operating revenue in the funding of the State portion of foundation allowances under MCL Section 388.1622b. Beginning in fiscal year 2017, $72.0 million of tobacco settlement revenue shall be deposited into the fund each year until a total of $617.0 million is deposited. If the earmarked tobacco settlement revenue is less than the amount necessary to offset the absence of local school operating revenue in a community district in the funding of the State portion of foundation allowances under MCL 386.1622b, then the General Fund will be required to reimburse the School Aid Fund for as long as that community district is prohibited from levying a school operating tax.

MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Children's Institute Trust (operating under the authority of Michigan Compiled Laws (MCL) Section 400.207), Special Assessment Deferment (operating under the authority of MCL Section 211.770), and Intrastate Switched Toll Restructuring (operating under the authority of MCL Section 484.2310).

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
SEPTEMBER 30, 2018
(In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	CHILDREN'S TRUST FUND
ASSETS			
Current Assets:			
Equity in common cash	$ 333,352	$ 15,975	$ 1,985
Other current assets	56,250	52,288	287
Total Current Assets	389,602	68,263	2,272
Investments	-	-	25,473
Other noncurrent assets	-	797	-
Total Assets	$ 389,602	$ 69,060	$ 27,745
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	$ -	$ 1,144	$ 907
Amounts due to other funds	-	31	13
Total Current Liabilities	-	1,175	920
Total Liabilities	-	1,175	920
DEFERRED INFLOWS OF RESOURCES	56,250	52,972	-
FUND BALANCES			
Nonspendable	-	-	24,157
Restricted	-	-	2,667
Committed	333,352	14,913	-
Total Fund Balances	333,352	14,913	26,824
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 389,602	$ 69,060	$ 27,745

MILITARY FAMILY RELIEF FUND	COMMUNITY DISTRICT EDUCATION TRUST FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ 2,396	$ 11,484	$ 8,180	**$ 373,372**
-	54,000	43	**162,868**
2,396	65,484	8,224	**536,241**
-	-	-	**25,473**
-	-	474	**1,271**
$ 2,396	$ 65,484	$ 8,698	**$ 562,985**
$ -	$ -	$ 749	**$ 2,799**
-	-	7	**52**
-	-	756	**2,851**
-	-	756	**2,851**
-	54,000	185	**163,407**
-	-	-	**24,157**
2,396	-	7,758	**12,821**
-	11,484	-	**359,749**
2,396	11,484	7,758	**396,727**
$ 2,396	$ 65,484	$ 8,698	**$ 562,985**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	CHILDREN'S TRUST FUND
REVENUES			
From federal agencies	$ -	$ -	$ 448
Miscellaneous	75,000	63,045	2,737
Total Revenues	75,000	63,045	3,186
EXPENDITURES			
Current:			
General government	139,732	1,303	45
Education	-	-	-
Health and human services	-	50,269	3,336
Public safety and corrections	-	831	-
Labor, commerce, and regulatory	-	-	-
Total Expenditures	139,732	52,403	3,381
Excess of Revenues over (under) Expenditures	(64,732)	10,642	(196)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	93,900	-	-
Transfers to other funds	-	(28)	-
Total Other Financing Sources (Uses)	93,900	(28)	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	29,168	10,614	(196)
Fund Balances - Beginning of fiscal year	304,184	4,300	27,020
Fund Balances - End of fiscal year	$ 333,352	$ 14,913	$ 26,824

MILITARY FAMILY RELIEF FUND	COMMUNITY DISTRICT EDUCATION TRUST FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ -	$ -	$ -	**$ 448**
135	72,063	12,659	**225,638**
135	72,063	12,659	**226,087**
-	-	-	**141,081**
-	65,937	-	**65,937**
-	-	-	**53,605**
50	-	-	**881**
-	-	12,220	**12,220**
50	65,937	12,220	**273,724**
84	6,126	439	**(47,637)**
-	-	-	**93,900**
-	-	(9)	**(38)**
-	-	(9)	**93,862**
84	6,126	430	**46,226**
2,311	5,358	7,328	**350,502**
$ 2,396	$ 11,484	$ 7,758	**$ 396,727**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	21ST CENTURY JOBS TRUST FUND			MICHIGAN MERIT AWARD TRUST FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous	75,000	75,000	-	63,045	63,045	-
Transfers in	93,900	93,900	-	-	-	-
Total Revenues and Other Sources	168,900	168,900	-	63,045	63,045	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	500	379	120
Education	-	-	-	-	-	-
Health and Human Services	-	-	-	50,269	50,269	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	843	842	1
Treasury	473,084	139,732	333,352	1,183	945	238
Total Expenditures, Transfers Out, and Encumbrances	473,084	139,732	333,352	52,794	52,436	359
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (304,184)	29,168	$ 333,352	$ 10,251	10,609	$ 359
Reconciling Items:						
Encumbrances at September 30		-			4	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			4	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		29,168			10,614	
FUND BALANCES (GAAP BASIS)						
Beginning balances		304,184			4,300	
Ending balances (GAAP Basis)		$ 333,352			$ 14,913	

CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND			COMMUNITY DISTRICT EDUCATION TRUST FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ 448	$ 448	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2,737	2,737	-	135	135	-	72,063	72,063	-
-	-	-	-	-	-	-	-	-
3,186	3,186	-	135	135	-	72,063	72,063	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	65,937	65,937	-
3,340	3,336	4	-	-	-	-	-	-
-	-	-	1,000	50	950	-	-	-
-	-	-	-	-	-	-	-	-
45	45	-	-	-	-	-	-	-
3,385	3,381	4	1,000	50	950	65,937	65,937	-
$ (200)	(196)	$ 4	$ (865)	84	$ 950	$ 6,126	6,126	$ -
	-			-			-	
	-			-			-	
	-			-			-	
	(196)			84			6,126	
	27,020			2,311			5,358	
	$ 26,824			$ 2,396			$ 11,484	

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, 2018
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED	TOTALS		
	MISCELLANEOUS SPECIAL REVENUE FUNDS			
Statutory/Budgetary Basis	ACTUAL	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES				
From federal agencies	$ -	$ 448	$ 448	$ -
Miscellaneous	-	212,979	212,979	-
Transfers in	-	93,900	93,900	-
Total Revenues and Other Sources	-	307,328	307,328	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY				
Attorney General	-	500	379	120
Education	-	65,937	65,937	-
Health and Human Services	-	53,609	53,605	4
Military and Veterans Affairs	-	1,000	50	950
State Police	-	843	842	1
Treasury	-	474,313	140,723	333,590
Total Expenditures, Transfers Out, and Encumbrances	-	596,201	261,536	334,665
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	$ (288,873)	45,792	$ 334,665
Reconciling Items:				
Encumbrances at September 30	-		4	
Funds not annually budgeted	430		430	
Net Reconciling Items	430		434	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	430		46,226	
FUND BALANCES (GAAP BASIS)				
Beginning balances	7,328		350,502	
Ending balances (GAAP Basis)	$ 7,758		$ 396,727	

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, 2018
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Cash	$ -	$ -	$ 1,815
Equity in common cash	1	-	1,863
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	1	-	3,678
Total Assets	$ 1	$ -	$ 3,678
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	$ 1	$ -	$ 1
Total Current Liabilities	1	-	1
Total Liabilities	1	-	1
FUND BALANCES			
Restricted	-	-	3,678
Total Fund Balances	-	-	3,678
Total Liabilities and Fund Balances	$ 1	$ -	$ 3,678

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	**TOTALS**
$ -	$ -	**$ 1,815**
-	-	**1,864**
-	175,515	**175,515**
-	223	**223**
-	175,738	**179,417**
$ -	$ 175,738	**$ 179,417**
$ -	$ 71	**$ 72**
-	71	**72**
-	71	**72**
-	175,667	**179,345**
-	175,667	**179,345**
$ -	$ 175,738	**$ 179,417**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	$ 4	$ -	$ 15
Total Revenues	4	-	15
EXPENDITURES			
Current:			
Education	-	-	-
Transportation	4	-	-
Debt Service:			
Bond principal retirement	133,030	18,050	75,785
Bond interest and fiscal charges	73,048	4,811	30,190
Total Expenditures	206,081	22,862	105,976
Excess of Revenues over (under) Expenditures	(206,078)	(22,861)	(105,960)
OTHER FINANCING SOURCES (USES)			
Bonds and bond anticipation notes issued	-	-	1,775
Premium on bond issuance	-	-	49
Transfers from other funds	206,078	22,861	105,996
Transfers to other funds	-	-	-
Total Other Financing Sources (Uses)	206,078	22,861	107,820
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	1,860
Fund Balances - Beginning of fiscal year	-	-	1,818
Fund Balances - End of fiscal year	$ -	$ -	$ 3,678

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	**TOTALS**
$ -	$ 1,478	**$ 1,498**
-	1,478	**1,498**
-	1,596	**1,596**
-	-	**4**
93,183	95,805	**415,853**
32,082	141,626	**281,758**
125,265	239,027	**699,211**
(125,265)	(237,549)	**(697,713)**
-	-	**1,775**
-	-	**49**
125,265	229,614	**689,814**
-	(279)	**(279)**
125,265	229,335	**691,359**
-	(8,214)	**(6,355)**
-	183,881	**185,699**
$ -	$ 175,667	**$ 179,345**

STATE OF MICHIGAN
TUEBOR
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State Budget Office

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.

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, 2018
(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
ASSETS				
Current Assets:				
Cash	$ 170	$ -	$ -	$ -
Equity in common cash	831,898	2,176	105,387	4,556
Taxes, interest, and penalties receivable	-	546	-	-
Amounts due from other funds	12,493	-	-	-
Amounts due from component units	4,031	-	-	-
Amounts due from federal agencies	84,869	27,029	13,690	-
Amounts due from local units	18,370	2,234	-	-
Inventories	7,478	-	-	-
Investments	-	-	-	-
Other current assets	35,666	50	-	-
Total Current Assets	994,974	32,035	119,077	4,556
Taxes, interest, and penalties receivable	-	14	-	-
Amounts due from local units	48,030	62	-	-
Total Assets	$ 1,043,004	$ 32,111	$ 119,077	$ 4,556
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 167,343	$ 19,830	$ 2	$ 77
Amounts due to other funds	4,638	83	-	-
Bonds and notes payable	-	-	-	-
Interest payable	-	-	-	-
Unearned revenue	2,114	-	-	-
Total Current Liabilities	174,095	19,913	2	77
Long-term Liabilities:				
Unearned revenue	19	-	-	-
Total Liabilities	174,114	19,913	2	77
DEFERRED INFLOWS OF RESOURCES	-	15	-	-
FUND BALANCES				
Nonspendable	7,478	-	-	-
Restricted	861,412	12,183	119,075	4,480
Unassigned	-	-	-	-
Total Fund Balances	868,890	12,183	119,075	4,480
Total Liabilities, Deferred inflows of Resources, and Fund Balances	$ 1,043,004	$ 32,111	$ 119,077	$ 4,556

TRANSPORTATION RELATED TRUST FUNDS	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	**TOTALS**
$ -	$ -	$ -	**$ 170**
-	49	-	**944,065**
-	-	-	**546**
-	-	14,756	**27,249**
-	-	-	**4,031**
33,020	-	-	**158,608**
55,706	-	-	**76,310**
-	-	-	**7,478**
-	17,713	-	**17,713**
-	32	-	**35,748**
88,726	17,793	14,756	**1,271,918**
-	-	-	**14**
-	-	-	**48,092**
$ 88,726	$ 17,793	$ 14,756	**$ 1,320,024**
$ 52,101	$ 305	$ 22,549	**$ 262,207**
36,625	14,763	11,777	**67,885**
-	46,390	-	**46,390**
-	40	-	**40**
-	27	-	**2,141**
88,726	61,525	34,326	**378,663**
-	-	-	**19**
88,726	61,525	34,326	**378,683**
-	-	-	**15**
-	-	-	**7,478**
-	-	-	**997,149**
-	(43,732)	(19,570)	**(63,301)**
-	(43,732)	(19,570)	**941,326**
$ 88,726	$ 17,793	$ 14,756	**$ 1,320,024**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
REVENUES				
Taxes	$ -	$ 11,698	$ -	$ -
From federal agencies	661,834	81,093	37,104	-
From local agencies	15,676	5	-	-
From services	2,957	688	-	-
From licenses and permits	16,913	404	-	-
Miscellaneous	174,462	5,347	1,021	1,820
Total Revenues	871,841	99,234	38,125	1,820
EXPENDITURES				
Current:				
Education	-	-	-	-
Transportation	701,145	100,823	-	1,269
Capital outlay	1,136,993	81	123	1
Debt Service:				
Capital lease payments	462	-	-	-
Total Expenditures	1,838,600	100,904	123	1,270
Excess of Revenues over (under) Expenditures	(966,759)	(1,670)	38,002	550
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions	389	-	-	-
Proceeds from sale of capital assets	1,218	1,000	-	-
Transfers from other funds (Note 21)	1,145,762	6,000	-	-
Transfers to other funds (Note 21)	(215,401)	(4,734)	(37,783)	-
Total Other Financing Sources (Uses)	931,967	2,266	(37,783)	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(34,792)	596	219	550
Fund Balances - Beginning of fiscal year	903,682	11,587	118,856	3,930
Fund Balances - End of fiscal year	$ 868,890	$ 12,183	$ 119,075	$ 4,480

TRANSPORTATION RELATED TRUST FUNDS	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	**TOTALS**
$ -	$ -	$ -	**$ 11,698**
267,629	-	-	**1,047,660**
871	-	-	**16,551**
-	-	-	**3,644**
-	-	-	**17,317**
7,664	359	-	**190,673**
276,163	359	-	**1,287,543**
-	22,772	9,994	**32,766**
276,163	-	-	**1,079,400**
-	24,130	9,470	**1,170,798**
-	-	-	**462**
276,163	46,902	19,464	**2,283,427**
-	(46,543)	(19,464)	**(995,884)**
-	-	-	**389**
-	-	-	**2,218**
-	279	5,028	**1,157,069**
-	(9,520)	-	**(267,439)**
-	(9,241)	5,028	**892,237**
-	(55,784)	(14,436)	**(103,647)**
-	12,052	(5,134)	**1,044,973**
$ -	$ (43,732)	$ (19,570)	**$ 941,326**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	STATE TRUNKLINE FUND			STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 11,698	$ 11,698	$ -
From federal agencies	661,834	661,834	-	81,093	81,093	-
From local agencies	15,676	15,676	-	5	5	-
From services	2,957	2,957	-	688	688	-
From licenses and permits	16,913	16,913	-	404	404	-
Miscellaneous	174,462	174,462	-	5,347	5,347	-
Proceeds from sale of capital assets	1,218	1,218	-	1,000	1,000	-
Transfers in	1,145,762	1,145,762	-	6,000	6,000	-
Total Revenues and Other Sources	2,018,821	2,018,821	-	106,234	106,234	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Transportation	2,159,705	2,124,490	35,216	107,251	105,781	1,470
Total Expenditures, Transfers Out, and Encumbrances	2,159,705	2,124,490	35,216	107,251	105,781	1,470
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (140,884)	(105,669)	$ 35,216	$ (1,017)	453	$ 1,470
Reconciling Items:						
Encumbrances at September 30		70,877			143	
Funds not annually budgeted		-			-	
Net Reconciling Items		70,877			143	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(34,792)			596	
FUND BALANCES (GAAP BASIS)						
Beginning balances		903,682			11,587	
Ending balances (GAAP Basis)		$ 868,890			$ 12,183	

FUNDS NOT ANNUALLY BUDGETED

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
219	550	-	(55,784)	(14,436)
219	550	-	(55,784)	(14,436)
219	550	-	(55,784)	(14,436)
118,856	3,930	-	12,052	(5,134)
$ 119,075	$ 4,480	$ -	$ (43,732)	$ (19,570)

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, 2018
(In Thousands)

	TOTALS		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 11,698	$ 11,698	$ -
From federal agencies	742,927	742,927	-
From local agencies	15,681	15,681	-
From services	3,644	3,644	-
From licenses and permits	17,317	17,317	-
Miscellaneous	179,809	179,809	-
Proceeds from sale of capital assets	2,218	2,218	-
Transfers in	1,151,762	1,151,762	-
Total Revenues and Other Sources	2,125,055	2,125,055	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	2,266,956	2,230,270	36,686
Total Expenditures, Transfers Out, and Encumbrances	2,266,956	2,230,270	36,686
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (141,901)	(105,215)	$ 36,686
Reconciling Items:			
Encumbrances at September 30		71,020	
Funds not annually budgeted		(69,451)	
Net Reconciling Items		1,568	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(103,647)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,044,973	
Ending balances (GAAP Basis)		$ 941,326	

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 percent 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, program 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, 2018
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
ASSETS				
Current Assets:				
Equity in common cash	$ 42,631	$ 13,198	$ 1,434	**$ 57,263**
Amounts due from local units	-	-	16	**16**
Other current assets	2,203	6,521	147	**8,871**
Total Current Assets	44,835	19,719	1,597	**66,150**
Investments	698,415	303,316	59,745	**1,061,476**
Total Assets	$ 743,250	$ 323,035	$ 61,342	**$ 1,127,627**
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 6,799	$ 2,339	$ 36	**$ 9,174**
Amounts due to other funds	15	393	7	**416**
Total Current Liabilities	6,814	2,733	43	**9,590**
Total Liabilities	6,814	2,733	43	**9,590**
FUND BALANCES				
Nonspendable	500,000	270,392	50,000	**820,392**
Restricted	236,436	49,911	11,298	**297,644**
Total Fund Balances	736,436	320,303	61,298	**1,118,036**
Total Liabilities and Fund Balances	$ 743,250	$ 323,035	$ 61,342	**$ 1,127,627**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
REVENUES				
Miscellaneous	$ 38,508	$ 44,990	$ 4,165	**$ 87,664**
Total Revenues	38,508	44,990	4,165	**87,664**
EXPENDITURES				
Current:				
General government	2,852	388	76	**3,316**
Public safety and corrections	-	-	1,510	**1,510**
Conservation, environment, recreation, and agriculture	25,792	26,861	-	**52,652**
Capital outlay	685	3,574	-	**4,260**
Debt service:				
Capital lease payments	-	6	-	**6**
Total Expenditures	29,329	30,829	1,587	**61,744**
Excess of Revenues over (under) Expenditures	9,180	14,162	2,579	**25,920**
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(18)	(271)	(10)	**(299)**
Total Other Financing Sources (Uses)	(18)	(271)	(10)	**(299)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	9,162	13,891	2,568	**25,621**
Fund Balances - Beginning of fiscal year	727,274	306,412	58,730	**1,092,415**
Fund Balances - End of fiscal year	$ 736,436	$ 320,303	$ 61,298	**$ 1,118,036**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PERMANENT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Miscellaneous	$ 38,508	$ 38,508	$ -	$ 44,990	$ 44,990	$ -
Total Revenues and Other Sources	38,508	38,508	-	44,990	44,990	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	69,549	67,378	2,171	34,478	33,580	898
Treasury	2,991	2,852	140	388	388	-
Total Expenditures, Transfers Out, and Encumbrances	72,540	70,230	2,310	34,866	33,968	898
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (34,032)	(31,721)	$ 2,310	$ 10,124	11,022	$ 898
Reconciling Items:						
Encumbrances at September 30		40,883			2,869	
Net Reconciling Items		40,883			2,869	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		9,162			13,891	
FUND BALANCES (GAAP BASIS)						
Beginning balances		727,274			306,412	
Ending balances (GAAP Basis)		$ 736,436			$ 320,303	

