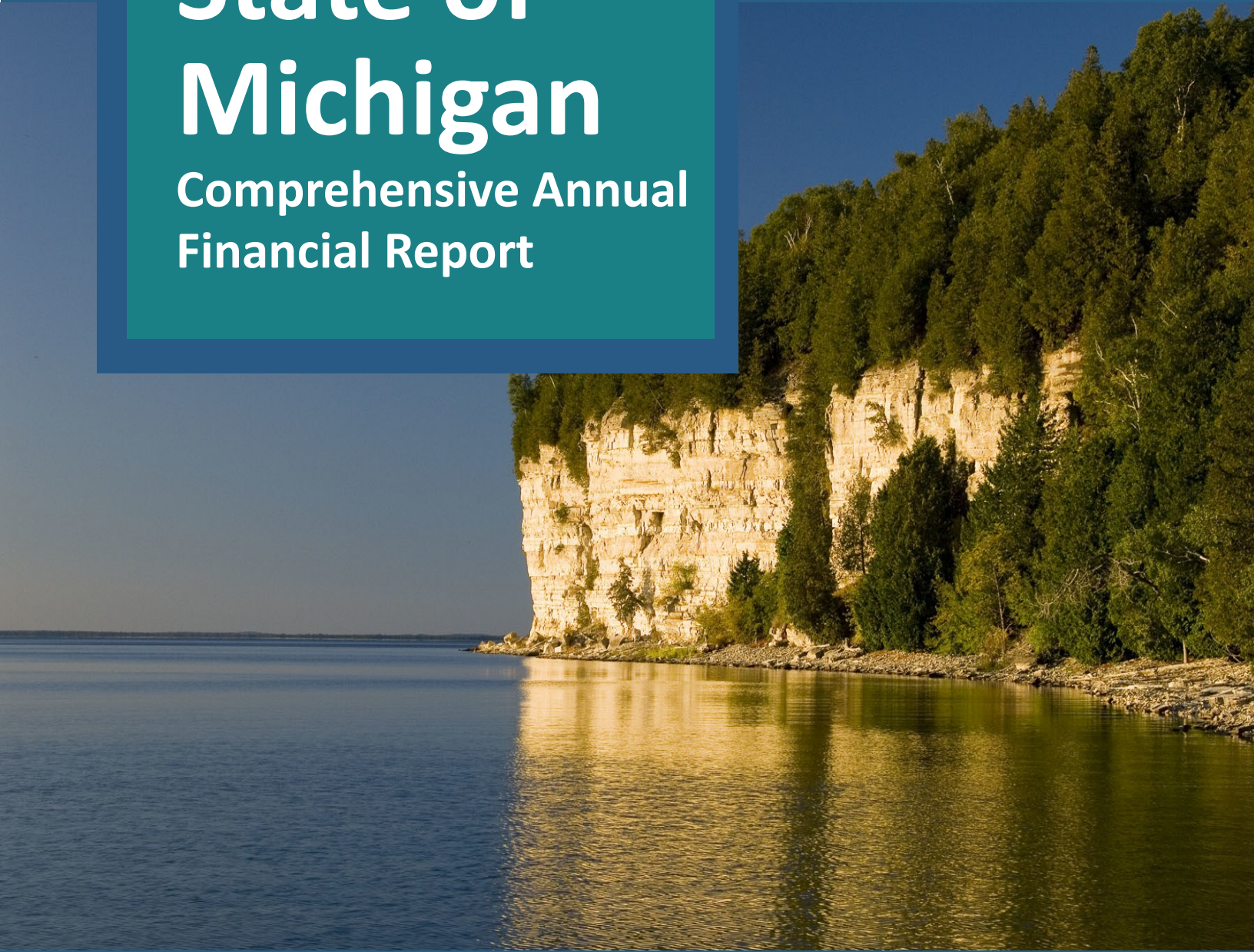
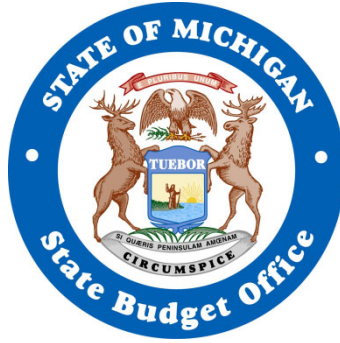


# State of Michigan

## Comprehensive Annual Financial Report



**Fiscal Year Ended September 30, 2020**  
**Governor Gretchen Whitmer**  
**Prepared by the State Budget Office**



*State of Michigan*  
*Comprehensive Annual Financial Report*

Fiscal Year Ended September 30, 2020

**GRETCHEN WHITMER**  
Governor

**DAVID P. MASSARON**  
State Budget Director

**HEATHER BOYD, CPA**  
Director  
Office of Financial Management

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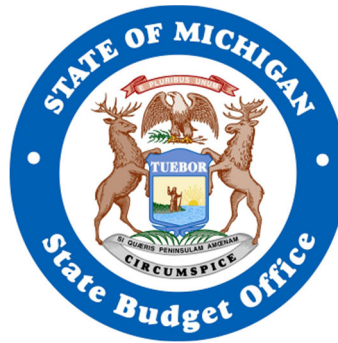
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GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

DAVID P. MASSARON  
DIRECTOR

March 19, 2021

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* (Annual Report) for the fiscal year ended September 30, 2020.

### **INTRODUCTION TO THE REPORT**

**Responsibility:** The State Budget Office, Office of Financial Management, prepares the Annual Report 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 Annual Report 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 Annual Report 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 Annual Report 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, pension and other postemployment benefits liability and contribution 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 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 managements' 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 Annual Report. 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, 2020, are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2020, are fairly presented in accordance with GAAP and issued unmodified opinions.

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

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

## **PROFILE OF THE GOVERNMENT**

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

Executive Branch: As of March 19, 2021, 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 Annual Report. In addition, subsequent to the publication of the Annual Report, 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**

Focusing on Children and Education: Governor Whitmer recognizes that the COVID-19 pandemic has been particularly difficult for our students, their families, and the teachers that show up every day. To get children back on track, the state will focus on additional academic and non-academic supports in the education system and at home. This includes an increase in overall funding for schools and incentives that will ensure we have quality educators across the state. In addition, comprehensive child care options for parents and caregivers will create a more equitable environment where all families can succeed.

Prioritizing Infrastructure: Addressing the needs of the state's infrastructure continues to be a high priority, as closed bridges and aging environmental systems create costly and dangerous conditions. The governor is committed to addressing these matters by repairing or replacing 120 closed bridges and providing grants that will address a variety of wastewater infrastructure projects across the state. These projects will lay the groundwork for additional development and continued structural improvements in the years to come.

Protecting Public Health: The COVID-19 pandemic has demonstrated the importance of having a quality health care system and effective emergency response in place. The governor strives to strengthen these systems and processes in many ways, such as making sure our direct care workers get the recognition and compensation that they deserve. The pandemic has also put a spotlight on the racial and economic disparities in public health. To address these disparities, multiple programming initiatives will focus on providing more consideration for these populations to further diversity, equity, and inclusion across the state.

Caring for our Environment: Providing a clean and safe environment for people and wildlife is fundamental to our quality of life. The governor continues efforts to clean up contaminated sites across the state and identifies the need to be able to respond to unanticipated clean-up needs in emergency situations. In addition, assistance will be provided to local governments to address coastal erosion, flooding, transportation networks, urban heat, and storm water management.

Creating Opportunity: As the economy begins to recover and expand after the impacts of the pandemic, the governor wants to make sure that Michiganders have the opportunity to improve their lives and secure their futures. A number of programs will provide tuition-free pathways to in-demand jobs for qualified essential workers and skilled trades positions. In addition, efforts to make Michigan a leader in mobility will support a new statewide collaboration advancing the state's position in the rapidly evolving electric and autonomous vehicle sphere.

### **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 Annual Report for the year ended September 30, 2019. 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 33 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 Divisions, 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,



David P. Massaron  
State Budget Director



Heather Boyd, 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

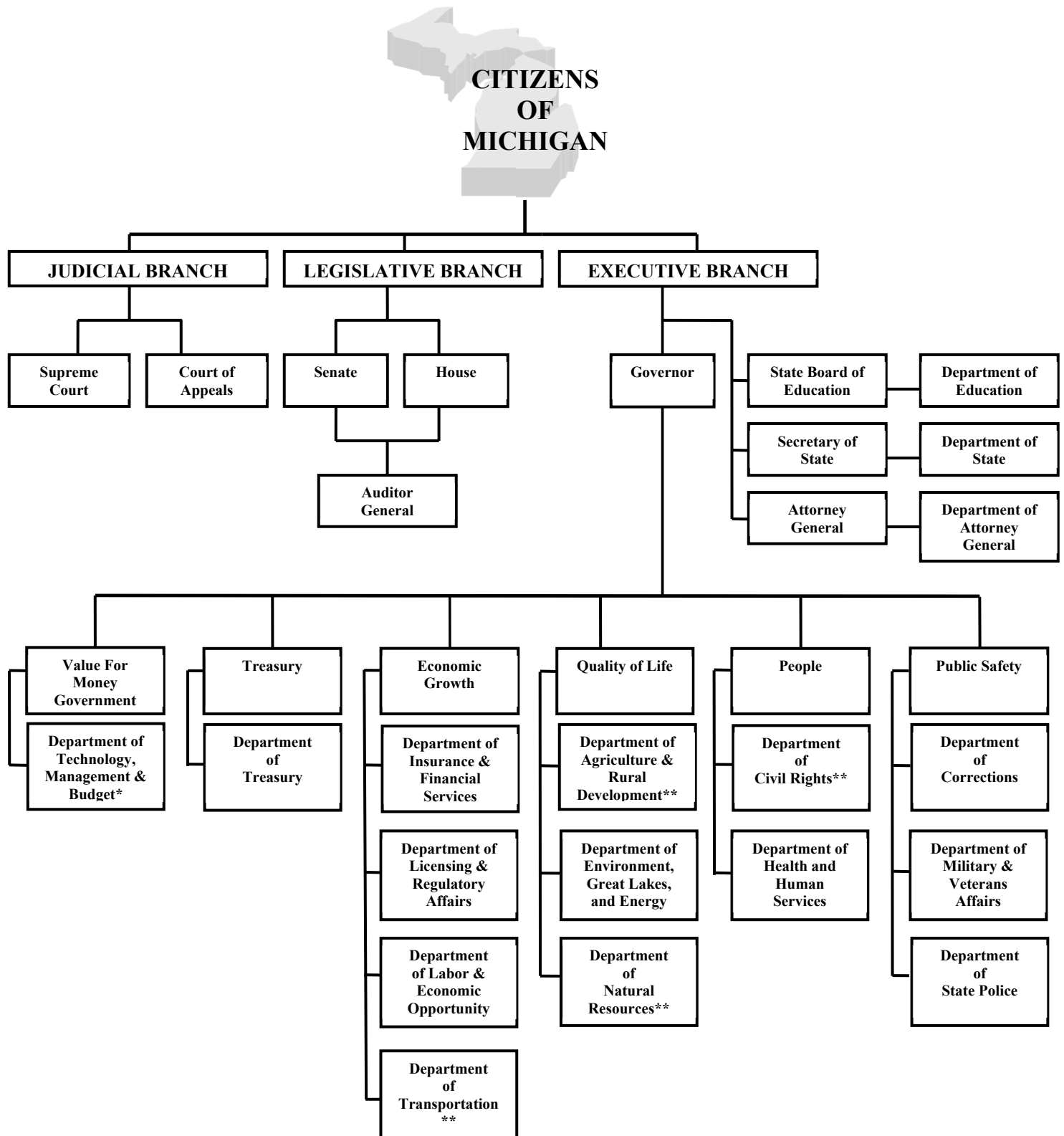
September 30, 2019

*Christopher P. Morrell*

Executive Director/CEO

# STATE OF MICHIGAN ORGANIZATIONAL STRUCTURE

(As of March 19, 2021)



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

## STATE OF MICHIGAN

### PRINCIPAL STATE OFFICIALS

(As of March 19, 2021)

#### 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 David F. Viviano, Justice  
Honorable Elizabeth M. Welch, Justice  
Honorable Brian K. Zahra, Justice

#### LEGISLATIVE BRANCH

Honorable Mike Shirkey  
Majority Leader of the Senate  
  
Honorable Jason Wentworth  
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

Cassandra E. Ulbrich, President  
Pamela Pugh, Vice President  
Tiffany D. Tilley, Secretary  
Tom McMillin, Treasurer  
Ellen Cogen Lipton  
Judith Pritchett  
Nikki Snyder  
Jason Strayhorn

##### Marilyn Schneider, State Board Executive

Honorable Gretchen Whitmer (Ex Officio)

Michael F. Rice,

Superintendent of Public Instruction

##### Michigan Commission of Agriculture & Rural Development

Dru Montri, Chair  
Charlie Meintz, Vice Chair  
Tim Boring, Secretary  
Patti Bergdahl  
Vacant

Gary McDowell, Director

Department of Agriculture & Rural Development

##### Civil Rights Commission

Stacie Clayton, Chair  
Zenna Faraj Elhasan, Vice Chair  
Ira Combs, Secretary  
Regina Gasco-Bentley  
Anupama Kosaraju  
Gloria E. Lara  
Portia L. Roberson  
Vacant

James E. White, Director

Department of Civil Rights

##### Civil Service Commission

Janet McClelland, Chair  
Jase Bolger  
Nick Ciaramitaro  
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

Elizabeth Hertel, 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

Carol Rose, Chair

Keith Creagh

Michael Lashbrook

David Nyberg

James Richardson

Vacant

Vacant

Daniel Eichinger, Director

Department of Natural Resources

Colonel Joseph Gasper, Director

Department of State Police

Susan R. Corbin, Acting Director

Department of Labor & Economic Opportunity

Brom Stibitz, Director

Department of Technology, Management and Budget

David P. Massaron, State Budget Director

##### Transportation Commission

Todd Wyatt, Chair

Michael D. Hayes, Vice Chair

Stephen F. Adamini

Gregory C. Johnson

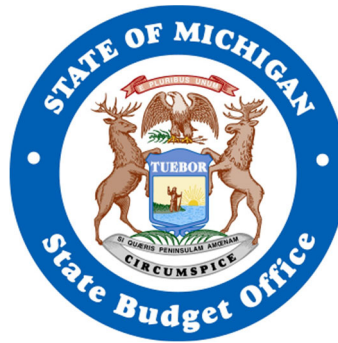
Richard Turner

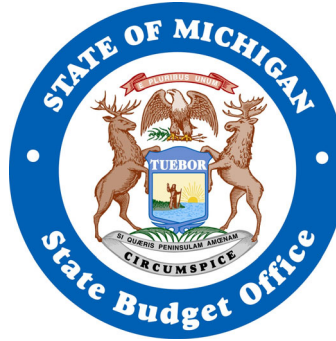
Helen Zeerip

Paul C. Ajegba, Director

Department of Transportation

Rachael Eubanks, State Treasurer





## **FINANCIAL SECTION**

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





# OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • [audgen.michigan.gov](http://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, 2020 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
- Michigan Education Savings Program
- Michigan Achieving a Better Life Experience Program
- Michigan Finance Authority
- Michigan State Housing Development Authority
- Farm Produce Insurance Authority
- Mackinac Island State Park Commission
- Michigan Early Childhood Investment Corporation
- 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	0.6%	0.4%
Business-type activities	97.6%	94.7%
Aggregate discretely presented component units	90.5%	91.1%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	7.0%	6.2%



# OAG

Office of the Auditor General

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

The Honorable Gretchen Whitmer, Governor  
Members of the Legislature  
Page 2

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, 2020 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 25 to the financial statements, the Unemployment Insurance Agency (UIA) is unable to estimate the amount of fraudulent benefit payments issued by the Michigan Unemployment Compensation Fund during the fiscal year ended September 30, 2020. Also, accounts payable and accrued benefits reported by the Fund include benefits payable pending review by UIA of approximately \$960 million as of September 30, 2020. UIA has adjusted this balance, the corresponding receivable from the federal government, and the associated revenues and expenses downward by approximately \$278 million for claims not expected to be paid.

As discussed in Note 4 to the financial statements, beginning net position for governmental activities in the government-wide statements was increased by \$305.8 million to reflect insurance provider assessment revenue that should have been recognized in the prior fiscal year.

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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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



# OAG

Office of the Auditor General

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

The Honorable Gretchen Whitmer, Governor  
Members of the Legislature  
Page 3

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  
Auditor General  
March 19, 2021

## 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, 2020. 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, 2020, the State's net position was \$14.8 billion. This means that total State assets and deferred outflows of resources exceeded total State liabilities and deferred inflows of resources by \$14.8 billion.
- The State's unrestricted net position was negative \$13.7 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 \$88.3 billion supported expenses of \$90.0 billion during fiscal year 2020. As a result, the State's total net position decreased by \$1.7 billion (10.5 percent). The decrease in net position is a result of a \$3.5 billion Michigan Unemployment Compensation Funds net position decrease related to the payment of unemployment benefits and an increase in governmental activities net position by \$1.4 billion. The increase in governmental activities net position mostly related to state funded expenditure reductions associated with temporary staff layoffs, a state hiring freeze, discretionary spending reductions, use of federal Coronavirus Relief Funds and an increase in the federal Medicaid match rate.

#### **Fund Level**

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$11.2 billion. Governmental fund balances increased \$3.3 billion (42.4 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 \$6.8 billion, an increase of \$2.3 billion (52.5 percent) from the prior year. Of the total General Fund balance of \$5.5 billion, \$2.4 billion is unassigned and, therefore, available for appropriation in future years. The remaining \$3.2 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 \$1.2 billion is restricted for education purposes.
- The State's proprietary funds reported net position at year-end of \$1.0 billion. This represents a decrease of \$3.5 billion (77.1 percent) compared to the prior year-end balance. The decrease in net position is almost entirely due to the increase in unemployment benefits paid from the Michigan Unemployment Compensation Funds as a result of the COVID-19 pandemic.

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

- The State's total long-term bonded debt as of September 30, 2020 was \$6.0 billion, an increase of \$633.4 million (11.7 percent) from the prior year. The increase 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 196 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, School Aid 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 decreased \$1.7 billion (10.5 percent) over the course of this fiscal year's operations. The net position of the governmental activities increased by \$1.8 billion (15.3 percent), and business-type activities had a decrease of \$3.5 billion (71.0 percent).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and other non-current assets	\$ 22,574.1	\$ 18,039.5	\$ 3,159.2	\$ 5,581.5	\$ 25,733.3	\$ 23,621.1
Capital assets	24,026.9	24,100.5	1.8	2.3	24,028.7	24,102.8
<b>Total assets</b>	<u>46,601.0</u>	<u>42,140.1</u>	<u>3,160.9</u>	<u>5,583.8</u>	<u>49,762.0</u>	<u>47,723.9</u>
<b>Deferred outflows of resources</b>	<u>3,130.7</u>	<u>2,439.9</u>	<u>18.2</u>	<u>13.9</u>	<u>3,148.9</u>	<u>2,453.8</u>
<b>Liabilities:</b>						
Current liabilities	8,234.2	6,688.4	1,459.1	366.0	9,693.4	7,054.4
Long-term liabilities	26,010.0	24,822.7	273.8	280.0	26,283.8	25,102.6
<b>Total liabilities</b>	<u>34,244.2</u>	<u>31,511.0</u>	<u>1,733.0</u>	<u>646.0</u>	<u>35,977.2</u>	<u>32,157.0</u>
<b>Deferred inflows of resources</b>	<u>2,166.6</u>	<u>1,822.9</u>	<u>16.5</u>	<u>14.7</u>	<u>2,183.1</u>	<u>1,837.6</u>
<b>Net position:</b>						
Net investment in capital assets	21,305.9	21,599.4	0.6	1.1	21,306.6	21,600.4
Restricted	5,651.9	4,267.9	1,491.6	5,006.0	7,143.4	9,273.9
Unrestricted	(13,636.9)	(14,621.3)	(62.5)	(70.1)	(13,699.4)	(14,691.4)
<b>Total net position</b>	<u>\$ 13,320.9</u>	<u>\$ 11,246.0</u>	<u>\$ 1,429.7</u>	<u>\$ 4,937.0</u>	<u>\$ 14,750.6</u>	<u>\$ 16,183.0</u>

## Michigan

The largest component of the State's net position, at \$21.3 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 \$7.1 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 \$13.7 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)

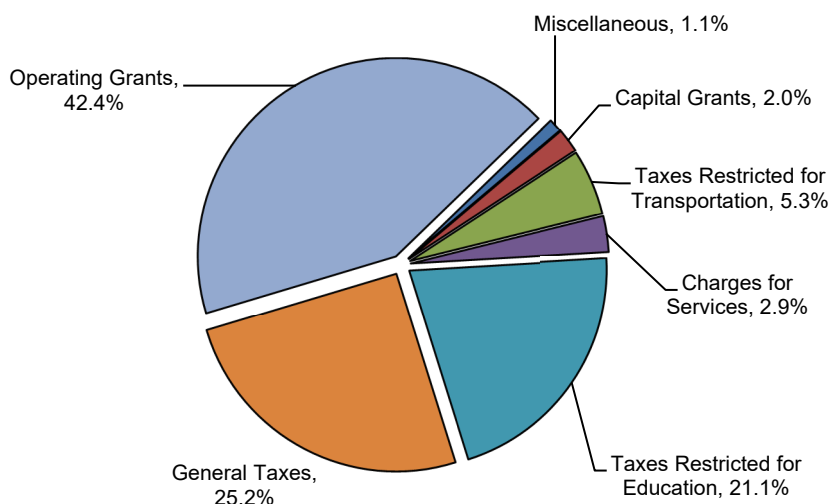
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,780.0	\$ 2,243.1	\$ 27,469.3	\$ 6,362.3	\$ 29,249.3	\$ 8,605.4
Operating grants	25,735.1	21,581.1	137.4	132.2	25,872.5	21,713.3
Capital grants	1,187.1	1,014.7	-	-	1,187.1	1,014.7
General revenues						
General taxes	15,292.4	16,380.6	-	-	15,292.4	16,380.6
Taxes restricted for educational purposes	12,786.0	12,562.3	-	-	12,786.0	12,562.3
Taxes restricted for transportation purposes	3,236.4	3,192.3	-	-	3,236.4	3,192.3
Unrestricted investment and interest earnings	20.7	40.0	1.0	3.8	21.7	43.8
Miscellaneous	619.5	614.9	-	-	619.5	614.9
<b>Total Revenues</b>	<u>60,657.3</u>	<u>57,629.0</u>	<u>27,607.7</u>	<u>6,498.3</u>	<u>88,265.1</u>	<u>64,127.3</u>
<b>Expenses</b>						
General government	2,882.4	3,210.1	-	-	2,882.4	3,210.1
Education	17,831.6	17,059.7	-	-	17,831.6	17,059.7
Health and human services	26,420.1	25,613.5	-	-	26,420.1	25,613.5
Public safety and corrections	3,078.6	3,269.5	-	-	3,078.6	3,269.5
Conservation, environment, etc.	1,575.5	990.6	-	-	1,575.5	990.6
Labor, commerce, and regulatory	980.4	951.3	-	-	980.4	951.3
Transportation	5,204.9	4,460.9	-	-	5,204.9	4,460.9
Tax credits	936.5	895.1	-	-	936.5	895.1
Intergovernmental revenue sharing	1,241.3	1,327.7	-	-	1,241.3	1,327.7
Interest on long-term debt	224.6	259.8	-	-	224.6	259.8
Liquor Purchase Revolving Fund	-	-	1,180.7	1,007.7	1,180.7	1,007.7
State Lottery Fund	-	-	3,082.4	2,833.5	3,082.4	2,833.5
Attorney Discipline System	-	-	5.5	5.3	5.5	5.3
Michigan Unemployment Compensation Funds	-	-	25,367.7	785.6	25,367.7	785.6
<b>Total Expenses</b>	<u>60,375.9</u>	<u>58,038.2</u>	<u>29,636.4</u>	<u>4,632.1</u>	<u>90,012.3</u>	<u>62,670.3</u>
Excess (deficiency) Before Contributions and Transfers	281.5	(409.3)	(2,028.7)	1,866.3	(1,747.2)	1,457.0
Contributions to permanent fund principal	9.0	18.8	-	-	9.0	18.8
Transfers	1,478.6	1,375.5	(1,478.6)	(1,375.5)	-	-
<b>Increase (decrease) in net position</b>	<u>1,769.1</u>	<u>985.0</u>	<u>(3,507.3)</u>	<u>490.7</u>	<u>(1,738.2)</u>	<u>1,475.8</u>
Net position - beginning - restated	11,551.8 *	10,261.0	4,937.0	4,446.3	16,488.8 *	14,707.2
Net position - ending	<u>\$ 13,320.9</u>	<u>\$ 11,246.0</u>	<u>\$ 1,429.7</u>	<u>\$ 4,937.0</u>	<u>\$ 14,750.6</u>	<u>\$ 16,183.0</u>

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

## Governmental Activities

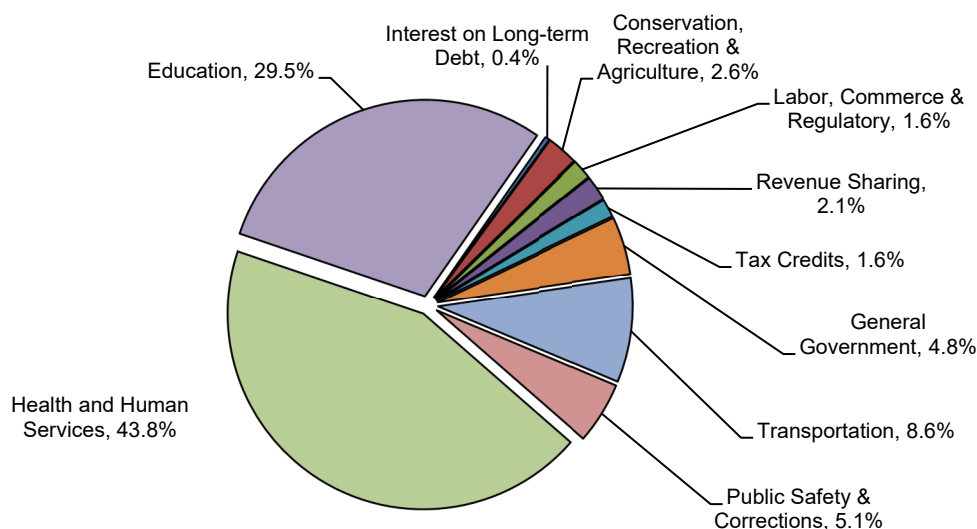
Revenues to fund governmental activities totaled \$60.7 billion for fiscal year 2020. As shown in the accompanying chart, 42.4 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 26.4 percent for educational and transportation purposes. Only 25.2 percent of the revenues were available for general use.

**Revenues - Governmental Activities for  
Fiscal Year Ending September 30, 2020**  
(\$60.7 billion)



Expenses related to governmental activities totaled \$60.4 billion during fiscal year 2020. 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 73.3 percent of the spending.

**Expenses - Governmental Activities for  
Fiscal Year Ending September 30, 2020**  
(\$60.4 billion)



**Business-type Activities**

The business-type activities' net position decreased \$3.5 billion (71.0 percent) during the fiscal year. Factors contributing to these results included:

- The Michigan Unemployment Compensation Funds (MUCF) finished the fiscal year with a decrease in net position of \$3.5 billion (70.3 percent). The decrease in net position is almost entirely due to the increase in unemployment benefits paid as a result of the COVID-19 pandemic.
- The State Lottery Fund's net position increased \$7.4 million (22.3 percent) from the fiscal year 2019 amount. The increase in net position is primarily related to unrealized gains 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 \$11.2 billion. Of this amount, \$2.4 billion constitutes unassigned fund balance in the General Fund, which is available to appropriate in future years. Of the total governmental fund balances, \$1.4 billion is in non-spendable 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 \$5.2 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 \$2.3 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 \$99.8 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 \$149.6 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 2020, the General Fund total fund balance was \$5.5 billion, of which \$2.4 billion was unassigned and, therefore, available for appropriation. The General Fund total fund balance of \$5.5 billion represents an increase of \$1.4 billion (33.6 percent) from the fiscal year 2019 ending total fund balance. The following revenues and expenditures contributed to most of the change in fund balance:

- General Fund revenues received from federal agencies increased \$3.7 billion (19.7 percent) from fiscal year 2019. The increase in revenue is primarily related to funds received pursuant to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- General Fund current expenditures increased \$2.4 billion (6.8 percent) from fiscal year 2019. The increase in expenditures is primarily related to the spending of CARES Act funds directed toward COVID-19 pandemic relief in the areas of education, health and human services, and general government.

Included within the General Fund's committed fund balance is \$829.1 million in the Counter-Cyclical Budget and Economic Stabilization Fund. This fund, also referred to as the Rainy Day Fund, is used to stabilize government programs in times of economic downturn.

**General Fund Budgetary Highlights:**

The original enacted fiscal year 2020 general fund budget was \$37.0 billion. During the year, various positive and negative supplemental appropriations and other adjustments resulted in a final enacted budget of \$39.6 billion. The difference between the final enacted budget of \$39.6 billion and actual spending and encumbrances of \$39.1 billion resulted from spending authority net lapses of \$533.1 million and restricted revenue authorized, but not spent, totaling \$53.1 million. At fiscal year-end, excess restricted revenue of \$2.1 billion was carried forward into fiscal year 2021 and is available for appropriation. There were no net overexpenditures in fiscal year 2020. There were, however, line-item overexpenditures of \$47.8 million incurred during the fiscal year within the General Fund. More detailed information regarding the State's budgetary overexpenditures is presented in Note 3 to the financial statements.

**School Aid Fund**

Fund balance at September 30, 2020, totaled \$1.2 billion, an increase of \$934.4 million (326.5 percent) from the prior year. Revenues and transfers to the fund totaled \$16.2 billion, up \$892.5 million (5.8 percent) from the prior year. In fiscal year 2020, tax revenues deposited in the fund increased \$330.4 million (2.6 percent). Federal funds collected by the School Aid Fund were up \$123.2 million (7.4 percent) over the prior year. Expenditures and transfers to other funds totaled \$15.2 billion, a decrease of \$199.6 million (1.3 percent) over the previous year. The School Aid Stabilization Fund ended the year with \$1.2 billion in restricted fund balance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** At the end of the fiscal year 2020, the State had invested \$24.0 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$304.1 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,646.7	\$ 3,628.4	\$ -	-	\$ 3,646.7	\$ 3,628.4
Land improvements and other assets	169.6	176.9	-	-	169.6	176.9
Land rights	77.7	72.4	-	-	77.7	72.4
Buildings and improvements	1,462.9	1,553.6	1.2	1.4	1,464.1	1,555.1
Equipment	337.6	354.3	0.6	0.8	338.2	355.1
Computer software	482.6	568.8	-	-	482.6	568.8
Infrastructure	15,227.3	15,797.6	-	-	15,227.3	15,797.6
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	21,424.2	22,171.7	1.8	2.3	21,426.0	22,174.0
Construction in progress	2,602.8	1,928.8	-	-	2,602.8	1,928.8
Total	\$ 24,026.9	\$ 24,100.5	\$ 1.8	\$ 2.3	\$ 24,028.7	\$ 24,102.8

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 29,386 lane miles of roads and 4,842 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 2019, indicated that 74.0 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 (2020) indicated that the condition of the bridges worsened slightly from the prior year. For fiscal year 2020, 93.2 percent of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of \$240.6 million for fiscal year 2020. 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds (backed by the State)	\$ 1,357.4	\$ 1,358.4	\$ -	\$ -	\$ 1,357.4	\$ 1,358.4
Revenue bonds and notes (backed by specific tax and fee revenue)	4,668.0	4,033.6	-	-	4,668.0	4,033.6
Total	<u>\$ 6,025.4</u>	<u>\$ 5,391.9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,025.4</u>	<u>\$ 5,391.9</u>

During the year, the State issued bonds and bond anticipation notes totaling \$1.1 billion and refunding bonds totaling \$807.1 million. The proceeds from the new bonds will provide funding for certain environmental programs, certain transportation projects, and State and university-owned buildings.