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	**BUDGET**	**ACTUAL**	**VARIANCE**
$ 4,165	$ 4,165	$ -	**$ 87,664**	**$ 87,664**	**$ -**
4,165	4,165	-	**87,664**	**87,664**	**-**
5,215	1,521	3,695	**5,215**	**1,521**	**3,695**
-	-	-	**104,027**	**100,958**	**3,069**
76	76	-	**3,456**	**3,316**	**140**
5,292	1,597	3,695	**112,698**	**105,795**	**6,903**
$ (1,126)	2,568	$ 3,695	**$ (25,034)**	**(18,131)**	**$ 6,903**
	-			**43,752**	
	-			**43,752**	
	2,568			**25,621**	
	58,730			**1,092,415**	
	$ 61,298			**$ 1,118,036**	

STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
State Budget Office

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, 2018
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	**TOTALS**
ASSETS			
Current Assets:			
Cash	$ 8	$ 2,203	**$ 2,212**
Equity in common cash	-	118,861	**118,861**
Inventories	-	8,189	**8,189**
Investments	2,933	-	**2,933**
Other current assets	227	12,237	**12,464**
Total Current Assets	3,168	141,490	**144,659**
Investments	4,023	-	**4,023**
Capital Assets:			
Buildings and equipment	553	162	**715**
Allowance for depreciation	(541)	(3)	**(544)**
Total capital assets	13	158	**171**
Total Assets	7,204	141,649	**148,853**
DEFERRED OUTFLOWS OF RESOURCES	212	3,546	**3,758**
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	428	109,548	**109,976**
Amounts due to other funds	-	33,717	**33,717**
Amounts due to component units	345	-	**345**
Unearned revenue	35	-	**35**
Current portion of other long-term obligations	-	1,129	**1,129**
Total Current Liabilities	808	144,393	**145,201**
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	2,019	36,591	**38,610**
Total Liabilities	2,827	180,984	**183,811**
DEFERRED INFLOWS OF RESOURCES	77	1,403	**1,480**
NET POSITION			
Net investment in capital assets	13	(3)	**9**
Restricted for other purposes	2,871	-	**2,871**
Unrestricted	1,629	(37,189)	**(35,560)**
Total Net Position	$ 4,513	$ (37,193)	**$ (32,680)**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	**TOTALS**
OPERATING REVENUES			
Operating revenues	$ 4,699	$ 1,181,471	**$ 1,186,170**
Total Operating Revenues	4,699	1,181,471	**1,186,170**
OPERATING EXPENSES			
Salaries, wages, and other administrative	5,067	88,388	**93,455**
Depreciation	10	3	**13**
Purchases for resale	-	864,533	**864,533**
Premiums and claims	-	3	**3**
Other operating expenses	-	912	**912**
Total Operating Expenses	5,077	953,839	**958,916**
Operating Income (Loss)	(378)	227,632	**227,254**
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	28	3,222	**3,250**
Investment revenue (expense) - net	394	-	**394**
Other nonoperating revenues	-	58	**58**
Interest expense	-	(15)	**(15)**
Total Nonoperating Revenues (Expenses)	422	3,265	**3,687**
Income (Loss) Before Transfers	44	230,897	**230,941**
TRANSFERS			
Transfers to other funds	-	(230,897)	**(230,897)**
Change in net position	44	-	**44**
Total net position - Beginning of fiscal year - restated	4,469	(37,193)	**(32,724)**
Total net position - End of fiscal year	$ 4,513	$ (37,193)	**$ (32,680)**

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ -	$ 1,180,794	**$ 1,180,794**
Membership dues	4,476	-	**4,476**
Payments to employees	(4,046)	(10,410)	**(14,456)**
Payments to suppliers	(762)	(937,261)	**(938,022)**
Claims paid	-	(3)	**(3)**
Other receipts	116	54	**170**
Other payments	(279)	(905)	**(1,183)**
Net cash provided (used) by operating activities	(494)	232,270	**231,776**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(197,382)	**(197,382)**
Net cash provided (used) by noncapital financing activities	-	(197,382)	**(197,382)**
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital lease payments (including imputed interest expense)	-	(14)	**(14)**
Net cash provided (used) by capital and related financing activities	-	(14)	**(14)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(83)	-	**(83)**
Sale of investment securities	377	-	**377**
Interest and dividends on investments	28	3,222	**3,250**
Net cash provided (used) by investing activities	322	3,222	**3,545**
Net cash provided (used) - all activities	(172)	38,097	**37,925**
Cash and cash equivalents at beginning of year	180	82,968	**83,148**
Cash and cash equivalents at end of year	$ 8	$ 121,064	**$ 121,073**
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Position Classifications:			
Cash	$ 8	$ 2,203	**$ 2,212**
Equity in common cash	-	118,861	**118,861**
Cash and cash equivalents at end of year	$ 8	$ 121,064	**$ 121,073**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (378)	$ 227,632	**$ 227,254**
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	10	3	**13**
Pension expense	111	1,454	**1,566**
OPEB expense	101	1,829	**1,930**
Deferred Outflows - contributions subsequent to measurement date	(205)	(3,429)	**(3,634)**
Other nonoperating revenues	-	58	**58**
Other reconciling items	2	7	**9**
Net Changes in Assets and Liabilities:			
Inventories	-	(765)	**(765)**
Other assets (net)	(5)	(785)	**(790)**
Accounts payable and other liabilities	316	6,265	**6,581**
Unearned revenue	(445)	-	**(445)**
Net cash provided (used) by operating activities	$ (494)	$ 232,270	**$ 231,776**
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	$ -	$ 162	**$ 162**
Capital lease liabilities entered into during the year	-	(162)	**(162)**
Total noncash investing, capital, and financing activities	$ -	$ -	**$ -**

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 2018.

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, 2018
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
ASSETS			
Current Assets:			
Cash	$ -	$ 5	$ 3
Equity in common cash	606	340,672	81,612
Amounts due from other funds	-	6,833	-
Amounts due from component units	-	42	325
Inventories	6,105	-	54
Other current assets	265	6,113	57,564
Total Current Assets	6,976	353,665	139,558
Capital Assets:			
Land and other non-depreciable assets	-	-	78,270
Buildings and equipment	23,826	-	1,444,855
Allowance for depreciation	(14,781)	-	(884,836)
Construction in progress	-	-	155
Total capital assets	9,045	-	638,444
Other noncurrent assets	-	1,700	-
Total Assets	16,021	355,365	778,002
DEFERRED OUTFLOWS OF RESOURCES	1,479	-	67,598
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	593	18,343	103,946
Amounts due to other funds	84	-	30,207
Interest payable	2,150	-	-
Unearned revenue	-	141	78,092
Current portion of other long-term obligations	323	38,548	29,674
Total Current Liabilities	3,150	57,032	241,919
Long-Term Liabilities:			
Advances from other funds	1,301	-	-
Unearned revenue	-	-	385,231
Noncurrent portion of other long-term obligations	15,537	96,423	779,809
Total Liabilities	19,988	153,455	1,406,958
DEFERRED INFLOWS OF RESOURCES	620	-	25,969
NET POSITION			
Net investment in capital assets	9,045	-	530,010
Unrestricted	(12,152)	201,910	(1,117,336)
Total Net Position	$ (3,107)	$ 201,910	$ (587,326)

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	**TOTAL**
$ 23	$ 4	$ -	**$ 35**
586	6,082	9,133	**438,692**
22,000	-	4,367	**33,200**
-	-	-	**367**
4,093	313	-	**10,565**
3,978	972	619	**69,510**
30,679	7,371	14,119	**552,368**
-	-	-	**78,270**
16,454	10,765	463	**1,496,365**
(13,399)	(8,458)	(34)	**(921,508)**
-	-	-	**155**
3,055	2,308	429	**653,281**
-	-	1,050	**2,750**
33,734	9,679	15,598	**1,208,399**
3,032	951	54	**73,116**
7,449	3,405	326	**134,063**
174	55	4	**30,523**
-	-	-	**2,150**
-	-	-	**78,233**
534	137	1,954	**71,171**
8,157	3,598	2,284	**316,140**
-	-	-	**1,301**
-	-	-	**385,231**
36,212	9,886	5,936	**943,803**
44,369	13,484	8,220	**1,646,475**
1,374	372	62	**28,398**
3,055	2,308	(42)	**544,376**
(12,033)	(5,534)	7,411	**(937,734)**
$ (8,978)	$ (3,226)	$ 7,370	**$ (393,357)**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
OPERATING REVENUES			
Operating revenues	$ 16,587	$ 759,870	$ 934,971
Total Operating Revenues	16,587	759,870	934,971
OPERATING EXPENSES			
Salaries, wages, and other administrative	8,366	18,475	821,239
Depreciation	493	-	124,245
Purchases for resale	-	-	-
Purchases for prison industries	5,919	-	-
Premiums and claims	-	740,590	1
Other operating expenses:			
Leased vehicles expense	-	-	-
Vehicle maintenance expense	-	-	-
Total other operating expenses	-	-	-
Total Operating Expenses	14,778	759,065	945,486
Operating Income (Loss)	1,809	805	(10,515)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	5,166	-
Other nonoperating revenues	-	-	1,172
Interest expense	(15)	-	(4,630)
Other nonoperating expenses	(141)	-	-
Total Nonoperating Revenues (Expenses)	(156)	5,166	(3,458)
Income (Loss) Before Transfers	1,653	5,971	(13,973)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers to other funds	(111)	-	(3,637)
Total Transfers In (Out)	(111)	-	(3,637)
Change in net position	1,542	5,971	(17,610)
Total net position - Beginning of fiscal year - restated	(4,650)	195,939	(569,716)
Total net position - End of fiscal year	$ (3,107)	$ 201,910	$ (587,326)

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	**TOTALS**
$ 101,015	$ 72,267	$ 3,705	**$ 1,888,415**
101,015	72,267	3,705	**1,888,415**
35,693	7,511	1,557	**892,842**
934	17	34	**125,724**
64,801	-	-	**64,801**
-	-	-	**5,919**
-	2,166	2,058	**744,816**
337	35,451	-	**35,788**
-	31,752	-	**31,752**
337	67,203	-	**67,540**
101,765	76,897	3,650	**1,901,641**
(750)	(4,630)	55	**(13,226)**
-	-	-	**5,166**
800	281	-	**2,253**
-	-	(111)	**(4,756)**
(3,409)	-	-	**(3,549)**
(2,609)	281	(111)	**(887)**
(3,359)	(4,349)	(56)	**(14,113)**
(216)	(75)	(11)	**(4,050)**
(216)	(75)	(11)	**(4,050)**
(3,575)	(4,424)	(67)	**(18,163)**
(5,402)	1,198	7,437	**(375,194)**
$ (8,978)	$ (3,226)	$ 7,370	**$ (393,357)**

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 16,362	$ 760,488	$ 971,456
Payments to employees	(6,449)	-	(292,938)
Payments to suppliers	(8,114)	(19,111)	(544,267)
Claims paid	-	(744,915)	(1)
Other receipts	-	-	3,412
Other payments	(116)	-	-
Net cash provided (used) by operating activities	1,683	(3,538)	137,662
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	-	-	26,367
Loans or loan repayments to other funds	(762)	-	(22,991)
Transfers to other funds	(111)	-	(3,637)
Net cash provided (used) by noncapital financing activities	(873)	-	(261)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(155)	-	(25,445)
Interest paid	(15)	-	-
Capital lease payments (including imputed interest expense)	-	-	(27,550)
Net cash provided (used) by capital and related financing activities	(170)	-	(52,995)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	-	5,166	-
Net cash provided (used) by investing activities	-	5,166	-
Net cash provided (used) - all activities	640	1,628	84,405
Cash and cash equivalents at beginning of year	(34)	339,049	(2,790)
Cash and cash equivalents at end of year	$ 606	$ 340,677	$ 81,615
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Position Classifications:			
Cash	$ -	$ 5	$ 3
Equity in common cash	606	340,672	81,612
Cash and cash equivalents at end of year	$ 606	$ 340,677	$ 81,615
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 1,809	$ 805	$ (10,515)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	493	-	124,245
Pension expense	536	-	54,185
OPEB expense	772	-	34,578
Deferred Outflows - contributions subsequent to measurement date	(1,431)	-	(65,072)
Other nonoperating revenues	-	-	1,172
Other nonoperating expenses	(64)	-	-
Other reconciling items	-	-	4
Net Changes in Assets and Liabilities:			
Inventories	(95)	-	307
Other assets (net)	87	1,407	(90,629)
Accounts payable and other liabilities	(425)	(5,801)	52,567
Unearned revenue	-	51	36,819
Net cash provided (used) by operating activities	$ 1,683	$ (3,538)	$ 137,662
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	$ -	$ -	$ 122,259
Capital lease liabilities entered into during the year	-	-	(122,259)
Gain (loss) on disposal of capital assets	(77)	-	-
Total noncash investing, capital, and financing activities	$ (77)	$ -	$ -

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	**TOTALS**
$ 100,333	$ 72,240	$ 24,872	**$ 1,945,750**
(11,959)	(3,822)	(1,042)	**(316,210)**
(82,591)	(66,118)	(3,240)	**(723,439)**
-	(2,166)	(21,184)	**(768,267)**
800	274	500	**4,986**
(3,400)	-	-	**(3,516)**
3,182	408	(94)	**139,304**
15,762	-	7,991	**50,120**
(22,000)	-	(4,367)	**(50,120)**
(216)	(75)	(11)	**(4,050)**
(6,454)	(75)	3,613	**(4,050)**
(708)	-	-	**(26,308)**
-	-	-	**(15)**
-	-	(113)	**(27,663)**
(708)	-	(113)	**(53,987)**
-	-	-	**5,166**
-	-	-	**5,166**
(3,981)	333	3,406	**86,432**
4,589	5,752	5,727	**352,294**
$ 609	$ 6,086	$ 9,133	$ **438,726**
$ 23	$ 4	$ -	$ **35**
586	6,082	9,133	**438,692**
$ 609	$ 6,086	$ 9,133	$ **438,726**
$ (750)	$ (4,630)	$ 55	$ **(13,226)**
934	17	34	**125,724**
2,292	732	(128)	**57,618**
1,803	488	63	**37,705**
(2,922)	(917)	(51)	**(70,392)**
800	281	-	**2,253**
(3,400)	-	-	**(3,464)**
-	-	-	**5**
2,279	68	-	**2,557**
(1,061)	1,302	(20)	**(88,914)**
3,206	3,068	(48)	**52,568**
-	-	-	**36,870**
$ 3,182	$ 408	$ (94)	$ **139,304**
$ -	$ -	$ -	$ **122,259**
-	-	-	**(122,259)**
(9)	-	-	**(86)**
$ (9)	$ -	$ -	$ **(86)**

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 457 PLANS

This fund was established in accordance with Michigan Compiled Laws (MCL) Section 38.1151 to account for deferred compensation plans that permit State of Michigan, Michigan Public School, and Education Achievement Authority employees to defer a portion of their income until future years. This fund also includes the State of Michigan 457 Personal Healthcare subfund created by MCL Section 38.68b for all employees hired after January 1, 2012 and those who opted out of the graded premium.

Prior to fiscal year 2016, this fund was titled the State of Michigan Deferred Compensation Funds and included a portion of the State of Michigan 401k Plan related to deferred compensation for State employees. Beginning with fiscal year 2016, this fund only includes amounts that are part of deferred compensation plans established in accordance with Section 457(b) of the Internal Revenue Code. This change occurred to improve comparability with the 457 Plan's separately issued financial statements.

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 (OPEB) of the Legislative Retirement System (LRS) created by Michigan Compiled Laws Section 38.1001. LRS's OPEB 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 (OPEB) of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605. MSPRS's OPEB 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 (OPEB) of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws Section 38.2. SERS's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPSERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

Employer contributions and investment earnings provide financing for the fund. Under MCL Section 38.1343a, employees may contribute additional amounts into a "member investment plan."

Various MCLs, beginning with Section 38.1304, were amended to create a new "pension plus" plan which pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account for employees first hired after June 30, 2010.

PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits (OPEB) of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws (MCL) Section 38.1321. MPSERS's OPEB 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 Funding 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 (OPEB) of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws Section 38.2201. MJRS's OPEB 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.

MILITARY PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Military Retirement Provisions (MRP) created by Public Act 150 of 1967 being Michigan Compiled Laws (MCL) Section 32.706 and 32.801. MRP's pension plan provides retirement and survivor benefits to State of Michigan military officers and former members of the Michigan National Guard. Financing comes from investment earnings and legislative appropriations.

STATE OF MICHIGAN 401K PLANS

This fund was established in accordance with Michigan Compiled Laws (MCL) Section 38.1151 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, Legislative Retirement System, and Education Achievement Authority who elect to transfer to this plan. This fund also includes the State of Michigan 401k Personal Healthcare subfund created by MCL Section 38.68b for all employees hired after January 1, 2012, and those who opted out of the graded premium.

Prior to fiscal year 2016 this fund was titled the State of Michigan Defined Contribution Retirement Fund. Beginning with fiscal year 2016, this fund only includes amounts that are part of deferred compensation and defined contribution plans established in accordance with Section 401 of the Internal Revenue Code. This change occurred to improve comparability with the 401k Plan's separately issued financial statements.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2018
(In Thousands)

	STATE OF MICHIGAN 457 PLANS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ASSETS				
Equity in common cash	$ 4,311	$ 1,659	$ 322	$ 2,278
Receivables:				
From participants	8,766	-	-	51
From employer	-	-	-	5,991
Other	3,577	-	-	-
Interest and dividends	-	42	-	54
Due from other funds	-	86	-	-
Due from component unit	-	-	-	-
Due from other governmental	-	-	208	-
Sale of investments	-	50	-	-
Investments at Fair Value:				
Short-term investments	-	-	-	33,217
Fixed income	-	-	-	179,753
Domestic equities	-	38,404	8,548	391,400
Real estate	-	-	-	156,588
Alternative investments	-	13,208	2,752	-
Private equity pools	-	-	-	244,085
International equities	-	1,217	200	255,816
Absolute return	-	-	-	223,559
Mutual funds	171,288	71,261	12,921	-
Pooled investment funds	1,153,347	-	-	-
Separate accounts	891,189	-	-	-
Securities lending collateral	-	-	-	67,335
Total Assets	2,232,477	125,928	24,952	1,560,127
LIABILITIES				
Accounts payable and other liabilities	4,394	427	-	375
Amounts due to other funds	-	4	-	-
Obligations under security lending	-	-	-	67,354
Unearned revenue	531	-	24	-
Total Liabilities	4,925	431	24	67,728
NET POSITION				
Restricted for pension, postemployment health-care, and deferred compensation participants	$ 2,227,552	$ 125,497	$ 24,928	$ 1,492,399

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
$ 4,067	$ 25,859	$ 107,482	$ 85,071	$ 18,979	$ 860
-	141	-	602	-	9
4,061	50,454	41,331	233,967	65,565	39
904	-	-	-	71,509	-
7	448	86	1,806	222	10
-	-	19,139	-	-	290
-	345	364	-	-	-
1,238	-	24,473	-	-	-
-	-	-	-	-	-
3,799	276,699	52,356	1,132,381	134,198	5,240
22,263	1,492,615	292,206	6,057,796	745,744	32,800
48,500	3,249,425	636,371	13,187,909	1,623,779	71,391
19,410	1,300,164	254,538	5,277,632	649,581	28,563
-	-	-	-	-	-
30,170	2,024,052	396,431	8,216,222	1,012,369	44,505
31,692	2,123,881	416,012	8,619,777	1,060,940	46,662
27,704	1,855,948	363,644	7,535,066	927,305	40,752
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,338	558,271	109,984	2,271,253	278,563	12,378
202,153	12,958,302	2,714,418	52,619,481	6,588,754	283,499
2,803	1,878	41,556	1,522	198,737	1
-	-	-	-	-	-
8,340	558,422	110,014	2,271,865	278,638	12,381
-	-	27	2,596	137	-
11,143	560,300	151,597	2,275,983	477,513	12,383
$ 191,010	$ 12,398,002	$ 2,562,821	$ 50,343,498	$ 6,111,242	$ 271,116

This statement continued on next page.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)
SEPTEMBER 30, 2018
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	MILITARY PENSION BENEFITS FUND	STATE OF MICHIGAN 401K PLANS	**TOTALS**
ASSETS				
Equity in common cash	$ 4	$ 559	$ 1,674	**$ 253,125**
Receivables:				
From participants	-	1	141,743	**151,313**
From employer	4	-	-	**401,412**
Other	40	-	3,149	**79,179**
Interest and dividends	-	1	-	**2,676**
Due from other funds	-	-	-	**19,516**
Due from component unit	-	-	-	**709**
Due from other governmental	50	-	-	**25,969**
Sale of investments	-	-	-	**50**
Investments at Fair Value:				
Short-term investments	132	212	-	**1,638,234**
Fixed income	139	1,996	-	**8,825,311**
Domestic equities	354	4,442	-	**19,260,523**
Real estate	115	1,726	-	**7,688,319**
Alternative investments	-	-	-	**15,961**
Private equity pools	205	2,727	-	**11,970,766**
International equities	216	2,874	-	**12,559,287**
Absolute return	138	2,423	-	**10,976,537**
Mutual funds	-	-	619,860	**875,330**
Pooled investment funds	-	-	4,031,351	**5,184,698**
Separate accounts	-	-	1,781,038	**2,672,227**
Securities lending collateral	75	730	-	**3,306,928**
Total Assets	1,473	17,690	6,578,816	**85,908,070**
LIABILITIES				
Accounts payable and other liabilities	53	10	299	**252,054**
Amounts due to other funds	290	-	-	**294**
Obligations under security lending	75	730	-	**3,307,819**
Unearned revenue	-	-	-	**3,315**
Total Liabilities	418	740	299	**3,563,483**
NET POSITION				
Restricted for pension, postemployment health-care, and deferred compensation participants	$ 1,055	$ 16,950	$ 6,578,517	**$ 82,344,587**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	STATE OF MICHIGAN 457 PLANS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ADDITIONS				
Contributions:				
From participants	$ 144,116	$ 1	$ 6	$ 3,489
From employers	583	-	4,657	84,930
From other governmental	-	-	271	-
From other systems	1,209	-	-	-
Investment Income:				
Net increase (decrease) in the fair value of investments	141,366	5,968	1,110	122,748
Interest, dividends, and other	18,578	3,091	543	33,811
Securities lending income	-	-	-	2,515
Less Investment Expense:				
Investment activity expense	-	429	80	6,118
Securities lending expense	-	-	-	1,427
Net investment income (loss)	159,944	8,630	1,573	151,529
Miscellaneous income	630	195	683	4
Total Additions	306,483	8,826	7,191	239,951
DEDUCTIONS				
Benefits paid to participants or beneficiaries	80,516	14,680	-	137,367
Medical, dental, and life insurance for retirants	-	-	6,695	-
Refunds and transfers to other systems	78,098	34	-	-
Administrative and other expenses	7,247	399	74	749
Total Deductions	165,860	15,112	6,769	138,116
Change in net position	140,622	(6,287)	421	101,835
Net position - Beginning of fiscal year	2,086,930	131,784	24,507	1,390,564
Net position - End of fiscal year	$ 2,227,552	$ 125,497	$ 24,928	$ 1,492,399

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
$ -	$ 35,598	$ -	$ 393,059	$ 210,680	$ 653
56,779	650,740	688,884	2,791,509	663,708	1,736
3,546	-	83,620	-	96,708	-
-	-	-	-	-	-
13,823	1,031,772	184,272	4,145,893	480,649	22,958
3,973	284,064	52,915	1,159,003	134,237	6,255
304	20,843	4,003	85,520	10,247	470
701	51,340	9,319	206,345	24,321	1,138
177	11,831	2,332	48,205	5,919	264
17,222	1,273,509	229,539	5,135,866	594,893	28,280
10	64	172	504	96	41
77,557	1,959,911	1,002,215	8,320,938	1,566,085	30,711
-	1,362,275	-	4,934,638	58	23,857
35,804	-	457,815	-	477,066	-
-	205	3,576	28,632	344	142
1,413	6,488	25,232	25,952	155,149	414
37,217	1,368,969	486,622	4,989,223	632,618	24,412
40,340	590,943	515,592	3,331,715	933,467	6,299
150,670	11,807,059	2,047,229	47,011,783	5,177,775	264,817
$ 191,010	$ 12,398,002	$ 2,562,821	$ 50,343,498	$ 6,111,242	$ 271,116

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, 2018
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	MILITARY PENSION BENEFITS FUND	STATE OF MICHIGAN 401K PLANS	**TOTALS**
ADDITIONS				
Contributions:				
From participants	$ 113	$ -	$ 226,633	**$ 1,014,349**
From employers	539	16,245	260,497	**5,220,807**
From other governmental	114	-	-	**184,259**
From other systems	-	-	14,891	**16,101**
Investment Income:				
Net increase (decrease) in the fair value of investments	82	436	502,017	**6,653,094**
Interest, dividends, and other	26	150	38,600	**1,735,246**
Securities lending income	2	20	-	**123,923**
Less Investment Expense:				
Investment activity expense	4	21	-	**299,816**
Securities lending expense	1	16	-	**70,172**
Net investment income (loss)	104	569	540,617	**8,142,275**
Miscellaneous income	-	123	3,710	**6,232**
Total Additions	870	16,936	1,046,349	**14,584,022**
DEDUCTIONS				
Benefits paid to participants or beneficiaries	-	3,939	163,465	**6,720,795**
Medical, dental, and life insurance for retirants	720	-	-	**978,100**
Refunds and transfers to other systems	1	-	218,893	**329,925**
Administrative and other expenses	121	396	19,835	**243,468**
Total Deductions	841	4,335	402,193	**8,272,288**
Change in net position	29	12,601	644,156	**6,311,735**
Net position - Beginning of fiscal year	1,026	4,349	5,934,361	**76,032,852**
Net position - End of fiscal year	$ 1,055	$ 16,950	$ 6,578,517	**$ 82,344,587**

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 operates a college savings plan authorized by section 529 of the Internal Revenue Code. The plan 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 the personal 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. The Hospital Patients' Trust Fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. DHHS distributes the interest quarterly to patients meeting minimum balance requirements.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	**TOTALS**
ASSETS					
Cash	$ 190	$ -	$ 3,603	$ 8	**$ 3,802**
Equity in common cash	-	100,650	22,770	185	**123,605**
Receivables:					
Interest and Dividends	5,114	-	82	-	**5,196**
Investments at Fair Value:					
Fixed income	-	-	15,674	-	**15,674**
Real estate	-	-	855	-	**855**
Alternative investments	-	-	2,577	-	**2,577**
Mutual funds	5,294,521	-	5,791	-	**5,300,311**
Guaranteed funding agreements	858,266	-	-	-	**858,266**
Other current assets	5,894	7,722	12,583	-	**26,199**
Other noncurrent assets	-	-	450	-	**450**
Total Assets	6,163,985	108,372	64,384	193	**6,336,935**
LIABILITIES					
Accounts payable and other liabilities	12,966	214	5,510	4	**18,694**
Amounts due to other funds	-	-	21	-	**21**
Total Liabilities	12,966	214	5,531	4	**18,715**
NET POSITION					
Restricted for other purposes	$ 6,151,019	$ 108,158	$ 58,853	$ 189	**$ 6,318,219**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	**TOTALS**
ADDITIONS					
Contributions:					
From participants	$ 646,371	$ -	$ 4,467	$ -	**$ 650,838**
From clients	-	-	52,605	649	**53,254**
From gifts, bequests, and endowments	-	-	17,759	-	**17,759**
Investment Income:					
Net increase (decrease) in the fair value of investments	220,320	-	(602)	-	**219,718**
Interest, dividends, and other	151,376	-	1,991	3	**153,370**
Net investment income (loss)	371,696	-	1,389	3	**373,088**
Escheated property	-	98,130	-	-	**98,130**
Miscellaneous income	-	-	2,372	-	**2,372**
Total Additions	1,018,066	98,130	78,592	653	**1,195,441**
DEDUCTIONS					
Benefits paid to participants or beneficiaries	464,940	-	834	-	**465,773**
Amounts distributed to clients, claimants, or third parties	-	94,198	71,377	609	**166,184**
Administrative expense	8,651	6,504	80	-	**15,235**
Total Deductions	473,591	100,701	72,291	609	**647,192**
Change in net position	544,476	(2,572)	6,301	43	**548,248**
Net position - Beginning of fiscal year	5,606,543	110,730	52,552	146	**5,769,971**
Net position - End of fiscal year	$ 6,151,019	$ 108,158	$ 58,853	$ 189	**$ 6,318,219**

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.

CITY INCOME TAX – TRUST FUND

Michigan Compiled Laws Sections 141.501 – 141.787 created the City Income Tax - Trust Fund and allows a city that imposes a city income tax, pursuant to the City Income Tax Act, to enter into an agreement with the Department of Treasury under which the Department of Treasury shall administer, enforce and collect the city income tax on behalf of the city. City income taxes, interest, penalties and collection fees collected under an agreement entered into pursuant to the above, shall be kept in the City Income Tax - Trust Fund and shall be paid to the city, except that an amount of the taxes collected as determined in the agreement may be retained by the Department of Treasury to cover the cost of collection and administration and that the amount shall be deposited into the State general fund.

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, 2018
(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	CITY INCOME TAX - TRUST FUND	CHILD SUPPORT COLLECTION FUND	SOCIAL WELFARE FUND	**TOTALS**
ASSETS						
Cash	$ -	$ -	$ -	$ 36,043	$ -	**$ 36,044**
Equity in common cash	2,682	1,102	8,683	-	2,082	**14,549**
Other current assets	-	-	36	3	3	**42**
Other noncurrent assets	-	290,740	-	-	-	**290,740**
Total Assets	$ 2,682	$ 291,842	$ 8,720	$ 36,046	$ 2,085	**$ 341,376**
LIABILITIES						
Accounts payable and other liabilities	$ 2,682	$ 1,102	$ 8,720	$ 36,046	$ 2,085	**$ 50,635**
Other long-term liabilities	-	290,740	-	-	-	**290,740**
Total Liabilities	$ 2,682	$ 291,842	$ 8,720	$ 36,046	$ 2,085	**$ 341,376**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2018

(In Thousands)

	BALANCE OCTOBER 1, 2017	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2018**
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 2,709	$ 75	$ 102	**$ 2,682**
Total Assets	$ 2,709	$ 75	$ 102	**$ 2,682**
LIABILITIES				
Accounts payable and other liabilities	$ 2,709	$ 75	$ 102	**$ 2,682**
Total Liabilities	$ 2,709	$ 75	$ 102	**$ 2,682**
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 2,242	$ 48,959	$ 50,099	**$ 1,102**
Other noncurrent assets	354,525	74,490	138,275	**290,740**
Total Assets	$ 356,767	$ 123,449	$ 188,374	**$ 291,842**
LIABILITIES				
Accounts payable and other liabilities	$ 2,242	$ 48,959	$ 50,099	**$ 1,102**
Other long-term liabilities	354,525	74,490	138,275	**290,740**
Total Liabilities	$ 356,767	$ 123,449	$ 188,374	**$ 291,842**
CITY INCOME TAX - TRUST FUND				
ASSETS				
Equity in common cash	$ 7,973	$ 351,165	$ 350,454	**$ 8,683**
Other current assets	36	-	-	**36**
Total Assets	$ 8,009	$ 351,165	$ 350,454	**$ 8,720**
LIABILITIES				
Accounts payable and other liabilities	$ 8,009	$ 351,563	$ 350,852	**$ 8,720**
Total Liabilities	$ 8,009	$ 351,563	$ 350,852	**$ 8,720**

	BALANCE OCTOBER 1, 2017	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2018**
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Cash	$ 40,142	$ 1,452,617	$ 1,456,716	**$ 36,043**
Other current assets	-	424	422	**3**
Total Assets	$ 40,143	$ 1,453,041	$ 1,457,138	**$ 36,046**
LIABILITIES				
Accounts payable and other liabilities	$ 40,143	$ 1,612,211	$ 1,616,308	**$ 36,046**
Total Liabilities	$ 40,143	$ 1,612,211	$ 1,616,308	**$ 36,046**
SOCIAL WELFARE FUND				
ASSETS				
Cash	$ 8	$ -	$ 8	**$ -**
Equity in common cash	2,278	15,451	15,647	**2,082**
Other current assets	-	3	-	**3**
Total Assets	$ 2,286	$ 15,455	$ 15,655	**$ 2,085**
LIABILITIES				
Accounts payable and other liabilities	$ 2,286	$ 17,703	$ 17,903	**$ 2,085**
Total Liabilities	$ 2,286	$ 17,703	$ 17,903	**$ 2,085**
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 40,150	$ 1,452,618	$ 1,456,724	**$ 36,044**
Equity in common cash	15,202	415,650	416,303	**14,549**
Other current assets	36	427	422	**42**
Other noncurrent assets	354,525	74,490	138,275	**290,740**
Total Assets	$ 409,914	$ 1,943,185	$ 2,011,723	**$ 341,376**
LIABILITIES				
Accounts payable and other liabilities	$ 55,389	$ 2,030,511	$ 2,035,264	**$ 50,635**
Other long-term liabilities	354,525	74,490	138,275	**290,740**
Total Liabilities	$ 409,914	$ 2,105,001	$ 2,173,539	**$ 341,376**

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 Intermediate School District (ISD) participants, the Governor may appoint up to 12 additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participating ISDs. In addition, the Corporation shall have an Executive Committee of 15 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), is a public body corporate created pursuant to an agreement authorized under the Urban Cooperation Act of 1967 and Sections 124.501 – 124.512 of the Michigan Compiled Laws (MCL). MEDC was created by an interlocal agreement, as amended and restated, between participating local economic development organizations formed under the Economic Development Corporations Act, 125.1601 – 125.1636 of the MCL and the Michigan Strategic Fund. The MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the interlocal agreement, the governance of MEDC resides in an executive committee of 20 members appointed to eight-year, staggered terms before May 1, 2019 and for four year terms after April 30, 2019.

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program authorized by section 529 of the Internal Revenue Code. 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.

Pursuant to Supreme Court rule, its purpose is to aid in promoting improvements in the administration of justice and advancements in jurisprudence, in improving relations between the legal profession and the public, and in promoting the interests of the legal profession in this State.

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 five other directors appointed by the Governor with the advice and consent of the Senate and the House. The Michigan Venture Capital Association also has the option to appoint one member to the board.

COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
SEPTEMBER 30, 2018
(In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	LAND BANK FAST TRACK AUTHORITY	MACKINAC BRIDGE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION
ASSETS				
Current Assets:				
Cash	$ 2,432	$ -	$ 1,810	$ 1,874
Equity in common cash	-	13,833	-	-
Amounts due from component units	-	-	-	-
Amounts due from primary government	-	-	-	194
Inventories	-	-	-	679
Investments	2,545	-	6,312	-
Other current assets	187	544	346	107
Total Current Assets	5,165	14,377	8,468	2,854
Restricted Assets:				
Cash and cash equivalents	-	-	-	1,839
Investments	-	-	-	2,212
Mortgages and loans receivable	-	8,844	-	-
Investments	5,890	-	93,036	-
Land and property held for resale	-	11,850	-	-
Capital Assets:				
Land and other non-depreciable assets	-	-	125	379
Buildings, equipment, and other depreciable assets	-	-	11,923	15,904
Less accumulated depreciation	-	-	(6,899)	(11,459)
Infrastructure	-	-	102,950	-
Total capital assets	-	-	108,099	4,824
Other noncurrent assets	-	-	-	-
Total Assets	11,055	35,071	209,602	11,729
DEFERRED OUTFLOWS OF RESOURCES	-	248	1,993	610
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	4	215	1,057	162
Amounts due to component units	-	46	-	-
Amounts due to primary government	-	15	4,132	-
Bonds and notes payable	-	-	-	60
Interest payable	-	-	-	18
Unearned revenue	-	-	1,402	-
Current portion of other long-term obligations	-	26	279	-
Total Current Liabilities	4	302	6,870	239
Unearned revenue	-	-	888	-
Bonds and notes payable	-	-	-	1,455
Noncurrent portion of other long-term obligations	-	1,699	20,619	6,353
Total Liabilities	4	2,001	28,377	8,048
DEFERRED INFLOWS OF RESOURCES	-	64	774	244
NET POSITION				
Net investment in capital assets	-	-	108,099	3,309
Restricted For:				
Construction and debt service	-	-	-	3,340
Other purposes	-	6,460	-	1,079
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Unrestricted	11,051	26,793	74,346	(3,681)
Total Net Position	$ 11,051	$ 33,253	$ 182,445	$ 4,047

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN EDUCATION TRUST	STATE BAR OF MICHIGAN	VENTURE MICHIGAN FUND	**TOTALS**
$ 4,015	$ 41,503	$ 71,876	$ 1,160	$ 51,376	**$ 176,048**
-	54,445	-	-	-	**68,278**
-	30,173	-	-	-	**30,173**
6,638	79	2,456	345	-	**9,711**
-	-	-	23	-	**702**
-	3,756	-	5,701	-	**18,315**
66	2,711	12,987	814	-	**17,763**
10,719	132,668	87,319	8,044	51,376	**320,990**
-	201	-	3,031	32,813	**37,884**
-	-	-	-	-	**2,212**
-	1,471	-	-	-	**10,315**
-	46,358	1,006,086	5,069	244,335	**1,400,774**
-	-	-	-	-	**11,850**
-	100	-	381	-	**985**
1,223	17,592	-	12,027	-	**58,669**
(1,136)	(11,953)	-	(8,399)	-	**(39,846)**
-	-	-	-	-	**102,950**
87	5,740	-	4,009	-	**122,758**
-	5,534	31,473	-	-	**37,008**
10,806	191,972	1,124,879	20,152	328,525	**1,943,790**
-	3,295	534	178	19,832	**26,690**
7,944	19,075	-	1,050	173	**29,679**
-	1	-	-	-	**47**
-	504	-	-	-	**4,651**
-	-	-	-	-	**60**
-	-	-	-	4,426	**4,444**
1,715	70	-	263	-	**3,450**
35	1,356	70,843	-	-	**72,539**
9,694	21,006	70,843	1,313	4,599	**114,870**
-	-	-	-	-	**888**
-	-	-	-	250,000	**251,455**
-	33,467	809,928	1,898	20,334	**894,297**
9,694	54,473	880,770	3,212	274,932	**1,261,510**
-	1,253	203	52	-	**2,590**
87	5,740	-	4,009	-	**121,243**
-	-	-	-	-	**3,340**
-	-	244,440	1,500	-	**253,479**
-	-	-	-	32,813	**32,813**
1,025	133,801	-	11,558	40,611	**295,504**
$ 1,112	$ 139,540	$ 244,440	$ 17,067	$ 73,425	**$ 706,380**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	$ 387	$ 3,416	$ -	$ -	$ 3,029
Land Bank Fast Track Authority	3,982	-	249	117	(3,615)
Mackinac Bridge Authority	16,946	23,911	-	-	6,965
Mackinac Island State Park Commission	4,522	4,985	48	272	783
Michigan Early Childhood Investment Corporation	21,462	-	21,063	-	(399)
Michigan Economic Development Corporation	120,171	-	140,091	-	19,920
Michigan Education Trust	(13,733)	497	54,940	-	69,169
State Bar of Michigan	13,170	12,048	-	-	(1,122)
Venture Michigan Fund	18,992	-	-	-	(18,992)
Total	$ 185,900	$ 44,858	$ 216,391	$ 389	$ 75,737

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
$ 117	$ -	$ -	$ 3,146	$ 7,904	$ 11,051
209	3,961	775	1,329	31,924	33,253
(782)	-	-	6,183	176,262	182,445
(13)	-	-	769	3,278	4,047
-	-	31	(369)	1,480	1,112
2,533	5,000	6,811	34,263	105,277	139,540
-	-	-	69,169	175,270	244,440
401	-	-	(721)	17,787	17,067
27,480	71,717	-	80,204	(6,780)	73,425
$ 29,945	$ 80,678	$ 7,616	$ 193,976	$ 512,404	$ 706,380

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 (GASB) 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, 2018. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: 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, 2018
(In Thousands)

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	$ 40,503	$ 30,044	$ 50,420	$ 8,510
Amounts due from component units	-	-	-	-
Amounts due from primary government	20,909	15,478	68,237	2,746
Amounts due from federal government	1,182	22	5,931	346
Amounts due from local units	-	-	-	-
Inventories	644	892	1,845	383
Investments	-	50,737	39,578	8,521
Other current assets	16,462	12,678	24,398	2,104
Total Current Assets	79,700	109,850	190,410	22,610
Restricted Assets:				
Cash and cash equivalents	-	1,370	2,226	-
Investments	142,011	35,863	-	-
Mortgages and loans receivable	-	17,860	-	-
Mortgages and loans receivable	6,264	-	5,752	2,476
Investments	62,653	66,635	273,832	27,871
Capital Assets:				
Land and other non-depreciable assets	11,725	6,597	77,649	2,729
Buildings, equipment, and other depreciable assets	809,068	501,366	1,036,655	162,766
Less accumulated depreciation	(362,803)	(210,421)	(369,222)	(115,110)
Construction in progress	66,439	27,793	7,855	462
Total capital assets	524,429	325,335	752,937	50,847
Other noncurrent assets	4,627	201	27,342	1,256
Total Assets	819,683	557,114	1,252,499	105,061
DEFERRED OUTFLOWS OF RESOURCES	8,047	10,680	21,698	1,127
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	47,108	27,067	89,721	2,849
Amounts due to primary government	219	-	91	78
Bonds and notes payable	3,361	7,465	15,504	935
Interest payable	3,938	1,232	1,076	81
Unearned revenue	10,831	7,450	14,960	758
Current portion of other long-term obligations	150	380	5,825	450
Total Current Liabilities	65,606	43,593	127,178	5,150
Unearned revenue	16,067	589	4,501	-
Bonds and notes payable	348,762	105,096	271,068	16,212
Noncurrent portion of other long-term obligations	141,809	150,924	54,873	23,219
Total Liabilities	572,244	300,203	457,620	44,581
DEFERRED INFLOWS OF RESOURCES	63,116	3,238	3,319	596
NET POSITION				
Net investment in capital assets	209,898	208,127	476,730	34,198
Restricted For:				
Education	-	11,837	16,685	19,181
Construction and debt service	-	-	26,780	2,547
Other purposes	38,856	-	-	3,066
Funds Held as Permanent Investments:				
Expendable	-	16,080	46,676	3,429
Nonexpendable	51,192	35,863	70,897	11,030
Unrestricted	(107,578)	(7,553)	175,490	(12,441)
Total Net Position	$ 192,369	$ 264,354	$ 813,258	$ 61,010

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	**TOTALS**
$ 20,019	$ 18,487	$ 44,509	$ 47,960	**$ 260,452**
-	4	-	-	**4**
9,846	8,724	9,388	17,452	**152,779**
4,183	477	1,470	901	**14,512**
-	6,822	2	-	**6,824**
1,503	1,416	1,222	1,843	**9,748**
-	-	-	2	**98,837**
6,544	7,679	11,655	6,097	**87,617**
42,095	43,609	68,245	74,255	**630,774**
9,495	14,272	33,244	-	**60,608**
138,068	-	68,617	-	**384,559**
-	-	1,047	-	**18,907**
11,572	6,134	-	-	**32,198**
33,109	141,627	193,558	123,187	**922,472**
16,560	82,637	4,625	2,506	**205,026**
443,076	428,324	778,678	484,122	**4,644,056**
(223,834)	(201,786)	(296,802)	(195,231)	**(1,975,208)**
1,476	6,616	119,936	6,704	**237,280**
237,277	315,790	606,438	298,100	**3,111,153**
19,800	2,227	4,858	7,545	**67,856**
491,417	523,659	976,007	503,087	**5,228,526**
6,153	6,098	10,679	4,232	**68,714**
14,503	23,900	37,167	20,545	**262,859**
290	262	703	-	**1,642**
3,205	4,934	11,711	8,052	**55,167**
1,004	-	4,511	-	**11,843**
5,753	4,696	17,827	5,353	**67,628**
6,613	2,111	2,548	100	**18,178**
31,368	35,903	74,468	34,049	**417,317**
-	-	8,294	288	**29,739**
91,890	90,874	340,829	105,464	**1,370,196**
93,914	83,858	46,295	4,339	**599,231**
217,172	210,636	469,886	144,141	**2,416,482**
2,212	68,807	8,705	-	**149,994**
144,192	161,114	272,271	188,816	**1,695,346**
39,224	3,214	27,218	24,665	**142,023**
2,986	-	-	243	**32,557**
-	-	-	2,583	**44,505**
34,091	24,933	18,260	-	**143,468**
96,416	10,966	30,647	55,000	**362,011**
(38,723)	50,087	159,700	91,871	**310,854**
$ 278,186	$ 250,314	$ 508,095	$ 363,178	**$ 2,730,764**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2018
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Eastern Michigan University	$ 355,805	$ 228,961	$ 19,999	$ -	$ (106,844)
Ferris State University	260,834	159,722	9,090	-	(92,022)
Grand Valley State University	470,701	352,174	31,647	16,378	(70,502)
Lake Superior State University	49,216	24,384	12,984	840	(11,009)
Michigan Technological University	261,448	133,198	70,726	6,594	(50,929)
Northern Michigan University	164,927	95,521	11,958	1,090	(56,358)
Oakland University	338,715	251,064	22,967	93	(64,591)
Saginaw Valley State University	140,256	96,347	12,262	-	(31,646)
Total	$ 2,041,902	$ 1,341,371	$ 191,634	$ 24,995	$ (483,902)

GENERAL REVENUES						
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	EXTRAORDINARY ITEMS	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
$ 4,221	$ 80,762	$ 32,139	$ -	$ 10,277	$ 182,092	$ 192,369
3,533	70,229	33,085	-	14,826	249,528	264,354
4,803	70,133	41,838	-	46,272	766,985	813,258
464	14,080	24	-	3,559	57,451	61,010
8,108	49,082	100	(744)	5,616	272,570	278,186
4,007	47,604	9,750	-	5,003	245,311	250,314
9,949	51,243	22,253	-	18,854	489,241	508,095
4,519	29,779	13,484	-	16,136	347,042	363,178
$ 39,604	$ 412,912	$ 152,675	$ (744)	$ 120,545	$ 2,610,219	$ 2,730,764

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

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Ratios of Net General Obligation Bonded Debt Outstanding 297
Debt Service Coverage – Comprehensive Transportation Fund Related Bonds 298
Debt Service Coverage – State Trunkline Fund Related Bonds 300
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Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Demographic and Economic Indicators 304

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

Classified Employees by Function 306
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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)

	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	$ 16,313,696	$ 16,859,070	$ 17,782,073	$ 18,198,345
Restricted	2,577,249	2,691,477	3,552,062	3,394,212
Unrestricted	(3,928,376)	(4,860,007)	(5,325,636)	(5,349,668)
Total governmental activities net position	$ 14,962,570	$ 14,690,540	$ 16,008,499	$ 16,242,889
Business-type activities				
Net investment in capital assets	$ 735	$ 603	$ 578	$ 355
Restricted	137,064	145,056	131,453	1,276,713
Unrestricted	(2,425,221)	(3,163,457)	(2,911,176)	5,926
Total business-type activities net position	$ (2,287,423)	$ (3,017,798)	$ (2,779,145)	$ 1,282,994
Primary government				
Net investment in capital assets	$ 16,314,431	$ 16,859,673	$ 17,782,652	$ 18,198,700
Restricted	2,714,313	2,836,533	3,683,515	4,670,926
Unrestricted	(6,353,597)	(8,023,463)	(8,236,812)	(5,343,743)
Total primary government net position	$ 12,675,147	$ 11,672,743	$ 13,229,354	$ 17,525,883
Reconciliation of net position				
Beginning net position	$ 16,591,848	$ 12,675,147	$ 11,672,743	$ 13,229,354
Restatement of beginning net position	(176,594)	-	(5,377)	(2,954)
Beginning net position - restated	16,415,254	12,675,147	11,667,366	13,226,400
Statement of Activities - changes in net position	(3,757,816)	(1,002,404)	1,561,989	4,299,483
Change in reporting entity	17,709	-	-	-
Ending net position	$ 12,675,147	$ 11,672,743	$ 13,229,354	$ 17,525,883

2013	2014	2015	2016	2017	2018
$ 19,649,694	$ 20,279,584	$ 20,578,869	$ 21,162,152	$ 21,736,440	$ 21,014,252
3,773,962	3,824,871	3,647,713	3,772,413	4,152,864	4,218,412
(5,192,624)	(5,876,457)	(9,942,038)	(11,298,822)	(9,848,197)	(14,946,883)
$ 18,231,031	$ 18,227,998	$ 14,284,544	$ 13,635,744	$ 16,041,107	$ 10,285,781
$ 813	$ 606	$ 1,557	$ 1,257	$ 1,183	$ 969
1,843,965	2,442,471	2,989,561	3,526,823	3,994,553	4,525,760
5,538	5,834	(11,862)	(19,126)	(21,180)	(80,469)
$ 1,850,316	$ 2,448,910	$ 2,979,255	$ 3,508,953	$ 3,974,556	$ 4,446,260
$ 19,650,507	$ 20,280,190	$ 20,580,426	$ 21,163,409	$ 21,737,623	$ 21,015,221
5,617,926	6,267,342	6,637,274	7,299,236	8,147,417	8,744,173
(5,187,086)	(5,870,623)	(9,953,900)	(11,317,949)	(9,869,376)	(15,027,352)
$ 20,081,347	$ 20,676,909	$ 17,263,800	$ 17,144,696	$ 20,015,664	$ 14,732,042
$ 17,525,883	$ 20,081,347	$ 20,676,909	$ 17,263,800	$ 17,144,696	$ 20,015,664
6,459	(36,068)	(4,780,332)	(1,712,198)	-	(6,999,392)
17,532,342	20,045,279	15,896,577	15,551,601	17,144,696	13,016,272
2,549,005	631,629	1,367,223	1,593,095	2,870,968	1,715,770
-	-	-	-	-	-
$ 20,081,347	$ 20,676,909	$ 17,263,800	$ 17,144,696	$ 20,015,664	$ 14,732,042

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	$ 1,753,403	$ 1,752,504	$ 2,286,436	$ 2,491,270
Education	15,251,821	14,989,964	15,269,638	14,601,171
Health and human services	17,745,029	19,387,083	20,340,564	19,676,708
Public safety and corrections	2,994,466	2,859,301	2,863,890	2,816,575
Conservation, environment, recreation, and agriculture	617,768	577,952	575,118	657,527
Labor, commerce, and regulatory	1,187,368	1,261,908	1,178,970	956,357
Transportation	3,244,824	2,947,845	2,460,553	2,840,961
Tax credits (Note 16)	963,500	1,351,500	1,271,900	1,226,300
Intergovernmental-revenue sharing	1,040,031	994,196	1,091,527	1,032,243
Interest on long-term debt	350,421	362,626	217,014	196,040
Total governmental activities	45,148,632	46,484,880	47,555,610	46,495,152
Business-type activities:				
Liquor Purchase Revolving Fund	633,093	634,925	660,861	696,723
State Lottery Fund	1,710,718	1,676,994	1,631,489	1,654,234
Attorney Discipline System	5,026	4,733	4,941	4,818
Michigan Unemployment Compensation Funds	6,215,392	6,803,393	4,350,158	2,991,500
Total business-type activities	8,564,229	9,120,044	6,647,450	5,347,275
Total primary government expenses	$ 53,712,861	$ 55,604,924	$ 54,203,060	$ 51,842,428
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 768,411	$ 775,018	$ 790,054	$ 844,661
Education	5,790	5,320	5,491	15,688
Health and human services	131,550	110,833	125,368	129,069
Public safety and corrections	157,751	168,141	166,034	158,707
Conservation, environment, recreation, and agriculture	254,128	360,261	266,062	269,307
Labor, commerce, and regulatory	306,657	313,368	316,941	548,543
Transportation	69,685	75,466	92,045	91,690
Operating grants and contributions	16,755,408	19,150,043	19,608,970	17,373,332
Capital grants and contributions	921,847	964,605	1,061,715	845,873
Total governmental activities program revenues	$ 19,371,229	$ 21,923,056	$ 22,432,679	$ 20,276,870
Business-type activities:				
Charges for services:				
Liquor Purchase Revolving Fund	$ 781,896	$ 780,265	$ 812,140	$ 856,717
State Lottery Fund	2,398,995	2,379,975	2,357,417	2,430,281
Attorney Discipline System	4,943	4,977	5,114	5,166
Michigan Unemployment Compensation Funds	3,922,144	6,012,375	4,441,664	3,529,515
Operating grants and contributions	104,154	79,966	172,038	251,786
Total business-type activities program revenues	7,212,131	9,257,558	7,788,373	7,073,466
Total primary government program revenues	$ 26,583,360	$ 31,180,614	$ 30,221,052	$ 27,350,336
Net (Expenses)/Revenues				
Governmental activities	$ (25,777,403)	$ (24,561,824)	$ (25,122,932)	$ (26,218,282)
Business-type activities	(1,352,097)	137,514	1,140,924	1,726,190
Total primary government net expenses	$ (27,129,501)	$ (24,424,311)	$ (23,982,008)	$ (24,492,092)