**BOND RATINGS**

The State's general obligations are rated AA stable outlook by Fitch, AA negative 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 15.0 percent of undedicated revenues received in the preceding year. In fiscal year 2020, the State did not issue any general obligation short-term notes.

**ECONOMIC CONDITIONS**

The State of Michigan's fiscal year 2020 spanned the months from October 2019 through September 2020 (the final quarter of calendar year 2019 and the first three quarters of calendar year 2020).

In the final quarter of calendar year 2019, the U.S. economy reported modest growth, growing at a 2.4 percent annualized rate. However, midway through the first quarter of 2020, the COVID-19 pandemic began to take hold. As a result of COVID-19 and measures to contain the virus, the U.S. economy stalled with real GDP declining at a 5.0 percent annual rate in the first quarter of calendar year 2020 and plummeting in the second quarter at a record 31.4 percent annual rate. The economy partially rebounded in the third quarter with real GDP growing at a 33.1 percent annual rate (initial estimate). However, real GDP in the third quarter remained 2.9 percent lower than a year earlier.

After rising for 113 consecutive months, U.S. employment fell by 1.4 million jobs in March 2020 and then plummeted a record 20.8 million jobs in April. With the massive job losses, the unemployment rate rose sharply from 3.5 percent in February to a record high 14.7 percent in April. Employment rose each month from May through September, regaining slightly more than half (11.4 million) of the 22.2 million jobs lost in March and April. With the partial employment recovery, the unemployment rate fell each month between May and September – falling to 10.2 percent by July and 7.9 percent by September. September's 7.9 percent rate was 4.4 percentage points higher both from February and from a year earlier.

Vehicle sales dropped sharply in both March and April 2020 with annualized sales plummeting from 16.8 million units in February to 8.7 million units in April. Annualized vehicle sales then rose each month – rising to 14.6 million units by July and 16.3 million units by September.

Michigan's economy was similarly impacted by the pandemic. After rising to a 17-year monthly high in February 2020, Michigan wage and salary employment fell modestly in March (38,700 jobs) and then plummeted in April – losing a record 1.0 million jobs. In April, Michigan's unemployment rate skyrocketed to a record high 24.0 percent. Michigan regained jobs each month between May and September – recouping a net 612,000 jobs over the five months. The state's economy regained most (88.0 percent) of the 612,000 jobs by July. Between May and July, Michigan's unemployment rate declined each month – dropping to 8.7 percent by July.



In August and September, monthly employment gains slowed significantly. The Michigan unemployment rate remained unchanged in August and declined slightly in September to 8.5 percent – up 4.9 percentage points from February and 4.6 percentage points higher than a year earlier. On net, September employment was down 448,400 jobs (10.1 percent) from February and down 425,000 jobs (9.6 percent) from last September.

In response to the pandemic, the federal government enacted a \$2 trillion-plus economic stimulus package (CARES Act) in late March 2020. Major elements of the package included funding for direct relief payments to most adults; funding for increases in the weekly amount, the coverage, and the duration of unemployment insurance; a business loan/grant program, and payments to state, local, and tribal governments.

Largely because of the CARES Act and State unemployment insurance payments, personal income rose in the second quarter of calendar year 2020 despite a substantial decline in economic activity. In the second quarter of 2020, Michigan real GDP fell 12.0 percent from a year earlier. In contrast, Michigan personal income rose 13.1 percent in the second quarter compared to a year earlier. However, excluding transfer payments, which encompass the CARES Act's direct relief payments and all unemployment insurance payments, Michigan personal income fell 6.7 percent in the second quarter.

### **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) 241-4010.

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) 241-4010.



## **FINANCIAL SECTION**

### **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

(In Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 12,446	\$ 39,704	\$ 52,150	\$ 1,405,432
Cash on deposit with fiscal agent	130,308	1,381,966	1,512,274	-
Equity in common cash (Note 5)	8,659,115	272,373	8,931,488	2,159,807
Taxes, interest, and penalties receivable (Note 6)	6,670,273	-	6,670,273	-
Internal balances	48,224	(48,224)	-	-
Amounts due from component units	14,819	438	15,257	19,440
Amounts due from primary government	-	-	-	157,274
Amounts due from federal government	2,154,969	818,945	2,973,914	42,590
Amounts due from local units	240,699	55,664	296,363	968,744
Inventories	242,795	22,253	265,048	13,135
Investments (Note 8)	203,806	18,281	222,086	2,279,209
Other current assets	1,892,665	399,632	2,292,297	503,433
Total Current Assets	20,270,119	2,961,032	23,231,152	7,549,063
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	-	233,777
Investments	-	-	-	781,984
Mortgages and loans receivable	-	-	-	14,072
Taxes, interest, and penalties receivable (Note 6)	382,765	-	382,765	-
Advances to primary government	-	-	-	417,555
Amounts due from federal government	22,590	-	22,590	-
Amounts due from local units	510,659	-	510,659	5,778,396
Mortgages and loans receivable	-	-	-	3,865,665
Investments (Note 8)	1,284,912	170,219	1,455,131	3,950,347
Land and property held for resale	-	-	-	5,011
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,846,539	-	3,846,539	243,247
Buildings, equipment, and other depreciable assets	6,457,812	7,083	6,464,895	7,668,091
Less accumulated depreciation	(3,867,436)	(5,303)	(3,872,740)	(3,349,859)
Infrastructure	14,987,257	-	14,987,257	102,950
Construction in progress	2,602,750	-	2,602,750	316,236
Total capital assets	24,026,921	1,780	24,028,702	4,980,664
Interest in joint ventures (Note 7)	34,569	-	34,569	-
Other noncurrent assets	68,492	27,915	96,407	710,629
Total Noncurrent Assets	26,330,908	199,915	26,530,822	20,738,101
Total Assets	46,601,027	3,160,947	49,761,974	28,287,164
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 28)</b>	3,130,694	18,180	3,148,874	364,833

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

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	\$ 4,375,681	\$ 1,455,872	\$ 5,831,554	\$ 568,463
Income tax refunds payable (Note 16)	1,171,319	-	1,171,319	-
Amounts due to component units	59,508	466	59,974	18,030
Amounts due to primary government	-	-	-	7,464
Bonds and notes payable (Notes 13 and 14)	554,445	-	554,445	1,249,896
Interest payable	83,728	3	83,731	148,307
Unearned revenue	1,475,982	791	1,476,774	167,850
Current portion of other long-term obligations (Note 15)	513,568	1,995	515,563	177,621
Total Current Liabilities	8,234,232	1,459,128	9,693,360	2,337,631
Noncurrent Liabilities:				
Advances from component units	365,712	-	365,712	-
Prize awards payable (Note 15)	-	141,143	141,143	-
Unearned revenue	313,761	-	313,761	134,336
Bonds and notes payable (Notes 13 and 14)	6,323,341	-	6,323,341	13,162,953
Noncurrent portion of other long-term obligations (Note 15)	19,007,173	132,686	19,139,860	2,793,364
Total Noncurrent Liabilities	26,009,988	273,830	26,283,817	16,090,653
Total Liabilities	34,244,220	1,732,958	35,977,177	18,428,284
<b>DEFERRED INFLOWS OF RESOURCES (Note 28)</b>	2,166,592	16,473	2,183,065	328,395
<b>NET POSITION</b>				
Net investment in capital assets	21,305,928	646	21,306,575	2,909,605
Restricted For (Note 23):				
Education	1,725,020	-	1,725,020	184,168
Construction and debt service	95,428	-	95,428	4,905,585
Public safety and corrections	44,417	-	44,417	-
Conservation, environment, recreation, and agriculture	846,249	-	846,249	-
Health and human services	61,801	-	61,801	-
Transportation	1,339,310	-	1,339,310	-
Unemployment compensation	-	1,487,688	1,487,688	-
Labor, commerce, and regulatory	255,690	-	255,690	-
Other purposes	125,326	3,872	129,198	1,242,285
Funds Held as Permanent Investments:				
Expendable	316,872	-	316,872	217,086
Nonexpendable	841,763	-	841,763	557,377
Unrestricted	(13,636,896)	(62,509)	(13,699,405)	(120,788)
Total Net Position	\$ 13,320,910	\$ 1,429,697	\$ 14,750,607	\$ 9,895,318

# Michigan

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2020

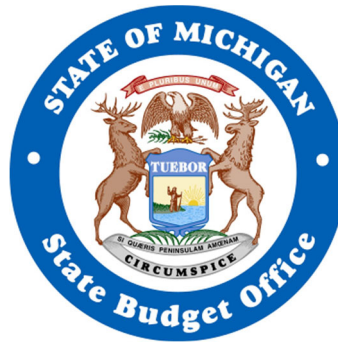
(In Thousands)

		PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Functions/Programs</b>	<b>EXPENSES</b>			
Primary Government:				
Governmental Activities:				
General government	\$ 2,882,398	\$ 632,904	\$ 708,158	\$ 53,119
Education	17,831,607	6,312	2,930,918	-
Health and human services	26,420,104	176,825	19,681,110	-
Public safety and corrections	3,078,647	153,967	832,650	18,866
Conservation, environment, recreation, and agriculture	1,575,468	330,842	306,159	7,237
Labor, commerce, and regulatory	980,383	390,859	578,570	-
Transportation	5,204,891	88,316	697,535	1,107,915
Tax credits (Note 16)	936,500	-	-	-
Intergovernmental-revenue sharing	1,241,267	-	-	-
Interest on long-term debt	224,617	-	-	-
Total governmental activities	<u>60,375,882</u>	<u>1,780,026</u>	<u>25,735,099</u>	<u>1,187,137</u>
Business-type Activities:				
Liquor Purchase Revolving Fund	1,180,694	1,459,240	-	-
State Lottery Fund	3,082,442	4,256,618	16,561	-
Attorney Discipline System	5,534	5,336	488	-
Michigan Unemployment Compensation Funds	<u>25,367,742</u>	<u>21,748,077</u>	<u>120,373</u>	<u>-</u>
Total business-type activities	<u>29,636,413</u>	<u>27,469,271</u>	<u>137,422</u>	<u>-</u>
Total primary government	<u>\$ 90,012,294</u>	<u>\$ 29,249,298</u>	<u>\$ 25,872,521</u>	<u>\$ 1,187,137</u>
Total component units	<u>\$ 4,981,018</u>	<u>\$ 2,662,127</u>	<u>\$ 1,252,814</u>	<u>\$ 21,840</u>
		General Revenues:		
		Taxes:		
		General:		
		Sales and use		
		Personal income		
		Single business, Michigan business, and corporate income		
		Tobacco products		
		Beer, wine, and liquor		
		Insurance company		
		Quality assurance assessment		
		Essential services assessment		
		Penalties and interest		
		Insurance provider assessment		
		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		
		Personal income		
		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		

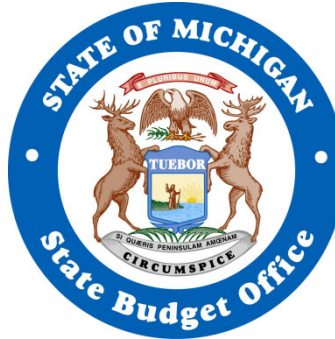
The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUES AND  
CHANGES IN NET POSITION

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
\$ (1,488,217)	\$ -	\$ (1,488,217)	\$ -
(14,894,377)	-	(14,894,377)	-
(6,562,169)	-	(6,562,169)	-
(2,073,163)	-	(2,073,163)	-
(931,230)	-	(931,230)	-
(10,954)	-	(10,954)	-
(3,311,125)	-	(3,311,125)	-
(936,500)	-	(936,500)	-
(1,241,267)	-	(1,241,267)	-
(224,617)	-	(224,617)	-
(31,673,619)	-	(31,673,619)	-
-	278,545	278,545	-
-	1,190,737	1,190,737	-
-	291	291	-
-	(3,499,292)	(3,499,292)	-
-	(2,029,719)	(2,029,719)	-
(31,673,619)	(2,029,719)	(33,703,338)	-
-	-	-	(1,044,237)
2,891,029	-	2,891,029	-
7,891,855	-	7,891,855	-
979,259	-	979,259	-
567,482	-	567,482	-
193,699	-	193,699	-
467,761	-	467,761	-
1,264,403	-	1,264,403	-
121,991	-	121,991	-
96,894	-	96,894	-
603,781	-	603,781	-
214,254	-	214,254	-
6,604,996	-	6,604,996	-
3,123,542	-	3,123,542	-
2,524,085	-	2,524,085	-
328,318	-	328,318	-
70,174	-	70,174	-
67,011	-	67,011	-
67,867	-	67,867	-
99,672	-	99,672	-
468,000	-	468,000	-
1,319,661	-	1,319,661	-
1,344,763	-	1,344,763	-
4,327	-	4,327	-
20,726	1,015	21,741	104,045
619,530	20	619,550	327,729
-	-	-	700,064
9,019	-	9,019	-
-	-	-	677
1,478,612	(1,478,612)	-	-
33,442,709	(1,477,577)	31,965,132	1,132,515
1,769,090	(3,507,296)	(1,738,206)	88,278
11,551,820	4,936,993	16,488,813	9,807,039
\$ 13,320,910	\$ 1,429,697	\$ 14,750,607	\$ 9,895,318



## 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 employees' 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, internet sports betting, internet gaming, internet fantasy contests, 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 188.



# Michigan

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 SEPTEMBER 30, 2020  
 (In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 7,690	\$ 632	\$ 4,113	\$ 12,436
Equity in common cash (Note 5)	5,063,385	-	3,083,678	8,147,063
Cash on deposit with fiscal agent	130,308	-	-	130,308
Taxes, interest, and penalties receivable (Note 6)	4,119,603	2,417,793	132,877	6,670,273
Amounts due from other funds (Note 19)	872,541	52,240	135,484	1,060,265
Amounts due from component units	232	12,601	1,489	14,322
Amounts due from federal agencies	1,655,986	68,258	430,725	2,154,969
Amounts due from local units	74,893	37,899	127,907	240,699
Inventories	216,237	-	15,787	232,024
Investments (Note 8)	-	-	203,806	203,806
Other current assets	1,595,207	30,239	214,854	1,840,300
Total Current Assets	13,736,082	2,619,663	4,350,720	20,706,465
Noncurrent Assets:				
Taxes, interest, and penalties receivable (Note 6)	315,890	63,558	3,317	382,765
Advances to other funds (Note 19)	860	-	-	860
Amounts due from federal agencies	22,590	-	-	22,590
Amounts due from local units	417,555	19,473	73,631	510,659
Investments (Note 8)	-	-	1,284,912	1,284,912
Other noncurrent assets	7,446	-	29,966	37,412
Total Noncurrent Assets	764,340	83,031	1,391,826	2,239,197
Total Assets	\$ 14,500,422	\$ 2,702,694	\$ 5,742,547	\$ 22,945,662
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities (Note 24)	\$ 3,231,073	\$ 167,344	\$ 765,093	\$ 4,163,510
Income tax refunds payable (Note 16)	1,171,319	-	-	1,171,319
Amounts due to other funds (Note 19)	94,932	812,990	207,049	1,114,971
Amounts due to component units	7,592	-	-	7,592
Bonds and notes payable	-	-	158,500	158,500
Unearned revenue	1,376,228	1,315	15,825	1,393,368
Total Current Liabilities	5,881,144	981,649	1,146,467	8,009,260
Long-Term Liabilities:				
Advances from component units	365,712	-	-	365,712
Unearned revenue	12,194	-	86	12,280
Total Long-Term Liabilities	377,906	-	86	377,992
Total Liabilities	6,259,051	981,649	1,146,553	8,387,252
DEFERRED INFLOWS OF RESOURCES (Note 28)	2,706,132	500,513	198,757	3,405,402
<b>FUND BALANCES</b>				
Nonspendable	249,010	-	1,108,636	1,357,645
Restricted	782,072	1,220,532	3,177,081	5,179,685
Committed	2,041,315	-	261,081	2,302,396
Assigned	99,794	-	-	99,794
Unassigned (Note 22)	2,363,049	-	(149,561)	2,213,488
Total Fund Balances (Note 23)	5,535,239	1,220,532	4,397,237	11,153,008
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,500,422	\$ 2,702,694	\$ 5,742,547	\$ 22,945,662

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, 2020

(In Thousands)

Total fund balances for governmental funds	\$ 11,153,008
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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	3,763,392	
Buildings, equipment, and other depreciable assets	5,409,466	
Infrastructure	14,987,257	
Construction in progress	2,602,691	
Interest in joint ventures	34,569	
Accumulated depreciation	<u>(3,170,214)</u>	23,627,160

Certain tax revenues are earned but not available and therefore are reported as deferred inflows of resources in the funds.	3,149,254
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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.	256,148
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Amounts due to component units for long-term loans.	(51,843)
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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.	(395,965)
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Pension related assets are not available in the current period and therefore are not reported in the funds.	6,516
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Deferred outflows of resources not reported in the funds:	
Refunding of debt	39,991
Pension related	821,956
OPEB related	2,126,763

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.	45
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the funds. (Note 15)

Capital lease and financed purchase obligations	(654,099)	
Compensated absences	(401,178)	
Workers' compensation	(39,393)	
Net pension liability	(7,164,525)	
Net OPEB liability	(9,176,917)	
Pollution remediation	(215,486)	
Other long-term liabilities	<u>(913,928)</u>	(18,565,525)

Long-term bonded debt is not due and payable in the current period and  
therefore is not reported in the funds. Unamortized premiums, unamortized  
discounts, and accrued interest payable are not reported in the funds. However,  
these amounts are included in the Statement of Net Position. This is the net  
effect of these balances on the statement. (Note 13)

Bonds and notes payable	(6,025,376)	
Unamortized premiums	(697,048)	
Unamortized discounts	3,137	
Accrued interest payable	<u>(77,610)</u>	(6,796,897)

Deferred inflows of resources not reported in the funds:	
Refunding of debt	(10,121)
Pension related	(295,724)
OPEB related	<u>(1,743,857)</u>

Net position of governmental activities	<u>\$ 13,320,910</u>
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The accompanying notes are an integral part of the financial statements.

# Michigan

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
<b>REVENUES</b>				
Taxes	\$ 15,347,519	\$ 12,817,559	\$ 3,236,875	\$ 31,401,952
From federal agencies	22,737,294	1,781,511	1,956,276	26,475,081
From local agencies	123,397	-	20,862	144,259
From services	343,333	-	8,008	351,341
From licenses and permits	403,056	-	219,854	622,910
Special Medicaid reimbursements	153,051	-	-	153,051
Miscellaneous	813,006	21,200	624,960	1,459,166
Total Revenues	39,920,656	14,620,270	6,066,835	60,607,760
<b>EXPENDITURES</b>				
Current:				
General government	2,787,430	2	135,791	2,923,223
Education	2,561,407	15,108,804	157,235	17,827,446
Health and human services	26,237,752	-	64,094	26,301,845
Public safety and corrections	2,960,993	-	2,216	2,963,209
Conservation, environment, recreation, and agriculture	629,187	-	286,216	915,403
Labor, commerce, and regulatory	788,274	-	283,595	1,071,869
Transportation	11,854	-	3,418,145	3,429,999
Tax credits (Note 16)	936,500	-	-	936,500
Capital outlay	236,336	-	1,756,085	1,992,422
Intergovernmental-revenue sharing	1,241,267	-	-	1,241,267
Debt service:				
Bond principal retirement	-	-	431,330	431,330
Bond interest and fiscal charges	-	-	246,455	246,455
Capital lease and financed purchase payments	83,726	-	23,247	106,972
Total Expenditures	38,474,725	15,108,806	6,804,409	60,387,940
Excess of Revenues over (under) Expenditures	1,445,930	(488,536)	(737,574)	219,820
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and bond anticipation notes issued	152,810	-	898,280	1,051,090
Refunding bonds issued	-	-	807,065	807,065
Premium on bond issuance	29,420	-	257,261	286,681
Payment to refunded bond escrow agent	-	-	(827,914)	(827,914)
Capital lease and financed purchase acquisitions	94,866	-	205,902	300,768
Proceeds from sale of capital assets	1,736	-	232	1,967
Transfers from other funds (Note 21)	393,057	1,533,389	2,381,903	4,308,350
Transfers to other funds (Note 21)	(725,630)	(110,473)	(1,989,159)	(2,825,261)
Total Other Financing Sources (Uses)	(53,741)	1,422,916	1,733,571	3,102,746
Net changes in fund balances	1,392,189	934,381	995,996	3,322,566
Fund Balances - Beginning of fiscal year - restated	4,143,050	286,151	3,401,240	7,830,442
Fund Balances - End of fiscal year	\$ 5,535,239	\$ 1,220,532	\$ 4,397,237	\$ 11,153,008

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, 2020

(In Thousands)

Net change in fund balance - total governmental funds \$ 3,322,566

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)

Capital outlay:

Land and other non-depreciable assets	16,784	
Buildings, equipment, and other depreciable assets	115,743	
Infrastructure	(954,750)	
Construction in progress	1,082,990	
Disposal of capital assets	34,150	
Depreciation expense	(179,305)	115,611

Change in deferred inflows of resources from the prior year. Revenues recognized in the Statement of Activities are reported as deferred inflows of resources in the funds when they are not yet available. These amounts are related to:

Tax revenues	(87,130)	
Other revenues	(28,750)	(115,880)

Increase (decrease) in equity interest in joint ventures (Note 7). (114)

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. 28,082

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	(2,144,836)	
Repayment of bond principal	431,330	
Payment to refunded bond escrow agent	827,914	
Accrued interest and amortization	55,791	(829,801)

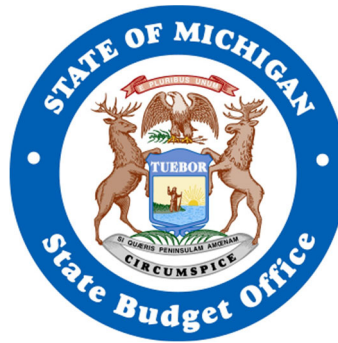
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. Some expenditures reported in the funds either increase or decrease long-term obligations reported in the Statement of Net Position.

In the current year, these amounts related to:

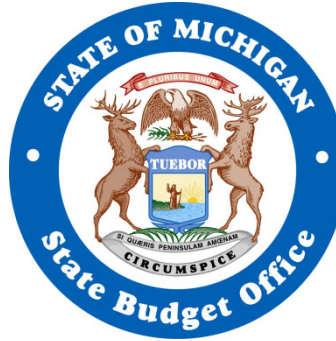
Pension costs, net	(449,001)	
OPEB costs, net	187,656	
Advances from component units	145,498	
Capital leases and financed purchases	(245,702)	
Compensated absences payments	(59,987)	
Litigation recoveries, settlements and payments	(320,224)	
Pollution remediation obligations	(15,833)	
Workers' compensation	7,376	
Other	(1,157)	(751,374)

Change in net position of governmental activities \$ 1,769,090

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



## PROPRIETARY FUND FINANCIAL STATEMENTS



### Major Funds

#### STATE LOTTERY FUND

Michigan Compiled Laws (MCL) Section 432.41 established the State Lottery Fund and MCL Section 432.5 created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Technology, Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1991. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net position balance represents the unrealized cumulative gain or loss on investments held to fund future Lottery prizes that are annuities, the change in net other postemployment benefits (OPEB) liability, capital assets (leasehold improvements and equipment less capital lease obligations), and the change in net pension liability and deferred inflows and outflows related to pensions and OPEB. 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 2019-13 renamed the Department of Talent and Economic Development as the Department of Labor and Economic Opportunity (LEO). The funds are administered under LEO.

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 248.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 252.

# Michigan

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

SEPTEMBER 30, 2020

(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				GOVERNMENTAL
	STATE	MICHIGAN			ACTIVITIES --
	LOTTERY	UNEMPLOYMENT	NON-MAJOR	TOTALS	INTERNAL
	FUND	COMPENSATION			SERVICE
		FUNDS			FUNDS
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 2	\$ 37,967	\$ 1,735	\$ 39,704	\$ 10
Cash on deposit with fiscal agent	-	1,381,966	-	1,381,966	-
Equity in common cash (Note 5)	13,251	147,563	111,560	272,373	512,052
Amounts due from other funds (Note 19)	-	4,438	-	4,438	11,061
Amounts due from component units	-	438	-	438	497
Amounts due from federal agencies	-	818,945	-	818,945	-
Amounts due from local units	-	55,664	-	55,664	-
Inventories	21,718	-	535	22,253	10,771
Investments (Note 8)	16,281	-	2,000	18,281	-
Other current assets	238,085	146,100	15,447	399,632	52,271
Total Current Assets	289,335	2,593,082	131,277	3,013,695	586,662
Noncurrent Assets:					
Investments (Note 8)	165,268	-	4,951	170,219	-
Capital Assets (Note 9):					
Land and other non-depreciable assets	-	-	-	-	83,147
Buildings and equipment	5,812	-	1,272	7,083	1,048,346
Allowance for depreciation	(4,675)	-	(629)	(5,303)	(697,223)
Construction in progress	-	-	-	-	60
Total capital assets	1,137	-	643	1,780	434,330
Other noncurrent assets	2,115	25,800	-	27,915	24,519
Total Noncurrent Assets	168,521	25,800	5,594	199,915	458,849
Total Assets	457,856	2,618,882	136,872	3,213,610	1,045,511
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	12,361	-	5,820	18,180	141,984
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other liabilities (Note 24)	222,105	1,102,485	130,687	1,455,277	115,449
Amounts due to other funds (Note 19)	52,401	620	237	53,257	4,759
Amounts due to component units	-	391	75	466	73
Interest payable	3	-	-	3	2,232
Unearned revenue	-	-	791	791	82,615
Current portion of other long-term obligations (Note 15)	1,114	-	881	1,995	53,551
Total Current Liabilities	275,623	1,103,496	132,671	1,511,791	258,678
Long-Term Liabilities:					
Advances from other funds (Note 19)	-	-	-	-	860
Prize awards payable	141,143	-	-	141,143	-
Unearned revenue	-	-	-	-	301,480
Noncurrent portion of other long-term obligations (Note 15)	70,503	27,698	34,485	132,686	905,551
Total Long-Term Liabilities	211,647	27,698	34,485	273,830	1,207,892
Total Liabilities	487,270	1,131,194	167,156	1,785,620	1,466,570
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	8,956	-	7,517	16,473	116,889
<b>NET POSITION</b>					
Net investment in capital assets	737	-	(91)	646	422,063
Restricted For:					
Unemployment compensation	-	1,487,688	-	1,487,688	-
Other purposes	-	-	3,872	3,872	2,217
Unrestricted	(26,747)	-	(35,762)	(62,509)	(820,244)
Total Net Position	\$ (26,009)	\$ 1,487,688	\$ (31,982)	\$ 1,429,697	\$ (395,965)

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

# Michigan

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

### PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES</b>					
Operating revenues	\$ 4,256,618	\$ 21,748,077	\$ 1,464,561	\$ 27,469,257	\$ 1,948,843
Total Operating Revenues	4,256,618	21,748,077	1,464,561	27,469,257	1,948,843
<b>OPERATING EXPENSES</b>					
Salaries, wages, and other administrative	492,204	4,639	111,287	608,130	873,539
Interest expense	18	-	-	18	-
Depreciation	524	-	65	589	124,228
Purchases for resale	-	-	1,073,029	1,073,029	65,201
Purchases for prison industries	-	-	-	-	7,411
Lottery prize awards	2,583,557	-	-	2,583,557	-
Premiums and claims	-	-	-	-	749,078
Unemployment benefits	-	4,793,395	-	4,793,395	-
Federal program claimants	-	20,569,708	-	20,569,708	-
Other operating expenses	3	-	1,673	1,676	66,802
Total Operating Expenses	3,076,306	25,367,742	1,186,054	29,630,103	1,886,260
Operating Income (Loss)	1,180,312	(3,619,665)	278,507	(2,160,846)	62,584
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest revenue	1,144	91,264	1,015	93,422	3,534
Investment revenue (expense) - net	15,417	-	488	15,905	-
Other nonoperating revenues	-	29,109	35	29,144	3,607
Amortization of prize award obligation discount	(6,090)	-	-	(6,090)	-
Interest expense	(46)	-	(29)	(75)	(1,048)
Other nonoperating expense	-	-	(145)	(145)	(36,374)
Total Nonoperating Revenues (Expenses)	10,425	120,373	1,364	132,162	(30,282)
Income (Loss) Before Transfers	1,190,737	(3,499,292)	279,871	(2,028,684)	32,302
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>					
Transfers from other funds	-	36,009	-	36,009	-
Transfers To:					
School Aid Fund	(1,179,882)	-	-	(1,179,882)	-
Other funds	(3,406)	(51,796)	(279,537)	(334,739)	(4,220)
Total transfers to other funds	(1,183,288)	(15,787)	(279,537)	(1,478,612)	(4,220)
Change in net position	7,448	(3,515,079)	334	(3,507,296)	28,082
Total net position - Beginning of fiscal year	(33,458)	5,002,767	(32,316)	4,936,993	(424,047)
Total net position - End of fiscal year	\$ (26,009)	\$ 1,487,688	\$ (31,982)	\$ 1,429,697	\$ (395,965)

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



# Michigan

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

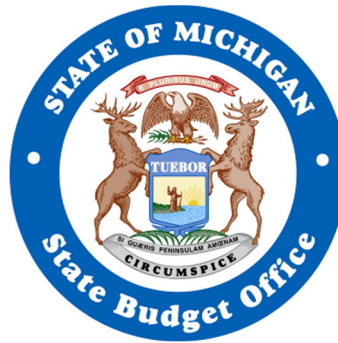
FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

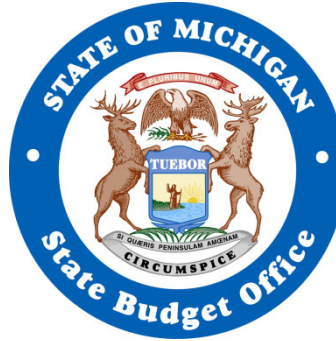
	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	TOTALS	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from federal and local agencies	\$ -	\$ 19,752,571	\$ -	\$ 19,752,571	\$ -
Receipts from customers	4,234,720	1,121,723	1,461,855	6,818,298	1,889,330
Membership dues	-	-	5,406	5,406	-
Payments to employees	(25,051)	-	(16,776)	(41,826)	(291,045)
Payments to suppliers	(55,815)	-	(1,133,885)	(1,189,700)	(700,338)
Payments to prize winners	(2,606,568)	-	-	(2,606,568)	-
Payments for commissions to retailers	(399,108)	-	-	(399,108)	-
Claims paid	-	(24,303,855)	-	(24,303,855)	(782,270)
Other receipts	-	38,445	145	38,589	3,725
Other payments	-	(4,639)	(1,127)	(5,766)	(269)
Net cash provided (used)					
by operating activities	1,148,178	(3,395,755)	315,617	(1,931,960)	119,133
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Federal funds for administration	-	29,109	-	29,109	-
Loans or loan repayments from other funds	-	-	-	-	64
Loans or loan repayments to other funds	-	-	-	-	(64)
Transfers from other funds	-	36,009	-	36,009	-
Transfers to other funds	(1,158,127)	(51,729)	(279,487)	(1,489,344)	(4,220)
Net cash provided (used)					
by noncapital financing activities	(1,158,127)	13,389	(279,487)	(1,424,225)	(4,220)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(80)	-	(17)	(96)	(32,706)
Interest paid	-	-	-	-	(1)
Capital lease payments					
(including imputed interest expense)	(74)	-	(23)	(97)	(10,432)
Net cash provided (used) by capital and related financing activities	(153)	-	(40)	(193)	(43,139)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investment securities	16,334	-	-	16,334	-
Purchase of investment securities	-	-	(78)	(78)	-
Sale of investment securities	-	-	410	410	-
Interest and dividends on investments	1,144	91,264	1,015	93,422	3,534
Expenses from securities lending activities	(3)	-	-	(3)	-
Net cash provided (used)					
by investing activities	17,475	91,264	1,347	110,086	3,534
Net cash provided (used) - all activities	7,372	(3,291,103)	37,438	(3,246,292)	75,307
Cash and cash equivalents at beginning of year	5,880	4,858,599	75,857	4,940,336	436,755
Cash and cash equivalents at end of year	\$ 13,253	\$ 1,567,496	\$ 113,295	\$ 1,694,044	\$ 512,062

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

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS					
	MAJOR			TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>					
Per Statement of Net Position Classifications:					
Cash	\$ 2	\$ 37,967	\$ 1,735	\$ 39,704	\$ 10
Cash on deposit with fiscal agent	-	1,381,966	-	1,381,966	-
Equity in common cash	13,251	147,563	111,560	272,373	512,052
Cash and cash equivalents at end of year	<u>\$ 13,253</u>	<u>\$ 1,567,496</u>	<u>\$ 113,295</u>	<u>\$ 1,694,044</u>	<u>\$ 512,062</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,180,312	\$ (3,619,665)	\$ 278,507	\$ (2,160,846)	\$ 62,584
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)					
by Operating Activities:					
Depreciation expense	524	-	65	589	124,228
Pension expense	4,559	-	1,959	6,519	39,257
OPEB expense	2,659	-	334	2,994	27,904
Deferred outflows - contributions subsequent to measurement date	(5,811)	-	(2,797)	(8,608)	(63,600)
Amortization of prize award obligation discount	(6,090)	-	-	(6,090)	-
Other nonoperating revenues	-	-	35	35	3,607
Other nonoperating expenses	(43)	-	(145)	(188)	(93)
Other reconciling items	546	-	(46)	500	(26)
Net Changes in Assets and Liabilities:					
Inventories	(1,783)	-	12,748	10,966	(476)
Other assets (net)	(21,054)	(847,385)	4,048	(864,391)	53,589
Accounts payable and other liabilities	11,277	1,071,295	20,819	1,103,392	(53,206)
Prize awards payable	(16,921)	-	-	(16,921)	-
Unearned revenue	-	-	90	90	(74,636)
Net cash provided (used) by operating activities	<u>\$ 1,148,178</u>	<u>\$ (3,395,755)</u>	<u>\$ 315,617</u>	<u>\$ (1,931,960)</u>	<u>\$ 119,133</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>					
Capital lease liabilities entered into during the year	\$ 74	\$ -	\$ -	\$ 74	\$ -
Increase (decrease) in fair value of investments	8,862	-	-	8,862	-
Transfers to other funds (accrual)	(51,983)	(75)	-	(52,059)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(36,281)
Total noncash investing, capital, and financing activities	<u>\$ (43,048)</u>	<u>\$ (75)</u>	<u>\$ -</u>	<u>\$ (43,123)</u>	<u>\$ (36,281)</u>



## FIDUCIARY FUND FINANCIAL STATEMENTS



Individual fund financial statements begin on the following pages:  
Pension (and Other Employee Benefit) Trust Funds, page 260.  
Private Purpose Trust Funds, page 268.  
Agency Funds, page 273.