2013	2014	2015	2016	2017	2018
$ 2,093,352	$ 2,455,999	$ 3,240,918	$ 3,044,493	$ 2,595,165	$ 3,334,891
14,617,662	14,941,366	15,452,338	15,831,480	16,114,081	16,727,675
19,784,847	20,544,300	23,190,878	23,441,412	23,020,839	24,071,364
2,663,440	2,638,272	2,685,500	2,664,726	2,686,252	2,899,797
593,446	714,019	609,306	753,361	783,971	932,250
965,696	956,256	953,030	746,550	890,781	821,050
2,914,884	3,309,442	3,325,519	3,377,660	3,483,622	3,891,092
689,900	676,500	662,400	672,400	696,500	696,100
1,077,514	1,120,593	1,210,557	1,213,432	1,259,005	1,289,064
178,561	174,522	162,859	415,468	272,742	287,506
45,579,303	47,531,269	51,493,305	52,160,983	51,802,959	54,950,789
742,611	779,276	825,796	872,902	903,150	953,854
1,758,718	1,868,607	1,990,582	2,229,995	2,424,850	2,654,651
4,846	4,798	4,710	5,019	4,898	5,077
2,188,132	1,246,507	952,773	914,081	859,638	793,535
4,694,307	3,899,188	3,773,861	4,021,996	4,192,536	4,407,117
$ 50,273,610	$ 51,430,457	$ 55,267,166	$ 56,182,979	$ 55,995,495	$ 59,357,906
$ 678,845	$ 688,044	$ 666,648	$ 658,741	$ 694,819	$ 627,297
7,206	9,388	(3,752)	6,947	5,662	24,025
107,657	152,511	162,768	155,276	159,544	174,607
164,019	161,447	163,821	169,789	170,323	168,028
271,119	299,073	301,529	296,694	318,319	360,981
750,517	754,054	749,576	788,169	794,170	789,277
96,842	96,727	100,403	105,108	94,683	134,043
17,194,905	17,981,852	20,431,030	20,660,821	20,244,084	20,636,711
867,155	850,174	926,670	878,642	953,635	863,854
$ 20,138,265	$ 20,993,270	$ 23,498,693	$ 23,720,187	$ 23,435,239	$ 23,778,822
$ 912,112	$ 957,054	$ 1,021,890	$ 1,082,256	$ 1,123,654	$ 1,181,472
2,491,131	2,608,920	2,785,133	3,118,137	3,347,126	3,591,929
4,887	4,867	4,024	4,045	4,082	4,699
2,776,790	1,809,854	1,461,988	1,383,410	1,291,128	1,276,504
21,710	59,881	67,628	78,660	74,694	90,410
6,206,631	5,440,576	5,340,663	5,666,507	5,840,685	6,145,014
$ 26,344,896	$ 26,433,845	$ 28,839,356	$ 29,386,694	$ 29,275,924	$ 29,923,836
$ (25,441,038)	$ (26,538,000)	$ (27,994,612)	$ (28,440,795)	$ (28,367,720)	$ (31,171,967)
1,512,324	1,541,388	1,566,801	1,644,511	1,648,149	1,737,897
$ (23,928,714)	$ (24,996,612)	$ (26,427,810)	$ (26,796,285)	$ (26,719,571)	$ (29,434,070)

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (Continued)
(In Thousands)
(Accrual Basis of Accounting)

	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General:				
Sales and use	$ 2,439,220	$ 2,651,757	$ 2,784,245	$ 2,735,674
Personal income	4,639,740	4,931,508	5,822,443	6,119,213
Single business, Michigan business, and corporate income	1,372,597	1,107,589	1,456,727	1,283,584
Tobacco products	631,339	612,414	593,462	586,108
Beer, wine, and liquor	126,475	126,269	128,574	133,276
Insurance company	261,006	257,359	271,198	290,383
Quality assurance assessment	858,512	845,612	884,412	955,029
Essential services assessment	-	-	-	-
Penalties and interest	145,675	135,939	132,724	163,496
Other	244,166	239,425	239,306	412,904
Restricted For Educational Purposes:				
Sales and use	4,848,489	5,006,696	5,399,478	5,515,083
Personal income	1,855,533	1,756,587	1,999,556	2,121,630
Michigan business	669,341	604,395	611,433	-
Corporate income	-	-	-	10,703
Education, property, and real estate transfers	2,163,883	2,047,056	2,015,369	1,939,493
Tobacco products	410,590	392,113	377,288	371,774
Beer, wine, and liquor	37,717	37,476	39,165	41,065
Casino Gaming Wagering	108,080	101,816	114,017	115,753
Other	55,764	74,083	66,231	59,568
Restricted For Transportation Purposes:				
Sales and use	82,887	76,778	90,025	98,101
Gasoline and diesel fuel	970,794	956,999	959,479	940,099
Motor vehicle weight	839,648	841,840	859,783	875,952
Other	5,591	5,188	5,621	5,027
Unrestricted investment and interest earnings	4,911	1,464	696	710
Miscellaneous	568,855	495,556	648,297	659,801
Contributions to permanent fund principal	30,091	101,587	28,773	20,359
Transfers	905,523	882,287	917,966	1,000,841
Total governmental activities	24,276,425	24,289,795	26,446,268	26,455,626
Business-type activities:				
Taxes	14,093	14,107	14,855	15,737
Investment earnings	763	276	191	139
Miscellaneous	3,636	16	649	3,320,915
Transfers	(905,523)	(882,287)	(917,966)	(1,000,841)
Total business-type activities	(887,031)	(867,889)	(902,271)	2,335,949
Total primary government	$ 23,389,393	$ 23,421,906	$ 25,543,997	$ 28,791,575
Changes in Net Position				
Governmental activities	$ (1,500,979)	$ (272,029)	$ 1,323,336	$ 237,344
Business-type activities	(2,239,129)	(730,375)	238,653	4,062,139
Total primary government	$ (3,740,107)	$ (1,002,404)	$ 1,561,989	$ 4,299,483

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.

2013	2014	2015	2016	2017	2018
$ 2,620,176	$ 2,993,426	$ 3,250,886	$ 3,281,008	$ 2,733,120	$ 2,899,347
6,946,947	6,078,008	7,260,820	7,332,173	7,435,551	8,109,910
825,044	528,174	892,039	760,979	1,427,291	942,942
587,598	578,154	586,133	590,507	589,959	567,634
139,728	143,105	144,449	157,421	160,271	164,204
302,015	362,287	322,988	329,871	371,233	393,357
974,563	971,377	1,017,823	1,135,257	1,128,006	1,250,422
-	-	-	-	-	99,290
172,049	117,734	131,601	120,116	104,375	194,309
503,413	514,504	433,640	495,183	592,077	554,313
5,668,592	5,872,729	5,905,831	6,023,300	6,209,309	6,455,104
2,479,897	2,276,581	2,557,141	2,647,832	2,723,883	2,948,984
-	-	-	-	-	-
34,568	34,566	-	-	-	-
1,908,481	2,033,711	2,110,325	2,174,946	2,278,142	2,339,504
373,296	357,389	360,645	360,017	357,202	339,070
44,069	45,722	48,706	52,247	54,048	56,405
110,667	106,903	110,785	112,868	113,219	115,423
56,503	65,172	61,643	58,943	63,633	61,328
212,970	102,026	90,806	84,499	95,229	103,275
953,108	958,745	1,003,958	1,005,121	1,362,260	1,469,228
906,633	940,637	977,958	1,018,280	1,210,628	1,295,268
5,034	5,052	6,383	6,133	4,855	4,535
1,204	990	1,187	4,403	11,021	25,327
628,204	517,297	500,891	621,777	545,398	740,953
22,847	23,865	18,261	16,075	19,468	19,675
945,115	942,883	999,812	1,118,001	1,182,908	1,222,917
27,422,722	26,571,035	28,794,710	29,506,957	30,773,084	32,372,724
-	-	-	-	-	-
112	87	133	423	331	(25)
-	3	1	-	31	57
(945,115)	(942,883)	(999,812)	(1,118,001)	(1,182,908)	(1,222,917)
(945,003)	(942,793)	(999,677)	(1,117,577)	(1,182,545)	(1,222,884)
$ 26,477,719	$ 25,628,241	$ 27,795,033	$ 28,389,380	$ 29,590,539	$ 31,149,840
$ 1,981,683	$ 33,035	$ 800,098	$ 1,066,162	$ 2,405,364	$ 1,200,757
567,322	598,595	567,124	526,933	465,604	515,013
$ 2,549,005	$ 631,630	$ 1,367,223	$ 1,593,095	$ 2,870,968	$ 1,715,770

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012
General Fund				
Nonspendable	$ -	$ -	$ 267,289	$ 237,955
Restricted	-	-	351,551	364,497
Committed	-	-	463,685	805,402
Assigned	-	-	67,021	68,583
Unassigned	-	-	553,746	979,205
Total general fund	$ -	$ -	$ 1,703,292	$ 2,455,642
All Other Governmental Funds				
Nonspendable	$ -	$ -	$ 929,077	$ 951,453
Restricted	-	-	2,269,086	2,086,927
Committed	-	-	137,910	196,931
Unassigned	-	-	(41,126)	(144,804)
Total all other governmental funds	$ -	$ -	$ 3,294,948	$ 3,090,508
General Fund				
Reserved	$ 794,464	$ 828,553	$ -	$ -
Unreserved	177,244	187,220	-	-
Total general fund	$ 971,708	$ 1,015,773	$ -	$ -
All Other Governmental Funds				
Reserved	$ 1,941,203	$ 2,048,256	$ -	$ -
Unreserved, reported in:				
Special revenue funds	605,513	379,140	-	-
Debt service funds	207,916	222,322	-	-
Capital projects funds	(182,786)	(161,980)	-	-
Permanent funds	40,473	75,486	-	-
Total all other governmental funds	$ 2,612,318	$ 2,563,224	$ -	$ -
Reconciliation of governmental fund balances				
Beginning fund balances	$ 3,779,475	$ 3,584,026	$ 3,578,997	$ 4,998,240
Restatement of beginning fund balances	-	-	-	(15,602)
Beginning fund balances - restated	3,779,475	3,584,026	3,578,997	4,982,638
Excess of revenues and other sources over (under) expenditures and other uses	(220,414)	(5,029)	1,419,243	563,512
Change in accounting entity	24,965	-	-	-
Ending fund balances	$ 3,584,026	$ 3,578,997	$ 4,998,240	$ 5,546,150

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 Reporting and Governmental Fund Type Definitions. Fund balance has not been restated for prior years.

2013	2014	2015	2016	2017	2018
$ 221,614	$ 189,095	$ 115,937	$ 76,746	$ 63,135	$ 17,813
376,977	383,025	395,945	467,486	598,414	591,065
933,666	998,674	1,108,240	1,378,378	1,482,000	2,128,981
137,947	206,875	176,405	151,555	176,986	176,480
1,186,647	306,382	694,734	604,388	622,538	788,321
$ 2,856,852	$ 2,084,052	$ 2,491,262	$ 2,678,554	$ 2,943,074	$ 3,702,660
$ 968,433	$ 992,581	$ 1,016,322	$ 1,030,282	$ 1,047,393	$ 1,063,885
2,200,564	2,250,773	1,989,423	2,048,762	2,378,356	2,453,833
322,056	547,466	352,699	289,534	312,162	363,400
(13,216)	(106,128)	(56,951)	(62,012)	6,918	(63,301)
$ 3,477,837	$ 3,684,691	$ 3,301,493	$ 3,306,566	$ 3,744,829	$ 3,817,817
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,546,150	$ 6,334,689	$ 5,768,743	$ 5,792,755	$ 5,985,120	$ 6,687,903
-	-	-	24,182	-	-
5,546,150	6,334,689	5,768,743	5,816,936	5,985,120	6,687,903
788,538	(565,945)	24,011	168,184	702,783	832,574
-	-	-	-	-	-
$ 6,334,689	$ 5,768,743	$ 5,792,755	$ 5,985,120	$ 6,687,903	$ 7,520,477

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012
Revenues				
Taxes	$ 23,348,354	$ 23,174,824	$ 24,691,957	$ 24,769,943
From federal agencies	17,377,416	19,832,846	20,401,399	17,830,166
From local agencies	118,190	106,172	102,979	102,776
From services	288,877	300,992	321,799	314,059
From licenses and permits	454,981	458,303	464,756	481,994
Special Medicaid reimbursements	135,667	123,205	155,059	186,194
Miscellaneous	1,524,220	1,575,643	1,523,221	1,896,663
Total revenues	43,247,704	45,571,986	47,661,170	45,581,795
Expenditures				
General government	1,587,314	1,464,412	1,857,989	1,937,876
Education	15,249,946	15,051,983	15,297,255	14,636,439
Health and human services	17,784,550	19,261,585	20,251,675	19,585,310
Public safety and corrections	2,591,858	2,573,093	2,549,993	2,567,504
Conservation, environment, recreation, and agriculture	557,602	546,510	516,098	582,955
Labor, commerce, and regulatory	1,145,954	1,223,197	1,143,962	923,059
Transportation	2,195,721	2,279,890	2,069,572	2,149,628
Tax credits	963,500	1,351,500	1,271,900	1,226,300
Capital outlay	1,279,372	1,322,304	1,169,458	1,045,060
Intergovernmental - revenue sharing	1,040,031	994,196	1,091,527	1,032,243
Debt service:				
Bond principal retirement	215,380	247,532	231,577	342,241
Bond interest and fiscal charges	341,194	316,163	311,955	346,861
Capital lease payments	50,107	50,982	56,146	56,327
Total expenditures	45,002,530	46,683,346	47,819,108	46,431,804
Excess of revenues over (under) expenditures	(1,754,825)	(1,111,361)	(157,938)	(850,008)
Other Financing Sources (Uses)				
Bonds and bond anticipation notes issued	-	-	-	-
Bonds and notes issued	601,500	177,480	474,278	360,260
Refunding bonds issued	775,640	142,190	543,367	163,035
Premium on bond issuance	10,748	10,569	12,216	22,071
Discount on bond issuance	(4,263)	-	(150)	(1,339)
Payment to refunded bond escrow agent	(777,179)	(150,488)	(549,296)	(172,223)
Capital lease acquisitions	41,205	39,101	172,111	34,567
Proceeds from sale of capital assets	3,027	1,895	1,797	3,160
Transfers from other funds	2,603,766	2,834,719	2,616,900	2,956,635
Transfers to other funds	(1,695,068)	(1,949,134)	(1,694,043)	(1,952,646)
Total other financing sources (uses)	1,559,376	1,106,331	1,577,181	1,413,520
Net change in fund balances	$ (195,449)	$ (5,029)	$ 1,419,243	$ 563,512
Debt service as a percentage of noncapital expenditures	1.4%	1.4%	1.3%	1.6%

2013	2014	2015	2016	2017	2018
$ 25,239,420	$ 25,335,788	$ 27,176,341	$ 27,804,517	$ 28,530,168	$ 30,359,702
17,800,913	18,524,648	21,096,200	21,198,341	20,717,668	21,004,796
109,771	100,372	105,270	114,454	103,722	108,513
322,553	326,560	330,508	339,877	358,373	364,475
501,581	511,416	527,500	570,150	577,757	585,765
134,353	133,909	120,904	115,621	188,933	149,350
1,721,838	1,714,576	1,734,331	2,038,138	1,982,759	2,111,796
45,830,430	46,647,268	51,091,052	52,181,098	52,459,380	54,684,397
1,870,041	2,066,169	2,741,135	2,931,623	2,555,020	2,764,946
14,652,527	14,973,104	15,493,658	15,831,979	16,117,415	16,707,956
19,787,851	20,600,683	23,287,158	23,516,873	23,070,385	23,925,010
2,604,520	2,669,883	2,707,199	2,670,637	2,694,120	2,725,056
571,371	681,072	615,656	753,725	787,112	895,072
961,279	961,934	978,003	1,230,828	1,270,025	1,259,349
2,362,335	2,611,213	2,604,129	2,650,069	2,753,765	2,934,340
689,900	676,500	662,400	672,400	696,500	696,100
1,013,461	1,113,770	1,160,142	1,106,163	1,223,968	1,297,519
1,077,514	1,120,593	1,210,557	1,213,432	1,259,005	1,289,064
404,396	452,631	468,085	452,695	423,751	415,853
339,908	317,873	305,687	276,369	288,859	281,758
58,990	63,028	66,939	68,982	69,414	72,168
46,394,092	48,308,452	52,300,750	53,375,775	53,209,340	55,264,192
(563,662)	(1,661,184)	(1,209,697)	(1,194,677)	(749,959)	(579,795)
-	-	177,965	172,195	228,560	149,200
377,326	85,295	-	-	-	-
508,109	295,085	969,870	1,425,395	-	-
38,495	47,579	156,548	294,178	18,999	4,108
(14)	-	(298)	(2,773)	-	-
(537,743)	(299,121)	(1,107,996)	(1,674,399)	-	-
18,285	18,846	25,373	19,322	14,480	23,383
4,148	3,466	5,250	3,111	3,764	8,454
3,115,335	3,354,150	3,024,769	3,184,970	3,586,039	3,515,528
(2,171,741)	(2,410,062)	(2,017,772)	(2,059,139)	(2,399,099)	(2,288,305)
1,352,200	1,095,238	1,233,709	1,362,860	1,452,742	1,412,368
$ 788,538	$ (565,945)	$ 24,011	$ 168,184	$ 702,783	$ 832,574
1.8%	1.8%	1.6%	1.5%	1.5%	1.4%

PERSONAL INCOME BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

	2008	2009	2010
Farm earnings	$ 1,433	$ 864	$ 1,288
Forestry, fishing, and related activities	246	264	300
Mining	1,092	1,047	934
Utilities	2,825	2,718	2,672
Construction	11,310	9,790	9,848
Manufacturing	44,798	36,609	35,339
Wholesale trade	12,959	12,127	11,964
Retail trade	15,182	14,582	14,559
Transportation and warehousing	7,170	6,544	6,565
Information	4,640	4,659	4,507
Finance and insurance	14,102	12,732	12,185
Real estate and rental and leasing	2,765	3,124	3,707
Professional, scientific, and technical services	25,316	23,328	22,817
Management of companies and enterprises	6,817	6,178	6,006
Administrative and waste services	11,217	10,218	10,635
Educational services	2,775	2,929	3,017
Health care and social assistance	30,095	31,136	32,177
Arts, entertainment, and recreation	2,487	2,224	2,249
Accommodation and food services	6,293	6,013	6,030
Other services, except public administration	8,650	8,596	9,305
Government and government enterprises	40,169	40,690	42,180
Total earnings by place of work	252,336	236,371	238,281
Total earnings by place of work	252,336	236,371	238,281
less: Contributions for government social insurance	30,209	28,726	28,532
plus: Adjustment for residence	1,691	1,555	1,559
Net earnings by place of residence	223,818	209,199	211,308
Net earnings by place of residence	223,818	209,199	211,308
plus: Dividends, interest, and rent	61,320	54,902	51,283
plus: Personal current transfer receipts	68,178	74,949	81,663
Total Personal Income	$ 353,317	$ 339,050	$ 344,254
Statutory Tax Rate (blended rate)	4.4%	4.4%	4.4%

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 are categorized using the North American Industry Classification System.

Fiscal year 2017 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.