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 SEPTEMBER 30, 2020  
 (In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Cash	\$ -	\$ 21,370	\$ 64,834
Equity in common cash (Note 5)	413,011	157,869	24,013
Receivables:			
From participants	168,636	-	-
From employers	427,371	-	-
Other	484,840	-	-
Interest and dividends	713	55	-
Due from component unit	775	-	-
Due from other governmental	57,804	-	-
Sale of investments	45	-	-
Investments at Fair Value (Note 8):			
Short-term investments	3,373,940	-	-
Fixed income	9,448,312	9,438	-
Domestic equities	16,524,022	-	-
Real estate	6,180,135	1,082	-
Alternative investments	14,558	3,830	-
Private equity pools	15,206,406	-	-
International equities	12,315,567	-	-
Absolute return	3,707,173	-	-
Mutual funds	681,009	5,569,078	-
Pooled investment funds	6,661,697	-	-
Separate accounts	2,782,847	-	-
Real return	9,455,606	-	-
Guaranteed funding agreements	-	1,603,409	-
Securities lending collateral (Note 8)	3,172,408	-	-
Other current assets	-	4,071	-
Other noncurrent assets	-	400	268,463
Total Assets	91,076,876	7,370,602	357,311
<b>LIABILITIES</b>			
Accounts payable and other liabilities	264,389	14,077	88,848
Amounts due to other funds (Note 19)	4	93	-
Obligations under security lending	3,172,408	-	-
Unearned revenue	5,389	-	-
Other long-term liabilities	-	-	268,463
Total Liabilities	3,442,190	14,171	\$ 357,311
<b>NET POSITION</b>			
Restricted for pension, postemployment health-care, deferred compensation participants, and other purposes	\$ 87,634,686	\$ 7,356,431	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

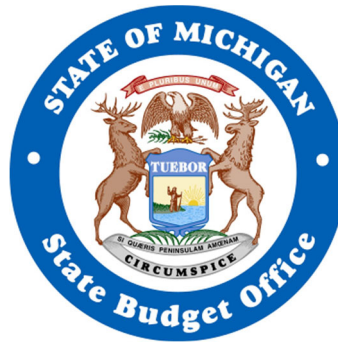
**FIDUCIARY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

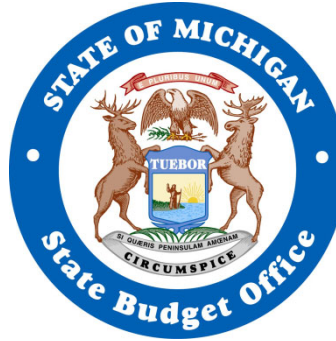
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<b>ADDITIONS</b>		
Contributions:		
From participants	\$ 1,165,415	\$ 666,386
From employers	5,335,839	-
From clients	-	74,194
From gifts, bequests, and endowments	-	13,748
From other governmental	382,735	-
From other systems	21,094	-
Investment Income:		
Net increase (decrease) in the fair value of investments	3,435,842	314,173
Interest, dividends, and other	1,454,100	170,028
Securities lending income	38,229	-
Less Investment Expense:		
Investment activity expense	227,968	-
Securities lending expense	27,725	-
Net investment income (loss)	4,672,478	484,201
Escheated property	-	124,542
Miscellaneous income	14,971	21
Total Additions	11,592,531	1,363,092
<b>DEDUCTIONS</b>		
Benefits paid to participants or beneficiaries	7,138,151	540,465
Medical, dental, and life insurance for retirants	727,050	-
Refunds and transfers to other systems	327,486	-
Amounts distributed to clients, claimants, or third parties	-	212,597
Administrative and other expenses	236,417	12,965
Total Deductions	8,429,105	766,027
Change in net position	3,163,426	597,065
Net position - Beginning of fiscal year - restated	84,471,260	6,759,366
Net position - End of fiscal year	\$ 87,634,686	\$ 7,356,431

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



## 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 State Land Bank 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 director of the Department of Labor and Economic Opportunity (LEO) or their designee from within LEO, the State Treasurer or their designee from within the Department of Treasury, the director of the Department of Transportation (MDOT) or their designee from within MDOT, the Chief Executive Officer of the Michigan Economic Development Corporation or their designee, and seven 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 278.

The non-major component unit - State universities are presented beginning on page 284.



## STATEMENT OF NET POSITION

## COMPONENT UNITS

SEPTEMBER 30, 2020

(In Thousands)

	AUTHORITIES			
	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	NON-MAJOR
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 171,087	\$ 399,656	\$ 94,727	\$ 157,370
Equity in common cash (Note 5)	1,911,009	-	204,947	43,851
Amounts due from component units	-	-	390	19,050
Amounts due from primary government	1,994	-	150	4,367
Amounts due from federal government	672	-	11,615	-
Amounts due from local units	958,954	-	-	-
Inventories	-	-	-	763
Investments (Note 8)	1,960,122	169,718	-	43,113
Other current assets	186,280	62,947	91,045	12,868
Total Current Assets	5,190,119	632,321	402,874	281,384
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	47,390	28,497
Investments	-	-	-	6,154
Mortgages and loans receivable	-	-	-	-
Advances to primary government	417,555	-	-	-
Amounts due from local units	5,778,396	-	-	-
Mortgages and loans receivable	327,180	3,371,844	133,072	9,173
Investments (Note 8)	303,106	741,298	-	1,424,759
Land and property held for resale	-	-	-	5,011
Capital Assets (Note 9):				
Land and other non-depreciable assets	-	-	-	1,088
Buildings, equipment, and other depreciable assets	-	21,000	-	60,375
Less accumulated depreciation	-	(1,094)	-	(41,048)
Infrastructure	-	-	-	102,950
Construction in progress	-	-	-	-
Total capital assets	-	19,906	-	123,365
Other noncurrent assets	-	52,182	565,915	30,956
Total Noncurrent Assets	6,826,237	4,185,230	746,376	1,627,914
Total Assets	12,016,356	4,817,551	1,149,250	1,909,297
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 28)</b>	33,845	124,743	6,387	27,425

This statement continues on next page.

STATE UNIVERSITIES

CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	TOTALS
\$ 46,751	\$ 113,772	\$ 422,069	\$ 1,405,432
-	-	-	2,159,807
-	-	-	19,440
43,134	8,159	99,468	157,274
4,547	2,871	22,885	42,590
-	-	9,790	968,744
3,059	2,456	6,857	13,135
-	12,406	93,850	2,279,209
27,099	33,924	89,269	503,433
124,590	173,588	744,187	7,549,063
1,582	-	156,308	233,777
-	411,108	364,723	781,984
-	-	14,072	14,072
-	-	-	417,555
-	-	-	5,778,396
-	5,127	19,270	3,865,665
404,841	226,183	850,161	3,950,347
-	-	-	5,011
14,226	18,223	209,710	243,247
1,009,602	1,496,924	5,080,190	7,668,091
(485,236)	(666,679)	(2,155,803)	(3,349,859)
-	-	-	102,950
36,790	119,925	159,520	316,236
575,382	968,395	3,293,617	4,980,664
4,472	11,615	45,488	710,629
986,276	1,622,428	4,743,639	20,738,101
1,110,866	1,796,016	5,487,826	28,287,164
20,002	17,618	134,813	364,833

**STATEMENT OF NET POSITION**  
**COMPONENT UNITS (Continued)**

SEPTEMBER 30, 2020

(In Thousands)

	AUTHORITIES			
	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	NON-MAJOR
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	\$ 55,600	\$ 54,322	\$ 46,555	\$ 8,591
Amounts due to component units	-	-	17,639	391
Amounts due to primary government	-	-	144	1,871
Bonds and notes payable (Note 14)	1,011,684	63,934	22,385	60,065
Interest payable	105,891	14,849	4,416	4,292
Unearned revenue	5,000	3,000	40,049	3,256
Current portion of other long-term obligations	3,899	72,187	830	68,231
Total Current Liabilities	<u>1,182,074</u>	<u>208,292</u>	<u>132,018</u>	<u>146,696</u>
Long-Term Liabilities:				
Unearned revenue	-	-	106,230	809
Bonds and notes payable (Note 14)	7,395,640	3,293,778	277,029	191,325
Noncurrent portion of other long-term obligations	45,193	644,421	21,601	796,671
Total Long-Term Liabilities	<u>7,440,833</u>	<u>3,938,200</u>	<u>404,860</u>	<u>988,806</u>
Total Liabilities	<u>8,622,907</u>	<u>4,146,491</u>	<u>536,878</u>	<u>1,135,501</u>
<b>DEFERRED INFLOWS OF RESOURCES (Note 28)</b>	<u>4,454</u>	<u>33,857</u>	<u>2,446</u>	<u>12,487</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	19,906	-	121,001
Restricted For:				
Education	-	-	-	-
Construction and debt service	4,406,460	482,890	-	3,879
Other purposes	-	14,455	750,385	336,368
Funds Held as Permanent Investments:				
Expendable	-	-	-	26,091
Nonexpendable	-	-	-	-
Unrestricted	(983,620)	244,695	(134,071)	301,395
Total Net Position	<u>\$ 3,422,840</u>	<u>\$ 761,946</u>	<u>\$ 616,313</u>	<u>\$ 788,735</u>

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

STATE UNIVERSITIES

CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	TOTALS
\$ 77,308	\$ 86,538	\$ 239,549	\$ 568,463
-	-	-	18,030
3,458	-	1,991	7,464
12,250	22,620	56,957	1,249,896
1,473	2,523	14,863	148,307
15,566	10,312	90,667	167,850
568	10,273	21,635	177,621
110,622	132,266	425,662	2,337,631
-	-	27,296	134,336
151,740	421,859	1,431,582	13,162,953
200,588	380,811	704,079	2,793,364
352,327	802,670	2,162,957	16,090,653
462,950	934,937	2,588,619	18,428,284
10,635	115,463	149,052	328,395
413,352	500,707	1,854,639	2,909,605
24,651	6,818	152,699	184,168
7,378	-	4,978	4,905,585
-	98,007	43,071	1,242,285
39,152	-	151,843	217,086
65,219	98,678	393,480	557,377
107,531	59,023	284,259	(120,788)
\$ 657,283	\$ 763,234	\$ 2,884,968	\$ 9,895,318

## Michigan

### STATEMENT OF ACTIVITIES

#### COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

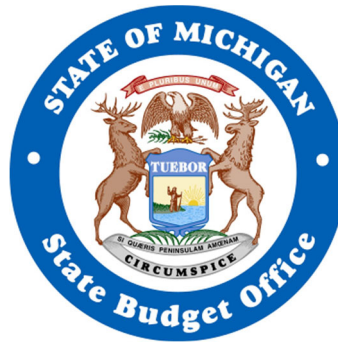
(In Thousands)

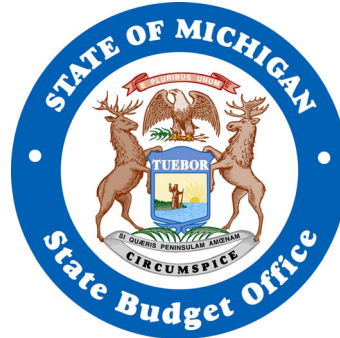
		PROGRAM REVENUES				
<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS/ CONTRIBUTIONS</u>	<u>CAPITAL GRANTS/ CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE</u>	
Authorities:						
Michigan Finance Authority	\$ 439,628	\$ 355,342	\$ 210,276	\$ -	\$ 125,989	
Michigan State Housing Development Authority	893,766	206,056	584,990	-	(102,720)	
Michigan Strategic Fund	318,471	1,263	120,288	-	(196,919)	
Non-Major	144,929	37,492	99,794	358	(7,285)	
State Universities:						
Central Michigan University	507,029	327,155	35,433	3,245	(141,196)	
Western Michigan University	619,386	415,514	34,029	1,003	(168,840)	
Non-Major	2,057,810	1,319,305	168,004	17,234	(553,266)	
Total	<u>\$ 4,981,018</u>	<u>\$ 2,662,127</u>	<u>\$ 1,252,814</u>	<u>\$ 21,840</u>	<u>\$ (1,044,237)</u>	

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

GENERAL REVENUES

INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	EXTRAORDINARY ITEMS	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR RESTATED	NET POSITION END OF YEAR
\$ -	\$ -	\$ -	\$ -	\$ 125,989	\$ 3,296,850	\$ 3,422,840
23,583	-	-	-	(79,137)	841,083	761,946
15,626	137,135	44,024	-	(133)	616,446	616,313
15,593	149	3,628	-	12,086	776,649	788,735
7,198	91,856	34,117	-	(8,025)	665,308	657,283
10,844	103,725	56,289	-	2,018	761,216	763,234
31,201	367,200	189,670	677	35,482	2,849,486	2,884,968
<u>\$ 104,045</u>	<u>\$ 700,064</u>	<u>\$ 327,729</u>	<u>\$ 677</u>	<u>\$ 88,278</u>	<u>\$ 9,807,039</u>	<u>\$ 9,895,318</u>





## FINANCIAL SECTION

### NOTES TO FINANCIAL STATEMENTS



**Michigan**  
**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 State Land Bank 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 \$103.7 million to Western Michigan University and \$91.9 million to Central Michigan University. The financial statements also reflect a \$417.6 million liability related to loans to school districts that have been assigned to Michigan Finance Authority (MFA). During fiscal year 2020, the State repaid the remaining \$84.5 million liability that was 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.

### **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) 241-4010.

### **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 2020, the State awarded contracts totaling \$123.7 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 Authority Health, a public agency. Authority Health 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 Authority Health; therefore, the State's accountability for Authority Health does not extend beyond making the appointments. During fiscal year 2020, the State awarded contracts totaling \$0.6 million to Authority Health.

## ***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 employees' 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, 2020, long-term prize awards of \$198.3 million were reported at a present value of \$141.1 million, using discount rates ranging from 1.7 to 6.5 percent.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling \$192.2 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, 2020.

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, 2020.

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 2020, interest charges on general long-term liabilities totaling \$22.6 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, financed purchases, and transfers.

**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. 196)  
Comprehensive Transportation Fund\* (p. 196)

##### **Regulatory and Administrative Related:**

Homeowner Construction Lien Recovery Fund\* (p. 210)  
Michigan Employment Security Act – Administration Fund\* (p. 210)  
Safety Education and Training Fund\* (p. 210)  
Second Injury Fund (p. 210)  
Self-Insurers’ Security Fund (p. 210)  
Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 211)  
State Construction Code Fund\* (p. 211)  
Utility Consumer Representation Fund (p. 211)  
Unemployment Obligation Trust Fund (p. 211)  
State Casino Gaming Fund\* (p. 211)

##### **Debt Service Funds:**

Combined State Trunkline Bond and Interest Redemption Fund (p. 228)  
Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 228)  
Recreation and Environmental Protection Bond Redemption Fund (p. 228)  
School Loan Bond Redemption Fund (p. 229)  
State Building Authority (p. 229)

#### **Proprietary:**

##### **Enterprise Funds:**

Attorney Discipline System (p. 248)  
Liquor Purchase Revolving Fund (p. 248)

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

Michigan Conservation and Recreation Legacy Fund\* (p. 202)  
Michigan Game and Fish Protection Trust Fund (p. 202)  
Michigan Nongame Fish and Wildlife Trust Fund\* (p. 203)  
Forest Development Fund\* (p. 203)  
Bottle Deposits Fund (p. 203)

##### **Other State Funds:**

21<sup>st</sup> Century Jobs Trust Fund\* (p. 220)  
Michigan Merit Award Trust Fund\* (p. 220)  
Children’s Trust Fund\* (p. 220)  
Military Family Relief Fund\* (p. 221)  
Community District Education Trust Fund\* (p. 221)  
Miscellaneous Special Revenue Funds (p. 221)

##### **Capital Projects Funds:**

State Trunkline Fund\* (p. 234)  
State Aeronautics Fund\* (p. 234)  
Combined State Trunkline Bond Proceeds Fund (p. 234)  
Combined Comprehensive Transportation Bond Proceeds Fund (p. 234)  
Transportation Related Trust Funds (p. 235)  
State Building Authority (p. 235)  
Advance Financing Funds (p. 235)

##### **Permanent Funds:**

Michigan Natural Resources Trust Fund\* (p. 242)  
Michigan State Parks Endowment Fund\* (p. 242)  
Michigan Veterans’ Trust Fund\* (p. 242)

##### **Internal Service Funds:**

Correctional Industries Revolving Fund (p. 252)  
State Sponsored Group Insurance Fund (p. 252)  
Information Technology Fund (p. 252)  
Office Services Revolving Fund (p. 253)  
Motor Transport Fund (p. 253)  
Risk Management Fund (p. 253)

**Fiduciary:**

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

State of Michigan 457 Plans (p. 260)  
Legislative Pension Benefits Fund (p. 260)  
Legislative Other Postemployment Benefits Fund (p. 260)  
State Police Pension Benefits Fund (p. 260)  
State Police Other Postemployment Benefits Fund (p. 261)  
State Employees' Pension Benefits Fund (p. 261)  
State Employees' Other Postemployment Benefits Fund (p. 261)  
Public School Employees' Pension Benefits Fund (p. 261)  
Public School Employees' Other Postemployment Benefits Fund (p. 261)  
Judges' Pension Benefits Fund (p. 261)  
Judges' Other Postemployment Benefits Fund (p. 262)  
Military Pension Benefits Fund (p. 262)  
State of Michigan 401K Plans (p. 262)

**Private Purpose Trust Funds:**

Michigan Education Savings Program (p. 268)  
Escheats Fund (p. 268)  
Gifts, Bequests, and Deposits Investment Fund (p. 268)  
Hospital Patients' Trust Fund (p. 269)  
Michigan Achieving a Better Life Experience (p. 269)

**Agency Funds:**

Environmental Quality Deposits Fund (p. 273)  
Insurance Carrier Deposits Fund (p. 273)  
City Income Tax – Trust Fund (p. 273)  
Child Support Collection Fund (p. 273)  
Social Welfare Fund (p. 273)

**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. 278)  
Mackinac Bridge Authority (p. 278)  
Mackinac Island State Park Commission (p. 278)  
Michigan Early Childhood Investment Corporation (p. 278)  
Michigan Economic Development Corporation (p. 279)  
Michigan Education Trust (p. 279)  
State Bar of Michigan (p. 279)  
State Land Bank Authority (p. 279)  
Venture Michigan Fund (p. 279)

**State Universities (1):**

**Major Component Units:**

Central Michigan University (p. 51)  
Western Michigan University (p. 51)

**Non-Major Component Units:**

Eastern Michigan University (p. 284)  
Ferris State University (p. 284)  
Grand Valley State University (p. 284)  
Lake Superior State University (p. 284)  
Michigan Technological University (p. 285)  
Northern Michigan University (p. 285)  
Oakland University (p. 285)  
Saginaw Valley State University (p. 285)

- (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 2020 are not yet complete. For fiscal year 2019, 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 55.41 percent, reflecting payments that exceeded the minimum required by \$2.2 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2020. See Note 25 for information regarding current litigation related to whether certain categories of State spending should be counted toward, or excluded from, the calculation.

#### **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 2020 are not final. For fiscal year 2019, the most recent year for which final calculations are available, total state revenues subject to this limitation were beneath the constitutional limit by \$9.7 billion. The State expects that total state revenues subject to the limitation will not exceed the limit for fiscal year 2020.

#### **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	\$ 1,148.6
Interest income	13.0
Tobacco settlement proceeds	17.5
Deposits	-
Withdrawals	<u>(350.0)</u>
Ending committed fund balance	<u>\$ 829.1</u>

During fiscal year 2014, \$194.8 million was transferred to the Michigan Settlement Administration Authority to support the Detroit bankruptcy settlement. That withdrawal 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, 2020, is \$89.8 million.

The withdrawal during the year represents a transfer from The Counter-Cyclical Budget and Economic Stabilization Fund to the School Aid Fund in the amount of \$350.0 million pursuant to P.A. 146 of 2020 Section 11q.

#### **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 \$1.2 billion for fiscal year 2020.

#### **Budgetary Overexpenditures**

There were no net overexpenditures in fiscal year 2020. There were, however, the following line-item overexpenditures incurred during the year, which represent noncompliance with State budget laws (in millions):

<b>General Fund</b>	
Department of Health and Human Services	\$ 45.0
Department of Military and Veterans Affairs	0.7
Department of State Police	2.1
General Fund Total	<u>\$ 47.8</u>
<b>School Aid Fund</b>	
Department of Education	\$ 8.0
School Aid Fund Total	<u>\$ 8.0</u>

Supplemental appropriation requests have been submitted to the Legislature for the General Fund and School Aid Fund overexpenditures.

## **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 \$10.3 million. This reflects unrecorded use tax transfers of \$8.0 million and \$2.3 million required by Michigan Compiled Laws (MCL) Sections 205.111 and 205.94, respectively, that should have been made from the General Fund to the School Aid Fund.

### ***Insurance Provider Assessment***

Beginning net position for governmental activities in the government-wide statements was increased by \$305.8 million to reflect insurance provider assessment revenue that should have been recognized in the prior fiscal year.

### ***Michigan Rail Loan Assistance Program***

The Comprehensive Transportation Fund, a special revenue fund, decreased its beginning fund balance by \$8.2 million and the Combined Comprehensive Transportation Bond Proceeds Fund, a capital projects fund, increased its beginning fund balance by \$8.2 million as a result of moving the Michigan Rail Loan Assistance Program (MiRLAP). Prior to fiscal year 2020, MiRLAP was included in the Comprehensive Transportation Fund. Beginning in fiscal year 2020, MiRLAP is included in the Combined Comprehensive Transportation Bond Proceeds Fund to ensure proper revenue and expenditure recognition.

### ***Pension (and Other Employee Benefit) Trust Funds***

Beginning net position for the Public School Employees' Pension Benefits Fund and the Public School Employees' Other Postemployment Benefits Fund, which are both pension (and other employee benefit) trust funds, was increased by \$77.5 million and \$34.9 million, respectively, to account for additional contributions due to the Michigan Public School Employees' Retirement System (MPERS) from members and employers. Accrued revenues due and payable to MPERS for member and employer contributions are recognized in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans and GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

### ***Michigan Strategic Fund***

The Michigan Strategic Fund, a discretely presented component unit, increased its beginning net position by \$0.9 million due to the transfer of the Michigan State Historic Preservation Office from the Michigan State Housing Development Authority to the Michigan Strategic Fund per Executive Order 2019-13.

## **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 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 2020.

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 fiscal years beginning after September 30, 2018, the board may authorize loans to municipalities that total up to \$10.0 million in a fiscal year, but a loan to a single municipality shall not exceed \$4.0 million in that fiscal year.

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to \$159.9 million to Wayne County (County) to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2020 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. No principal repayments were made on the loan in fiscal year 2020.

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):

<b>Assets</b>	
Cash on hand	\$ -
Demand deposits	743.8
Time deposits - regular	-
Short term investments	10,659.8
Interest receivable	5.0
Emergency loans to local units - at cost	277.5
<b>Total Assets</b>	<b>\$ 11,686.2</b>
<b>Equities</b>	
Fund equities (net) in common cash:	
Governmental activities	\$ 8,659.1
Business-type activities	272.4
Fiduciary funds	594.9
Discretely presented component units	2,159.8
<b>Net Fund Equities</b>	<b>\$ 11,686.2</b>

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, 2020, the carrying amount of deposits, including time and demand deposits, was \$743.8 million. The demand deposit carrying amount includes checks outstanding of \$230.1 million. The deposits were reflected in the accounts of the banks at \$974.1 million. Of the bank balance, \$5.4 million was covered by federal depository insurance and \$965.5 million was collateralized with securities held by the State's agent in the State's name. There were demand deposits of \$3.2 million exposed to custodial credit risk that were uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled \$806.3 million at September 30, 2020.

#### **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, 2020.

### **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, 2020, 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 MCL 38.1132d. Borrowers

must have at least \$400.0 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10.0 percent 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, 2020 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, 2020, the fair value of cash equivalents was \$8.3 billion; the weighted average maturity was 135 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, 2020, 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. Insurance provider assessment (IPA) taxes are assessed in June annually. Four equal quarterly payment amounts are due July 30, October 30, January 30, and April 30 for each assessment. The State accrues IPA revenue received 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.



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

<u>Tax</u>	General Fund	Other Governmental Funds	Total
Sales and use	\$ 590.5	\$ 1,129.2	\$ 1,719.7
Individual income	3,447.2	522.2	3,969.4
SBT/MBT/CIT	936.8	-	936.8
State education (property)	-	1,554.0	1,554.0
Telephone & telegraph	11.4	-	11.4
Motor fuel	-	195.0	195.0
Insurance - retaliatory	100.8	-	100.8
Tobacco products	53.9	27.9	81.9
Quality assurance assessment	336.7	-	336.7
Insurance provider assessment	452.6	-	452.6
Other	58.1	15.9	74.0
Penalties and interest	1,416.2	-	1,416.2
Gross taxes receivable	7,404.1	3,444.2	10,848.3
Less allowances for uncollectibles	2,968.6	826.7	3,795.3
Total taxes receivable (net)	<u>\$ 4,435.5</u>	<u>\$ 2,617.5</u>	<u>\$ 7,053.0</u>
 <u>As reported on the Statement of Net Position</u>			
Current taxes, interest, and penalties receivable	\$ 4,119.6	\$ 2,550.7	\$ 6,670.3
Noncurrent taxes, interest, and penalties receivable	315.9	66.9	382.8
Total taxes, interest, and penalties receivable	<u>\$ 4,435.5</u>	<u>\$ 2,617.5</u>	<u>\$ 7,053.0</u>

## NOTE 7 – JOINT VENTURES

The State participates in two joint ventures as described below. Joint ventures are not reflected as component units within this report because they do not meet the generally accepted accounting principles criteria for inclusion. Their separately issued financial statements may be obtained by directly contacting the applicable organizations. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management, at (517) 241-4010.

### ***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. Sault Ste. Marie 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, 2019 (SSMBA's most recently audited financial statements), its net position decreased by approximately \$462.6 thousand. 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 \$9.6 million is reflected as an asset in the government-wide financial statements.

## **NOTE 8 – DEPOSITS AND INVESTMENTS**

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

### ***Deposits – Primary Government***

#### **Custodial Credit Risk**

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At present, only the Michigan Unemployment Compensation Funds (MUCF), the Attorney Discipline System (ADS), 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 \$38.0 million. The bank balance of the deposits was \$41.8 million. Of the bank balance, \$0.5 million was covered by depository insurance, \$40.9 million was collateralized, and \$0.4 million was uninsured and uncollateralized. Amounts reported as Cash on Deposit with Fiscal Agent, totaling \$1.4 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 \$3.7 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 \$10.3 million. These deposits were covered up to applicable limits of depository insurance. Deposits in excess of depository insurance limits are not collateralized or subject to supplemental 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 were reflected in bank savings accounts at \$9.4 million. These deposits were covered by depository insurance. The active investments of the programs were reflected in various portfolio options, as disclosed in the MiABLE participant disclosure statement, at a fair value of \$9.5 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.

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**Notes to the Financial Statements**

**Investments – Primary Government**

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

Primary Government Total Investments (In millions)				
Investment Types	Retirement Systems	Deferred Compensation/ Defined Contribution Funds	Other Funds	Total
Commercial paper	\$ 3,347.5	\$ -	\$ -	\$ 3,347.5
Money market funds	173.5	-	203.8	377.3
Other short-term	1,085.5	-	2.0	1,087.5
Separate accounts	-	2,782.8	-	2,782.8
Absolute return	3,682.1	-	-	3,682.1
Fixed income	8,884.4	-	720.1	9,604.5
Mutual funds	624.2	584.7	6,005.7	7,214.6
Pooled investment funds	-	6,661.7	-	6,661.7
Equities	16,160.9	-	0.6	16,161.5
Funding agreements	-	-	1,608.4	1,608.4
International	11,916.1	-	-	11,916.1
Real estate	6,111.4	-	60.4	6,171.8
Private equity	14,995.3	-	263.2	15,258.5
Real return and opportunistic	9,305.6	-	-	9,305.6
Accrued income	43.6	-	-	43.6
Unsettled investments	(8.1)	-	-	(8.1)
Total	<u>\$ 76,322.0</u>	<u>\$ 10,029.3</u>	<u>\$ 8,864.1</u>	<u>\$ 95,215.3</u>

As reported on the Statement of Net Position

Current investments	\$ 222.1
Noncurrent investments	1,455.1
Total investments	<u>\$ 1,677.2</u>

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

	Current Investments	Noncurrent Investments	Total
Governmental activities	\$ 203.8	\$ 1,284.9	\$ 1,488.7
Business-type activities	18.3	170.2	188.5
Fiduciary funds	3,373.9	90,164.2	93,538.1
Total investments	<u>\$ 3,596.0</u>	<u>\$ 91,619.3</u>	<u>\$ 95,215.3</u>

**Authority**

Investment authority for the State's pension (and other employee benefit) trust funds is found in Michigan Compiled Laws (MCL) Section 38.1133. This law allows the State of Michigan Investment Board, 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 2020, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

### **Derivative Instruments**

The State of Michigan Investment Board is also authorized to invest a limited amount of pension (and other employee benefit) trust funds in derivative instruments to provide additional diversification. Derivative instruments are used in managing the trust fund portfolios, but uses do not include speculation or leverage of investments. State investment statutes limit total derivative instrument 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 instrument exposure limitation. Less than 15.0 percent of the total trust funds' portfolio has been invested from time to time in future contracts, swap agreements, and option contracts.

The State of Michigan Investment Board entered into swap agreements with investment grade counterparties with maturity dates ranging from October 2020 to June 2021. Generally, the notional amount of equity swaps tied to foreign stock market indices is executed via a net total return U.S. Dollar (USD) index. 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 of Michigan Investment Board 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.

To reduce the risk in the fixed income and international equity portfolios, the State of Michigan Investment Board 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.

Counterparty credit risk is the maximum loss amount that would be incurred if the counterparties to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangement. For the Over-The-Counter (OTC) derivative instrument investments, the system held collateral of \$67.8 million in cash deposits and \$41.7 million in securities on behalf of counterparties. Collateral securities in the amount of \$17.3 million were held on our behalf by counterparties.

Traded bond future contracts are used to manage duration, yield curve exposure, adjust interest rate exposures and replicate bond positions.

In the equity portfolio, traded equity options on single securities and on indices are used by the State of Michigan Investment Board to enhance returns while limiting downside risk. Attractively priced equity options were used for the purpose of stock replacement in order to drive excess returns over the S&P 500, as well as to provide added exposure to strong equity markets while limiting principal at risk. Put options are used to protect against large negative moves in the market indices. The Fixed Income portfolio and the International Equity portfolio Options are used to manage interest rate and volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses, if unexpected interest rate environments are realized. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option. However, purchased options are often sold well before expiration in order to lock in profits at prices well below listed strike prices, and thereby generate consistent returns.

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

Pension (and Other Employee Benefit) Trust Funds Derivative Instrument 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
Future contracts - fixed income and international	Enhance management flexibility, manage duration, yield curve and credit exposure.	0.0%	\$ (722.8)	\$ 1.8	\$ (23.8)	\$ -	\$ -
Options - equity, international and fixed income	Use on single securities to provide downside protection, enhance current income, and to manage interest rate and volatility exposures.	0.4	6,624.4	281.5	185.6	-	-
Swap agreements - international equity investments and fixed income	Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in 48 foreign countries, manage credit exposure, and adjust interest rate and yield exposure.	2.3	2,640.2	1,811.4	42.7	(28.8)	272.8
Totals			\$ 8,541.8	\$ 2,094.7	\$ 204.4	\$ (28.8)	\$ 272.8

\* 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, 2020, 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, 2020, 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, 2020, the system was in compliance with the policy in all material aspects. The primary government's debt investments as of September 30, 2020, are presented in the following table. Note that securities backed by the full faith and credit of the United States government are excluded.

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Debt Investments (In millions)				
Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Pension (and Other Employee Benefit) Trust Funds:				
Retirement Systems:				
Commercial paper	\$ 3,347.5	A-1	\$ 3,347.5	P-1
Money Market	173.5	AAA	173.5	Aaa
Government securities				
U.S. agencies - sponsored	2.3	AAA	1,651.8	Aaa
	1,649.5	AA	-	Aa
Corporate Bonds and Notes				
	369.4	AAA	571.7	Aaa
	238.0	AA	227.9	Aa
	564.8	A	829.0	A
	1,386.1	BBB	1,088.1	Baa
	427.6	BB	510.9	Ba
	266.0	B	352.7	B
	158.4	CCC	157.9	Caa
	97.3	CC	107.2	Ca
	0.4	C	0.5	C
	40.6	D	-	D
	2,221.0	Unrated	1,923.9	Unrated
Mutual Funds*				
	100.8	BBB	100.8	Baa
	170.4	BB	156.4	Ba
	-	B	14.0	B
	14.3	Unrated	14.3	Unrated
Total	<u>11,227.9</u>		<u>11,227.9</u>	
Deferred Compensation/Defined Contribution:				
Common trust funds				
	996.5	AA - AA+	996.5	Unavailable
	244.3	A-1+	244.3	Unavailable
	32.5	CCC - AAA	32.5	Unavailable
Stable Value funds				
	1,224.4	A - AAA	1,224.4	Unavailable
Mutual funds				
	128.7	D - A1+	128.7	Unavailable
Total	<u>2,626.4</u>		<u>2,626.4</u>	
Other Primary Government Funds:				
Government securities				
Municipal Bonds	29.9	AA	29.9	Aa
Corporate bonds & notes				
	11.8	AAA	38.2	Aaa
	35.6	A	79.9	A
	158.3	BBB	128.6	Baa
	82.1	Unrated	41.0	Unrated
Fixed Income Exchange Traded Funds				
	0.3	Unrated	0.3	Unrated
Mutual Funds*				
	44.9	Unrated	44.9	Unrated
Total	<u>362.9</u>		<u>362.9</u>	
Total Primary Government	<u>\$ 14,217.2</u>		<u>\$ 14,217.2</u>	

\*Average rating

### 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, 2020, the fair value of short term investments was \$3.5 billion; the weighted average maturity was 101 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	\$ 3,123.3	8.2
U.S. agencies - backed	423.1	0.9
U.S. agencies - sponsored	1,651.8	2.1
Total Governmental	5,198.2	
Corporate bonds & notes	5,727.1	3.2
International - corporate bonds & notes *		
U.S. Treasury	1,124.4	0.9
Corporate	299.8	0.9
Total International	1,424.2	
Mutual funds - fixed income	28.3	4.1
Total	12,377.7	
Deferred Compensation/Defined Contribution:		
Common trust funds		
SSgA Bond Market Index Fund	996.5	7.9
BlackRock Government Short-Term Investment Fund	244.3	0.1
Prudential High Yield Fund	32.5	6.0
Total Common Trust Funds	1,273.3	
Stable value funds		
Synthetic guaranteed investment contracts	1,224.4	3.6
Total Stable Value Funds	1,224.4	
Mutual funds		
PIMCO Total Return Fund	128.7	7.3
Total Mutual Funds	128.7	
Total	2,626.4	
Total Pension (and Other Employee Benefit) Trust Funds	\$ 15,004.1	

\* International debt securities contain domestic government and corporate securities as a part of their derivative instrument 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

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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, 2020. 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	\$ 437.2	\$ 4.9	\$ 432.3	\$ -
Equity				
Depository Receipts	145.2	145.2	-	-
Common Stocks	14,443.9	14,443.9	-	-
Preferred Stocks	16.3	16.3	-	-
Options on Equity	281.9	282.2	(0.3)	-
Swaps	26.4	-	26.4	-
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	8,564.9	8,564.9	-	-
Real Estate Investment Trusts	652.8	652.8	-	-
Convertible Bonds	0.6	-	0.6	-
Equity Total	<u>24,132.1</u>	<u>24,105.4</u>	<u>26.7</u>	<u>-</u>
Fixed Income				
Asset Backed	1,981.0	-	1,962.2	18.8
Corporate Bonds	2,324.2	-	2,301.4	22.8
Commercial Mortgage-backed	1,672.1	-	1,671.6	0.4
Government Issues	4,569.4	4,248.3	321.1	-
Swaps	(30.2)	-	(30.2)	-
U.S. Agency Issues	1,540.9	-	1,540.9	-
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	817.9	817.9	-	-
Options on Fixed Income	(0.4)	-	(0.4)	-
Fixed Income Total	<u>12,874.8</u>	<u>5,066.2</u>	<u>7,766.6</u>	<u>42.0</u>
Total Investments Measured at Fair Value	<u>37,444.2</u>	<u>\$ 29,176.6</u>	<u>\$ 8,225.6</u>	<u>\$ 42.0</u>
Investments Measured at NAV:				
Absolute Return Total	3,682.1			
Real Return Total	9,303.6			
Private Equity Total	14,989.4			
Real Estate and Infrastructure Total	6,064.8			
Other Limited Partnerships Total	<u>2,162.3</u>			
Total Investments Measured at NAV	<u>36,202.2</u>			
Total Pension (and Other Employee Benefit) Trust Funds	<u>\$ 73,646.5</u>			



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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	\$ 5,983.6	\$ 5,983.6	\$ -
Equity Total	5,983.6	5,983.6	-
Fixed Income			
Asset Backed	34.2	-	34.2
Corporate Bonds	197.9	-	197.9
Commercial Mortgage-backed	81.8	-	81.8
Government Issues	360.8	179.4	181.3
U.S. Agency Issues	0.2	-	0.2
Commingled Funds, Exchange Traded Funds and Publicly Traded Partnerships	45.3	45.3	-
Fixed Income Total	720.1	224.7	495.3
Total Investments Measured at Fair Value	6,703.7	\$ 6,208.3	\$ 495.3
Investments Measured at NAV:			
Private Equity Total	138.7		
Real Estate Total	62.5		
Event Driven Hedge Funds	50.3		
Multi-Strategy Hedge Funds	72.1		
Total Investments Measured at NAV	323.6		
Total Other Primary Government Funds	\$ 7,027.2		

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 includes approximately 8 investments that 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 76.3 percent of the investments, investors may redeem at various dates between October 1, 2020, and April 1, 2022; 6.1 percent of the investments are redeemable between April 1, 2022 through April 1, 2023. The remaining 17.6 percent is not redeemable on demand.

The total market value and unfunded commitments of these investments as of September 30, 2020, are \$3.7 billion and \$869.5 million, respectively.

**Real Return and Opportunistic Portfolio:** This type includes 90 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.

The total market value and unfunded commitments of these investments as of September 30, 2020, are \$9.3 billion and \$3.4 billion, respectively.

**Private Equity Portfolio:** This type of investment includes investments in approximately 291 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, 2020, are \$15.0 billion and \$7.7 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, 2020, a buyer for these investments has not been identified.

**Real Estate and Infrastructure Portfolio:** These funds include approximately 105 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, 2020, are \$6.1 billion and \$1.3 billion, respectively.

**Other Limited Partnerships:**

The balance of plan assets reported at NAV includes:

- Limited partnerships that invest in fixed income investments such as residential rehabilitation, middle market business loans and senior secured debt financing. These investments cannot be redeemed by limited partners. Distributions are received through the liquidation of the underlying assets of the fund.
- Limited partnerships that invest in fixed income type investments permitting partners to request redemption monthly or quarterly, after initial lock up period of one year or less, requiring 45 to 65 days' advance notice.
- Global investments permitting partners to request partial redemptions quarterly or monthly, with advanced notice, subject to the sole discretion of the general partner.
- Limited partnerships that invest in private equity, private credit/loans, and tangible real assets that cannot be redeemed by limited partners. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

The total market value and unfunded commitments of these investments as of September 30, 2020, are \$2.2 billion and \$159.6 million, respectively.

**Other Primary Government Funds:**

**Private Equity Portfolio:** This type of investment includes investments in 65 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, 2020, are \$138.7 million and \$279.5 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 24 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, 2020, are \$62.5 million and \$53.6 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 nine 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.

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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, 2020, are \$50.3 million and \$40.8 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, 2020 is \$72.1 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	\$ 121.4	\$ 121.4	\$ -
Common Trust Funds	1,538.5	1,119.0	419.5
Tier III Investments*	46.4	-	46.4
Stable Value Fund	538.6	-	538.6
Voya Small Cap Growth Strategy Fund	26.0	-	26.0
Jennison Large Cap Growth Equity Fund	118.9	118.9	-
Artisan Mid Cap Fund	37.4	-	37.4
Dodge & Cox Stock Fund	102.7	102.7	-
Total Investments Measured at Fair Value	<u>\$ 2,530.0</u>	<u>\$ 1,462.1</u>	<u>\$ 1,067.9</u>

\* Tier III investments exclude cash held in participant accounts totaling approximately \$8.5 million.

State of Michigan 401K Plans:

	Total	Level 1	Level 2
Investments by fair value level:			
Mutual Funds	\$ 463.3	\$ 463.3	\$ -
Common Trust Funds	5,123.1	3,338.5	1,784.7
Tier III Investments*	151.8	-	151.8
Stable Value Fund	685.8	-	685.8
Voya Small Cap Growth Strategy Fund	107.4	-	107.4
Jennison Large Cap Growth Equity Fund	431.0	431.0	-
Artisan Mid Cap Fund	129.1	-	129.1
Dodge & Cox Stock Fund	378.8	378.8	-
Total Investments Measured at Fair Value	<u>\$ 7,470.3</u>	<u>\$ 4,611.6</u>	<u>\$ 2,858.7</u>

\* Tier III investments exclude cash held in participant accounts totaling approximately \$20.4 million.

**Synthetic Guaranteed Investment Contract (SGIC)**

SGIC investment derivative instruments 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, 2020, the fair value of SGIC's underlying investments was \$1.3 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.

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

Other Funds Debt Securities (In millions)					
Investment Type	Fair Value	Investment Maturities (In years)			
		Less Than 1	1 To 5	6 To 10	More Than 10
U.S. Treasury bonds	\$ 330.9	\$ 11.8	\$ 94.2	\$ 123.1	\$ 101.8
Municipal bonds	29.9	4.6	12.7	12.6	-
U.S. bonds - backed	26.3	-	-	-	26.3
Corporate bonds	287.7	-	103.9	88.4	95.5
Mutual funds	2,158.8	-	385.7	1,764.5	8.7
Total	<u>\$ 2,833.6</u>	<u>\$ 16.4</u>	<u>\$ 596.4</u>	<u>\$ 1,988.6</u>	<u>\$ 232.2</u>

**Foreign Currency Risk**

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

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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, 2020, total foreign investments were \$12.0 billion. As of September 30, 2020, 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 Derivative Instruments
Retirement Systems:					
Americas					
Dollar	Canada	\$ 31.0	\$ 1.6	\$ -	\$ 85.4
Peso	Argentina	-	-	-	3.7
Peso	Mexico	101.2	6.1	0.6	11.7
Real	Brazil	17.2	1.8	-	9.3
Sol	Peru	-	1.2	-	-
Peso	Columbia	-	0.5	-	-
Peso	Chile	-	7.4	-	-
Europe					
Euro	European Union	550.6	117.4	128.0	298.6
Franc	Switzerland	-	-	10.5	24.3
Krona	Sweden	-	0.3	-	118.6
Krone	Denmark	-	-	-	31.8
Sterling	United Kingdom	67.8	10.7	16.4	164.1
Zloty	Poland	-	(0.5)	-	-
Koruna	Czech Republic	-	0.6	-	-
Ruble	Russia	-	1.4	-	-
Asia/Pacific					
Dollar	Australia	-	3.8	0.4	74.5
Renminbi	China	2.9	-	14.0	46.1
Dollar	Hong Kong	-	-	-	76.0
Rupee	India	106.3	1.9	10.8	-
Yen	Japan	-	15.4	4.8	161.2
Dollar	New Zealand	-	-	-	11.2
Dollar	Singapore	-	0.9	3.5	-
Won	South Korea	-	41.9	-	15.0
Rupiah	Indonesia	-	1.5	0.3	-
Ringgit	Malaysia	-	5.0	-	-
Dollar	New Taiwan	-	-	9.0	19.9
Baht	Thailand	-	2.3	-	-
Yuan	China	-	-	-	0.5
Yuan Offshore	China	-	-	-	(0.5)
Middle East					
Shekel	Israel	-	5.4	-	-
Africa					
Pound	Egypt	-	0.9	-	-
Rand	South Africa	-	2.1	0.9	9.1
Dollar	Liberia	-	-	3.4	-
World-Wide					
Various	Various	2,169.6	112.2	43.0	7,106.8
Total		3,046.6	341.6	245.5	8,267.4
Deferred Compensation/Defined Contribution:					
Various	Various	-	-	2,463.7	-
Total		\$ 3,046.6	\$ 341.6	\$ 2,709.2	\$ 8,267.4

**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

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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, 2020, 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 91.0 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, \$181.5 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, 2020, the investment pool had an average duration of 27 days and an average weighted final maturity of 67 days for 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, 2020, 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, 2020, was \$3.2 billion and \$3.1 billion, respectively.

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

Investment Type	Debt Investments (In millions)			
	Fair Value	Rating S & P	Fair Value	Rating Moody's
Securities Lending Collateral				
Short-term	\$ 999.3	A-1	\$ 999.3	P-1
Corporate	78.0	AA	365.3	Aa
	2,095.1	A	1,159.8	A
	-	Unrated	648.0	Unrated
Total	<u>\$ 3,172.4</u>		<u>\$ 3,172.4</u>	

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

#### **Deposits**

At year-end, the carrying amount of discretely presented component unit deposits, excluding those classified as investments, was \$1.1 billion. The deposits were reflected in the accounts of the banks at \$882.5 million. Of the bank balance, \$760.6 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 of Michigan Investment Board that allows the Treasurer, acting as agent, to make diverse investments including stocks, bonds, notes, and other investments.

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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) 241-4010.

**Restricted Assets**

Restricted investments on the government-wide Statement of Net Position, totaling \$782.0 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):

	Fair Value	Investment Maturities (In years)				N/A
		Less Than 1	1 To 5	6 To 10	More Than 10	
Time deposits	\$ 573.8	\$ 454.6	\$ 119.2	\$ -	\$ -	\$ -
Money market accounts	2,406.7	2,375.7	30.7	-	-	0.3
Repurchase agreements	321.9	133.8	-	188.2	-	-
Government securities	573.8	377.0	79.8	89.7	27.3	-
Insured mortgage backed securities	741.5	27.7	68.9	2.8	642.1	-
Government backed securities	415.1	219.3	75.2	40.0	80.6	-
Corporate bonds and notes	202.6	10.6	73.1	69.1	49.9	-
Equities	268.6	155.1	-	0.2	2.7	110.6
Real estate	10.7	0.1	1.9	-	8.7	-
Venture capital & leveraged buyouts	40.7	-	-	-	40.7	-
Mutual bond/equity funds	1,720.9	159.6	250.1	103.9	510.7	696.6
Pooled investment funds	68.2	31.2	37.0	-	-	-
Other Investments	960.3	33.9	87.6	35.6	177.2	626.0
Total Investments	8,304.8	\$ 3,978.5	\$ 823.4	\$ 529.4	\$ 1,540.0	\$ 1,433.5

Less Investments Reported as	
"Cash" on Statement of Net Position	1,293.3
Total Investments	<u>\$ 7,011.5</u>

As reported on the Statement of Net Position

Current investments	\$ 2,279.2
Noncurrent restricted investments	782.0
Noncurrent investments	3,950.3
Total Investments	<u>\$ 7,011.5</u>

**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.

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**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):

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 3,628.4	\$ 20.5	\$ (2.1)	\$ 3,646.7
Land improvements and other assets	16.2	1.1	(0.5)	16.8
Computer software projects in progress	126.9	35.6	(76.9)	85.6
Land rights	72.4	5.3	-	77.7
Mineral rights	19.8	-	-	19.8
Construction in progress (buildings)	172.9	163.4	(36.5)	299.8
Construction in progress (infrastructure)	1,756.0	943.7	(396.6)	2,303.0
Infrastructure	15,554.9	389.3	(957.0)	14,987.3
Total capital assets, not being depreciated	21,347.3	1,558.9	(1,469.7)	21,436.5
<b>Capital assets, being depreciated:</b>				
Land improvements and other assets	278.9	2.0	(0.6)	280.3
Equipment and vehicles	1,111.0	60.5	(247.2)	924.3
Computer software	1,058.8	69.3	-	1,128.1
Buildings	3,739.1	34.7	(33.3)	3,740.5
Infrastructure	377.3	7.3	-	384.6
Total capital assets, being depreciated	6,565.1	173.8	(281.1)	6,457.8
<b>Less accumulated depreciation for:</b>				
Land improvements and other assets	(118.2)	(9.7)	0.3	(127.6)
Equipment and vehicles	(756.8)	(53.9)	224.0	(586.7)
Computer software	(616.9)	(114.1)	-	(731.0)
Buildings	(2,185.5)	(115.8)	23.6	(2,277.6)
Infrastructure	(134.6)	(10.0)	-	(144.6)
Total accumulated depreciation	(3,811.9)	(303.5)	248.0	(3,867.4)
Total capital assets, being depreciated, net	2,753.2	(129.7)	(33.1)	2,590.4
Governmental activity capital assets, net	\$ 24,100.5	\$ 1,429.2	\$ (1,502.8)	\$ 24,026.9



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	Beginning Balance	Additions	Deletions	Ending Balance
Business - Type Activities				
Capital assets, being depreciated:				
Buildings	\$ 2.0	\$ 0.2	\$ (0.2)	\$ 2.0
Computer software	0.2	-	-	0.2
Equipment and vehicles	4.8	0.1	(0.1)	4.8
Total capital assets, being depreciated	7.1	0.3	(0.2)	7.1
Less accumulated depreciation for:				
Buildings	(0.6)	(0.2)	-	(0.8)
Computer software	(0.2)	-	-	(0.2)
Equipment and vehicles	(4.0)	(0.3)	0.1	(4.3)
Total accumulated depreciation	(4.8)	(0.6)	0.1	(5.3)
Total capital assets, being depreciated, net	2.3	(0.3)	(0.1)	1.8
Business-type activity capital assets, net	\$ 2.3	\$ (0.3)	\$ (0.1)	\$ 1.8

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

	Amount
Governmental Activities:	
General government	\$ 52.7
Education	0.3
Health and human services	31.6
Public safety and corrections	41.6
Conservation, environment, recreation and agriculture	19.7
Labor, commerce, and regulatory	2.8
Transportation	30.6
Depreciation on capital assets held by the State's internal service funds charged to the various functions based on their use of the assets	124.2
Total Depreciation Expense - Governmental Activities	\$ 303.5
Business-type Activities:	
Enterprise	\$ 0.6
Total Depreciation Expense - Business-type Activities	\$ 0.6

**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	\$ 243.2
Buildings, equipment, and other depreciable assets	7,668.1
Infrastructure	102.9
Construction in progress	316.3
Total	8,330.5
Less accumulated depreciation	(3,349.9)
Capital Assets, Net - Discretely Presented Component Units	\$ 4,980.7

**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. On September 20, 2018, EdR was acquired by Greystar. The project, known as the Woods, has a cost of \$79.6 million and is being built on land owned by the University and leased to Greystar for a 75-year term. Under the terms of the Lease Agreement and the Operating Agreement, Greystar 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. Greystar is currently making 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 as of June 30, 2020, and deferred inflows of resources in the amount of \$65.2 million as of June 30, 2020 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 June 30, 2020 at present value for trash removal and insurance in the amount of \$4.55 million. The 75-year term lease with Greystar 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 Greystar 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 Provident Resources. Operations of the agreement began on April 23, 2018. ParkEMU operates the University's parking concession on the concessionaire'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 \$51.6 million at June 30, 2020. The University reported the parking lots and structures as capital assets with a carrying value of \$12.9 million at June 30, 2020. 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) <sup>(1)</sup>	Cost sharing multiple employer	685
Judges' Retirement System (JRS)	Single employer	1
Military Retirement Provisions (MRP)	Single employer	1

(1) The State of Michigan is not an employer within PSERS; therefore, pension plan information is not disclosed in this note.

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](http://www.michigan.gov/ors) or by calling the Customer Contact Center at (517) 284-4400 or 1-800-381-5111. The LRS report may be obtained by visiting <https://audgen.michigan.gov/completed-projects/> 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.

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At September 30, 2019, the measurement date, the following employees were covered by the benefit terms.

	SERS <sup>(2)</sup>	LRS	SPRS	JRS	MRP
Inactive employees or beneficiaries currently receiving benefits <sup>(3)</sup>	60,501	259	3,174	546	4,524
Inactive employees entitled to but not yet receiving benefits	2,929	5	40	-	1,039
Active employees	8,107	-	1,844	75	10,717
DROP program participants <sup>(4)</sup>	-	-	203	-	-
Total	<u>71,537</u>	<u>264</u>	<u>5,261</u>	<u>621</u>	<u>16,280</u>

- (2) The component unit employee membership is included within the SERS pension plan. A breakout of the component unit employee membership is unavailable.
- (3) LRS employee count includes 10 domestic relations orders (DRO) alternate payees for 2019. Sometimes a retiree must share their pension benefit when they retire because of a DRO or the DRO could still receive benefits after the retiree associated with the DRO dies, so the DRO is accounted for a separate employee.
- (4) SPRS employee count includes Deferred Retirement Option Plan (DROP) employees. Public Act 83 of 2004 amended the State Police Retirement Act to create a DROP for SPRS members with 25 years of service. This benefit program allows state police who are eligible to retire to defer their retirement and keep working for up to six years.

### **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 2020, the contribution rates for SERS were 23.8 to 27.7 percent of the defined benefit employee wages and 17.0 percent of the defined contribution employee wages. The contribution rates for SPRS were 60.6 percent and 62.3 percent of the defined benefit employee wages for non-command and command officers, respectively, and 48.8 percent of the hybrid defined benefit and defined contribution employee wages. The Actuarially Determined Contribution was \$2.8 million for JRS, \$3.5 million for MRP, and \$9.3 million for LRS. The employer contribution to SERS, SPRS, JRS, MRP, and LRS for the fiscal year ending September 30, 2020, was \$689.3 million from the primary government and \$7.5 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, 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.

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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	9/30/2018	9/30/2018	9/30/2018	9/30/2018	9/30/2018
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, 2018	10 years	18 years	18 years	18 years	20 years
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value
Actuarial assumption:					
Investment rate of return	3.7%	6.8% Non-hybrid 6.9% Hybrid	6.7%	6.3%	6.8%
Projected salary increases	4.0%	3.3 – 87.8%	2.8 – 11.8%	3.3%	2.8%
Includes wage inflation at	4.0%	2.8%	2.8%	2.8%	2.8%
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 3.3% compounded for those eligible	Assumed 2.8% compounded for those eligible

**Actuarial Assumptions Changes**

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted for use in the annual pension valuations beginning with the September 30, 2018, valuations for SERS, SPRS, and JRS. Assumption changes as a result of an experience study for the period 2015 through 2017 have been adopted for use in the annual pension valuations beginning with the September 30, 2018, valuation for MRP. There were no changes in actuarial assumptions from the September 30, 2018 valuation to the September 30, 2019 valuation.

The investment return assumption remained at 6.7 percent for SERS, 6.8 percent for SPRS Non-Hybrid plan, 6.9 percent for SPRS Hybrid plan, 6.8 percent for MRP, 7.0 percent for LRS, and 6.3 percent for JRS for use in the annual funding valuations from the September 30, 2018 valuation to the September 30, 2019 valuation. The September 30, 2019, funding valuation will establish the actuarially determined contribution amounts for fiscal year 2022 for SERS, SPRS, and MRP and fiscal year 2020 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, 2019, 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 %	5.5 %
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate & Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
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	25.0 %	5.0 %
Small Cap Equity	10.0	6.0
International Equity	19.0	6.5
Emerging Markets	9.0	9.0
Fixed Income	20.0	3.5
Hedge Fund	10.0	5.3
Public Natural Resources	3.0	8.0
Real Assets	3.0	6.5
Cash	1.0	2.2
Total	100.0 %	

\*\*Real rate of return is based on investment manager inflation assumption of 2.2 percent.