2011	2012	2013	2014	2015	2016	2017
$ 2,372	$ 1,870	$ 2,159	$ 1,481	$ 1,123	$ 1,007	$ 454
294	345	346	415	455	507	530
1,334	1,221	1,121	1,265	927	626	516
2,668	2,710	2,753	2,931	2,993	3,167	3,369
10,163	11,587	12,839	14,017	15,107	15,978	17,421
38,682	42,205	43,658	44,478	47,104	49,494	52,216
12,954	13,717	14,284	14,735	15,614	15,850	16,412
15,065	15,430	15,683	16,124	17,050	17,692	18,409
6,933	7,312	7,603	8,026	8,476	8,795	9,268
4,476	4,531	4,786	5,075	5,263	5,292	5,237
11,958	12,378	12,874	12,921	13,461	14,502	15,427
4,540	5,776	6,542	6,816	7,415	7,670	7,801
24,842	26,399	27,778	29,198	31,126	32,678	34,050
6,308	6,498	7,000	7,459	7,908	8,314	9,412
11,718	12,433	12,674	13,028	13,386	13,437	13,995
3,030	3,220	3,270	3,458	3,495	3,640	3,617
32,830	33,671	34,081	34,628	35,919	37,689	39,043
2,094	2,078	2,205	2,328	2,304	2,430	2,566
6,419	7,176	7,574	7,865	8,384	8,938	9,427
9,715	10,193	10,190	10,445	10,894	11,080	11,435
41,491	40,420	40,738	40,388	42,151	43,140	44,225
249,884	261,168	270,156	277,076	290,551	301,923	314,827
249,884	261,168	270,156	277,076	290,551	301,923	314,827
27,060	27,419	31,177	32,965	34,304	35,418	36,777
1,699	1,856	1,920	2,034	2,083	2,196	2,440
224,523	235,604	240,900	246,146	258,329	268,702	280,491
224,523	235,604	240,900	246,146	258,329	268,702	280,491
57,940	62,884	66,050	70,054	76,487	78,835	81,585
82,656	82,085	83,065	85,702	90,595	93,770	94,775
$ 365,119	$ 380,573	$ 390,014	$ 401,902	$ 425,411	$ 441,306	$ 456,851
4.4%	4.4%	4.3%	4.3%	4.3%	4.3%	4.3%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

	2008	2009	2010	2011
Farming	$ 70.4	$ 57.1	$ 56.1	$ 58.5
Agricultural	240.4	226.6	211.8	216.2
Mining	180.2	118.8	116.2	145.7
Construction	695.9	565.0	497.3	534.1
Manufacturing	3,331.8	2,608.5	2,645.7	2,738.4
Transportation and utilities	12,650.3	12,708.7	12,041.1	12,860.4
Wholesale trade	3,031.4	2,516.5	2,426.9	2,861.1
Retail trade	86,572.7	78,680.5	80,195.7	85,484.6
Finance, insurance, and real estate	323.9	356.8	193.0	254.6
Services	6,426.7	5,696.8	5,405.8	5,831.0
State and local government	166.7	154.6	240.0	93.3
Other classifications	943.9	1,802.9	1,007.5	1,048.7
Total	$ 114,634.3	$ 105,492.7	$ 105,036.9	$ 112,126.5
Direct Sales Tax Rate	6.0%	6.0%	6.0%	6.0%

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry, and do not align with final reported revenue that includes accrual items.

Industries were categorized by using the Standard Industrial Classification through fiscal year 2014, and beginning in fiscal year 2015 using the North American Industry Classification System. The switch in classification system results in a significant increase reported by service firms and less reported by firms classified as retailers.

Fiscal year 2017 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

2012	2013	2014	2015	2016	2017
$ 61.7	$ 69.4	$ 79.2	$ 32.6	$ 148.1	$ 152.8
238.1	254.3	349.8	330.0	65.4	69.9
156.1	136.2	152.1	139.2	112.9	109.2
601.6	617.9	665.3	1,064.1	1,375.4	1,493.0
3,131.6	3,514.0	3,435.2	5,593.7	4,998.2	5,264.1
12,412.4	12,763.8	11,567.7	11,447.0	10,541.2	10,749.4
2,727.9	2,652.0	2,574.0	5,136.3	6,861.6	7,507.8
90,639.0	94,582.1	93,964.6	79,923.2	73,330.2	75,988.5
263.4	355.8	386.7	1,901.3	2,813.5	2,787.3
6,092.7	6,223.3	6,412.5	16,925.4	23,323.8	23,615.8
178.5	187.3	187.6	323.6	243.3	252.2
1,290.4	1,255.7	1,433.4	1,677.0	2,078.5	2,348.8
$ 117,793.5	$ 122,611.9	$ 121,208.3	$ 124,493.4	$ 125,892.1	$ 130,338.9
6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
TAX YEARS 2007 AND 2016

	Tax Year 2007				Tax Year 2016			
Adjusted Gross Income (AGI) Group	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total
$50,000 and under	2,906,849	63.7%	$ 412	7.1%	2,918,452	61.6%	$ 706	8.7%
$50,001 - $100,000	1,024,968	22.5%	1,792	30.9%	1,051,211	22.2%	2,178	26.8%
$100,001 - $250,000	509,472	11.2%	1,970	34.0%	646,313	13.6%	3,003	36.9%
$250,001 - $1,000,000	107,893	2.4%	1,142	19.7%	105,652	2.2%	1,414	17.4%
$1,000,001 and higher	11,490	0.3%	488	8.4%	16,103	0.3%	833	10.2%
Total	4,560,672	100.0%	$ 5,804	100.0%	4,737,731	100.0%	$ 8,134	100.0%

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

Tax year 2007 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, Adoption, and Stillbirth Credits.

Tax year 2016 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.

Tax year 2016 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

SALES TAX PAYERS BY INDUSTRY
FISCAL YEARS 2008 AND 2017

	2008				2017			
	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	569	0.6%	$ 4.2	0.1%	809	0.8%	$ 9.2	0.1%
Agricultural	1,348	1.4%	14.4	0.2%	365	0.3%	4.2	0.1%
Mining	248	0.3%	10.8	0.2%	203	0.2%	6.6	0.1%
Construction	2,447	2.5%	41.8	0.6%	4,301	4.1%	89.6	1.2%
Manufacturing	6,384	6.6%	199.9	3.0%	9,361	9.0%	315.8	4.1%
Transportation and utilities	1,237	1.3%	613.0	9.1%	1,189	1.1%	480.5	6.3%
Wholesale trade	2,151	2.2%	181.9	2.7%	7,391	7.1%	450.5	5.9%
Retail trade	56,418	58.0%	5,194.4	77.2%	38,958	37.3%	4,559.3	59.6%
Finance, insurance, and real estate	432	0.4%	19.4	0.3%	2,329	2.2%	167.2	2.2%
Services	24,352	25.0%	385.6	5.7%	33,884	32.5%	1,416.9	18.5%
State and local government	302	0.3%	10.0	0.1%	294	0.3%	15.1	0.2%
Other classifications	1,333	1.4%	56.6	0.8%	5,310	5.1%	140.9	1.8%
Total	97,221	100.0%	$ 6,732.1	100.0%	104,394	100.0%	$ 7,655.8	100.0%

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry, and do not align with final reported revenue that includes accrual items.

Industries were categorized using the Standard Industrial Classification through fiscal year 2014 and beginning in fiscal year 2015 using the North American Industry Classification System. The switch in classification system results in a significant increase in tax reported by service firms and less reported by firms classified as retailers.

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 2017 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Dollars In Millions, except Per Capita)

	GOVERNMENTAL ACTIVITIES						
FISCAL YEAR	GENERAL OBLIGATION BONDS	REVENUE BONDS	STATE BUILDING AUTHORITY BONDS	CAPITAL LEASES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2009	$ 1,639.7	$ 2,559.9	$ 3,046.8	$ 329.6	$ 7,576.0	2.3%	$ 765
2010	1,649.7	2,455.3	3,084.6	345.5	7,535.1	2.2%	762
2011	1,871.8	2,339.2	3,247.4	407.5	7,865.9	2.1%	796
2012	1,998.4	2,317.4	3,171.9	416.2	7,903.8	2.1%	799
2013	2,034.3	2,188.8	3,251.1	407.3	7,881.4	2.0%	796
2014	1,988.6	2,065.8	3,165.2	393.6	7,613.2	1.9%	768
2015	1,790.5	1,916.0	3,272.4	453.6	7,432.5	1.7%	749
2016	1,700.4	1,798.4	3,289.0	527.0	7,314.8	1.6%	736
2017	1,634.4	1,623.7	3,303.1	500.3	7,061.6	1.5%	709
2018	1,607.0	1,446.9	3,199.5	488.6	6,742.0	Unavailable	Unavailable

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 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. 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.

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Dollars In Millions, except Per Capita)

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS DEBT SERVICE FUNDS	NET GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2009	$ 1,639.7	$ 1.3	$ 1,638.4	0.5%	$ 165
2010	1,649.7	1.3	1,648.4	0.5%	167
2011	1,871.8	1.4	1,870.5	0.5%	189
2012	1,998.4	1.4	1,997.0	0.5%	202
2013	2,034.3	1.5	2,032.8	0.5%	205
2014	1,988.6	1.6	1,987.0	0.5%	200
2015	1,790.5	1.7	1,788.8	0.4%	180
2016	1,700.4	1.7	1,698.6	0.4%	171
2017	1,634.4	1.8	1,632.6	0.4%	164
2018	1,607.0	3.7	1,603.3	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)

	2009	2010	2011	2012
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 964.0	$ 962.1	$ 957.7	$ 945.9
Registration Taxes	839.7	842.1	859.7	876.1
Miscellaneous Fees	33.0	33.8	34.2	35.0
Total	1,836.7	1,837.9	1,851.5	1,857.0
Less Deductions	137.2	138.1	137.4	138.0
Remaining Balance	1,699.5	1,699.9	1,714.1	1,719.0
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	155.3	155.2	156.7	157.0
Motor Vehicle Related Sales Tax Revenues	$ 1,188.3	$ 1,182.5	$ 1,290.7	$ 1,406.5
Allocation to Comprehensive Transportation Fund	82.9	76.8	90.0	98.1
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	$ 238.2	$ 232.0	$ 246.7	$ 255.1
Plus Other Revenues (primarily interest)	0.9	1.2	1.0	0.6
Money Available for Debt Service	$ 239.1	$ 233.2	$ 247.8	$ 255.8
Debt Service:				
Principal	$ 7.5	$ 10.1	$ 10.2	$ 14.0
Interest	10.4	10.5	10.0	9.3
Actual Annual Debt Service (1)	17.9	20.6	20.1	23.4
Debt Service Coverage	13.3 x	11.3 x	12.3 x	10.9 x

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

2013	2014	2015	2016	2017	2018
$ 950.9	$ 958.8	$ 1,003.8	$ 1,011.0	$ 1,359.5	$ 1,467.9
906.5	940.6	978.1	1,018.3	1,210.0	1,294.9
36.1	37.4	38.8	40.6	44.8	42.0
1,893.5	1,936.8	2,020.7	2,069.9	2,614.3	2,804.8
133.2	135.3	143.5	144.7	161.6	161.6
1,760.4	1,801.5	1,877.2	1,925.2	2,452.6	2,643.1
161.4	165.5	172.5	176.9	229.8	248.7
$ 1,476.3	$ 1,462.7	$ 1,301.9	$ 1,211.5	$ 1,255.1	$ 1,378.0
103.0	102.0	90.8	84.5	87.5	96.1
$ 264.4	$ 267.5	$ 263.3	$ 261.4	$ 317.4	$ 344.9
1.1	1.1	1.5	6.4	1.1	2.6
$ 265.4	$ 268.6	$ 264.8	$ 267.9	$ 318.5	$ 347.4
$ 13.9	$ 14.5	$ 15.9	$ 16.5	$ 17.2	$ 18.1
8.6	7.9	7.3	6.2	5.7	4.8
22.4	22.4	23.2	22.7	22.9	22.9
11.8 x	12.0 x	11.4 x	11.8 x	13.9 x	15.2 x

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	2009	2010	2011	2012
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 964.0	$ 962.1	$ 957.7	$ 945.9
Registration Taxes	839.7	842.1	859.7	876.1
Miscellaneous Fees	33.0	33.8	34.2	35.0
Total	1,836.7	1,838.0	1,851.5	1,857.0
Less Deductions:				
Local Bridge Debt Service	2.8	3.3	3.3	3.3
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Collection Costs	47.8	47.9	47.8	48.6
Recreation Improvement Fund	16.6	16.7	16.5	16.4
Comprehensive Transportation Fund (excluding interest)	155.3	155.2	156.7	157.0
Local Program Fund	33.0	33.0	33.0	33.0
Movable Bridge Fund	-	-	-	-
Local Agency Wetlands Mitigation Fund	-	-	-	-
Local Bridge Fund	27.0	27.2	26.9	26.8
Economic Development Fund	40.3	40.3	40.3	40.3
Total Deductions	365.7	366.6	367.4	368.4
Constitutionally Restricted Revenues Available for Distribution	1,471.0	1,471.4	1,484.1	1,488.6
Plus Other Revenues (primarily interest)	2.3	2.2	0.6	1.2
Total Money Available for Distribution	1,473.3	1,473.6	1,484.7	1,489.8
Distributions to:				
Cities and Villages	322.4	322.4	324.6	326.0
County Road Commissions	563.7	563.8	568.4	569.3
State Trunkline Fund	587.2	587.4	591.7	592.5
Money Available for Debt Service:				
State Trunkline Fund	587.2	587.4	591.7	592.5
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
Local Bridge Fund	2.8	3.3	3.3	3.3
Miscellaneous	27.1	36.4	39.5	35.4
Total Available for Debt Service	733.3	743.4	750.7	747.4
Debt Service:				
Principal	$ 45.6	$ 79.2	$ 82.6	$ 86.3
Interest	90.1	80.9	77.5	75.6
Actual Annual Debt Service (1)	135.7	160.1	160.1	161.9
Debt Service Coverage	5.4 x	4.6 x	4.7 x	4.6 x

NOTE: (1) The table above excludes amounts related to refunded bonds and federally funded debt.

SOURCE: Michigan Department of Transportation.

2013	2014	2015	2016	2017	2018
$ 950.9	$ 958.8	$ 1,003.8	$ 1,011.0	$ 1,359.5	$ 1,467.9
906.5	940.6	978.1	1,018.3	1,210.0	1,294.9
36.1	37.4	38.8	40.6	44.8	42.0
1,893.5	1,936.8	2,020.7	2,069.9	2,614.3	2,804.8
3.0	2.4	2.3	2.4	2.4	2.3
43.0	43.0	43.0	43.0	50.0	50.0
43.9	46.4	53.2	53.1	55.7	56.4
16.4	16.5	17.2	17.6	22.5	24.4
161.4	165.5	172.5	176.9	229.8	248.7
33.0	33.0	33.0	33.0	33.0	33.0
-	-	-	5.0	5.0	5.1
-	-	-	2.0	2.0	1.0
26.8	26.9	27.8	28.5	28.3	28.5
40.3	40.3	40.3	40.3	40.3	40.3
367.8	374.1	389.3	401.9	469.1	489.8
1,525.7	1,562.8	1,631.5	1,668.0	2,145.2	2,315.0
1.1	1.1	1.4	2.4	3.4	3.5
1,526.8	1,563.8	1,632.9	1,670.4	2,148.6	2,318.5
334.2	342.3	357.2	365.9	470.2	509.9
584.5	598.9	625.4	639.6	825.1	891.3
607.7	622.6	650.3	664.9	850.5	917.0
607.7	622.6	650.3	664.9	850.5	917.0
43.0	43.0	43.0	43.0	50.0	50.0
40.3	40.3	40.3	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
3.0	2.4	2.3	2.4	2.4	2.3
133.0	35.7	26.4	31.8	38.5	80.2
860.1	777.0	795.4	815.4	1,014.7	1,122.8
$ 88.5	$ 106.5	$ 111.4	$ 116.4	$ 121.8	$ 127.2
73.2	59.2	48.7	45.8	39.9	33.6
161.8	165.7	160.1	162.2	161.8	160.8
5.3 x	4.7 x	5.0 x	5.0 x	6.3 x	7.0 x

DEBT SERVICE COVERAGE

STATE BUILDING AUTHORITY

LAST TEN FISCAL YEARS

(In Millions)

	2009	2010	2011	2012
Revenue - Lease and Rental Payments	$ 230.4	$ 230.1	$ 233.1	$ 234.3
Less: Operating Expenses	1.1	1.6	1.4	1.6
Net Available Revenue	229.3	228.5	231.7	232.7
Debt Service:				
Principal	$ 100.5	$ 96.1	$ 128.9	$ 96.2
Interest	122.2	120.0	122.5	121.0
Actual Annual Debt Service (1)	222.7	216.1	251.4	217.2
Debt Service Coverage	1.0 x	1.1 x	0.9 x	1.1 x

NOTE: (1) The table above excludes amounts related to refunded bonds.

2013	2014	2015	2016	2017	2018
$ 234.4	$ 231.0	$ 230.9	$ 224.4	$ 216.7	$ 225.1
1.3	1.1	1.0	0.8	1.0	1.6
233.1	229.9	229.9	223.6	215.7	223.5
$ 126.6	$ 102.2	$ 139.5	$ 108.8	$ 87.1	$ 95.8
124.8	118.5	121.7	117.3	133.2	141.6
251.4	220.6	261.2	226.1	220.2	237.4
0.9 x	1.0 x	0.9 x	1.0 x	1.0 x	0.9 x

DEMOGRAPHIC AND ECONOMIC INDICATORS
LAST TEN CALENDAR YEARS

	2008	2009	2010	2011
Population (a)				
(in thousands)				
Michigan	9,947	9,902	9,884	9,876
United States	304,094	306,772	308,746	311,644
Total Personal Income (b)				
(in billions)				
Michigan	$ 354.1	$ 336.0	$ 348.7	$ 370.2
United States	$ 12,438.5	$ 12,051.3	$ 12,542.0	$ 13,315.5
Per Capita Income (b)				
Michigan	$ 35,595	$ 33,938	$ 35,302	$ 37,482
United States	$ 40,904	$ 39,284	$ 40,545	$ 42,727
Unemployment Rate (c)				
Michigan	8.0%	13.7%	12.6%	10.4%
United States	5.8%	9.3%	9.6%	8.9%
Michigan estimated wage and salary employees (c)				
(in thousands)				
Goods Producing:				
Mining and Logging	7.9	6.9	7.1	7.4
Construction	153.5	127.6	121.6	125.3
Manufacturing	562.7	454.9	466.0	501.6
Total Goods Producing	724.0	589.4	594.7	634.3
Service-Providing:				
Private Service-Providing				
Trade, Transportation, and Utilities:				
Wholesale Trade	167.8	152.9	150.7	155.0
Retail Trade	478.1	451.4	446.5	448.6
Transportation and Utilities	124.5	112.9	113.5	118.3
Information	60.2	56.3	54.8	53.2
Financial Activities:				
Finance and Insurance	149.9	142.6	139.8	144.2
Real Estate and Rental and Leasing	52.0	48.8	48.3	48.9
Professional and Business Services:				
Professional, Scientific, and Technical Services	253.2	229.5	230.7	242.5
Management of Companies and Enterprises	55.6	49.9	49.8	52.5
Administrative, Support Services, and Waste Management	264.3	230.6	243.7	267.8
Educational and Health Services:				
Educational Services	80.5	79.2	77.3	73.5
Health Care and Social Assistance	526.9	530.1	534.5	548.2
Leisure and Hospitality:				
Accommodation and Food Services	345.6	330.8	329.0	332.8
Other	54.3	50.9	48.6	47.7
Other Services	175.6	168.8	166.3	167.3
Total Private Service-Providing	2,788.4	2,634.7	2,633.3	2,700.4
Government	650.0	646.8	635.6	617.4
Total Service-Providing	3,438.4	3,281.4	3,268.9	3,317.8
Total Wage and Salary Employment	4,162.5	3,870.8	3,863.6	3,952.1

NOTES: Wage and Salary Employment based on North American Industry Classification System.
Components in Wage and Salary Employment may not total due to truncation.
Calendar year 2017 is the most recent year for which data is available.