### Rate of Return

For the year ended September 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.1 percent for SERS and SPRS, 5.0 percent for JRS, 6.6 percent for MRP, and 2.3 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, a discount rate of 6.7 percent, compared to a prior year rate of 7.0 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 6.7 percent. For SPRS, a discount rate of 6.8 percent, compared to a prior year rate of 7.1 percent, was used to measure the total pension liability (6.9 percent for the Pension Plus Plan, compared to a prior year rate of 7.0 percent). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.8 percent (6.9 percent for the Pension Plus Plan). For MRP, a discount rate of 6.8 percent, for both current and prior year, 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 6.8 percent. For JRS, a discount rate of 6.3 percent, compared to a prior year rate of 6.8, 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 6.3 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 decreased to 3.7 percent, compared to the prior year's rate of 4.8 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 2.8 percent (the municipal bond rate is based on an index of twenty-year general obligation

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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 2031. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2031, and the municipal bond rate was applied to all benefit payments after 2031.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents SERS's net pension liability, calculated using a discount rate of 6.7 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 5.7%	Current Discount 6.7%	1% Increase 7.7%
SERS Net Pension Liability/(Asset)	\$ 8,579,155.4	\$ 6,667,645.8	\$ 5,043,119.5

The following presents SPRS's net pension liability, calculated using a discount rate of 6.8 percent (6.9 percent for Pension Plus Plan), 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 5.8%/5.9%	Current Discount 6.8%/6.9%	1% Increase 7.8%/7.9%
SPRS Net Pension Liability/(Asset)	\$ 1,064,421.5	\$ 799,247.6	\$ 579,836.5

The following presents MRP's net pension liability, calculated using a discount rate of 6.8 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 5.8%	Current Discount 6.8%	1% Increase 7.8%
MRP Net Pension Liability/(Asset)	\$ 6,857.9	\$ 256.4	\$ (5,189.8)

The following presents JRS's net pension liability, calculated using a discount rate of 6.3 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 5.3%	Current Discount 6.3%	1% Increase 7.3%
JRS Net Pension Liability/(Asset)	\$ 36,796.8	\$ 14,298.4	\$ (5,161.0)

The following presents LRS's net pension liability, calculated using a discount rate of 3.7 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 2.7%	Current Discount 3.7%	1% Increase 4.7%
LRS Net Pension Liability/(Asset)	\$ 181,268.9	\$ 145,572.3	\$ 116,405.0

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**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			Component Units		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Assets)	Liability	Net Position	Liability (Assets)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 18,202.8	\$ 12,235.3	\$ 5,967.5	\$ 242.1	\$ 162.7	\$ 79.4
Changes for the year:						
Service cost	63.8	-	63.8	0.8	-	0.8
Interest	1,228.2	-	1,228.2	16.3	-	16.3
Differences between expected and actual experience	24.7	-	24.7	0.3	-	0.3
Changes of assumptions	508.1	-	508.1	6.7	-	6.7
Contributions - employer	-	592.2	(592.2)	-	7.8	(7.8)
Contributions - member	-	28.1	(28.1)	-	0.4	(0.4)
Net investment income	-	603.2	(603.2)	-	8.0	(8.0)
Benefit payments, including refunds of member contributions	(1,380.1)	(1,380.1)	-	(18.3)	(18.3)	-
Administrative expenses	-	(6.9)	6.9	-	(0.1)	0.1
Other changes	1.2	(3.5)	4.7	(1.2)	(0.9)	(0.3)
Net changes	446.0	(167.1)	613.1	4.7	(3.0)	7.7
Balances at 9/30/2020	\$ 18,648.8	\$ 12,068.2	\$ 6,580.6	\$ 246.8	\$ 159.7	\$ 87.1

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

	Primary Government		
	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Assets)
	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 2,197.2	\$ 1,492.4	\$ 704.8
Changes for the year:			
Service cost	24.9	-	24.9
Interest	150.7	-	150.7
Differences between expected and actual experience	17.1	-	17.1
Changes of assumptions	58.0	-	58.0
Contributions - employer	-	78.5	(78.5)
Contributions - member	-	3.7	(3.7)
Net investment income	-	74.7	(74.7)
Benefit payments, including refunds of member contributions	(144.2)	(144.2)	-
Administrative and other expenses	-	(0.7)	0.7
Net changes	106.5	12.0	94.5
Balances at 9/30/2020	\$ 2,303.7	\$ 1,504.4	\$ 799.2

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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 9/30/2019	\$ 52.5	\$ 17.0	\$ 35.5
Changes for the year:			
Service cost	0.2	-	0.2
Interest	3.4	-	3.4
Change of benefit terms	5.3	-	5.3
Differences between expected and actual experience	(0.6)	-	(0.6)
Contributions - employer	-	41.0	(41.0)
Net investment income	-	2.7	(2.7)
Benefit payments, including refunds of member contributions	(3.9)	(3.9)	-
Administrative and other expenses	-	(0.2)	0.2
Net changes	4.4	39.6	(35.3)
Balances at 9/30/2020	\$ 56.8	\$ 56.6	\$ 0.3

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 9/30/2019	\$ 239.7	\$ 125.4	\$ 114.2
Changes for the year:			
Interest	11.1	-	11.1
Differences between expected and actual experience	0.5	-	0.5
Changes of assumptions	30.7	-	30.7
Contributions - employer	-	8.1	(8.1)
Net investment income	-	3.3	(3.3)
Benefit payments, including refunds of member contributions	(14.1)	(14.1)	-
Administrative and other expenses	-	(0.4)	0.4
Net changes	28.2	(3.1)	31.3
Balances at 9/30/2020	\$ 267.9	\$ 122.3	\$ 145.6



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

	Primary Government Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Assets)
	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 271.8	\$ 271.1	\$ 0.7
Changes for the year:			
Service cost	2.0	-	2.0
Interest	17.6	-	17.6
Changes of assumptions	10.1	-	10.1
Contributions - employer	-	2.8	(2.8)
Contributions - member	-	0.6	(0.6)
Net investment income	-	13.0	(13.0)
Benefit payments, including refunds of member contributions	(24.1)	(24.1)	-
Administrative and other expenses	-	(0.4)	0.4
Net changes	5.5	(8.1)	13.6
Balances at 9/30/2020	\$ 277.4	\$ 263.1	\$ 14.3

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

For the year ended September 30, 2020, the State recognized pension expense related to the primary government and its component units of \$1,148.6 million and \$12.3 million, respectively. Pension expense by plan is listed in the table below (in millions):

Plan	Primary Government	Component Unit
SERS	\$ 965.0	\$ 12.3
SPRS	134.6	-
MRP	0.5	-
LRS	36.7	-
JRS	11.9	-
Total	\$ 1,148.6	\$ 12.3

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	
	SERS	SPRS	MRP	LRS	JRS	SERS Only	Total
Deferred Outflows of Resources:							
Difference between expected and actual experience	\$ -	\$ 24.1	\$ 0.4	\$ -	\$ -	\$ -	\$ 24.5
Changes of assumptions	-	138.2	2.0	-	-	-	140.2
Net difference between projected and actual earnings on pension plan investments	-	-	-	0.8	-	-	0.8
Contributions subsequent to the measurement date	606.3	79.2	1.0	-	2.8	7.5	696.7
Total Deferred Outflows of Resources:	\$ 606.3	\$ 241.5	\$ 3.4	\$ 0.8	\$ 2.8	\$ 7.5	\$ 862.3
Deferred Inflows of Resources:							
Difference between expected and actual experience	\$ -	\$ -	\$ 0.5	\$ -	\$ -	\$ -	\$ 0.5
Changes of assumptions	-	-	0.8	-	-	-	0.8
Net difference between projected and actual earnings on pension plan investments	272.1	31.9	-	-	6.0	3.6	313.6
Total Deferred Inflows of Resources:	\$ 272.1	\$ 31.9	\$ 1.3	\$ -	\$ 6.0	\$ 3.6	\$ 314.9

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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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (amounts in millions):

Year Ended September 30	Primary Government Pension Expense Amount					Component Unit Pension Expense Amount	Total
	SERS	SPRS	MRP	LRS	JRS	SERS Only	
2021	\$ (135.0)	\$ 48.8	\$ 0.6	\$ (0.9)	\$ (3.0)	\$ (1.8)	\$ (91.3)
2022	(146.1)	33.2	0.8	(0.4)	(3.2)	(1.9)	(117.7)
2023	(36.3)	27.9	(0.1)	1.1	(0.7)	(0.5)	(8.6)
2024	45.3	20.6	(0.1)	1.0	0.9	0.6	68.3

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), LRS, and JRS 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. The EAA was dissolved effective June 30, 2017 and the plan no longer receives new EAA contributions; however, the plan will remain open as long as former EAA employee balances remain in the plan. The plan also provides for the Public School Reporting Units to make a matching contribution of 100 percent of defined contribution participants' voluntary contributions up to 3.0 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](http://www.michigan.gov/ors) or by calling (517) 284-4400.

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, 2020, the State recognized pension expense of \$238.5 million, of which forfeitures reduced the State's pension expense by \$9.3 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 \$115.2 million for the year ending June 30, 2020.

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 \$0.4 million for the year ending September 30, 2020.

Additional information for the retirement plan can be obtained by contacting the State Bar at (517) 346-6300.

## 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) 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) <sup>(1)</sup>	Cost sharing multiple employer	685
Judges' Retirement System (JRS)	Single employer	1
Postemployment Life Insurance Benefit <sup>(2)</sup>	Single employer	1

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

(2) 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](http://www.michigan.gov/ors) or by calling the Customer Contact Center at (517) 284-4400 or 1-800-381-5111. The LRS report may be obtained by visiting <https://audgen.michigan.gov/completed-projects/> 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.

At September 30, 2019, the measurement date, the following employees were covered by the benefit terms:

	SERS <sup>(3)</sup>	LRS	SPRS	JRS
Eligible participants <sup>(4)</sup>	60,726	388	2,953	39
Participants receiving benefits:				
Health <sup>(4)</sup>	52,624	359	2,822	39
Dental	53,790	-	2,815	-
Vision	53,587	-	2,817	-
Active members	49,610	3	1,844	37
Inactive vested members <sup>(5)</sup>	6,357	-	243	25
Deferred participants	-	71	-	-

(3) The component unit employee membership is included within the SERS OPEB plan. A breakout of the component unit employee membership is unavailable.

(4) LRS employee count includes 111 defined contribution participants at September 30, 2019 who are receiving health care insurance through the System in accordance with state statute. At September 30, 2019, the number of defined contribution participants who were eligible for health care insurance but declined to receive the benefits were 28.

- (5) SPRS employee count includes Deferred Retirement Option Plan (DROP) employees. Public Act 83 of 2004 amended the State Police Retirement Act to create a DROP for SPRS members with 25 years of service. This benefit program allows state police who are eligible to retire to defer their retirement and keep working for up to six years.

### **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 2020, the contribution rates for SERS were 20.7 percent of the defined benefit employee wages and the defined contribution employee wages. The contribution rate for SPRS was 40.3 percent of wages for defined benefit non-command and command officers and 41.3 percent for hybrid defined benefit non-command and command officers. The actuarially determined contribution was \$0.4 million for JRS and \$7.9 million for LRS. The employer contribution to SERS, SPRS, JRS, and LRS for the fiscal year ending September 30, 2020, was \$757.8 million from the primary government and \$9.1 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, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, 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.

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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	9/30/2018	9/30/2018	9/30/2018	9/30/2018
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, 2018	22 years	18 years	18 years	18 years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value
Actuarial assumption:				
Investment rate of return	3.9%	6.9%	6.9%	7.0%
Projected salary increases	4.0%	3.3 - 87.8%	2.8 - 11.8%	3.3%
Includes wage inflation at	4.0%	2.8%	2.8%	2.8%
Healthcare cost trend rate	8.3% Year 1 grading to 4.0% Year 10	8.3% Year 1 graded to 3.5% Year 10	8.3% Year 1 graded to 3.5% Year 10	8.3% Year 1 graded to 3.5% Year 10

**Actuarial Assumptions Changes**

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted for use in the annual OPEB valuations beginning with the September 30, 2018, valuations for SERS, SPRS, and JRS. The health inflation assumptions table in the September 30, 2019, valuations, which is used to measure the reported per person premium, changed from the prior year valuations for SERS, SPRS, LRS and JRS.

In accordance with directions provided by the Office of Retirement Services, the investment return assumption was lowered from 7.4 percent to 6.9 percent for SPRS and SERS for use in the annual funding valuations beginning with the September 30, 2018, valuation. For use in the annual funding valuations beginning with the September 30, 2019, valuation, the investment return assumption remained at 6.9 percent for SPRS and SERS. The investment return assumption remained at 4.0 percent for LRS for use in the annual funding valuations from the September 30, 2018 valuation to the September 30, 2019 valuation. The investment return assumption was lowered from 7.5 percent to 7.0 percent for JRS for use in the annual funding valuations beginning with the September 30, 2018, valuation. For use in the annual funding valuations beginning with the September 30, 2019, valuation, the investment return assumption remained at 7.0 percent for JRS. The September 30, 2019, funding valuation will establish the actuarially determined contribution amounts for fiscal year 2022 for SERS and SPRS and for the fiscal year 2020 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, 2019, 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%	5.5%
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate & Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
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	25.0%	5.0%
Small Cap Equity	10.0	6.0
International Equity	19.0	6.5
Emerging Markets	9.0	9.0
Fixed Income	20.0	3.5
Hedge Fund	10.0	5.3
Public Natural Resources	3.0	8.0
Real Assets	3.0	6.5
Cash	1.0	2.2
Total	100.0%	

\*\*The arithmetic rates of return were provided by the System's investment consultant along with a 2.2 percent price inflation assumption.

### Rate of Return

For the year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.8 percent for SERS, 6.0 percent for SPRS, 6.1 percent for JRS, and 6.7 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 6.9 percent was used to measure the total OPEB liability, compared to a prior year rate of 7.0 percent. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.9 percent. For JRS, a discount rate of 7.0 percent, for both current and prior year, 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 7.0 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.

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For LRS, the single discount rate of 3.9 percent, compared to a prior year rate of 4.0 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 2.8 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 2036. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2036, 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 6.9 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 5.9%	Current Discount 6.9%	1% Increase 7.9%
SERS Net OPEB Liability	\$ 9,181,139.7	\$ 7,874,152.7	\$ 6,779,667.6
SPRS Net OPEB Liability	673,715.6	570,401.2	485,465.1

The following presents JRS's net OPEB liability, calculated using a discount rate of 7.0 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 6.0%	Current Discount 7.0%	1% Increase 8.0%
JRS Net OPEB Liability	\$ 1,312.2	\$ 401.4	\$ (381.1)

The following presents LRS's net OPEB liability, calculated using a discount rate of 3.9 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 2.9%	Current Discount 3.9%	1% Increase 4.9%
LRS Net OPEB Liability	\$ 168,228.6	\$ 140,067.5	\$ 117,854.7

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate**

The following presents SERS, SPRS, and JRS's net OPEB liability, calculated using a healthcare trend rate of 8.3 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	\$ 6,720,977.5	\$ 7,874,152.7	\$ 9,212,614.3
SPRS Net OPEB Liability	481,409.1	570,401.2	675,819.2
JRS Net OPEB Liability	(421.4)	401.4	1,330.6

The following presents LRS's net OPEB liability, calculated using a healthcare trend rate of 8.3 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	\$ 117,131.6	\$ 140,067.5	\$ 168,627.8

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**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	Plan Fiduciary Net Position	Net OPEB Liability (Assets)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Assets)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 10,359.7	\$ 2,529.1	\$ 7,830.6	\$ 138.3	\$ 33.8	\$ 104.6
Changes for the year:						
Service cost	89.6	-	89.6	1.2	-	1.2
Interest	713.6	-	713.6	9.5	-	9.5
Differences between expected and actual experience	(929.2)	-	(929.2)	(12.4)	-	(12.4)
Changes of assumptions	963.0	-	963.0	12.8	-	12.8
Contributions - employer	-	755.2	(755.2)	-	10.0	(10.0)
Net investment income	-	142.2	(142.2)	-	1.9	(1.9)
Benefit payments, including refunds of member contributions	(422.4)	(422.4)	-	(5.6)	(5.6)	-
Administrative expenses	-	(0.4)	0.4	-	-	-
Other changes	0.5	0.2	0.3	(0.5)	(0.1)	(0.4)
Net changes	415.0	474.9	(59.9)	5.0	6.2	(1.2)
Balances at 9/30/2020	\$ 10,774.7	\$ 3,003.9	\$ 7,770.8	\$ 143.4	\$ 40.0	\$ 103.4

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

	Primary Government Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Assets)
	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 769.4	\$ 191.0	\$ 578.4
Changes for the year:			
Service cost	8.7	-	8.7
Interest	53.1	-	53.1
Differences between expected and actual experience	(67.3)	-	(67.3)
Changes of assumptions	68.5	-	68.5
Contributions – employer	-	60.4	(60.4)
Net investment income	-	10.8	(10.8)
Benefit payments, including refunds of member contributions	(30.0)	(30.0)	-
Net changes	33.1	41.1	(8.0)
Balances at 9/30/2020	\$ 802.5	\$ 232.1	\$ 570.4



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

	Primary Government Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Assets)
	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 188.6	\$ 24.9	\$ 163.7
Changes for the year:			
Service cost	1.1	-	1.1
Interest	7.5	-	7.5
Differences between expected and actual experience	(25.6)	-	(25.6)
Changes of assumptions	4.4	-	4.4
Contributions - employer	-	9.1	(9.1)
Net investment income	-	0.6	(0.6)
Benefit payments, including refunds of member contributions	(6.2)	(6.2)	-
Administrative and other expenses	-	1.3	(1.3)
Net changes	(18.7)	4.9	(23.6)
Balances at 9/30/2020	\$ 169.8	\$ 29.8	\$ 140.1

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

	Primary Government Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Assets)
	(a)	(b)	(a) - (b)
Balances at 9/30/2019	\$ 8.6	\$ 1.1	\$ 7.5
Changes for the year:			
Service cost	0.2	-	0.2
Interest	0.6	-	0.6
Differences between expected and actual experience	(0.2)	-	(0.2)
Changes of assumptions	0.3	-	0.3
Contributions - employer	-	7.6	(7.6)
Contributions - member	-	0.1	(0.1)
Net investment income	-	0.4	(0.4)
Benefit payments, including refunds of member contributions	(0.7)	(0.7)	-
Administrative and other expenses	-	(0.1)	0.1
Net changes	0.2	7.4	(7.1)
Balances at 9/30/2020	\$ 8.8	\$ 8.4	\$ 0.4

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the State recognized OPEB expense related to the primary government and its component units of \$591.8 million and \$7.0 million, respectively. The portion of OPEB expense for PELIB can be found in the Postemployment Life Insurance Benefit section of this note. The portion of OPEB expense for SERS, SPRS, LRS, and JRS is listed by plan in the table below (in millions):

Plan	Primary Government	Component Units
SERS	\$ 533.9	\$ 6.6
SPRS	36.5	-
LRS	(15.7)	-
JRS	0.9	-
Total	<u>\$ 555.5</u>	<u>\$ 6.6</u>

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	
	SERS	SPRS	LRS	JRS	SERS Only	Total
Deferred Outflows of Resources:						
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ 0.2	\$ -	\$ 0.2
Changes of assumptions	1,295.4	72.0	-	0.6	17.2	1,385.2
Net difference between projected and actual earnings on OPEB plan investments	-	-	0.6	-	-	0.6
Changes in proportion and differences between employer contributions and proportionate share of contributions	21.2	-	-	-	3.8	25.0
Contributions subsequent to the measurement date	694.4	58.3	4.6	0.4	9.1	766.9
Total Deferred Outflows of Resources:	<u>\$ 2,011.0</u>	<u>\$ 130.3</u>	<u>\$ 5.2</u>	<u>\$ 1.2</u>	<u>\$ 30.2</u>	<u>\$ 2,177.9</u>
Deferred Inflows of Resources:						
Difference between expected and actual experience	\$ 1,458.0	\$ 99.8	\$ -	\$ 0.1	\$ 19.4	\$ 1,577.2
Net difference between projected and actual earnings on OPEB plan investments	36.7	2.8	-	0.1	0.5	40.1
Changes in proportion and differences between employer contributions and proportionate share of contributions	50.0	-	-	-	5.9	55.9
Total Deferred Inflows of Resources:	<u>\$ 1,544.6</u>	<u>\$ 102.5</u>	<u>\$ -</u>	<u>\$ 0.2</u>	<u>\$ 25.8</u>	<u>\$ 1,673.2</u>

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, 2021. 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
2021	\$ (80.9)	\$ (10.9)	\$ -	\$ 0.4	\$ (1.5)	\$ (92.9)
2022	(80.9)	(10.7)	-	0.2	(1.5)	(92.9)
2023	(62.9)	(8.7)	0.3	-	(1.3)	(72.7)
2024	(6.3)	(0.3)	0.3	-	(0.4)	(6.7)
2025	2.9	0.1	-	-	-	3.0

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. 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 \$10,000 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 2019 and fiscal year 2020 were 28.0 cents 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, 2020, was \$32.2 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, 2019, measurement date is based on the result of an actuarial valuation date of September 30, 2019.

#### **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, 2019
Actuarial Cost Method:	Individual Entry-Age
Wage Inflation Rate:	2.8%
Investment Rate of Return (discount rate):	2.8% per year

**Post-Retirement Mortality Tables:** The post-retirement mortality tables used in this valuation were 110 percent of the Healthy Life and Disabled Life Mortality Tables.

**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 by 1.5 percent to account for potential postemployment life insurance benefits payable to spouses of future retirees.

**Opt Out Factors:** Based on an analysis of current active member data, a 5.0 percent opt out assumption was used for SERS, SPRS, and Special Duty Officer retirees and surviving spouses. Current retiree PELIB member data was supplied for JRS and LRS retirees and used in the valuation without adjustment.

**Active Member Election:** The active life insurance option each member elected was provided to the actuary. It was assumed active members would continue their current option up to and after retirement. In circumstances where it was unclear what option was currently being elected, it was assumed the active member elected the two times salary option.

**Compensation:** For some SERS retirees, Final Average Compensation (FAC) was not reported. The FAC for these members was assumed to be \$54,575 (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 cover a 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:	0.986618 (2 year FAC)
	Corrections and All Others:	0.973475 (3 year FAC)
SPRS	Non-Hybrid:	0.986618 (2 year FAC)
	Hybrid:	0.947886 (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 2019 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 2019 retirement valuations were included in this valuation of PELIB.

For JRS and LRS retirees, face values of the PELIB policies were provided for use in the valuation. For current SPRS DROP members, active life insurance amounts were provided and used to calculate the projected face value of the PELIB policies.

#### **Discount Rate**

A discount rate of 2.8 percent was used to measure the ending total OPEB liability for PELIB as of September 30, 2019. 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 discount rate used to measure the total OPEB liability as of September 30, 2018 was 3.8 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, 2018	\$ 1,249.4
Total OPEB Liability as of September 30, 2019	1,224.8
Total Covered Employee Payroll	3,151.5
Total Liability as a Percentage of Covered Employee Payroll	38.9%

**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 2.8 percent, as well as what the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher (in thousands):

	1% Decrease 1.8%	Current Discount 2.8%	1% Increase 3.8%
PELIB Total OPEB Liability	\$ 1,460,369.6	\$ 1,224,751.3	\$ 1,041,449.1

**Changes in the Total OPEB Liability**

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

	Primary Government Increase (Decrease) Total OPEB Liability (a)	Component Units Increase (Decrease) Total OPEB Liability (a)
Balances at 9/30/2019	\$ 1,233.7	\$ 15.6
Changes for the year:		
Service cost	26.8	0.3
Interest	47.1	0.6
Differences between expected and actual experience	(151.8)	(1.9)
Changes of assumptions	86.5	1.1
Benefit payments, including refunds of member contributions	(32.9)	(0.4)
Net changes	(24.4)	(0.3)
Balances at 9/30/2020	\$ 1,209.4	\$ 15.4

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

For the year ended September 30, 2020, the State recognized OPEB expense related to PELIB of \$36.3 million for the primary government and \$0.4 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	\$ 0.6	\$ -
Changes of assumptions	71.0	0.9
Changes in proportion and differences between employer contributions and proportionate share of contributions	2.5	0.7
Contributions subsequent to the measurement date	32.2	0.4
Total Deferred Outflows of Resources:	<u>\$ 106.3</u>	<u>\$ 2.0</u>
Deferred Inflows of Resources:		
Difference between expected and actual experience	\$ 129.6	\$ 1.6
Changes of assumptions	82.4	1.0
Changes in proportion and differences between employer contributions and proportionate share of contributions	2.3	0.9
Total Deferred Inflows of Resources:	<u>\$ 214.3</u>	<u>\$ 3.6</u>

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, 2021. 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 PELIB Expense Amount	Component Units PELIB Expense Amount
2021	\$ (37.6)	\$ (0.5)
2022	(37.6)	(0.5)
2023	(35.8)	(0.5)
2024	(22.2)	(0.3)
2025	(6.9)	(0.1)

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.

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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 \$74.1 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled \$51.9 million, \$42.9 million, and \$18.1 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling \$13.4 million, \$9.8 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	Interest	Executory Costs	Total
2021	\$ 18.7	\$ 47.9	\$ 41.4	\$ 17.2	\$ 106.5
2022	8.5	46.0	38.0	15.7	99.7
2023	6.4	45.2	34.7	14.4	94.3
2024	4.6	34.0	31.6	12.6	78.2
2025	1.9	34.2	28.7	11.3	74.2
2026-2030	1.1	111.5	97.8	40.2	249.6
2031-2035	0.2	31.8	52.8	16.6	101.1
2036-2040	0.1	30.2	35.1	11.5	76.8
2041-2045	0.1	25.1	19.6	5.1	49.8
Thereafter	0.1	14.2	5.8	2.5	22.5
Total	<u>\$ 41.8</u>	<u>\$ 420.2</u>	<u>\$ 385.5</u>	<u>\$ 147.0</u>	<u>\$ 952.6</u>

The above capital leases relate to governmental activities which include the General Fund, other governmental funds, and the internal service funds. In FY20 a capital lease and the related asset were moved from the Information Technology Fund, an internal service fund, to the General Fund, with a lease liability of \$72.4 million as of October 1, 2020. A liability of \$420.2 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 \$163.8 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	\$ 471.2	\$ 1.6
Equipment	246.4	-
Total	717.6	1.6
Accumulated Depreciation	(387.9)	(0.6)
Net Buildings and Equipment	<u>\$ 329.7</u>	<u>\$ 1.0</u>

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 \$130.4 million, respectively.

**Primary Government – Business-Type Activities**

Rental expense incurred under operating leases totaled \$0.3 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	Interest	Executory Costs	Total
2021	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.3
2022	0.1	0.1	0.1	0.1	0.3
2023	0.1	0.1	0.1	0.1	0.3
2024	-	0.1	0.1	0.1	0.3
2025	-	0.1	0.1	0.1	0.3
2026-2030	-	0.5	0.3	0.3	1.1
2031-2035	-	0.1	0.1	0.1	0.3
2036-2040	-	0.1	-	0.1	0.2
Total	<u>\$ 0.4</u>	<u>\$ 1.2</u>	<u>\$ 0.9</u>	<u>\$ 1.0</u>	<u>\$ 3.1</u>

**Discretely Presented Component Units**

Operating lease commitments for universities and authorities totaled \$16.4 million. Total capital lease obligations were \$23.4 million, \$8.0 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 15.0 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 2020, 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	\$ 73.6	\$ 181.2	\$ 96.3	\$ 158.5

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



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**Bonds Issued and Outstanding**

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

	Amounts Issued	Outstanding September 30	Fiscal Year Maturities		Average Interest Rate Percentage
			First Year	Last Year	
General Obligation Bonded Debt					
General Obligation Debt:					
Series 2010 A (Refunding)	\$ 46.6	\$ 11.5	2013	2021	4.4 %
Series 2011 A (Refunding) (2)(3)	44.0	44.0	2022	2026	3.8
Series 2011 B (Refunding) (2)(3)	65.4	7.4	2014	2021	1.7
Series 2012 (Refunding)	92.3	23.7	2017	2021	4.5
Series 2014 A (3)	65.1	65.1	2024	2029	5.0
Series 2014 B (3)	20.2	20.2	2027	2027	3.6
Series 2015 A (Refunding)	129.1	83.9	2017	2029	4.8
Series 2016 A (3)	82.2	82.2	2022	2025	5.0
Series 2016 B (Refunding)	60.0	60.0	2022	2026	4.8
Series 2017 A (1)(2)(3)	79.0	79.0	2022	2027	5.0
Series 2017 B (1)(2)(3)	40.6	29.1	2020	2025	2.0
Series 2018 (2)(3)	149.2	149.2	2027	2033	3.5
Series 2020 A (2)(3)	114.9	114.9	2030	2040	4.3
Series 2020 B (2)(3)	38.0	38.0	2030	2040	2.2
School Loan Bonds:					
Series 2009 A (Refunding)	204.1	17.9	2016	2021	6.6
Series 2009 B (Refunding) (5)	193.7	22.1	2010	2030	5.6
Series 2010 B (Refunding)	83.8	25.0	2017	2021	3.7
Series 2011 A	150.0	46.0	2014	2023	3.7
Series 2011 B	30.1	30.1	2023	2023	3.7
Series 2012 A (Refunding)	225.0	89.9	2013	2026	2.3
Series 2013 A	200.0	200.0	2024	2033	3.3
Series 2016 A (Refunding)	129.1	118.1	2017	2023	1.7
Total General Obligation Bonded Debt	2,242.3	1,357.4			

	Amounts Issued	Outstanding September 30	Fiscal Year Maturities		Average Interest Rate Percentage
			First Year	Last Year	
Revenue Dedicated Bonded Debt					
<u>State Park Related:</u>					
2002 – Gross Revenue Bonds	\$ 15.5	\$ 3.3	2004	2023	3.8 %
Total Revenue Dedicated Bonded Debt - State Park Related	15.5	3.3			

Transportation Related:

Tax Dedicated Bonds:

Comprehensive Transportation Fund Bonds:

Series 2005 (Refunding)	62.2	18.4	2009	2023	5.3
Series 2011 (Refunding)	18.5	4.6	2013	2022	4.5
Series 2013 (Refunding)	10.1	1.5	2014	2023	4.7
Series 2015 (Refunding)	29.4	25.0	2017	2031	4.9

Grant Anticipation Bonds:

Series 2016 (Refunding)	607.1	542.3	2018	2027	5.0
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State Trunkline Fund Bonds:

Series 2004 (Refunding)	103.5	23.8	2006	2022	5.0
Series 2005 (Refunding)	223.0	47.8	2010	2022	5.2
Series 2011	91.0	74.1	2014	2037	4.7
Series 2012 (Refunding)	49.3	14.5	2014	2022	4.8
Series 2014 (Refunding)	265.1	41.4	2016	2022	4.5
Series 2015 (Refunding)	54.1	54.1	2023	2023	4.8
Series 2020 A (Refunding)	103.5	103.5	2021	2027	5.0
Series 2020 B	800.0	800.0	2021	2046	4.6

Total Revenue Dedicated Bonded Debt -  
Transportation Related

2,416.7      1,751.0

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State Building Authority:

Series 2011 I A (Revenue and Refunding)	409.6	19.1	2012	2022	5.2
Series 2011 I B	12.2	1.1	2013	2022	5.7
Series 2011 II A (Revenue and Refunding)	180.7	2.0	2012	2022	5.2
Series 2013 I A (Revenue and Refunding)	531.3	372.5	2015	2048	4.8
Series 2015 I (Revenue and Refunding)	989.3	894.9	2016	2051	3.9
Series 2016 I (Revenue and Refunding)	665.2	603.6	2018	2052	3.1
Series 2019 I (Revenue and Refunding)	235.6	218.7	2020	2054	3.2
Series 2020 I (Revenue and Refunding)	212.2	212.2	2021	2046	2.3
Series 2020 II (Refunding)	556.9	556.9	2021	2056	2.6
Series 2020 III (Refunding)	32.8	32.8	2022	2043	0.3
Total State Building Authority Bonded Debt	<u>3,825.8</u>	<u>2,913.8</u>			
Total Revenue Dedicated Bonded Debt	<u>6,257.8</u>	<u>4,668.0</u>			
Total General Obligation and Revenue Dedicated Bonded Debt	<u>\$ 8,500.1</u>	<u>\$ 6,025.4</u>			

- (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, 2017, \$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, 2020, \$675.0 million of such bond proceeds had been received, leaving no remaining authorization. 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, 2020, \$800.0 million of such bond proceeds had been recognized as received, leaving remaining authorization of \$200.0 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, 2020.
- (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.

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**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 Bonded Debt				
School Loan Bonds:				
Series 2009 B (Refunding)	\$ 22.1	\$ 33.0	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.

**Revenue Dedicated**

During the year, the State issued, as a current refunding, fixed rate State Trunkline Fund Refunding Bonds Series 2020 A in the amount of \$103.5 million, maturing in fiscal years 2021 to 2027. The bonds were issued for the purpose of refunding certain maturities. From the debt proceeds, \$113.3 million was deposited with an escrow agent to refund State Trunkline Refunding Bonds Series 2009. As a result of this refunding, the State's debt service decreased by \$7.6 million over the next seven years. The State achieved an economic gain of \$7.3 million.

During the year, SBA issued the 2020 Series I, II, and III bonds. The fixed rate Revenue and Revenue Refunding Bonds 2020 Series I were issued in the amount of \$212.2 million, maturing in fiscal years 2021 to 2046. From the proceeds, \$142.8 million was deposited with an escrow agent to refund 2011 Variable Rate Revenue Refunding Bonds Series II B and 2017 Multi-modal Revenue Bonds Series I; \$96.3 million was used to refund commercial paper notes; and \$7.1 million was deposited into the Acquisition Fund for costs of 2020 facilities. The fixed rate Revenue Refunding Bonds 2020 Series II were issued in the amount of \$556.9 million, maturing in fiscal years 2021 to 2056. From the proceeds, \$569.8 million was deposited with an escrow agent to refund 2011 Revenue and Revenue Refunding Bonds Series I A, 2011 Revenue Bonds Series I B, 2011 Revenue and Revenue Refunding Bonds Series II A, and 2015 Revenue and Revenue Refunding Bonds Series I. The 2020 Multi-modal Revenue Refunding Bonds Series III were issued in the amount of \$32.8 million, maturing in fiscal years 2022 to 2043. From the proceeds, \$33.0 million was deposited with an escrow agent to refund 2007 Multi-modal Revenue Bonds Series I. As a result of these refundings, SBA's debt service decreased by \$227.6 million over the next 36 years. The refundings resulted in an economic gain of \$191.3 million.