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.

2012	2013	2014	2015	2016	2017
9,887	9,899	9,915	9,918	9,933	9,962
313,993	316,235	318,623	321,040	323,406	325,719
$ 385.4	$ 389.3	$ 407.6	$ 431.2	$ 444.5	$ 460.3
$ 13,998.4	$ 14,175.5	$ 14,983.1	$ 15,711.6	$ 16,115.6	$ 16,820.3
$ 38,983	$ 39,328	$ 41,116	$ 43,471	$ 44,751	$ 46,201
$ 44,582	$ 44,826	$ 47,025	$ 48,940	$ 49,831	$ 51,640
9.1%	8.8%	7.2%	5.4%	5.0%	4.6%
8.1%	7.4%	6.2%	5.3%	4.9%	4.4%
7.8	8.0	8.3	7.7	7.2	7.1
128.2	133.5	141.8	148.3	155.1	162.8
530.2	548.4	574.2	590.9	604.5	614.7
666.2	689.9	724.3	746.8	766.8	784.6
159.2	163.1	166.5	168.6	170.8	173.1
449.3	455.3	461.4	467.5	473.2	473.1
121.7	125.7	130.6	135.5	138.7	141.8
53.3	55.3	57.5	56.6	57.3	56.5
148.2	153.4	153.6	155.8	160.0	163.9
48.2	49.4	50.6	51.3	52.8	54.2
253.4	263.1	271.5	277.2	284.8	292.6
54.4	56.9	58.5	61.1	63.8	66.3
280.8	290.8	292.5	295.5	293.9	289.2
73.3	74.1	74.4	74.8	73.9	74.0
559.0	565.3	568.7	577.3	590.9	597.4
341.9	350.3	357.5	363.5	373.5	380.3
46.9	47.9	49.0	50.2	51.7	52.2
169.3	170.5	169.5	167.3	167.7	168.1
2,758.9	2,821.1	2,861.6	2,902.2	2,952.9	2,982.7
608.5	598.5	595.8	594.2	599.4	604.0
3,367.4	3,419.7	3,457.4	3,496.3	3,552.3	3,586.7
4,033.6	4,109.6	4,181.7	4,243.2	4,319.1	4,371.3

CLASSIFIED EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012
General government	7,328	6,995	6,645	7,026
Education	405	445	446	476
Health and human services	14,243	14,287	13,813	14,055
Public safety and corrections	19,310	18,388	17,508	16,689
Conservation, environment, recreation, and agriculture	3,466	3,359	3,041	3,049
Labor, commerce, and regulatory	4,056	4,298	3,727	3,756
Transportation	2,892	2,844	2,639	2,632
Total	51,699	50,615	47,818	47,683

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.

2013	2014	2015	2016	2017	2018
7,273	7,377	6,888	7,016	7,090	7,155
518	518	515	507	504	505
14,885	14,516	14,046	13,858	14,083	14,273
16,561	16,154	16,019	16,125	15,916	15,716
3,033	3,050	3,119	3,185	3,247	3,305
2,899	2,817	3,431	3,402	3,390	3,405
2,570	2,573	2,570	2,600	2,594	2,597
47,739	47,003	46,588	46,692	46,825	46,956

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012
General government				
Tax forms processed	8,320,921	8,078,164	8,521,664	8,539,957
Passenger, commercial, and recreational vehicle registrations	8,506,838	8,459,499	8,479,747	8,435,868
Driver licenses issued	1,910,604 (5)	1,791,417	1,901,673	1,969,253
Education				
K-12 students	1,614,975	1,592,598	1,565,324	1,550,111
Public university students	257,148	262,615	264,903	264,913
Community college students	157,225	177,277	176,370	164,828
Human services				
Food assistance program recipients (1)	1,462,710	1,776,368	1,928,478	1,828,384
Family independence program recipients (1)	202,693	224,651	227,490	154,941
Day care recipients (1)	83,137	63,643	54,049	50,028
Children in foster care	16,115	15,261	14,043	13,504
State disability assistance recipients (1)	10,528	10,628	10,094	8,713
Finalized adoptions (yearly total) (2)	3,087	2,612	2,506	2,554
Juvenile justice youth served	1,047	988	951	801
Open child support cases with support orders established	763,919	764,388	772,687	774,463
Public safety and corrections				
Inmates, parolees, and probationers (as of 9/30)	125,854	125,231	117,152	112,049
State police patrol miles driven	15,138,587	16,148,708	15,045,772	17,633,319
Criminal offender DNA samples entered into federal indexing database (calendar year)	19,029	20,911	16,475	16,098
National Guard members (as of 9/30)	11,817	11,900	11,504	11,156
Veteran homes average daily census	875	852	798	690
Conservation, environment, recreation and agriculture				
Hunting and/or fishing license holders (3)	1,951,579	1,934,765	1,912,262	1,851,287
Camping nights in State parks	894,410	916,289	899,311	987,189
Population impacted by water purification projects	359,015	370,662	725,931	463,457
Underground storage tank releases closed	203	231	171	184
Scrap tires collected (passenger tire equivalent)	5,517,872	1,121,596	220,508	161,704
Labor, commerce, and regulatory				
Processed applications for new and renewal occupational licenses	150,118	155,035	147,791	125,603
Building related permits issued	19,604	20,078	18,182	19,221
Building related safety inspections conducted	41,623	48,614	46,510	49,614
Occupational safety and health enforcement inspections conducted	5,071	5,202	5,343	5,394
Alleged occupational safety and health violations identified	14,006	14,221	14,333	13,744
Financial and insurance service providers chartered	328,182	331,410	349,269	390,005
Health services				
Medicaid recipients (1)	1,622,758	1,823,178	1,899,107	1,875,544
Healthy Michigan Plan recipients	-	-	-	-
Women, Infants, and Children Food and Nutrition Program recipients (1)	242,453	256,229	252,123	255,954
Children's special health care services recipients (1)	30,008	31,818	31,587	29,958
Mentally ill/developmental disability service recipients (1)	228,258	228,215	231,091	242,884
Substance abuse service recipients	73,334	71,382	70,069	70,145

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 2018 are for the licensing year ending March 31, 2018.
(4) Amount estimated.
(5) Enhanced driver licenses were sold starting in fiscal year 2009.

SOURCES: Various State departments.

2013	2014	2015	2016	2017	2018
8,360,575	8,432,444	8,253,892	8,843,031	8,957,609	9,517,077
8,496,407	8,543,342	8,604,852	8,726,870	8,828,958	8,778,306
1,956,686	1,811,237	1,907,776	1,995,736	1,998,160	1,877,592
1,533,442	1,522,039	1,506,953	1,494,000	1,489,357	1,482,431
263,817	262,537	261,989	260,817	259,711	257,535
154,118	143,829	133,895	125,388	124,868	120,724
1,775,646	1,680,721	1,571,403	1,473,614	1,375,434	1,281,862
129,185	89,957	71,156	55,379	48,120	41,914
43,246	35,501	29,624	30,941	32,217	34,218
13,902	13,209	13,246	13,145	13,329	14,149
7,845	6,723	5,600	4,664	3,991	3,339
2,361	2,186	1,817	2,109	2,179	1,947 (4)
790	729	668	639	640	617
771,108	760,284	683,193	694,706	685,058	674,643
108,738	106,966	104,345	101,853	98,666	96,579
18,852,703	21,249,946	22,731,503	22,532,597	22,762,373	23,622,792
21,283	14,776	20,930	37,856	33,421	33,741 (4)
10,901	10,537	10,001	10,242	10,451	10,532
665	649	610	589	499	453
1,919,692	1,947,508	1,838,505	1,836,298	1,827,091	1,815,201
1,021,712	939,105	1,022,791	1,034,109	1,155,052	1,163,997 (4)
691,102	677,175	821,323	1,181,115	806,760	76,472
285	488	427	344	249	218
522,869	183,359	369,305	212,528	203,162	277,578 (4)
135,734	341,132	128,071	148,606	167,118	169,267
17,783	17,066	18,051	16,718	17,747	18,346
58,223	56,098	52,578	55,731	41,649	35,930
5,267	5,231	4,437	5,069	4,862	4,339
12,741	10,693	11,266	13,855	12,566	9,510
225,927	255,121	277,147	298,370	310,436	336,604
1,854,880	1,842,957	1,706,468	1,710,770	1,775,073	1,769,624
-	286,311 (11)	544,377	597,225	650,000	671,601
254,126	251,713	244,829	234,546	224,106	213,964
31,083	33,550	33,512	33,206	33,622	35,835
251,019	241,329	236,291	228,444	231,307	Unavailable
70,664	71,248	70,173	72,306	72,627	73,142 (4)

OPERATING INDICATORS BY FUNCTION (Continued)
LAST TEN FISCAL YEARS

	2009	2010	2011	2012
Transportation				
Annual vehicle miles of travel on				
State Trunkline roads (9)	48,700,000,000	48,700,000,000	49,800,000,000	48,700,000,000
Miles of intercity bus travel receiving State funding	1,080,543	1,080,444	1,086,022	1,094,911
Miles of local bus travel receiving State funding	112,642,720	108,426,363	105,267,567	104,317,459
Railroad crossing maintenance/safety inspections	1,932	1,454	2,563	2,644
Tax credits				
Taxpayers claiming refundable credits (6) (8)	2,566,100	2,454,200	2,363,800	1,882,600
Intergovernmental-revenue sharing				
Township grants	1,240	1,240	1,240	1,240
City grants	275	277	277	277
Village grants	258	256	256	256
County grants (7)	7	20	36	50
Liquor Purchase Revolving Fund				
Annual retail liquor licenses issued (10)	15,771	15,898	15,870	15,961
Liquor sales volume (cases)	6,734,253	6,877,873	7,117,299	7,373,714
Beer sales volume (barrels)	6,465,495	6,448,197	6,250,673	6,318,295
Wine sales volume (liters)	73,200,249	79,440,328	81,504,221	84,253,865
Pre-mixed spirit drink sales volume (liters)	787,948	983,029	954,712	1,076,369
State Lottery Fund				
Retailers	10,680	10,797	10,746	10,879
Winners greater than $600	53,986	60,543	48,567	44,904
Millionaire prizewinners	40	39	28	31
Michigan Unemployment Compensation Funds				
Individuals receiving benefits (calendar year)	913,568	825,858	636,493	527,507

NOTES:
(6) Tax credits are reported based on the tax year. Credits claimed during tax year 2015, for example, are reported above in fiscal year 2015.
(7) 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.
(8) Amount estimated and rounded to nearest hundred.
(9) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.
(10) In fiscal year 2017, the Liquor Control Commission implemented the Alcohol Information Management System which includes Specially Designated Merchant licenses that were issued in conjunction with other license types.
(11) The first year of the Healthy Michigan plan was fiscal year 2014. Amount is a nine month average for fiscal year 2014.

SOURCES: Various State departments.

2013	2014	2015	2016	2017	2018	
49,400,000,000	50,000,000,000	51,100,000,000	51,400,000,000	52,900,000,000	54,300,000,000	
1,110,733	1,109,738	1,112,920	1,056,684	972,876	960,280	
101,203,565	100,071,938	101,441,015	102,988,003	108,598,150	111,856,094	(4)
1,970	1,624	1,787	3,256	2,250	2,379	
1,840,900	1,802,100	1,757,100	1,783,300	1,758,500	Unavailable	
1,240	1,240	1,240	1,240	1,240	1,240	
277	277	279	280	280	280	
256	256	254	253	253	253	
62	63	74	76	78	78	
16,026	15,989	15,940	15,921	25,727	26,351	
7,532,846	7,709,480	8,043,595	8,370,191	8,549,809	8,898,383	
6,206,452	6,221,433	6,302,160	6,221,883	6,064,592	6,024,082	
88,096,394	92,044,380	92,562,421	95,465,899	96,255,115	97,473,694	
1,058,511	1,074,364	1,142,527	1,385,629	1,553,193	1,726,361	
10,848	10,684	10,654	10,650	10,645	10,792	
52,365	56,735	68,359	74,352	82,435	91,984	
36	39	42	46	38	39	
449,388	370,980	306,158	286,449	272,373	223,059	(4)

CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012
General government:				
Buildings	279	261	247	239
Vehicles	772	812	762	783
Education				
Buildings	27	27	27	27
Vehicles	23	23	24	28
Health and Human services				
Buildings	448	434	429	420
Vehicles	1,216	1,235	1,297	1,317
Public safety and corrections				
Buildings	1,393	1,389	1,386	1,255
Vehicles	3,542	3,568	3,448	3,433
Conservation, environment, recreation, and agriculture				
Buildings	326	340	339	335
Vehicles	3,850	3,912	3,829	3,853
Environmental quality air-monitoring instruments	198	202	202	202
Environmental quality lab/analyzing equipment	147	144	150	156
Natural resources acres of land	4,582,771	4,588,442	4,586,891	4,586,922
Harbors	17	17	18	19
Hatcheries	6	6	6	6
State park & recreation areas	98	98	99	101
Labor, commerce, and regulatory				
Buildings	154	173	166	112
Vehicles	510	492	490	585
Transportation				
Buildings	436	436	435	374
Vehicles	1,764	1,770	1,729	1,707
Highway lane miles (calendar year)	27,438	27,432	27,439	27,437
Heavy equipment owned	2,173	2,184	2,211	2,150

NOTE: 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.

2013	2014	2015	2016	2017	2018
240	240	241	240	243	241
927	974	972	988	990	1,059
27	28	28	28	28	28
27	29	32	35	33	35
459	443	439	441	442	439
1,546	1,682	1,708	1,698	1,729	1,746
1,254	1,254	1,253	1,261	1,259	1,254
3,547	3,700	3,705	3,924	3,977	4,057
325	327	330	327	326	326
3,985	4,053	4,159	4,275	4,528	4,005
231	229	229	248	278	295
159	143	147	156	166	217
4,595,866	4,592,910	4,597,121	4,590,035	4,594,015	4,594,482
19	19	19	19	19	19
6	6	6	6	6	6
101	102	102	103	103	102
45	45	70	69	66	65
484	495	493	574	601	636
373	373	372	373	373	374
1,692	1,682	1,674	1,682	1,691	1,729
27,424	27,459	27,488	27,452	29,702	29,748
2,150	2,156	2,185	2,222	2,258	2,343

OTHER INFORMATION

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales	$ 8,074,032	$ 2,096,781	$ 5,977,251
Personal income	10,858,311	7,965,385	2,892,926
Single business, Michigan business, and corporate income	1,036,594	1,036,594	-
Use	1,486,178	853,851	632,326
State education (property)	1,989,481	-	1,989,481
Real estate transfer	350,281	-	350,281
Tobacco products	917,994	574,220	343,774
Beer and wine	50,849	50,849	-
Liquor	172,089	115,088	57,001
Horse race wagering	2,855	2,855	-
Casino gaming wagering	115,423	-	115,423
Telephone and telegraph company	30,076	30,076	-
Commercial mobile radio service	36,822	36,822	-
Insurance company	393,367	393,367	-
Health insurance claims assessment	331,920	331,920	-
Motor vehicle registration	1,297,864	2,977	1,294,888
Gasoline	1,219,810	-	1,219,810
Diesel fuel	246,431	-	246,431
Alternative fuels	2,221	-	2,221
Gas and oil severance	27,487	27,487	-
Industrial facilities	36,265	-	36,265
Convention hotel accommodation	28,457	28,457	-
Airport parking	30,094	30,094	-
Quality assurance assessment	1,245,149	1,245,149	-
Essential services assessment	99,290	99,290	-
Penalties and interest	178,622	178,622	-
Other	90,044	64,930	25,114
	30,348,004	15,164,813	15,183,191
FROM FEDERAL AGENCIES			
Department of Health and Human Services	14,906,247	14,903,189	3,058
Department of Education	1,423,395	291,922	1,131,473
Department of Agriculture	2,738,298	2,269,249	469,049
Department of Labor	271,108	154,466	116,642
Department of Housing and Urban Development	12,261	12,261	-
Department of Commerce	2,203	2,203	-
Department of Energy	14,278	14,278	-
Department of Transportation	71,598	28,884	42,714
Department of Interior	44,091	39,047	5,044
Department of Defense	69,323	69,323	-
Department of Justice	51,612	51,612	-
Department of Homeland Security	41,524	40,594	930
Environmental Protection Agency	92,692	92,690	2
Other	218,508	218,393	115
	19,957,136	18,188,110	1,769,026
FROM LOCAL AGENCIES			
Counties	64,886	64,886	-
Cities, villages, and townships	7,877	7,877	-
School districts	3,762	3,762	-
Other	15,437	15,437	-
	91,962	91,962	-
SPECIAL MEDICAID REIMBURSEMENTS	149,350	149,350	-

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for providing vehicle and driver services	$ 163,618	$ 159,436	$ 4,183
Revenues for patient, ward, and inmate care	30,696	30,696	-
Other	166,517	166,485	32
	360,831	356,616	4,215
FROM LICENSES AND PERMITS			
Liquor retailer, manufacturer, and wholesaler licenses	18,765	18,765	-
Motor vehicle operator and chauffeur licenses	49,116	48,783	333
Examination fees - financial institutions and insurance industry	36,972	36,972	-
Concessions and privilege fees - State parks	1,410	-	1,410
Motor vehicle related	40,009	2,795	37,214
Hunting, fishing, and trapping licenses	60,404	-	60,404
Public utilities assessment fees	35,746	35,746	-
Regulatory licenses and permits	121,627	111,322	10,304
Auto repair facility and mechanic licenses and fees	3,683	3,683	-
Corporation franchise fees	26,676	26,676	-
Recreation user fees and permits	105,615	1,766	103,849
Other	68,427	66,363	2,064
	568,448	352,869	215,579
MISCELLANEOUS			
Income from investments	63,885	33,329	30,555
Tobacco settlement proceeds	227,395	17,500	209,895
Various fines, fees, and assessments	102,063	67,552	34,510
Court fines, fees, and assessments	199,489	187,266	12,224
Oil and gas royalties, fees, assignments, and rentals	6,711	5,061	1,650
Sale of forest products on tax reverted land	55,571	-	55,571
Environmental pollution settlements	6,248	4,852	1,395
Child support	31,451	31,451	-
Unclaimed bottle deposits	25,402	2	25,400
State agency office rentals	48	48	-
Unemployment obligation assessment	462,370	-	462,370
Other	651,329	577,222	74,107
	1,831,961	924,284	907,677
Total Revenues	53,307,693	35,228,004	18,079,689
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	151,484	151,484	-
Capital lease acquisitions	22,994	22,994	-
Proceeds from sale of capital assets	6,236	6,236	-
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	230,897	230,897	-
From State Lottery Fund	983,988	3,352	980,636
From other funds	453,760	52,959	400,801
Total Other Financing Sources	1,849,359	467,923	1,381,437
Total Revenue and Other Financing Sources (GAAP Basis)	$ 55,157,052	$ 35,695,926	$ 19,461,126

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
TAXES			
Sales	$ 2,096,781	$ 795,996	$ 1,300,785
Personal income	7,965,385	7,130,225	835,160
Single business, Michigan business, and corporate income	1,036,594	371,864	664,730
Use	853,851	801,099	52,753
Tobacco products	574,220	181,383	392,836
Beer and wine	50,849	50,849	-
Liquor	115,088	57,839	57,249
Horse race wagering	2,855	-	2,855
Telephone and telegraph company	30,076	30,076	-
Commercial mobile radio service	36,822	-	36,822
Insurance company	393,367	393,177	190
Health insurance claims assessment	331,920	-	331,920
Motor vehicle registration	2,977	-	2,977
Gas and oil severance	27,487	26,236	1,250
Convention hotel accommodation	28,457	-	28,457
Airport parking	30,094	-	30,094
Quality assurance assessment	1,245,149	-	1,245,149
Essential services assessment	99,290	99,290	-
Penalties and interest	178,622	168,668	9,954
Other	64,930	2,781	62,149
	15,164,813	10,109,483	5,055,330
FROM FEDERAL AGENCIES			
Department of Health and Human Services	14,903,189	90	14,903,099
Department of Education	291,922	232	291,690
Department of Agriculture	2,269,249	36	2,269,213
Department of Labor	154,466	87	154,379
Department of Housing and Urban Development	12,261	45	12,216
Department of Commerce	2,203	-	2,203
Department of Energy	14,278	29	14,249
Department of Transportation	28,884	651	28,233
Department of Interior	39,047	-	39,047
Department of Defense	69,323	-	69,323
Department of Justice	51,612	87	51,525
Department of Homeland Security	40,594	313	40,281
Environmental Protection Agency	92,690	5	92,685
Other	218,393	1,336	217,057
	18,188,110	2,911	18,185,199
FROM LOCAL AGENCIES			
Counties	64,886	80	64,807
Cities, villages, and townships	7,877	-	7,877
School districts	3,762	84	3,678
Other	15,437	-	15,437
	91,962	164	91,798
SPECIAL MEDICAID REIMBURSEMENTS	149,350	-	149,350

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
FROM SERVICES			
Charges for providing vehicle and driver services	$ 159,436	$ 596	$ 158,839
Revenues for patient, ward, and inmate care	30,696	183	30,512
Other	166,485	1,993	164,492
	356,616	2,772	353,844
FROM LICENSES AND PERMITS			
Liquor retailer, manufacturer, and wholesaler licenses	18,765	1,854	16,910
Motor vehicle operator and chauffeur licenses	48,783	2,256	46,527
Examination fees - financial institutions and insurance industry	36,972	-	36,972
Motor vehicle related	2,795	13	2,781
Public utilities assessment fees	35,746	-	35,746
Regulatory licenses and permits	111,322	9,428	101,894
Auto repair facility and mechanic licenses and fees	3,683	-	3,683
Corporation franchise fees	26,676	33	26,642
Recreation user fees and permits	1,766	400	1,366
Other	66,363	189	66,174
	352,869	14,174	338,695
MISCELLANEOUS			
Income from investments	33,329	6,306	27,023
Tobacco settlement proceeds	17,500	-	17,500
Various fines, fees, and assessments	67,552	681	66,871
Court fines, fees, and assessments	187,266	40,251	147,014
Oil and gas royalites, fees, assignments, and rentals	5,061	-	5,061
Environmental pollution settlements	4,852	-	4,852
Child support	31,451	1	31,451
Unclaimed bottle deposits	2	-	2
State agency office rentals	48	-	48
Other	577,222	132,999	444,223
	924,284	180,238	744,046
Total Revenues	35,228,004	10,309,741	24,918,263
OTHER FINANCING SOURCES			
Proceeds from bond and bond anticipation notes	151,484	-	151,484
Capital lease acquisitions	22,994	-	22,994
Proceeds from sale of capital assets	6,236	3,400	2,836
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	230,897	230,701	196
From State Lottery Fund	3,352	1,932	1,419
From other funds	52,959	-	52,959
Total Other Financing Sources	467,923	236,033	231,889
Total Revenue and Other Financing Sources (GAAP Basis)	35,695,926	10,545,775	25,150,152
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(22,994)	-	(22,994)
Total Revenue and Other Financing Sources (Budgetary Basis)	$ 35,672,933	$ 10,545,775	$ 25,127,158

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2018

(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	$ 167,205	$ -	$ 161	$ 24,729	$ 11,908	$ (2,232)
Judicial Branch	192,574	-	-	31,448	84,156	(32,711)
Executive Branch:						
Agriculture and Rural Development	66,502	-	4	22,336	44,773	(27,250)
Attorney General	42,249	-	-	20,647	46,670	(6,030)
Civil Rights	13,007	-	-	907	1,890	-
Colleges and Universities Grants	1,280,281	-	-	5	108,344	-
Corrections	1,948,384	-	-	140,313	48,880	(23,347)
Education	163,850	-	-	19,138	256,411	(5,761)
Environmental Quality	81,152	-	3	188,575	416,128	(237,417)
Executive Office	6,849	-	-	33	-	-
Health and Human Services	4,349,108	-	-	365,336	19,822,008	(257,255)
Insurance and Financial Services	150	-	-	22,504	55,266	(25,971)
Licensing and Regulatory Affairs	44,492	-	-	156,973	316,475	(142,037)
Marshall Plan for Talent	-	-	-	-	100,027	(100,027)
Military and Veterans Affairs	66,334	-	-	12,251	113,503	(6,970)
Natural Resources	64,521	-	-	33,953	62,069	(12,519)
State	24,274	-	-	50,520	243,443	(50,780)
State Police	473,837	-	-	37,446	230,166	(41,644)
Talent and Economic Development	228,256	-	-	5,022	225,503	-
Technology, Management and Budget	862,381	-	-	842,897	635,508	(1,037,108)
Transportation	205,000	-	984	75,648	2,000	(511)
Treasury	231,493	-	-	109,587	3,169,437	(69,025)
Intrafund expenditure reimbursements	-	-	-	-	-	-
Total	$ 10,511,897	$ -	$ 1,151	$ 2,160,268	$ 25,994,566	$ (2,078,594)

* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenue not authorized/used, which includes revenues that by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenue is subject to annual legislative appropriation. However, the restricted revenue may also be used in subsequent years to finance expenditures in multi-year appropriations and for encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs that could have been used in the current period but were not.

For budgetary purposes, encumbrance authorization are considered use of spending authority in the year the State incurs an obligation.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

		"BUDGET"	"ACTUAL"		"VARIANCES"		
GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
$ 201,770	$ (31,512)	$ 170,258	$ 167,199	$ 1,072	$ 80	$ 1,907	$ -
275,467	(28)	275,439	272,733	2,519	-	187	-
106,365	(934)	105,430	88,593	16,559	-	279	-
103,535	(9,030)	94,505	93,599	333	-	574	-
15,803	(699)	15,105	14,242	185	-	677	-
1,388,630	(3,184)	1,385,446	1,385,167	-	-	279	-
2,114,229	(102,934)	2,011,295	1,944,255	58,488	-	8,552	-
433,638	(11,655)	421,982	417,525	2,767	163	1,527	-
448,441	(2,483)	445,957	417,792	28,164	-	1	-
6,882	-	6,882	5,942	12	-	927	-
24,279,197	(41,778)	24,237,419	24,133,592	23,218	-	80,609	-
51,949	-	51,949	51,799	-	-	150	-
375,903	(6,029)	369,875	339,494	2,575	24,776	3,030	-
-	-	-	-	-	-	-	-
185,119	(2,015)	183,103	179,020	3,538	-	545	-
148,024	(15,336)	132,688	112,095	20,445	-	148	-
267,457	(15,363)	252,094	249,439	28	91	2,536	-
699,805	(34,657)	665,148	658,322	6,204	-	621	-
458,781	(2,048)	456,733	453,225	2,008	-	1,500	-
1,303,678	(129,554)	1,174,124	1,128,959	10,452	6,574	28,139	-
283,121	(115,619)	167,502	154,899	12,603	-	-	-
3,441,492	(21,850)	3,419,643	3,378,372	8,084	24,765	8,421	-
-	-	(789,818)	(789,818)	-	-	-	-
$ 36,589,287	$ (546,709)	$ 35,252,760	$ 34,856,446	$ 199,254	$ 56,450	$ 140,611	$ -
Prior Year encumbrances		(231,629)	(231,629)				
Amount reported on Budgetary Comparison Schedule		$ 35,021,132	$ 34,624,817	$ 199,254	$ 56,450	$ 140,611	$ -

SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION*	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR
Legislative Branch	$ 167,205	$ -	$ 161	$ 24,357
Judicial Branch	192,574	-	-	4,745
Executive Branch:				
Agriculture and Rural Development	66,502	-	4	5,920
Attorney General	42,249	-	-	8,582
Civil Rights	13,007	-	-	907
Colleges and Universities Grants	1,280,281	-	-	5
Corrections	1,948,384	-	-	122,824
Education	163,850	-	-	14,218
Environmental Quality	81,152	-	3	10,287
Executive Office	6,849	-	-	33
Health and Human Services	4,349,108	-	-	75,785
Insurance and Financial Services	150	-	-	-
Licensing and Regulatory Affairs	44,492	-	-	13,013
Military and Veterans Affairs	66,334	-	-	6,180
Natural Resources	64,521	-	-	22,098
State	24,274	-	-	10,759
State Police	473,837	-	-	9,906
Talent and Economic Development	228,256	-	-	5,022
Technology, Management and Budget	862,381	-	-	111,096
Transportation	205,000	-	984	75,648
Treasury	231,493	-	-	36,067
Total	$ 10,511,897	$ -	$ 1,151	$ 557,452

* 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 $280.6 million of the "Current Legislative Appropriation."

	"ACTUAL"			"VARIANCES"	
GROSS SPENDING AUTHORITY	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
$ 191,723	$ 157,232	$ 1,072	$ 31,512	$ 1,907	$ -
197,320	194,585	2,519	28	187	-
72,426	54,654	16,559	934	279	-
50,830	40,894	333	9,030	574	-
13,913	12,352	185	699	677	-
1,280,286	1,276,822	-	3,184	279	-
2,071,208	1,901,234	58,488	102,934	8,552	-
178,068	162,118	2,767	11,655	1,527	-
91,441	60,792	28,164	2,483	1	-
6,882	5,942	12	-	927	-
4,424,893	4,279,288	23,218	41,778	80,609	-
150	-	-	-	150	-
57,505	45,871	2,575	6,029	3,030	-
72,514	66,416	3,538	2,015	545	-
86,619	50,689	20,445	15,336	148	-
35,033	17,106	28	15,363	2,536	-
483,743	442,260	6,204	34,657	621	-
233,278	227,722	2,008	2,048	1,500	-
973,477	805,332	10,452	129,554	28,139	-
281,632	153,410	12,603	115,619	-	-
267,560	229,205	8,084	21,850	8,421	-
$ 11,070,499	$ 10,183,925	$ 199,254	$ 546,709	$ 140,611	$ -

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2018
(In Thousands)

SOURCE	2009	2010	2011	2012
TAXES				
Sales	$ 6,089,106	$ 6,176,843	$ 6,710,882	$ 6,955,198
Personal Income (net of tax credits)	5,856,753	5,531,348	6,417,078	6,921,033
Amount reported as tax credits	963,500	1,351,500	1,271,900	1,226,300
Single Business, Michigan Business, and Corporate Income	2,285,237	1,853,557	2,098,407	1,321,782
Use	1,283,685	1,573,667	1,548,914	1,428,284
State Education (Property)	2,040,647	1,930,480	1,845,086	1,789,672
Real Estate Transfer	125,294	121,632	123,254	150,106
Tobacco Products	1,041,541	1,006,527	968,512	963,181
Beer, Wine, and Liquor	164,068	164,071	167,487	175,181
Casino Gaming Wagering	121,363	101,816	114,017	115,753
Insurance Company	261,002	257,511	271,257	290,385
Health Insurance Claims Assessment	-	-	-	176,419
Motor Vehicle and Fuel	1,806,694	1,807,185	1,820,367	1,825,091
Quality Assurance Assessment	859,482	840,254	882,600	959,267
Penalties and Interest	150,334	137,793	139,251	167,882
Other	293,955	315,218	307,324	299,383
Total Taxes	23,342,662	23,169,402	24,686,336	24,764,916
FEDERAL AGENCIES	16,040,813	18,351,960	18,972,659	16,612,723
LOCAL AGENCIES	102,040	89,633	85,674	85,394
SPECIAL MEDICAID REIMBURSEMENTS	135,667	123,205	155,059	186,194
SERVICES	288,373	300,362	320,469	310,275
LICENSES AND PERMITS	450,009	452,620	448,012	464,072
MISCELLANEOUS	1,362,184	1,293,772	1,387,068	1,716,779
Total Revenue	41,721,749	43,780,955	46,055,277	44,140,354
PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES	144,225	60,583	211,001	270,001
CAPITAL LEASE ACQUISITIONS	41,205	39,101	171,094	34,567
PROCEEDS FROM SALE OF CAPITAL ASSETS	2,209	1,576	1,742	2,848
Total Revenue, Bond Proceeds, Capital Lease Acquisitions, and Proceeds from Sale of Capital Assets	$ 41,909,387	$ 43,882,215	$ 46,439,114	$ 44,447,770

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.

2013	2014	2015	2016	2017	2018
$ 7,050,204	$ 7,362,620	$ 7,246,989	$ 7,299,628	$ 7,791,774	$ 8,074,032
8,271,838	8,020,054	8,987,939	9,372,028	9,454,968	10,162,211
689,900	676,500	662,400	672,400	696,500	696,100
721,602	419,554	891,594	763,498	900,848	1,036,594
1,300,590	1,639,442	2,062,838	2,056,124	1,266,699	1,486,178
1,771,083	1,804,238	1,857,684	1,897,292	1,964,780	1,989,481
202,323	233,416	258,398	289,314	317,056	350,281
957,485	940,337	954,481	946,651	946,048	917,994
182,878	189,792	194,692	208,689	214,028	222,938
110,667	106,903	110,785	112,868	113,219	115,423
301,883	362,397	322,999	329,806	371,279	393,367
270,489	271,861	225,888	228,475	300,111	331,920
1,860,582	1,902,612	1,985,186	2,032,947	2,573,013	2,766,327
969,767	975,786	1,007,464	1,138,810	1,136,099	1,245,149
171,092	115,439	128,723	124,391	115,911	178,622
292,011	309,781	271,896	325,461	355,297	381,389
25,124,393	25,330,732	27,169,955	27,798,384	28,517,631	30,348,004
16,598,202	17,259,668	19,800,600	20,027,958	19,508,727	19,957,136
87,578	89,644	90,672	93,888	90,457	91,962
134,353	133,909	120,904	115,621	188,933	149,350
318,403	322,271	326,488	335,812	354,324	360,831
484,059	494,595	510,359	551,984	567,595	568,448
1,594,097	1,558,174	1,629,833	1,847,842	1,711,460	1,831,961
44,341,085	45,188,992	49,648,811	50,771,488	50,939,127	53,307,693
200,000	97,651	-	100,215	138,395	151,484
17,224	18,371	25,373	18,423	14,473	22,994
3,064	1,626	3,008	2,543	2,656	6,236
$ 44,561,373	$ 45,306,640	$ 49,677,192	$ 50,892,669	$ 51,094,652	$ 53,488,407

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2018
(In Thousands)

	2009	2010	2011	2012
Current:				
General government	$ 1,582,399	$ 1,463,926	$ 1,856,935	$ 1,935,857
Education	15,195,462	14,995,595	15,216,151	14,540,137
Health and human services	17,784,550	19,261,585	20,251,675	19,585,310
Public safety and corrections	2,589,942	2,571,390	2,547,868	2,564,921
Conservation, environment, recreation, and agriculture	539,796	528,387	501,050	563,310
Labor, commerce, and regulatory	1,145,954	1,223,197	1,143,962	923,059
Transportation	1,137,584	1,154,659	1,149,640	1,180,615
Tax credits	963,500	1,351,500	1,271,900	1,226,300
Capital outlay	38,429	38,136	21,659	26,765
Intergovernmental - revenue sharing	1,040,031	994,196	1,091,527	1,032,243
Debt service:				
Capital lease payments	49,936	50,811	55,803	55,867
Total Expenditures	$ 42,067,585	$ 43,633,381	$ 45,108,168	$ 43,634,383

2013	2014	2015	2016	2017	2018
$ 1,868,138	$ 2,064,016	$ 2,738,104	$ 2,927,185	$ 2,551,534	$ 2,761,629
14,604,622	14,909,901	15,366,390	15,726,589	16,078,445	16,673,594
19,787,851	20,600,683	23,287,158	23,516,873	23,070,385	23,925,010
2,601,307	2,666,541	2,704,901	2,668,747	2,692,527	2,723,546
545,565	656,061	586,028	721,772	748,228	842,420
961,279	961,934	978,003	1,230,828	1,270,025	1,259,349
1,395,444	1,532,228	1,527,057	1,617,799	1,703,525	1,854,936
689,900	676,500	662,400	672,400	696,500	696,100
35,676	70,695	237,442	212,705	55,534	122,461
1,077,514	1,120,593	1,210,557	1,213,432	1,259,005	1,289,064
58,357	62,237	66,295	68,377	68,826	71,700
$ 43,625,653	$ 45,321,388	$ 49,364,335	$ 50,576,708	$ 50,194,535	$ 52,219,810

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ACKNOWLEDGMENTS

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Special thanks are also extended to the State's CFO Council; the Financial Management Users Group; financial management personnel throughout Michigan State Government; Internal Audit Services, SIGMA Operations and Support, and the staff of the Office of the Auditor General. Preparation of this report would not have been possible without the efforts of these individuals.