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

	Amounts Outstanding
State Building Authority:	
Series 2007 I Multi-modal	\$ 32.5
Series 2011 I A (Revenue and Refunding)	329.8
Series 2011 I B	7.5
Series 2011 II A (Revenue and Refunding)	168.4
Series 2011 II B (Refunding)	35.3
Series 2015 I (Revenue and Refunding)	20.0
Series 2017 I	105.6
Total State Building Authority	<u>\$ 699.0</u>

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**Debt Service Requirements**

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

Fiscal Years Ending	General Obligation		State Park and Transportation Related		State Building Authority		Total Principal and Interest
	Principal	Fixed Interest	Principal	Fixed Interest	Principal	Interest	
2021	\$ 162.5	\$ 46.7	\$ 144.2	\$ 69.6	\$ 89.3	\$ 111.8	\$ 624.1
2022	162.4	43.9	152.0	73.2	83.9	116.4	631.8
2023	155.5	37.8	112.0	66.4	87.6	113.0	572.3
2024	108.4	32.5	112.0	60.8	91.3	109.6	514.5
2025	110.3	28.4	119.3	55.1	95.3	105.9	514.4
2026-2030	391.6	87.0	443.7	194.3	545.2	465.1	2,126.9
2031-2035	200.4	30.8	192.7	122.1	688.1	320.5	1,554.6
2036-2040	77.1	8.0	208.1	80.2	600.2	186.0	1,159.5
2041-2045	-	-	221.7	33.4	316.5	101.8	673.4
2046-2050	-	-	48.6	1.0	226.2	43.1	319.0
2051-2055	-	-	-	-	88.0	7.0	95.0
2056-2060	-	-	-	-	2.2	-	2.2
Total	<u>\$ 1,368.3</u>	<u>\$ 315.0</u>	<u>\$ 1,754.3</u>	<u>\$ 756.0</u>	<u>\$ 2,913.8</u>	<u>\$ 1,680.3</u>	<u>\$ 8,787.6</u>

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

**Changes in Bonds and Notes Payable**

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

	Beginning Balance	Additions	Reductions	Accretion	Ending Balance	Amounts Due Within One Year	Due Thereafter
Governmental Activities							
Bonds Payable:							
General obligation debt	\$ 1,358.4	\$ 152.8	\$ (155.7)	\$ 1.9	\$ 1,357.4	\$ 162.5	\$ 1,194.9
Revenue bonds	1,123.8	903.5	(273.1)	-	1,754.3	144.2	1,610.0
State Building Authority	2,909.7	801.9	(797.8)	-	2,913.8	89.3	2,824.5
Unamortized Discounts:							
General obligation debt	(0.6)	-	0.2	-	(0.4)	-	(0.4)
State Building Authority	(2.9)	-	0.2	-	(2.7)	-	(2.7)
Unamortized Premiums:							
General obligation debt	64.6	29.4	(11.4)	-	82.6	-	82.6
Revenue dedicated debt	138.4	225.0	(29.3)	-	334.1	-	334.1
State Building Authority	263.3	32.3	(15.2)	-	280.4	-	280.4
Total bonds and notes payable	<u>\$ 5,854.6</u>	<u>\$ 2,144.8</u>	<u>\$ (1,282.1)</u>	<u>\$ 1.9</u>	6,719.3	395.9	6,323.3

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

	158.5	158.5	-
As reported on the Statement of Net Position	<u>\$ 6,877.8</u>	<u>\$ 554.4</u>	<u>\$ 6,323.3</u>

## 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) utilize 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	Total Debt		All Other Debt		Direct Placement Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 673.3	\$ 525.7	\$ 486.7	\$ 482.9	\$ 186.6	\$ 42.8
2022	836.3	495.3	663.1	457.9	173.1	37.4
2023	802.2	459.1	617.2	427.5	184.9	31.6
2024	803.6	427.0	673.8	400.4	129.8	26.6
2025	556.3	392.6	476.0	369.3	80.2	23.2
Total five years	3,671.5	2,299.6	2,916.8	2,138.0	754.7	161.6
2026-2030	2,660.7	1,612.0	2,270.7	1,535.4	390.0	76.6
2031-2035	2,304.1	1,074.6	2,241.4	1,041.2	62.7	33.4
2036-2040	1,433.1	647.5	1,392.7	618.5	40.5	29.0
2041-2045	1,250.1	363.8	1,113.2	350.6	136.9	13.2
2046-2050	1,750.4	134.6	1,750.4	134.6	-	-
2051-2055	1,231.1	40.1	1,231.1	40.1	-	-
Thereafter	4,494.9	10.8	4,494.9	10.8	-	-
2026 - Thereafter	15,124.4	3,883.4	14,494.3	3,731.2	630.1	152.2
Total	18,795.9	\$ 6,183.1	\$ 17,411.1	\$ 5,869.2	\$ 1,384.8	\$ 313.8
Unamortized discount	(14.8)					
Unamortized premium	442.8					
Off market borrowings	37.9					
Unpaid accretion for capital appreciation bonds	(5,795.8)					
Total principal	\$ 13,466.0					

Included in the table above is \$1.1 billion of demand bonds comprised of \$709.3 million issued by MSHDA, \$300.0 million issued by the Michigan Finance Authority (MFA), and \$113.8 million issued by the state universities.

#### **Notes Payable**

As of September 30, 2020, MFA has short-term notes outstanding of \$494.6 million and long-term notes outstanding of \$183.8 million. Of the total \$678.5 million notes outstanding, \$154.5 million are direct placement notes.

As of December 31, 2019, VMF has short-term notes outstanding of \$60.0 million and long-term notes outstanding of \$190.0 million. Of the total \$250.0 million notes outstanding, all are direct placement notes.

State universities have short-term notes outstanding of \$7.5 million and long-term notes outstanding of \$10.9 million as of June 30, 2020.

### ***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, 2020, MFA had bonds outstanding of \$10.8 billion. Of this amount, \$1.1 billion of the bonds have been defeased in substance, leaving a remaining undefeased balance of \$9.7 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, 2020 was \$11.5 billion. The amount of tax-exempt bonds issued during fiscal year 2020 was \$90.5 million. In fiscal year 2020, there were no taxable bonds issued by MSF under the Taxable Bond Program. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

MSHDA issues limited obligation bonds to finance multi-family housing projects. At June 30, 2020, limited obligation bonds had been issued totaling \$909.1 million, of which 86 issues totaling \$806.3 million had been retired. The aggregated principal of all MSHDA outstanding debt may not exceed \$5.0 billion.

MSHDA entered into several interest rate exchange agreements for a total of \$650.3 million as of June 30, 2020, 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, \$58.6 million at September 30, 2020, has been recorded at its discounted present value of \$39.4 million, using a discount rate of approximately 8.0 percent. The present value of the current portion of this liability is \$8.8 million. In fiscal year 2020, state agencies paid reimbursement for actual workers’ compensation claims and administrative fees totaling \$19.0 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 Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The State’s pollution remediation obligation at September 30, 2020, is \$215.5 million (\$41.2 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 \$121.4 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

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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.

Remediation obligations related to underground storage tanks account for \$35.0 million of this total. As of September 30, 2020, there were 362 open claims. The State reimburses eligible refined petroleum underground storage tank owners or operators for eligible cleanup costs for confirmed releases that were discovered and reported on or after December 30, 2014.

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 \$15.2 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 Purchases**

This liability represents contracts entered into by the Department of Transportation for the design, building, and financing of highway and highway lighting projects. The liability of \$242.3 million at September 30, 2020, represents the cost of the project completed to date less principal payments made through fiscal year 2020.

**Other Claims and Judgments**

The governmental activities estimated liability for other claims and litigation losses, \$1.0 billion at September 30, 2020, 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 \$126.0 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 \$27.7 million.

**Changes in Other Long-Term Obligations**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Governmental Activities</b>						
Other Long-term Obligations:						
Capital lease obligations:						
Component units	\$ 177.9	\$ -	\$ 13.4	\$ 164.5	\$ 15.3	\$ 149.2
Others	275.4	32.2	51.8	255.7	32.6	223.1
Compensated absences	362.0	230.5	166.8	425.6	277.4	148.3
Workers' compensation	46.8	3.0	10.4	39.4	8.8	30.6
Net pension liability	6,783.1	748.5	35.4	7,496.2	-	7,496.2
Net OPEB liability	9,754.3	0.5	122.7	9,632.1	-	9,632.1
Pollution remediation	199.7	47.4	31.5	215.5	41.2	174.3
Direct borrowing - financed purchases	48.9	197.1	3.7	242.3	3.8	238.5
Other claims and judgments	731.5	649.0	331.0	1,049.5	134.5	915.0
Total Governmental Activities	<u>\$ 18,379.4</u>	<u>\$ 1,908.1</u>	<u>\$ 766.7</u>	<u>\$ 19,520.7</u>	<u>\$ 513.6</u>	<u>\$ 19,007.2</u>
<b>Business-type Activities</b>						
Other Long-term Obligations:						
Lottery prize awards*	\$ 164.6	\$ 6.7	\$ 15.4	\$ 156.0	\$ 14.8	\$ 141.1
Capital lease obligations	1.2	0.2	0.2	1.1	0.1	1.0
Compensated absences	2.9	1.4	1.1	3.2	1.9	1.3
Net pension liability	39.6	4.1	-	43.8	-	43.8
Net OPEB liability	59.6	0.1	0.8	58.9	-	58.9
Other claims and judgments	28.7	-	1.0	27.7	-	27.7
Total Business-type Activities	<u>\$ 296.7</u>	<u>\$ 12.5</u>	<u>\$ 18.5</u>	<u>\$ 290.7</u>	<u>\$ 16.8</u>	<u>\$ 273.8</u>

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

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 \$778.7 million for component units, which includes \$87.1 million related to authorities participating in the State Employees' Retirement System, \$691.6 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 \$233.3 million for component units, which includes \$118.8 million related to authorities participating in the State Employees' Retirement System and Postemployment Life Insurance Benefit, \$114.5 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.

Component units reported unused lines of credit totaling \$184.5 million in their separately issued statements, utilizing their respective fiscal year ends.

### **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, 2020, shows the actuarial present value of future tuition obligations to be \$49.8 million, as compared to the actuarially determined market value of assets available of \$113.1 million. The actuarial assumptions used include: a projected tuition increase rate of 5.5 percent for year 1, 5.0 percent for year 2, 4.5 percent for year 3 and 4.5 percent for year 4 and beyond; and a discount rate of 2.6 percent.

The actuarial report on the status of MET Plan D, as of September 30, 2020, shows the actuarial present value of future tuition obligations to be \$727.4 million, as compared to the actuarially determined market value of assets available of \$988.6 million. The actuarial assumptions used include: a projected tuition increase rate of 5.5 percent for year 1, 5.0 percent for year 2, 4.5 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 over withholdings.

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



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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	\$ 449.4
Senior citizens	272.8
Blind and disabled	65.4
Farmland preservation	36.0
Veterans	0.5
Subtotal - property tax credits	824.1
Earned income tax credit	112.3
Home heating (excluding federal share)	0.1
Total tax credits	<u>\$ 936.5</u>

**Income Tax Refunds Payable**

The \$1.2 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 over withholding 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**

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. Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, 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 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. Taxpayer may also file a form separate from the annual tax return to claim an accelerated and reduced payment of the credit. 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.

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<b>Program Name</b>	<b>Brownfield Redevelopment Credit Program</b>
Provisions and conditions under which abated taxes become eligible for recapture	<p>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.</p> <p>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.</p>
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 2020	\$13.2 million

<b>Program Name</b>	<b>Brownfield Redevelopment Tax Increment Financing Program</b>
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 Michigan Department of Environment, Great Lakes, and Energy 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 2020	\$7.7 million

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<b>Program Name</b>	<b>Farmland Preservation Credit - Corporate and Non-Corporate Program</b>
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.
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 2020	\$42.5 million (IIT) \$1.9 million (MBT)

<b>Program Name</b>	<b>MEGA Battery Credit Program</b>
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.

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<b>Program Name</b>	<b>MEGA Battery Credit Program</b>
	<p>MEGA battery manufacturing facility credit agreements include a repayment provision if the taxpayer fails to meet certain requirements of the agreement.</p> <p>MEGA large-scale battery credit agreements include the following repayment provisions:</p> <ul style="list-style-type: none"> <li>• the taxpayer fails to meet certain requirements of the agreement</li> <li>• 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</li> <li>• 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</li> </ul> <p>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.</p>
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 2020	This information is legally prohibited from being disclosed under MCL Section 205.28(1)(f).

<b>Program Name</b>	<b>MEGA Employment Credit Program</b>
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
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	<p>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:</p> <ul style="list-style-type: none"> <li>• fails to meet the requirements for the credit</li> <li>• violates any conditions included in the agreement entered with MEGA</li> <li>• 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</li> </ul>
Types of commitments made by the recipients of the tax abatements	Retain or add qualified new jobs as defined in MCL Section 207.803.

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<b>Program Name</b>	<b>MEGA Employment Credit Program</b>
Total revenue estimated to be reduced for fiscal year 2020	\$560.5 million

<b>Program Name</b>	<b>MEGA Poly-Silicon Energy Cost Credit Program</b>
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 2020	This information is legally prohibited from being disclosed under MCL Section 205.28(1)(f).

<b>Program Name</b>	<b>Renaissance Zone Credit - Development Program</b>
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.

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<b>Program Name</b>	<b>Renaissance Zone Credit - Development Program</b>
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 2020	\$17.7 million

<b>Program Name</b>	<b>Renaissance Zone Property Tax Exemption Program</b>
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.
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 2020	\$3.9 million

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<b>Program Name</b>	<b>State Essential Services Assessment Exemption</b>
Program purpose	The State Essential Services Assessment Exemption was established to encourage large-scale Michigan investments in eligible manufacturing personal property.
Taxes being abated	State Essential Services Assessment (ESA)
Authority under which abatement agreements are entered	MCL Section 211.1059
Criteria to be eligible to receive abatements	Taxpayer submits a business plan or demonstrates to MSF that a minimum of \$25 million will be invested in additional eligible personal property in this state during the duration of the written agreement. The fund board considers the following criteria when approving an exemption to the assessment: out-of-state competition; net-positive return to the State of Michigan; level of investment made by the eligible claimant; business diversification; reuse of existing facilities; near-term job creation or significant job retention as a result of the investment made in eligible personal property; strong links to Michigan suppliers; whether the project is in a local unit of government that contains an eligible distressed area as that term is defined in MCL Section 125.1411.
How taxes are reduced	If MSF grants an exemption from ESA, the taxpayer is subject to Alternative ESA under Public Act 93 of 2014. Alternative ESA is identical to ESA except that Alternative ESA tax rates are half the ESA rates. If MSF grants an exemption from both ESA and Alternative ESA, a 100% exemption is granted.
How amount of abatement is determined	Businesses receiving the abatement are required to report the acquisition cost of the exempted personal property. The acquisition cost is the tax base used to calculate ESA. The number of mills decreases based on the number of years the personal property is owned.
Provisions and conditions under which abated taxes become eligible for recapture	The written agreement shall provide for a repayment provision on the exemption to the assessment if the eligible claimant fails to comply with the provisions of the written agreement.
Types of commitments made by the recipients of the tax abatements	Taxpayer must make the required personal property investment.
Total revenue estimated to be reduced for fiscal year 2020	\$5.5 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 and 401k deferred compensation plans 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 deferred compensation plan. 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 deferred compensation 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 From	Due To						Total
	General Fund	School Aid Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ -	\$ 4.2	\$ 9.3	\$ 81.5	\$ 95.0
School Aid Fund	813.0	-	-	-	-	-	813.0
Non-Major Governmental Funds	59.4	0.3	134.9	0.2	1.2	11.0	207.0
State Lottery Fund	-	52.0	-	-	-	0.4	52.4
Unemployment Compensation Funds	-	-	0.6	-	-	-	0.6
Non-Major Enterprise Funds	-	-	-	-	-	0.2	0.2
Internal Service Funds	-	-	-	-	0.4	4.3	4.8
Fiduciary Funds	0.1	-	-	-	-	-	0.1
Total	<u>\$ 872.5</u>	<u>\$ 52.2</u>	<u>\$ 135.5</u>	<u>\$ 4.4</u>	<u>\$ 11.1</u>	<u>\$ 97.3</u>	<u>\$ 1,173.1</u>

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.

Included in the table above as Due to Fiduciary Funds, but not included as Due from other funds on the Combining Statement of Fiduciary Net Position Pension (and Other Employee Benefit) Trust Funds, are receivables from the State of Michigan's governmental funds to the State Police Retirement System (SPRS) and State Employees' Retirement System (SERS) for participant and employer contributions. Because the State of Michigan is the employer for SPRS and SERS, these receivables of \$97.3 million have been appropriately included as From participants and From employer on the Combining Statement of Fiduciary Net Position Pension (and Other Employee Benefit) Trust Funds.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$0.9 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, 2020, MBA has repaid a total of \$17.1 million of the advance from the Michigan Transportation Fund, leaving a balance of \$45.9 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):

Transferred From	Transferred To				Total
	General Fund	School Aid Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	
General Fund	\$ -	\$ 352.6	\$ 373.1	\$ -	\$ 725.6
School Aid Fund	-	-	110.5	-	110.5
Non-Major Governmental Funds	106.8	0.9	1,845.4	36.0	1,989.2
State Lottery Fund	2.2	1,179.9	1.2	-	1,183.3
Unemployment Compensation Funds	-	-	51.8	-	51.8
Non-Major Enterprise Funds	279.5	-	-	-	279.5
Internal Service Funds	4.2	-	-	-	4.2
Fiduciary Funds	0.3	-	-	-	0.3
Total	<u>\$ 393.1</u>	<u>\$ 1,533.4</u>	<u>\$ 2,381.9</u>	<u>\$ 36.0</u>	<u>\$ 4,344.4</u>

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 \$7.0 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 \$142.6 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	\$ 26.0
Liquor Purchase Revolving Fund	37.2
Internal Service funds:	
Correctional Industries Revolving Fund	1.9
Information Technology Fund	657.5
Motor Transport Fund	9.3

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.

## 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
<b>Non-Spendable</b>							
Inventory and prepaids	\$ 225.2	\$ -	\$ -	\$ -	\$ 15.5	\$ -	\$ 240.7
Long term notes/receivables	23.8	-	-	-	-	-	23.8
Permanent principal	-	-	251.4	-	-	841.8	1,093.1
<b>Restricted</b>							
General government	137.6	-	9.3	-	-	-	146.8
Education	4.0	1,220.5	-	97.2	-	-	1,321.7
Public safety and corrections	41.8	-	2.6	-	-	15.4	59.8
Conservation, environment, recreation, and agriculture	383.0	-	333.5	1.6	-	301.5	1,019.6
Health and human services	34.8	-	2.1	-	-	-	36.9
Transportation	-	-	223.5	-	2,075.7	-	2,299.2
Labor, commerce, and regulatory	181.0	-	73.8	-	-	-	254.8
Other purposes	-	-	-	40.8	-	-	40.8
<b>Committed</b>							
General government	1,180.6 *	-	253.1	-	-	-	1,433.6
Education	80.7	-	8.0	-	-	-	88.7
Public safety and corrections	253.3	-	-	-	-	-	253.3
Conservation, environment, recreation, and agriculture	230.4	-	-	-	-	-	230.4
Health and human services	211.8	-	-	-	-	-	211.8
Transportation	42.8	-	-	-	-	-	42.8
Labor, commerce, and regulatory	41.8	-	-	-	-	-	41.8
<b>Assigned</b>							
General government	21.4	-	-	-	-	-	21.4
Education	0.9	-	-	-	-	-	0.9
Public safety and corrections	23.4	-	-	-	-	-	23.4
Conservation, environment, recreation, and agriculture	31.0	-	-	-	-	-	31.0
Health and human services	17.5	-	-	-	-	-	17.5
Labor, commerce, and regulatory	5.5	-	-	-	-	-	5.5
<b>Unassigned</b>	2,363.0	-	-	-	(149.6)	-	2,213.5
<b>Total Fund Balances</b>	<u>\$ 5,535.2</u>	<u>\$ 1,220.5</u>	<u>\$ 1,157.3</u>	<u>\$ 139.7</u>	<u>\$ 1,941.6</u>	<u>\$ 1,158.6</u>	<u>\$ 11,153.0</u>

\* \$829.1 million of this balance relates to the Counter-Cyclical Budget and Economic Stabilization Fund as referenced in Note 3.

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**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	\$ 3.7	\$ 1,721.4	\$ 1,725.0
Construction and debt service	93.8	1.7	95.4
Public safety and corrections	32.7	11.7	44.4
Conservation, environment, recreation, and agriculture	388.6	457.6	846.2
Health and human services	32.7	29.1	61.8
Transportation	-	1,339.3	1,339.3
Labor, commerce, and regulatory	255.4	0.3	255.7
Other purposes	121.8	3.5	125.3
Funds Held as Permanent Investments:			
Expendable	-	316.9	316.9
Nonexpendable	-	841.8	841.8
Total Restricted Net Position - Governmental	<u>\$ 928.7</u>	<u>\$ 4,723.2</u>	<u>\$ 5,651.9</u>
Business - Type Activities:			
Restricted For:			
Unemployment compensation	\$ 1,487.7	\$ -	\$ 1,487.7
Other purposes	-	3.9	3.9
Total Restricted Net Position - Business - Type	<u>\$ 1,487.7</u>	<u>\$ 3.9</u>	<u>\$ 1,491.6</u>
Total Primary Government:			
Restricted For:			
Education	\$ 3.7	\$ 1,721.4	\$ 1,725.0
Construction and debt service	93.8	1.7	95.4
Public safety and corrections	32.7	11.7	44.4
Conservation, environment, recreation, and agriculture	388.6	457.6	846.2
Health and human services	32.7	29.1	61.8
Transportation	-	1,339.3	1,339.3
Unemployment compensation	1,487.7	-	1,487.7
Labor, commerce, and regulatory	255.4	0.3	255.7
Other purposes	121.8	7.4	129.2
Funds Held as Permanent Investments:			
Expendable	-	316.9	316.9
Nonexpendable	-	841.8	841.8
Total Restricted Net Position - Primary Government	<u>\$ 2,416.4</u>	<u>\$ 4,727.1</u>	<u>\$ 7,143.4</u>

## 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	\$ 1,808.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,808.0
Non-Medicaid Health and Human Services Programs	520.9	-	-	-	-	-	-	520.9
Transportation Programs	-	-	598.3	-	-	-	-	598.3
School Aid Programs	-	155.8	-	-	-	-	-	155.8
Other State Programs	450.8	-	50.1	-	-	-	-	500.9
Merit Award Scholarships	-	-	1.3	-	-	-	-	1.3
Payroll and Withholdings	290.1	-	31.8	-	1.1	-	0.6	323.6
Tax Refunds other than Income Tax	123.3	11.6	1.8	-	-	-	-	136.7
Unearned Receipts	22.0	-	0.1	-	-	-	-	22.1
Amounts Held for Others	15.9	-	41.5	-	3.0	-	-	60.5
Capital Projects - Non-Transportation	-	-	40.1	-	-	-	-	40.1
Prize Awards	-	-	-	-	192.2	-	-	192.2
Liquor Purchase	-	-	-	-	-	-	129.5	129.5
Unemployment Payments	-	-	-	-	-	1,102.5	-	1,102.5
Internal Service Fund Liabilities	-	-	-	115.4	-	-	-	115.4
Due to Fiduciary Funds *	-	-	-	97.3	-	-	-	97.3
Miscellaneous	-	-	-	-	25.8	-	0.6	26.3
Total	<u>\$ 3,231.1</u>	<u>\$ 167.3</u>	<u>\$ 765.1</u>	<u>\$ 212.8</u>	<u>\$ 222.1</u>	<u>\$ 1,102.5</u>	<u>\$ 130.7</u>	<u>\$ 5,831.6</u>

\* 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:

In re Flint Water Cases (formerly known as 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. The State has entered into a \$600.0 million settlement with the plaintiffs. The State will pay that amount by annual appropriations over the next 30 years. The first annual appropriation will be made for fiscal year 2022. Although that settlement should resolve the vast majority of claims, the possibility exists that individuals who opt-out or walk-away from the settlement will pursue future claims against the State.

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. On October 29, 2019, the Court of Appeals issued a published decision in the Defendants' favor as to Counts I and II of the complaint, addressing Proposal A spending generally and Public School Academy spending specifically, for purposes of Section 30 of the Headlee Amendment. The Court of Appeals found in favor of the Plaintiffs as to Count IV and V of the complaint, addressing treatment of state mandate spending under Section 30 of the Headlee Amendment and Plaintiffs' statutory mandamus request, respectively. The parties filed timely cross-applications for leave to appeal with the Michigan Supreme Court, which the Court granted. Merits briefing is complete. The Court heard oral argument on March 4, 2021, and the case is pending an opinion.

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.

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 the fiscal year ended September 30, 2020, the State has expended approximately \$77.9 million in funds 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. It is expected that the remaining \$19.1 million will be paid by June 2021.

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. The federal complaint alleged violations of 42 USC § 1983, as well as claims based on international law. The parties reached a settlement agreement in February 2020. Under the agreement, the State paid \$25.0 million in fiscal year 2020 and is required to pay \$15.0 million in fiscal year 2021, \$25.0 million in fiscal year 2022, and \$15.0 million in fiscal year 2023. The State has recognized a liability of \$55.0 million in the government-wide statements.

#### **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, 2020, the State has recognized a liability of \$33.0 million in the government-wide statements and 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.

#### **Michigan Unemployment Compensation Fund**

The current Coronavirus pandemic has had an economic impact on the United States and the international community, significantly impacting unemployment across the country. The extent of the ultimate impact of the pandemic on the Unemployment Insurance Agency's (UIA) operational and financial performance will depend on various developments, including duration and spread of the outbreak and its impact on contributing employers and claimants, all of which cannot be reasonably predicted at this time.

In early March 2020, the Coronavirus pandemic had UIA quickly moving to implement several new federal programs designed to assist workers impacted by the pandemic. These programs included Pandemic Unemployment Assistance (PUA), Pandemic Unemployment Compensation (PUC), Pandemic Emergency Unemployment Compensation, Extended Benefits, and then later the Lost Wage Assistance programs. The PUA program in particular covered workers who were not previously covered by unemployment insurance. These programs created a surge in claims volume not previously experienced in the unemployment system. Between March 2020 and February 2021, approximately 4.6 million claims were filed by approximately 3.2 million unique claimants. During the fiscal year ended September 30, 2020, UIA paid approximately \$25.4 billion in unemployment benefits (including approximately \$4.8 billion in regular unemployment benefits and approximately \$20.6 billion under federal programs) to over 2.3 million claimants.

Due to the speed of implementation of these new programs, the limited requirements of the new PUA program, and the increased benefits provided by the PUC program, unemployment insurance programs throughout the country became a target for large-scale impostor fraud (identity theft) activity. These factors and others, including the addition of third-party contractors, numerous system changes, and program requirements that limited the verification of claimant information, contributed to a potentially significant increase in UIA's fraud exposure. As of February 23, 2021, UIA had over 600,000 open potential fraud investigation cases attributable to the pandemic period. Almost 83.0 percent of these cases involve PUA claims. The total amount of fraudulent benefits issued by UIA will not be known until all of the suspected cases have been thoroughly investigated. Losses attributable to federal funds appropriated by the Coronavirus Aid, Relief, and Economic Security Act would have no impact on the health of the Michigan Unemployment Compensation Fund (Compensation Fund). UIA has not reclassified any amount of benefits expense for losses from fraudulent benefit payments.

In response to the increased fraud activity and benefit recipients who typically do not qualify for regular unemployment benefits, UIA implemented additional staff reviews of claims prior to the release of payments. Payments authorized during the year but pending staff review were recorded to an accrued payable account pending resolution. As of September 30, 2020, the gross accrued benefits payable to claimants pending review was approximately \$960.0 million. Based on estimated rates of eventual approval for similar claims, UIA has adjusted this balance, the corresponding receivable from the federal government, and the associated revenues and expenses downward by approximately \$278.0 million for claims not expected to be paid. These amounts may need to be further adjusted as claims are adjudicated. As this adjustment relates only to federally funded benefits (which are ultimately revenue neutral to UIA), this adjustment has had no impact on the Compensation Fund's net position.

#### **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 2017.

On various dates between June 14, 2018 and November 27, 2018, the initial 26 states (including Michigan) that had joined the NPM Adjustment Settlement Agreement, executed the 2016 and 2017 NPM Adjustments Settlement Agreement, which extended the terms of the earlier NPM Adjustment Settlement Agreement to apply to tobacco sales years 2016 and 2017.

On various dates between August 1, 2020 and September 4, 2020, 36 states (including Michigan) that joined the NPM Adjustment Settlement Agreement and the 2016 and 2017 NPM Adjustments Settlement Agreement, executed the 2018 through 2022 NPM Adjustments Settlement Agreement, extending the terms of the two earlier agreements to apply to tobacco sales years 2018 through 2022.

In April 2020, the State of Michigan received an annual payment of \$278.4 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 2021, but is expected to exceed \$250.0 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, 2020, the principal amount of qualified bonds outstanding was \$14.6 billion. Total debt service requirements on these bonds including interest will be approximately \$1.9 billion in 2021. 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, 2020, is \$365.7 million. Interest due on these loans as of September 30, 2020, is \$51.8 million.

#### **Venture Michigan Fund Tax Vouchers**

As of September 30, 2020, the Venture Michigan Fund had \$231.2 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 \$126.0 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, Poly-Silicon Energy Cost Credit, and Historic Preservation Credit Program**

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.

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).

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. The law allows the credit to be claimed as either a refundable accelerated credit or a non-refundable credit. Like other certificated credits, beginning January 1, 2012, the historic preservation credit is only available to taxpayers who had approved rehabilitation plans by December 31, 2011, but had not fully claimed the credit before January 1, 2012.

As of September 30, 2020, an estimated \$5.2 billion in MEGA tax credits, poly-silicon energy cost credits, and historic preservation credits remained outstanding. The amount of MEGA tax credits, poly-silicon credits and historic preservation credits expected to be redeemed is estimated at \$582.8 million in fiscal year 2021; \$576.5 million in fiscal year 2022; \$523.1 million in fiscal year 2023; and the remainder in subsequent fiscal years. The State has recognized a liability of \$17.4 million in the

government-wide statements. The liability represents certificated credits, eligible to be claimed, and not yet claimed as of December 1, 2020.

**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, 2020, an estimated \$60.1 million in brownfield tax credits remained outstanding. The amount of brownfield tax credits expected to be redeemed is estimated at \$42.4 million in fiscal year 2021 and \$17.7 million in fiscal year 2022. The State has recognized a liability of \$16.5 million in the government-wide statements. The liability represents certificated credits, eligible to be claimed, and not yet claimed as of December 1, 2020.

**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 (MPERS) contribute 3.0 percent of their compensation to help pay for the cost of health care for retirees of MPERS. On December 20, 2017, the Michigan Supreme Court affirmed that P.A. 75 of 2010 is unconstitutional as it substantially impaired the plaintiffs' 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 filed an appeal related to the Court of Claims' order awarding the plaintiffs judgment interest.

On October 15, 2020, the Michigan Court of Appeals issued a published opinion reversing the trial court's award of interest on the funds that were held in escrow while the constitutional challenge was being litigated to the plaintiffs. In pertinent part, the Court of Appeals concluded that the Supreme Court's decision and order that found P.A. 75 of 2010 to be unconstitutional and that directed the return of subject-moneys constituted declaratory (not monetary) relief and, thus, was not a "money judgment" (for purposes of assessing statutorily required interest). In addition, the Court held that, on balance (and taking into account the fact that, historically, courts have not inferred a damages remedy for sustained violations of the Contract's Clause, along with the fact that the money was held in escrow and did not enrich the State), that plaintiffs were not entitled to an award of equitable interest. The plaintiffs did not file an application with the Michigan Supreme Court to appeal the opinion within the prescribed deadline and as a result, this case is concluded.

**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, 2020, these commitments equaled \$1.6 billion; a portion of this balance, \$103.4 million, has been encumbered.



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

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
<b>Restricted</b>				
Education	\$ 4.7	\$ 9.2	\$ -	\$ 13.9
Public safety and corrections	23.3	-	-	23.3
Conservation, environment, recreation and agriculture	123.9	-	72.4	196.3
Health and human services	63.2	-	-	63.2
Transportation	-	-	538.2	538.2
Labor, commerce, and regulatory	7.4	-	11.4	18.7
General government	14.5	-	0.5	15.0
<b>Committed</b>				
Education	0.6	-	8.4	9.0
Public safety and corrections	24.9	-	-	24.9
Conservation, environment, recreation and agriculture	25.3	-	-	25.3
Health and human services	9.7	-	-	9.7
Transportation	13.7	-	-	13.7
Labor, commerce, and regulatory	3.7	-	-	3.7
General government	20.5	-	141.0	161.6
<b>Assigned</b>				
Education	0.9	-	-	0.9
Public safety and corrections	23.5	-	-	23.5
Conservation, environment, recreation and agriculture	34.3	-	-	34.3
Health and human services	18.0	-	-	18.0
Transportation	-	-	-	-
Labor, commerce, and regulatory	5.5	-	-	5.5
General government	21.5	-	-	21.5
<b>Total Encumbrances</b>	<u>\$ 439.2</u>	<u>\$ 9.2</u>	<u>\$ 771.9</u>	<u>\$ 1,220.3</u>

**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, 2020. 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 \$213.8 million as of September 30, 2020. 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. MGA management believes MGA was in compliance with this requirement as of September 30, 2020.

**Multi-Family Mortgage Loans**

As of June 30, 2020, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of \$259.5 million and single-family mortgage loans in the amount of \$42.1 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.

In addition, MSHDA makes available up to approximately \$1.0 million per year for up to 30 years to subsidize rents in a similar fashion for 20.0 percent of the units in certain other developments financed or to be financed under MSHDA's multi-family mortgage lending 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 2020, expenditures for payments to former State employees (not including university employees) totaled \$10.3 million. The potential liability for future payments cannot be estimated.

The State's two internal service funds, which account for certain areas of risk management, such as portions of its employee insurance benefits, employee bonding, and automobile liability, follow accounting standards established by the Governmental Accounting Standards Board. 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 \$6.9 million. This includes a long-term portion, which is recorded at \$4.1 million.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2020 and 2019 are as follows (in millions):

	2020	2019
Balance - beginning	\$ 5.2	\$ 5.1
Current year claims and changes in estimates	3.7	0.8
Claim payments	(2.0)	(0.8)
Balance - ending	<u>\$ 6.9</u>	<u>\$ 5.2</u>

The Risk Management Fund also has general liability insurance with \$0.9 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 \$7.8 million in 2020 and \$6.1 million in 2019.

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, 2020 and 2019 are as follows (in millions):

	2020	2019
Balance - beginning	\$ 46.8	\$ 49.6
Current year claims and changes in estimates	3.0	8.2
Claim payments	(10.4)	(11.0)
Balance - ending	<u>\$ 39.4</u>	<u>\$ 46.8</u>

Workers' compensation is further described in Note 15.

### State Sponsored Group Insurance Fund

The Department of Technology, Management and Budget and the Civil Service Commission use this fund to account for employee benefit programs, which are largely self-funded. 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 \$127.3 million. This includes a long-term portion, which is recorded at a discounted present value of \$93.1 million. For all claims incurred prior to October 1, 2020, 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 \$37.7 million at September 30, 2020. Unrestricted net position totaled \$265.0 million at September 30, 2020.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2020 and 2019 are as follows (in millions):

	2020	2019
Balance - beginning	\$ 131.1	\$ 135.0
Current year claims and changes in estimates	727.2	729.8
Claim payments	(730.9)	(733.7)
Balance - ending	<u>\$ 127.3</u>	<u>\$ 131.1</u>

### Discretely Presented Component Units

#### State Universities

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

## NOTE 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, 2020, the State's pledged revenue to MFA was \$67.1 million. A total amount of \$66.7 million was received in MFA's tobacco settlement debt service fund to contribute to annual debt service requirements of \$70.0 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 2020, \$42.6 million was recognized as revenue in the State's Unemployment Obligation Trust Fund and \$35.1 million was paid to MFA's unemployment obligation assessment debt service fund; debt service of \$172.3 million was paid by MFA during the current fiscal year. The secured bonds were fully matured as of September 30, 2020.

## 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
<b>Deferred Outflows of Resources:</b>				
Accumulated decrease in fair value of hedging derivative instruments	\$ -	\$ -	\$ -	\$ 163.6
Refunding of debt	40.0	-	40.0	95.5
<b>Pension Related:</b>				
Differences between expected and actual experience	24.5	-	24.5	0.6
Changes of assumptions	140.2	-	140.2	2.7
Net difference between projected and actual earnings on pension plan investments	0.8	-	0.8	0.5
Contributions subsequent to the measurement date	685.3	4.0	689.3	37.8
Total Pension Related	850.9	4.0	854.9	41.6
<b>Other Postemployment Benefits (OPEB) Related:</b>				
Differences between expected and actual experience	0.8	-	0.8	11.1
Changes of assumptions	1,430.0	9.0	1,439.0	25.3
Net difference between projected and actual earnings on OPEB plan investments	0.6	-	0.6	-
Changes in proportion and differences between contributions and proportionate share of contributions	23.1	0.6	23.7	4.5
Contributions subsequent to the measurement date	785.3	4.6	790.0	23.2
Total OPEB Related	2,239.8	14.2	2,254.0	64.1
Total Deferred Outflows of Resources	\$ 3,130.7	\$ 18.2	\$ 3,148.9	\$ 364.8
<b>Deferred Inflows of Resources:</b>				
Accumulated increase in fair value of hedging derivative instruments	\$ -	\$ -	\$ -	\$ 0.4
Loan origination fees	-	-	-	18.6
Refunding of debt	10.1	-	10.1	9.2
Irrevocable split-interest agreements	-	-	-	15.1
Service concession arrangements	-	-	-	116.7
<b>Pension Related:</b>				
Differences between expected and actual experience	0.5	-	0.5	1.3
Changes of assumptions	0.8	-	0.8	2.1
Net difference between projected and actual earnings on pension plan investments	308.2	1.8	310.0	15.7
Total Pension Related	309.4	1.8	311.3	19.1
<b>OPEB Related:</b>				
Differences between expected and actual experience	1,677.0	10.4	1,687.5	49.2
Changes of assumptions	81.9	0.5	82.4	89.9
Net difference between projected and actual earnings on OPEB plan investments	39.3	0.2	39.6	3.3
Changes in proportion and differences between contributions and proportionate share of contributions	48.8	3.5	52.2	6.8
Total OPEB Related	1,847.0	14.7	1,861.7	149.3
Total Deferred Inflows of Resources	\$ 2,166.6	\$ 16.5	\$ 2,183.1	\$ 328.4

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

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	\$ 2,635.8	\$ 500.5	\$ 12.9	\$ 3,149.3
Tobacco settlement receivables	13.1	-	150.2	163.3
School loan revolving program	51.8	-	-	51.8
Other	5.3	-	35.6	41.0
Total deferred inflows of resources	<u>\$ 2,706.1</u>	<u>\$ 500.5</u>	<u>\$ 198.8</u>	<u>\$ 3,405.4</u>

**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**

**Short-Term Borrowing**

On January 7, 2021, the State Building Authority (SBA) issued \$186.8 million of commercial paper notes bearing an interest rate of 0.1 percent. The notes matured on March 11, 2021.

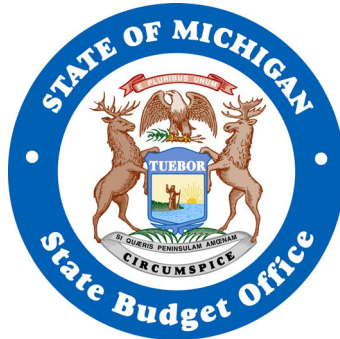
On March 11, 2021, the SBA issued \$221.7 million of commercial paper notes bearing an interest rate of 0.1 percent. The notes mature on June 10, 2021.

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

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

	Bonds Issued
Ferris State University	\$ 4.6
Michigan Finance Authority	1,278.7
Michigan State Housing Development Authority	623.7
Michigan Technological University	7.7
Western Michigan University	151.6
Total	<u>\$ 2,066.4</u>

On March 16, 2021, 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.



## FINANCIAL SECTION

### REQUIRED SUPPLEMENTARY INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## MAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning budgetary fund balance - restated	\$ 3,917,512	\$ 3,917,512	\$ 3,917,512	\$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	10,436,800	9,957,608	9,957,608	-
Federal	13,300	3,882	3,882	-
Local	100	485	485	-
Licenses and permits	14,000	51,138	51,138	-
Services	7,000	3,789	3,789	-
Miscellaneous	89,500	188,964	188,964	-
Transfers in	245,000	339,095	339,095	-
Restricted Revenues:				
Taxes	4,210,046	5,389,911	5,389,911	-
Federal	19,644,419	22,733,412	22,733,412	-
Local	192,614	275,964	275,964	-
Licenses and permits	473,075	351,918	351,918	-
Services	404,153	339,544	339,544	-
Miscellaneous	1,256,171	624,042	624,042	-
Proceeds from bonds issued and bond anticipation notes	-	182,230	182,230	-
Proceeds from sale of capital assets	-	1,736	1,736	-
Transfers in	41,625	53,962	53,962	-
Total Revenue Inflows	37,027,802	40,497,678	40,497,678	-
Amounts Available for Appropriation	40,945,314	44,415,190	44,415,190	-
Charges to Appropriations (outflows):				
Legislative Branch	245,028	193,280	180,045	13,235
Judicial Branch	310,739	266,972	266,833	139
Executive Branch:				
Agriculture and Rural Development	111,123	89,055	86,564	2,491
Attorney General	112,759	93,579	92,926	652
Civil Rights	17,014	14,455	13,999	456
Colleges and Universities Grants	1,312,961	1,442,018	1,440,026	1,993
Corrections	2,121,961	2,052,294	1,973,586	78,708
Education	497,795	1,130,443	1,126,642	3,801
Environment, Great Lakes, and Energy	578,912	447,571	446,579	992
Executive Office	7,114	6,759	6,170	588
Health and Human Services	26,243,260	26,874,371	26,551,106	323,266
Insurance and Financial Services	68,815	53,945	53,945	-
Labor and Economic Opportunity	506,220	532,654	532,231	423
Licensing and Regulatory Affairs	529,095	337,509	328,684	8,825
Marshall Plan for Talent	-	113	113	-
Military and Veterans Affairs	196,716	186,531	179,812	6,719
Natural Resources	156,621	107,049	105,073	1,976
State	258,036	257,881	256,140	1,740
State Police	765,544	832,624	832,433	191
Technology, Management and Budget	844,126	1,298,715	1,283,937	14,778
Transportation	152,718	112,159	111,827	332
Treasury	1,985,605	3,801,863	3,724,795	77,068
Intrafund expenditure reimbursements	-	(517,124)	(517,124)	-
Total Charges to Appropriations	37,022,161	39,614,715	39,076,341	538,375
Reconciling Items:				
Change in noncurrent assets	-	3,554	3,554	-
Net Reconciling Items	-	3,554	3,554	-
Ending budgetary fund balance	\$ 3,923,153	\$ 4,804,029	\$ 5,342,403	\$ 538,375

# Michigan

SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 244,584	\$ 244,584	\$ 244,584	\$ -
12,976,153	12,810,497	12,810,497	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	18,486	18,486	-
997,200	539,900	539,900	-
-	-	-	-
8,400	7,062	7,062	-
1,744,479	1,781,511	1,781,511	-
-	-	-	-
-	-	-	-
-	-	-	-
1,900	2,714	2,714	-
-	-	-	-
-	-	-	-
-	993,490	993,490	-
15,728,132	16,153,659	16,153,659	-
15,972,716	16,398,243	16,398,243	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
764,138	564,138	563,948	190
-	-	-	-
14,970,651	14,667,610	14,637,469	30,141
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	2	2	-
-	-	-	-
15,734,789	15,231,750	15,201,419	30,331
-	(4,968)	(4,968)	-
-	(4,968)	(4,968)	-
\$ 237,926	\$ 1,161,525	\$ 1,191,856	\$ 30,331



## REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE  
BUDGET-TO-GAAP RECONCILIATION

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	GENERAL FUND	SCHOOL AID FUND
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 44,415,190	\$ 16,398,243
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.	(3,917,512)	(244,584)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,736)	-
Bonds issued are inflows of budgetary resources but are not revenues for financial reporting purposes.	(182,230)	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(393,057)	(1,533,389)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 39,920,656</u>	<u>\$ 14,620,270</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 39,076,341	\$ 15,201,419
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.	29,149	17,859
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(725,630)	(110,473)
Capital lease and financed purchase acquisitions are not outflows of budgetary resources but are recorded as capital outlay expenditures and other financing sources under GAAP.	94,866	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 38,474,725</u>	<u>\$ 15,108,806</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

**Statutory/Budgetary Presentation**

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

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

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

The budgetary comparison schedule presented for the General Fund and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2020, 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, 2019 and include 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 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 and financed purchase 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) 241-4010.

**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 29,386 lane miles of roads and 4,842 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 slight 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 of 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	2019	2018	2017
Good	74.0%	73.0%	75.0%
Poor	26.0%	27.0%	25.0%

## 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
2020	6.8%
2019	6.3%
2018	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 (4,502) in fiscal year 2020 is less than the total (4,842) 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
2021	\$ 1,437.0	\$ -
2020	1,073.1	1,194.3
2019	1,049.9	1,160.2
2018	919.4	1,072.1
2017	844.8	830.3
2016	824.2	880.3

## REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total Pension Liability</b>			
Service cost	\$ 39	\$ 77	\$ 86
Interest	11,051	10,555	10,213
Differences between expected and actual experience	480	66	(1,617)
Changes of assumptions	30,744	(3,055)	(13,497)
Benefit payments, including refunds of member contributions	(14,130)	(14,521)	(14,282)
Net Change in Total Pension Liability	28,183	(6,878)	(19,097)
Total Pension Liability - Beginning	239,688	246,565	265,662
Total Pension Liability - Ending	<u>\$ 267,871</u>	<u>\$ 239,688</u>	<u>\$ 246,565</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 8,063	\$ -	\$ -
Contributions - member	2	1	4
Net investment income	3,320	8,630	15,841
Benefit payments, including refunds of member contributions	(14,130)	(14,521)	(14,282)
Pension plan administrative expense	(405)	(399)	(392)
Other	-	-	7
Net Changes in Plan Fiduciary Net Pension	(3,150)	(6,289)	1,177
Plan Fiduciary Net Position - Beginning	125,448	131,738	130,560
Plan Fiduciary Net Position - Ending	<u>\$ 122,299</u>	<u>\$ 125,448</u>	<u>\$ 131,738</u>
Net Pension Liability (Assets) - Ending	<u>\$ 145,572</u>	<u>\$ 114,239</u>	<u>\$ 114,828</u>
Plan fiduciary net position as a percentage of the total pension liability	45.7%	52.3%	53.4%
Covered payroll	\$ 18	\$ 72	\$ 72
Net pension liability as a percentage of covered payroll	812300.1%	159363.2%	160183.9%

\* 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 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).

## Michigan

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2017	2016	2015
\$ 74	\$ 62	\$ 57
11,025	11,839	11,297
1,899	406	-
18,937	20,080	24,547
(13,919)	(14,495)	(13,550)
18,016	17,891	22,351
247,646	229,755	207,404
<u>\$ 265,662</u>	<u>\$ 247,646</u>	<u>\$ 229,755</u>
\$ -	\$ -	\$ -
4	3	6
11,325	(6,545)	14,868
(13,919)	(14,495)	(13,550)
(405)	(362)	(430)
-	-	-
(2,996)	(21,400)	893
133,557	154,957	154,063
<u>\$ 130,560</u>	<u>\$ 133,557</u>	<u>\$ 154,957</u>
<u>\$ 135,102</u>	<u>\$ 114,090</u>	<u>\$ 74,799</u>
49.2%	53.9%	67.4%
\$ 72	\$ 72	\$ 72
188466.1%	159154.3%	104343.7%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB)

## LIABILITY AND RELATED RATIOS

## LEGISLATIVE RETIREMENT SYSTEM

LAST THREE FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 1,148	\$ 1,482	\$ 797
Interest	7,518	7,077	8,464
Differences between expected and actual experience	(25,629)	3,292	18
Changes of assumptions	4,386	(9,407)	66,226
Benefit payments, including refunds of member contributions	(6,164)	(6,695)	(6,343)
Net Change in Total OPEB Liability	(18,742)	(4,252)	69,162
Total OPEB Liability - Beginning	188,591	192,843	123,681
Total OPEB Liability - Ending	<u>\$ 169,850</u>	<u>\$ 188,591</u>	<u>\$ 192,843</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 9,091	\$ 4,657	\$ 4,572
Contributions - member	2	6	6
Net investment income	626	1,573	2,755
Benefit payments, including refunds of member contributions	(6,164)	(6,695)	(6,343)
OPEB plan administrative expense	(81)	(74)	(69)
Other	1,379	954	644
Net Changes in Plan Fiduciary Net Position	4,854	421	1,565
Plan Fiduciary Net Position - Beginning	24,928	24,507	22,942
Plan Fiduciary Net Position - Ending	<u>\$ 29,782</u>	<u>\$ 24,928</u>	<u>\$ 24,507</u>
Net OPEB Liability (Assets) - Ending	<u>\$ 140,067</u>	<u>\$ 163,663</u>	<u>\$ 168,336</u>
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	13.2%	12.7%
Covered-employee payroll**	\$ 613	\$ 1,662	\$ 1,662
Net OPEB liability as a percentage of covered-employee payroll	22864.4%	9848.2%	10129.4%

\* 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 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 SIX FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total Pension Liability</b>			
Service cost	\$ 24,907	\$ 24,094	\$ 20,908
Interest	150,682	149,156	147,193
Differences between expected and actual experience	17,082	7,959	18,289
Changes of assumptions	58,026	106,681	94,280
Benefit payments, including refunds of member contributions	(144,193)	(137,367)	(130,208)
Net Change in Total Pension Liability	106,504	150,523	150,462
Total Pension Liability - Beginning	2,197,152	2,046,629	1,896,167
Total Pension Liability - Ending	<u>\$ 2,303,656</u>	<u>\$ 2,197,152</u>	<u>\$ 2,046,629</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 78,510	\$ 84,930	\$ 74,814
Contributions - member	3,693	3,489	3,142
Net investment income	74,725	151,529	165,384
Benefit payments, including refunds of member contributions	(144,193)	(137,367)	(130,208)
Pension plan administrative expense	(725)	(749)	(666)
Other	-	4	27
Net Changes in Plan Fiduciary Net Pension	12,010	101,835	112,492
Plan Fiduciary Net Position - Beginning	1,492,399	1,390,564	1,278,071
Plan Fiduciary Net Position - Ending	<u>\$ 1,504,408</u>	<u>\$ 1,492,399</u>	<u>\$ 1,390,564</u>
Net Pension Liability (Assets) - Ending	<u>\$ 799,248</u>	<u>\$ 704,753</u>	<u>\$ 656,066</u>
Plan fiduciary net position as a percentage of the total pension liability	65.3%	67.9%	67.9%
Covered payroll	\$ 139,660	\$ 134,177	\$ 125,085
Net pension liability as a percentage of covered payroll	572.3%	525.2%	524.5%

\* 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 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).

## Michigan

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2017	2016	2015
\$ 19,774	\$ 19,952	\$ 21,142
143,436	140,575	134,317
8,440	(6,998)	-
-	-	36,683
(119,094)	(115,469)	(110,551)
52,556	38,060	81,591
1,843,611	1,805,551	1,723,960
<u>\$ 1,896,167</u>	<u>\$ 1,843,611</u>	<u>\$ 1,805,551</u>
\$ 70,505	\$ 70,351	\$ 58,391
3,009	2,677	2,174
90,811	26,236	174,085
(119,094)	(115,469)	(110,551)
(575)	(561)	(575)
10	3	-
44,666	(16,762)	123,524
1,233,405	1,250,168	1,126,643
<u>\$ 1,278,071</u>	<u>\$ 1,233,405</u>	<u>\$ 1,250,168</u>
<u>\$ 618,096</u>	<u>\$ 610,206</u>	<u>\$ 555,384</u>
67.4%	66.9%	69.2%
\$ 118,060	\$ 114,278	\$ 114,480
523.5%	534.0%	485.1%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB)

## LIABILITY AND RELATED RATIOS

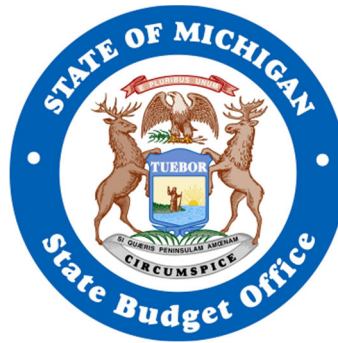
## STATE POLICE RETIREMENT SYSTEM

LAST THREE FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 8,706	\$ 9,173	\$ 9,855
Interest	53,114	57,650	55,607
Changes of benefit terms	-	25	-
Differences between expected and actual experience	(67,257)	(71,325)	(4,142)
Changes of assumptions	68,549	26,627	-
Benefit payments, including refunds of member contributions	(30,028)	(33,583)	(33,904)
Net Change in Total OPEB Liability	33,084	(11,432)	27,416
Total OPEB Liability - Beginning	769,435	780,868	753,452
Total OPEB Liability - Ending	<u>\$ 802,520</u>	<u>\$ 769,435</u>	<u>\$ 780,868</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 60,395	\$ 56,779	\$ 51,886
Net investment income	10,782	17,222	16,063
Benefit payments, including refunds of member contributions	(30,028)	(33,583)	(33,904)
OPEB plan administrative expense	(80)	(87)	(100)
Other	39	10	15
Net Change in Plan Fiduciary Net Position	41,108	40,340	33,961
Plan Fiduciary Net Position - Beginning	191,010	150,670	116,709
Plan Fiduciary Net Position - Ending	<u>\$ 232,118</u>	<u>\$ 191,010</u>	<u>\$ 150,670</u>
Net OPEB Liability (Assets) - Ending	<u>\$ 570,401</u>	<u>\$ 578,425</u>	<u>\$ 630,197</u>
Plan fiduciary net position as a percentage of the total OPEB liability	28.9%	24.8%	19.3%
Covered payroll	\$ 139,660	\$ 134,177	\$ 125,085
Net OPEB liability as a percentage of covered payroll	408.4%	431.1%	503.8%

\* 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 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 SIX FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total Pension Liability</b>			
Service cost	\$ 64,690	\$ 71,912	\$ 68,311
Interest	1,244,463	1,226,594	1,251,600
Differences between expected and actual experience	25,071	115,726	19,798
Changes of assumptions	514,809	1,393,264	710,646
Benefit payments, including refunds of member contributions	(1,398,381)	(1,362,481)	(1,322,657)
Net Change in Total Pension Liability	450,651	1,445,015	727,697
Total Pension Liability - Beginning	18,444,887	16,999,872	16,272,175
Total Pension Liability - Ending	<u>\$ 18,895,538</u>	<u>\$ 18,444,887</u>	<u>\$ 16,999,872</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 600,083	\$ 650,740	\$ 703,131
Contributions - member	28,442	35,598	40,839
Net investment income	611,140	1,273,509	1,411,395
Benefit payments, including refunds of member contributions	(1,398,381)	(1,362,481)	(1,322,657)
Pension plan administrative expense	(6,988)	(6,488)	(6,285)
Other	(4,406)	64	294
Net Changes in Plan Fiduciary Net Pension	(170,109)	590,942	826,716
Plan Fiduciary Net Position - Beginning	12,398,002	11,807,059	10,980,343
Plan Fiduciary Net Position - Ending	<u>\$ 12,227,892</u>	<u>\$ 12,398,002</u>	<u>\$ 11,807,059</u>
Net Pension Liability (Assets) - Ending	<u>\$ 6,667,646</u>	<u>\$ 6,046,886</u>	<u>\$ 5,192,813</u>
Plan fiduciary net position as a percentage of the total pension liability	64.7%	67.2%	69.5%
Covered payroll**	\$ 3,220,895	\$ 3,115,261	\$ 3,050,238
Net pension liability as a percentage of covered payroll	207.0%	194.1%	170.2%

\* 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 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).

\*\* 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.

## Michigan

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2017	2016	2015
\$ 74,042	\$ 80,413	\$ 84,040
1,250,117	1,242,353	1,206,258
3,441	55,072	-
-	-	406,962
(1,289,728)	(1,265,480)	(1,223,033)
37,872	112,358	474,227
16,234,303	16,121,945	15,647,718
<u>\$ 16,272,175</u>	<u>\$ 16,234,303</u>	<u>\$ 16,121,945</u>
\$ 716,465	\$ 749,332	\$ 705,100
46,666	46,688	47,527
781,528	232,588	1,529,626
(1,289,728)	(1,265,480)	(1,223,033)
(6,629)	(6,228)	(6,931)
278	55	-
248,580	(243,044)	1,052,290
10,731,762	10,974,806	9,922,516
<u>\$ 10,980,343</u>	<u>\$ 10,731,762</u>	<u>\$ 10,974,806</u>
<u>\$ 5,291,832</u>	<u>\$ 5,502,541</u>	<u>\$ 5,147,139</u>
67.5%	66.1%	68.1%
\$ 872,358	\$ 946,977	\$ 1,006,633
606.6%	581.1%	511.3%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB)

## LIABILITY AND RELATED RATIOS

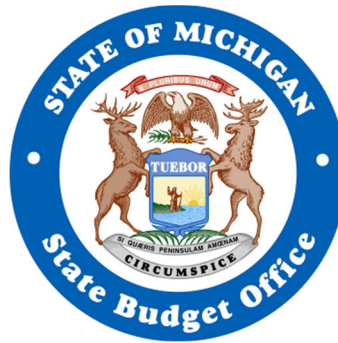
## STATE EMPLOYEES' RETIREMENT SYSTEM

LAST THREE FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 90,760	\$ 93,346	\$ 108,530
Interest	723,058	760,408	735,979
Differences between expected and actual experience	(941,588)	(1,055,687)	(71,816)
Changes of assumptions	975,792	809,101	-
Benefit payments, including refunds of member contributions	(427,977)	(402,543)	(476,200)
Net Change in Total OPEB Liability	420,045	204,625	296,493
Total OPEB Liability - Beginning	10,498,001	10,293,376	9,996,883
Total OPEB Liability - Ending	<u>\$ 10,918,046</u>	<u>\$ 10,498,001</u>	<u>\$ 10,293,376</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 765,235	\$ 688,884	\$ 703,330
Contributions - member	-	-	27
Net investment income	144,126	229,539	217,955
Benefit payments, including refunds of member contributions	(427,977)	(402,543)	(476,200)
OPEB plan administrative expense	(377)	(459)	(445)
Other	66	172	778
Net Changes in Plan Fiduciary Net Position	481,072	515,592	445,447
Plan Fiduciary Net Position - Beginning	2,562,821	2,047,229	1,601,782
Plan Fiduciary Net Position - Ending	<u>\$ 3,043,893</u>	<u>\$ 2,562,821</u>	<u>\$ 2,047,229</u>
Net OPEB Liability (Assets) - Ending	<u>\$ 7,874,153</u>	<u>\$ 7,935,180</u>	<u>\$ 8,246,147</u>
Plan fiduciary net position as a percentage of the total OPEB liability	27.9%	24.4%	19.9%
Covered payroll	\$ 3,220,895	\$ 3,115,261	\$ 3,050,238
Net OPEB liability as a percentage of covered payroll	244.5%	254.7%	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 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 SIX FISCAL YEARS\***  
(In Thousands)

	2020	2019	2018
<b>Total Pension Liability</b>			
Service cost	\$ 1,966	\$ 1,587	\$ 1,862
Interest	17,601	19,100	19,688
Differences between expected and actual experience	4	(1,498)	(4,923)
Changes of assumptions	10,077	26,653	-
Benefit payments, including refunds of member contributions	(24,111)	(23,958)	(23,724)
Net Change in Total Pension Liability	5,536	21,884	(7,096)
Total Pension Liability - Beginning	271,824	249,940	257,036
Total Pension Liability - Ending	<u>\$ 277,360</u>	<u>\$ 271,824</u>	<u>\$ 249,940</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 2,828	\$ 1,736	\$ 1,020
Contributions - member	566	653	697
Net investment income	13,036	28,280	32,258
Benefit payments, including refunds of member contributions	(24,111)	(23,958)	(23,724)
Pension plan administrative expense	(376)	(413)	(354)
Other	2	1	10
Net Changes in Plan Fiduciary Net Pension	(8,055)	6,299	9,907
Plan Fiduciary Net Position - Beginning	271,116	264,817	254,910
Plan Fiduciary Net Position - Ending	<u>\$ 263,061</u>	<u>\$ 271,116</u>	<u>\$ 264,817</u>
Net Pension Liability (Assets) - Ending	<u>\$ 14,298</u>	<u>\$ 707</u>	<u>\$ (14,878)</u>
Plan fiduciary net position as a percentage of the total pension liability	94.8%	99.7%	106.0%
Covered payroll	\$ 10,206	\$ 12,047	\$ 12,685
Net pension liability as a percentage of covered payroll	140.1%	5.9%	-117.3%

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2017	2016	2015
\$ 2,036	\$ 2,439	\$ 2,747
19,743	19,771	19,569
(1,290)	924	-
2,423	-	3,246
(23,302)	(23,241)	(22,536)
(389)	(108)	3,025
257,426	257,534	254,509
<u>\$ 257,036</u>	<u>\$ 257,426</u>	<u>\$ 257,534</u>
\$ 2,180	\$ 2,634	\$ 3,164
805	902	1,025
18,425	5,840	37,166
(23,302)	(23,241)	(22,536)
(335)	(312)	(288)
15	3	-
(2,211)	(14,175)	18,530
257,121	271,296	252,766
<u>\$ 254,910</u>	<u>\$ 257,121</u>	<u>\$ 271,296</u>
<u>\$ 2,126</u>	<u>\$ 304</u>	<u>\$ (13,762)</u>
99.2%	99.9%	105.3%
\$ 14,757	\$ 17,518	\$ 18,803
14.4%	1.7%	-73.2%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB)

## LIABILITY AND RELATED RATIOS

## JUDGES' RETIREMENT SYSTEM

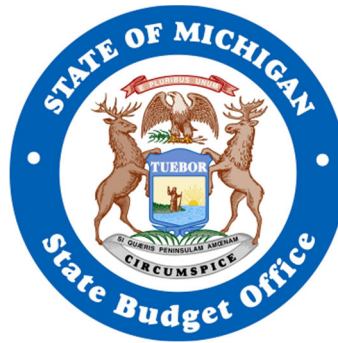
LAST THREE FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 218	\$ 171	\$ 177
Interest	584	542	527
Differences between expected and actual experience	(164)	399	(32)
Changes of assumptions	257	1,080	-
Benefit payments, including refunds of member contributions	(651)	(638)	(334)
Net Change in Total OPEB Liability	245	1,554	339
Total OPEB Liability - Beginning	8,562	7,007	6,669
Total OPEB Liability - Ending	<u>\$ 8,806</u>	<u>\$ 8,562</u>	<u>\$ 7,007</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 7,557	\$ 539	\$ 189
Contributions - member	102	113	117
Net investment income	404	104	119
Benefit payments, including refunds of member contributions	(651)	(638)	(334)
OPEB plan administrative expense	(62)	(89)	(95)
Net Changes in Plan Fiduciary Net Position	7,350	29	(4)
Plan Fiduciary Net Position - Beginning	1,055	1,026	1,030
Plan Fiduciary Net Position - Ending	<u>\$ 8,405</u>	<u>\$ 1,055</u>	<u>\$ 1,026</u>
Net OPEB Liability (Assets) - Ending	<u>\$ 401</u>	<u>\$ 7,507</u>	<u>\$ 5,982</u>
Plan fiduciary net position as a percentage of the total OPEB liability	95.4%	12.3%	14.6%
Covered-employee payroll**	5,967	6,143	5,918
Net OPEB liability as a percentage of covered-employee payroll	6.7%	122.2%	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 recent fiscal 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 FIVE FISCAL YEARS\*

(In Thousands)

	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
Service cost	\$ 206	\$ 140	\$ 110	\$ 403	\$ 357
Interest	3,417	3,555	3,609	2,829	3,564
Changes of benefit terms	5,252	-	-	-	-
Differences between expected and actual experience	(610)	700	58	-	(17,548)
Changes of assumptions	-	2,719	2,505	(30,216)	7,086
Benefit payments, including refunds of member contributions	(3,895)	(3,939)	(4,090)	(3,950)	(3,923)
Net Change in Total Pension Liability	4,370	3,175	2,192	(30,933)	(10,463)
Total Pension Liability - Beginning	52,474	49,299	47,107	78,040	88,503
Total Pension Liability - Ending	<u>\$ 56,844</u>	<u>\$ 52,474</u>	<u>\$ 49,299</u>	<u>\$ 47,107</u>	<u>\$ 78,040</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 41,045	\$ 16,245	\$ 5,245	\$ 7,780	\$ 4,267
Net investment income	2,711	569	78	12	-
Benefit payments, including refunds of member contributions	(3,895)	(3,939)	(4,090)	(3,950)	(3,923)
Pension plan administrative expense	(223)	(396)	(482)	(251)	(344)
Other	1	123	7	-	-
Net Changes in Plan Fiduciary Net Pension	39,638	12,601	758	3,591	-
Plan Fiduciary Net Position - Beginning	16,950	4,349	3,591	-	-
Plan Fiduciary Net Position - Ending	<u>\$ 56,588</u>	<u>\$ 16,950</u>	<u>\$ 4,349</u>	<u>\$ 3,591</u>	<u>\$ -</u>
Net Pension Liability (Assets) - Ending	<u>\$ 256</u>	<u>\$ 35,524</u>	<u>\$ 44,950</u>	<u>\$ 43,515</u>	<u>\$ 78,040</u>
Plan fiduciary net position as a percentage of the total pension liability	99.5%	32.3%	8.8%	7.6%	0.0%
Covered payroll	\$ 493	\$ 527	\$ 466	\$ 469	\$ 484
Net pension liability as a percentage of covered payroll	52.0%	6739.5%	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 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 TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB)

## LIABILITY AND RELATED RATIOS

## POST EMPLOYMENT LIFE INSURANCE BENEFITS

## LAST THREE FISCAL YEARS\*

(In Thousands)

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 27,091	\$ 28,832	\$ 31,154
Interest	47,732	44,731	40,592
Changes of benefit terms	-	-	11,048
Differences between expected and actual experience	(153,728)	(7,636)	1,294
Changes of assumptions	87,597	(64,531)	(83,587)
Benefit payments, including refunds of member contributions	(33,310)	(31,263)	(30,244)
Net Change in Total OPEB Liability	(24,619)	(29,867)	(29,744)
Total OPEB Liability - Beginning	1,249,370	1,279,237	1,308,980
Total OPEB Liability - Ending	<u>\$ 1,224,751</u>	<u>\$ 1,249,370</u>	<u>\$ 1,279,237</u>
Covered-employee payroll	\$ 3,151,523	\$ 3,154,490	\$ 2,949,242
Total OPEB liability as a percentage of covered-employee payroll	38.9%	39.6%	43.4%

\* 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 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 PENSIONS**  
**LEGISLATIVE RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 9,292	\$ 9,348	\$ 8,237	\$ 7,878
Contributions in relation to the actuarially determined contribution	-	8,063	-	-
Contribution deficiency (excess)	<u>\$ 9,292</u>	<u>\$ 1,285</u>	<u>\$ 8,237</u>	<u>\$ 7,878</u>
Covered payroll	\$ -	\$ 18	\$ 72	\$ 72
Contributions as a percentage of covered payroll	N/A	44993.7%	0.0%	0.0%

Valuation Date:

Actuarially determined contribution amounts are calculated as of September 30, 2019.

## Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	10 years, Open
Asset Valuation Method	Five-year smoothed fair value
Wage Inflation	4.0 percent
Projected 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	
Active	RP-2014 Employee Generational Mortality Tables, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.
Retirees	RP-2014 Healthy Annuitant Generational Mortality Tables, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.
Disability Retirement	RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 8,063	\$ 7,843	\$ 6,327	\$ 5,993	\$ 4,391	\$ 2,915
-	-	-	-	-	-
<u>\$ 8,063</u>	<u>\$ 7,843</u>	<u>\$ 6,327</u>	<u>\$ 5,993</u>	<u>\$ 4,391</u>	<u>\$ 2,915</u>
\$ 72	\$ 72	\$ 72	\$ 72	\$ 72	\$ 143
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS  
LEGISLATIVE RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**  
(In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	\$ 7,907	\$ 10,172	\$ 11,632	\$ 11,337
Contributions in relation to the actuarially determined contribution	4,638	9,091	4,657	4,572
Contribution deficiency (excess)	<u>\$ 3,270</u>	<u>\$ 1,081</u>	<u>\$ 6,975</u>	<u>\$ 6,765</u>
Covered-employee payroll*	\$ 215	\$ 613	\$ 1,662	\$ 1,662
Contributions as a percentage of covered-employee payroll	2156.6%	1484.1%	280.2%	275.1%

Valuation Date:

Actuarially determined contribution amounts are calculated as of September 30, 2019.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2020:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, closed
Remaining Amortization Period	21 years, as of October 1, 2019
Asset Valuation Method	Fair value
Wage Inflation	4.0 percent
Projected 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	
Active	RP-2014 Employee Generational Mortality Tables, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.
Retirees	RP-2014 Healthy Annuitant Generational Mortality Tables, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.
Disability Retirement	The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.
Healthcare Trend Rates	8.3 percent trend, gradually decreasing to 3.5 percent in year 10
Excise Tax	No load was applied to the health care liabilities of current retirees to approximate the cost for future excise tax.
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.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 10,464	\$ 9,363	\$ 9,382	\$ 9,630	\$ 9,674	\$ 11,817
4,538	4,473	4,323	4,240	7,840	4,288
<u>\$ 5,926</u>	<u>\$ 4,889</u>	<u>\$ 5,058</u>	<u>\$ 5,390</u>	<u>\$ 1,834</u>	<u>\$ 7,530</u>
\$ 1,662	\$ 1,734	\$ 2,497	\$ 3,312	\$ 3,587	\$ 3,659
273.0%	258.0%	173.1%	128.0%	218.6%	117.2%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CONTRIBUTIONS FOR PENSIONS

## STATE POLICE RETIREMENT SYSTEM

## LAST TEN FISCAL YEARS

(In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	\$ 78,929	\$ 77,400	\$ 78,531	\$ 72,632
Contributions in relation to the actuarially determined contribution	79,165	78,510	84,930	74,814
Contribution deficiency (excess)	<u>\$ (235)</u>	<u>\$ (1,110)</u>	<u>\$ (6,399)</u>	<u>\$ (2,182)</u>
Covered payroll	\$ 142,102	\$ 139,660	\$ 134,177	\$ 125,085
Contributions as a percentage of covered payroll	55.7%	56.2%	63.3%	59.8%

## 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, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	17 years, as of October 1, 2019
Asset Valuation Method	Five-year smoothed fair value
Price Inflation	2.5 percent
Projected Salary Increases	4.0 - 93.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.1 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 condition.
Mortality	
Retirees	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. 100 percent of table rates were used for males and females.
Active	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. 50.0 percent of table rates were used for males and females.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 70,858	\$ 63,271	\$ 61,401	\$ 57,668	\$ 52,276	\$ 47,248
70,505	70,351	58,391	49,004	40,687	38,574
<u>\$ 353</u>	<u>\$ (7,080)</u>	<u>\$ 3,010</u>	<u>\$ 8,663</u>	<u>\$ 11,589</u>	<u>\$ 8,674</u>
\$ 118,060	\$ 114,278	\$ 114,480	\$ 110,244	\$ 104,876	\$ 110,280
59.7%	61.6%	51.0%	44.5%	38.8%	35.0%

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS**  
**STATE POLICE RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 53,928	\$ 59,785	\$ 58,368	\$ 52,301
Contributions* in relation to the actuarially determined contribution	58,303	60,395	56,779	51,886
Contribution deficiency (excess)	<u>\$ (4,375)</u>	<u>\$ (610)</u>	<u>\$ 1,589</u>	<u>\$ 415</u>
Covered payroll	\$ 142,102	\$ 139,660	\$ 134,177	\$ 125,085
Contributions as a percentage of covered payroll	41.0%	43.2%	42.3%	41.5%

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, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	17 years, as of October 1, 2019
Asset Valuation Method	Fair value
Price Inflation	2.5 percent
Projected Salary Increases	4.0 - 93.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.4 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	
Retirees	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. 100 percent of table rates were used for males and females.
Active	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. 50 percent of table rates were used for males and females.
Healthcare Trend Rates	8.3 percent trend, gradually decreasing to 3.5 percent in year 9
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

\* From fiscal year 2010 through fiscal year 2017, contributions included both employer contributions and other governmental contributions.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 50,857	\$ 47,674	\$ 43,383	\$ 46,803	\$ 68,335	\$ 73,690
47,348	47,722	48,373	45,659	47,252	35,271
<u>\$ 3,509</u>	<u>\$ (48)</u>	<u>\$ (4,990)</u>	<u>\$ 1,144</u>	<u>\$ 21,083</u>	<u>\$ 38,419</u>
\$ 118,060	\$ 114,278	\$ 114,480	\$ 110,244	\$ 104,876	\$ 110,280
40.1%	41.8%	42.3%	41.4%	45.1%	32.0%

## REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS FOR PENSIONS**  
**STATE EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 601,956	\$ 592,909	\$ 627,621	\$ 709,651
Contributions in relation to the actuarially determined contribution	613,729	600,083	650,740	703,131
Contribution deficiency (excess)	<u>\$ (11,773)</u>	<u>\$ (7,175)</u>	<u>\$ (23,118)</u>	<u>\$ 6,520</u>
Covered payroll *	\$ 3,380,365	\$ 3,220,895	\$ 3,115,261	\$ 3,050,238
Contributions as a percentage of covered payroll	18.2%	18.6%	20.9%	23.1%

## 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, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	17 years, as of October 1, 2019
Asset Valuation Method	Five-year smoothed fair value
Price Inflation	2.5 percent
Projected Salary Increases	3.5 - 12.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.0 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.

## Mortality

Retirees	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB; 100 percent of the table rates were used for males and females.
Active	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB; 50 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.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 752,161	\$ 654,515	\$ 624,467	\$ 611,132	\$ 512,616	\$ 447,924
716,465	749,332	705,100	604,845	419,927	424,547
<u>\$ 35,697</u>	<u>\$ (94,817)</u>	<u>\$ (80,633)</u>	<u>\$ 6,287</u>	<u>\$ 92,689</u>	<u>\$ 23,377</u>
\$ 872,358	\$ 946,977	\$ 1,006,633	\$ 1,104,669	\$ 1,155,757	\$ 1,321,472
82.1%	79.1%	70.0%	54.8%	36.3%	32.1%



## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS

## STATE EMPLOYEES' RETIREMENT SYSTEM

## LAST TEN FISCAL YEARS

(In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	\$ 681,397	\$ 762,743	\$ 744,210	\$ 676,227
Contributions* in relation to the actuarially determined contribution	703,567	765,235	688,884	703,330
Contribution deficiency (excess)	<u>\$ (22,170)</u>	<u>\$ (2,492)</u>	<u>\$ 55,326</u>	<u>\$ (27,103)</u>
Covered payroll	\$ 3,380,365	\$ 3,220,895	\$ 3,115,261	\$ 3,050,238
Contributions as a percentage of covered payroll	20.8%	23.8%	22.1%	23.1%

## 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, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	17 years, as of October 1, 2019
Asset Valuation Method	Fair value
Price Inflation	2.5 percent
Projected Salary Increases	3.5 - 12.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.4 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	
Retirees	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. 100 percent of the table rates were used for males and females.
Active	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. 50.0 percent of the table rates were used for males and females.
Healthcare Trend Rates	8.3 percent in year 1 graded to 3.5 percent in year 9
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

\* From fiscal year 2010 through fiscal year 2017, contributions included both employer contributions and other governmental contributions.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 659,698	\$ 645,412	\$ 619,512	\$ 678,650	\$ 960,640	\$ 1,020,144
686,652	713,661	755,883	729,863	672,655	452,969
<u>\$ (26,954)</u>	<u>\$ (68,249)</u>	<u>\$ (136,371)</u>	<u>\$ (51,213)</u>	<u>\$ 287,985</u>	<u>\$ 567,175</u>
\$ 2,989,101	\$ 3,029,113	\$ 2,857,324	\$ 2,881,140	\$ 2,895,193	\$ 3,039,875
23.0%	23.6%	26.5%	25.3%	23.2%	14.9%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CONTRIBUTIONS FOR PENSIONS

## JUDGES' RETIREMENT SYSTEM

## LAST TEN FISCAL YEARS

(In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,840	\$ 2,828	\$ 1,736	\$ 1,020
Contributions in relation to the actuarially determined contribution	2,840	2,828	1,736	1,020
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,263	\$ 10,206	\$ 12,047	\$ 12,685
Contributions as a percentage of covered payroll	30.7%	27.7%	14.4%	8.0%

## Valuation Date:

Actuarially determined contribution amounts are calculated as of September 30, 2019.

## Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2020:

Actuarial Cost Method	Entry-Age Normal (Term Cost for death and disability)
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	17 years, as of October 1, 2019
Asset Valuation Method	Five-year smoothed fair value
Price Inflation	2.3 percent
Projected Salary Increases	3.3 percent, including wage inflation at 2.8 percent
Investment Rate of Return	6.3 percent net of investment expenses. Beginning with the most recent experience study (2018 valuation), administrative costs are now factored into the normal costs and not netted against the investment rate of return.

Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
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## Mortality

Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 100 percent for both males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled by 100 percent for both males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active	RP-2014 Male and Female Employee Mortality Tables scaled by 100 percent for both males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

# Michigan

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,138	\$ 2,593	\$ 3,123	\$ 2,751	\$ 1,068	\$ -
2,180	2,634	3,164	2,793	1,111	43
<u>\$ (41)</u>	<u>\$ (41)</u>	<u>\$ (41)</u>	<u>\$ (42)</u>	<u>\$ (43)</u>	<u>\$ (43)</u>
\$ 14,757	\$ 17,518	\$ 18,803	\$ 18,939	\$ 22,922	\$ 23,565
14.8%	15.0%	16.8%	14.7%	4.8%	0.2%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS

## JUDGES' RETIREMENT SYSTEM

## LAST TEN FISCAL YEARS

(In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	\$ 398	\$ 818	\$ 559	\$ 487
Contributions* in relation to the actuarially determined contribution	398	7,557	539	189
Contribution deficiency (excess)	\$ -	\$ (6,739)	\$ 20	\$ 298
Covered-employee payroll**	\$ 5,914	\$ 5,967	\$ 6,143	\$ 5,918
Contributions as a percentage of covered-employee payroll	6.7%	126.7%	8.8%	3.2%

Valuation Date:

Actuarially determined contribution amounts are calculated as of September 30, 2019.

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	17 years, as of October 1, 2019
Asset Valuation Method	Five-year fair value
Price Inflation	2.3 percent
Projected Salary Increases	3.3 percent, including wage inflation at 2.8 percent
Investment Rate of Return	7.0 percent net of investment expenses. Beginning with the most recent experience study (2018 valuation), administrative costs are now factored into the normal costs and not netted against the investment rate of return.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	
Healthy Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 100 percent for both males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled by 100 percent for both males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active	RP-2014 Male and Female Employee Mortality Tables scaled by 100 percent for both males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Healthcare Cost Trend Rates	7.5 percent Year 1 Graded to 3.5% Year 15; 3.0 percent Year 120
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

\* From fiscal year 2010 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.

## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 712	\$ 663	\$ 659	\$ 699	\$ 597	\$ 605
247	275	69	55	100	312
<u>\$ 465</u>	<u>\$ 388</u>	<u>\$ 591</u>	<u>\$ 644</u>	<u>\$ 497</u>	<u>\$ 293</u>
\$ 5,889	\$ 5,926	\$ 6,080	\$ 6,203	\$ 6,190	\$ 5,413
4.2%	4.6%	1.1%	0.9%	1.6%	5.8%

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CONTRIBUTIONS FOR PENSIONS

## MILITARY RETIREMENT PROVISIONS

## LAST TEN FISCAL YEARS

(In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,542	\$ 4,422	\$ 6,849	\$ 5,200
Contributions in relation to the actuarially determined contribution	1,000	41,045	16,245	5,245
Contribution deficiency (excess)	<u>\$ 2,542</u>	<u>\$ (36,623)</u>	<u>\$ (9,396)</u>	<u>\$ (45)</u>
Covered payroll *	\$ 510	\$ 493	\$ 527	\$ 466
Contributions as a percentage of covered payroll	196.3%	8325.4%	3081.9%	1126.3%

## 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, 2020:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	19 years, as of October 1, 2019
Asset Valuation Method	5-year smoothed fair value
Price Inflation	2.5 percent
Projected Salary Increases	3.5 percent for Special Duty officers
Investment Rate of Return	7.5 percent net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.

## Mortality

Retirees	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. 100 percent of the table rates were used for males and females.
Active	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2030 for males and to 2015 for females, using projection scale BB. 50.0 percent of the table rates were used for males and females.

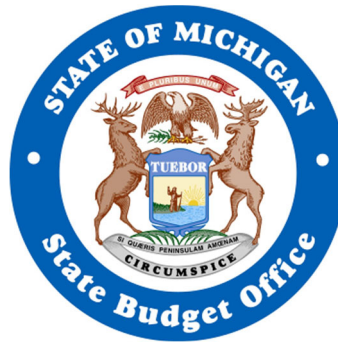
\* Covered payroll relates to the three active Special Duty officers (Generals). Non-special duty members receive \$600 in annual pension benefits, which is not based on a percentage of payroll. Therefore, contributions expressed as percentages of active member payroll are not useful.

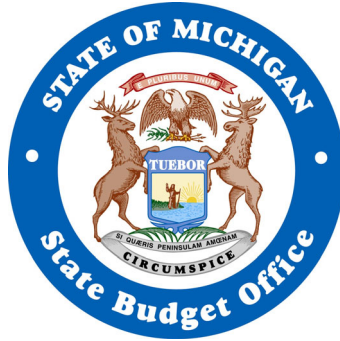
## Michigan

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 5,200	\$ 6,293	\$ 6,293	\$ 5,359	\$ 5,359	\$ 3,892
7,780	4,267	4,223	3,982	4,007	3,709
<u>\$ (2,580)</u>	<u>\$ 2,026</u>	<u>\$ 2,071</u>	<u>\$ 1,377</u>	<u>\$ 1,351</u>	<u>\$ 183</u>
\$ 469	\$ 484	Unavailable	\$ 457	Unavailable	\$ 142
1657.3%	880.9%		871.2%		2612.5%







## **FINANCIAL SECTION**

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

**Michigan**

**BALANCE SHEET**

**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

SEPTEMBER 30, 2020

(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTALS
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 4,082	\$ -	\$ 31	\$ -	\$ 4,113
Equity in common cash	922,132	1,654	2,005,265	154,626	3,083,678
Taxes, interest, and penalties receivable	132,626	-	251	-	132,877
Amounts due from other funds	69,720	-	65,764	-	135,484
Amounts due from component units	-	-	1,489	-	1,489
Amounts due from federal agencies	87,223	-	343,502	-	430,725
Amounts due from local units	6,578	-	121,329	-	127,907
Inventories	334	-	15,453	-	15,787
Investments	-	138,022	65,784	-	203,806
Other current assets	196,767	279	13,268	4,541	214,854
Total Current Assets	<u>1,419,463</u>	<u>139,954</u>	<u>2,632,136</u>	<u>159,167</u>	<u>4,350,720</u>
Noncurrent Assets:					
Taxes, interest, and penalties receivable	3,314	-	3	-	3,317
Amounts due from local units	18,021	-	55,611	-	73,631
Investments	272,098	-	-	1,012,814	1,284,912
Other noncurrent assets	29,966	-	-	-	29,966
Total Noncurrent Assets	<u>323,399</u>	<u>-</u>	<u>55,613</u>	<u>1,012,814</u>	<u>1,391,826</u>
Total Assets	<u>\$ 1,742,862</u>	<u>\$ 139,954</u>	<u>\$ 2,687,750</u>	<u>\$ 1,171,981</u>	<u>\$ 5,742,547</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other liabilities	\$ 322,034	\$ 238	\$ 429,566	\$ 13,255	\$ 765,093
Amounts due to other funds	54,612	-	152,346	91	207,049
Bonds and notes payable	-	-	158,500	-	158,500
Unearned revenue	10,151	-	5,674	-	15,825
Total Current Liabilities	<u>386,797</u>	<u>238</u>	<u>746,086</u>	<u>13,346</u>	<u>1,146,467</u>
Long-Term Liabilities:					
Unearned revenue	2	-	84	-	86
Total Long-Term Liabilities	<u>2</u>	<u>-</u>	<u>84</u>	<u>-</u>	<u>86</u>
Total Liabilities	<u>386,799</u>	<u>238</u>	<u>746,170</u>	<u>13,346</u>	<u>1,146,553</u>
DEFERRED INFLOWS OF RESOURCES	<u>198,751</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>198,757</u>
<b>FUND BALANCES</b>					
Nonspendable	251,419	-	15,454	841,763	1,108,636
Restricted	644,811	139,717	2,075,681	316,872	3,177,081
Committed	261,081	-	-	-	261,081
Unassigned	-	-	(149,561)	-	(149,561)
Total Fund Balances	<u>1,157,311</u>	<u>139,717</u>	<u>1,941,573</u>	<u>1,158,635</u>	<u>4,397,237</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,742,862</u>	<u>\$ 139,954</u>	<u>\$ 2,687,750</u>	<u>\$ 1,171,981</u>	<u>\$ 5,742,547</u>

**Michigan**

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

**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTALS
<b>REVENUES</b>					
Taxes	\$ 3,222,942	\$ -	\$ 13,933	\$ -	\$ 3,236,875
From federal agencies	276,377	-	1,679,899	-	1,956,276
From local agencies	-	-	20,862	-	20,862
From services	4,566	-	3,442	1	8,008
From licenses and permits	212,534	-	7,320	-	219,854
Miscellaneous	436,240	700	101,474	86,546	624,960
Total Revenues	4,152,659	700	1,826,929	86,547	6,066,835
<b>EXPENDITURES</b>					
Current:					
General government	132,303	1	-	3,488	135,791
Education	75,355	3,902	77,979	-	157,235
Health and human services	64,094	-	-	-	64,094
Public safety and corrections	438	-	-	1,778	2,216
Conservation, environment, recreation, and agriculture	248,788	-	-	37,428	286,216
Labor, commerce, and regulatory	283,595	-	-	-	283,595
Transportation	2,034,486	545	1,383,113	-	3,418,145
Capital outlay	17,668	-	1,729,367	9,049	1,756,085
Debt service:					
Bond principal retirement	-	431,330	-	-	431,330
Bond interest and fiscal charges	-	246,455	-	-	246,455
Capital lease and financed purchase payments	1,581	-	21,656	10	23,247
Total Expenditures	2,858,308	682,232	3,212,115	51,754	6,804,409
Excess of Revenues over (under) Expenditures	1,294,351	(681,532)	(1,385,186)	34,793	(737,574)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and bond anticipation notes issued	-	-	898,280	-	898,280
Refunding bonds issued	-	807,065	-	-	807,065
Premium on bond issuance	-	35,604	221,657	-	257,261
Payment to refunded bond escrow agent	-	(827,914)	-	-	(827,914)
Capital lease and financed purchase acquisitions	-	-	205,902	-	205,902
Proceeds from sale of capital assets	16	-	206	10	232
Transfers from other funds	383,519	639,893	1,358,491	-	2,381,903
Transfers to other funds	(1,673,119)	-	(314,703)	(1,337)	(1,989,159)
Total Other Financing Sources (Uses)	(1,289,584)	654,648	2,369,833	(1,327)	1,733,571
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	4,767	(26,884)	984,647	33,466	995,996
Fund Balances - Beginning of fiscal year - restated	1,152,544	166,601	956,926	1,125,169	3,401,240
Fund Balances - End of fiscal year	\$ 1,157,311	\$ 139,717	\$ 1,941,573	\$ 1,158,635	\$ 4,397,237

# Michigan

## BALANCE SHEET SPECIAL REVENUE FUNDS - BY CLASSIFICATION SEPTEMBER 30, 2020 (In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 3,815	\$ 261	\$ 6	\$ -	\$ 4,082
Equity in common cash	249,861	315,074	88,723	268,474	922,132
Taxes, interest, and penalties receivable	132,251	375	-	-	132,626
Amounts due from other funds	69,145	-	575	-	69,720
Amounts due from federal agencies	29,021	4,510	53,646	46	87,223
Amounts due from local units	610	1,773	4,195	-	6,578
Inventories	-	334	-	-	334
Other current assets	23,873	11,877	10,536	150,481	196,767
Total Current Assets	<u>508,576</u>	<u>334,204</u>	<u>157,682</u>	<u>419,001</u>	<u>1,419,463</u>
Noncurrent Assets:					
Taxes, interest, and penalties receivable	3,314	-	-	-	3,314
Amounts due from local units	-	18,021	-	-	18,021
Investments	-	246,997	-	25,101	272,098
Other noncurrent assets	-	29,329	-	638	29,966
Total Noncurrent Assets	<u>3,314</u>	<u>294,346</u>	<u>-</u>	<u>25,739</u>	<u>323,399</u>
Total Assets	<u>\$ 511,890</u>	<u>\$ 628,551</u>	<u>\$ 157,682</u>	<u>\$ 444,740</u>	<u>\$ 1,742,862</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other liabilities	\$ 254,297	\$ 23,148	\$ 43,166	\$ 1,423	\$ 322,034
Amounts due to other funds	21,126	3,605	29,829	53	54,612
Unearned revenue	72	7,447	2,631	-	10,151
Total Current Liabilities	<u>275,494</u>	<u>34,200</u>	<u>75,627</u>	<u>1,476</u>	<u>386,797</u>
Long-Term Liabilities:					
Unearned revenue	2	-	-	-	2
Total Long-Term Liabilities	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total Liabilities	<u>275,497</u>	<u>34,200</u>	<u>75,627</u>	<u>1,476</u>	<u>386,799</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,904</u>	<u>34,358</u>	<u>847</u>	<u>150,642</u>	<u>198,751</u>
<b>FUND BALANCES</b>					
Nonspendable	-	226,455	34	24,930	251,419
Restricted	223,489	333,537	79,198	8,587	644,811
Committed	-	-	1,976	259,105	261,081
Total Fund Balances	<u>223,489</u>	<u>559,993</u>	<u>81,207</u>	<u>292,623</u>	<u>1,157,311</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 511,890</u>	<u>\$ 628,551</u>	<u>\$ 157,682</u>	<u>\$ 444,740</u>	<u>\$ 1,742,862</u>

# Michigan

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### SPECIAL REVENUE FUNDS - BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
<b>REVENUES</b>					
Taxes	\$ 3,221,531	\$ 483	\$ 928	\$ -	\$ 3,222,942
From federal agencies	75,257	5,113	195,280	726	276,377
From services	4,526	3	38	-	4,566
From licenses and permits	31,154	168,401	12,979	-	212,534
Miscellaneous	16,969	110,737	105,373	203,161	436,240
Total Revenues	3,349,437	284,738	314,596	203,888	4,152,659
<b>EXPENDITURES</b>					
Current:					
General government	-	3,383	29,792	99,127	132,303
Education	-	-	-	75,355	75,355
Health and human services	-	-	-	64,094	64,094
Public safety and corrections	-	-	-	438	438
Conservation, environment, recreation, and agriculture	-	248,788	-	-	248,788
Labor, commerce, and regulatory	-	-	274,445	9,150	283,595
Transportation	2,034,486	-	-	-	2,034,486
Capital outlay	-	17,668	-	-	17,668
Debt service:					
Capital lease and financed purchase payments	-	149	1,432	-	1,581
Total Expenditures	2,034,486	269,989	305,670	248,163	2,858,308
Excess of Revenues over (under) Expenditures	1,314,951	14,749	8,927	(44,275)	1,294,351
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	16	-	-	-	16
Transfers from other funds	241,849	35,944	53,946	51,780	383,519
Transfers to other funds	(1,546,101)	(18,277)	(54,692)	(54,048)	(1,673,119)
Total Other Financing Sources (Uses)	(1,304,237)	17,667	(745)	(2,268)	(1,289,584)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	10,714	32,416	8,181	(46,543)	4,767
Fund Balances - Beginning of fiscal year - restated	212,775	527,577	73,026	339,166	1,152,544
Fund Balances - End of fiscal year	\$ 223,489	\$ 559,993	\$ 81,207	\$ 292,623	\$ 1,157,311

# Michigan

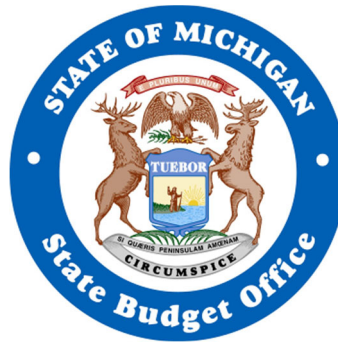
**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - BY CLASSIFICATION**  
FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ 3,221,531	\$ 3,221,531	\$ -	\$ 483	\$ 483	\$ -
From federal agencies	75,257	75,257	-	5,113	5,113	-
From services	4,526	4,526	-	3	3	-
From licenses and permits	31,154	31,154	-	168,401	168,401	-
Miscellaneous	16,969	16,969	-	51,383	51,383	-
Transfers in	241,849	241,849	-	35,944	35,944	-
Proceeds from sale of capital assets	16	16	-	-	-	-
Total Revenues and Other Sources	3,591,301	3,591,301	-	261,328	261,328	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Attorney General	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health and Human Services	-	-	-	-	-	-
Licensing and Regulatory Affairs	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Natural Resources	-	-	-	289,998	268,237	21,762
Labor and Economic Opportunity	-	-	-	-	-	-
Transportation	3,954,829	3,724,068	230,761	-	-	-
Treasury	-	-	-	3,268	3,130	139
Total Expenditures, Transfers Out, and Encumbrances	3,954,829	3,724,068	230,761	293,267	271,366	21,900
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (363,528)	(132,766)	\$ 230,761	\$ (31,938)	(10,038)	\$ 21,900
Reconciling Items:						
Encumbrances at September 30		143,480			19,086	
Funds not annually budgeted		-			23,367	
Net Reconciling Items		143,480			42,454	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		10,714			32,416	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances - restated		212,775			527,577	
Ending balances (GAAP Basis)		\$ 223,489			\$ 559,993	

# Michigan

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 928	\$ 928	\$ -	\$ -	\$ -	\$ -	\$ 3,222,942	\$ 3,222,942	\$ -
195,280	195,280	-	726	726	-	276,377	276,377	-
38	38	-	-	-	-	4,566	4,566	-
12,979	12,979	-	-	-	-	212,534	212,534	-
50,721	50,721	-	195,676	195,676	-	314,749	314,749	-
17,937	17,937	-	51,780	51,780	-	347,510	347,510	-
-	-	-	-	-	-	16	16	-
277,883	277,883	-	248,182	248,182	-	4,378,694	4,378,694	-
-	-	-	516	412	103	516	412	103
-	-	-	75,355	75,355	-	75,355	75,355	-
-	-	-	64,897	64,107	790	64,897	64,107	790
10,190	9,877	313	-	-	-	10,190	9,877	313
-	-	-	1,000	17	983	1,000	17	983
-	-	-	852	431	420	852	431	420
-	-	-	-	-	-	289,998	268,237	21,762
222,456	221,289	1,168	-	-	-	222,456	221,289	1,168
-	-	-	-	-	-	3,954,829	3,724,068	230,761
45,937	45,937	-	403,119	152,732	250,387	452,324	201,799	250,526
278,584	277,102	1,481	545,738	293,054	252,684	5,072,417	4,565,590	506,827
\$ (701)	780	\$ 1,481	\$ (297,556)	(44,872)	\$ 252,684	\$ (693,723)	(186,896)	\$ 506,827
-	-	-	-	-	-	-	162,567	-
7,401	7,401	-	(1,671)	(1,671)	-	-	29,097	-
7,401	7,401	-	(1,671)	(1,671)	-	-	191,663	-
8,181	8,181	-	(46,543)	(46,543)	-	-	4,767	-
73,026	73,026	-	339,166	339,166	-	-	1,152,544	-
\$ 81,207	\$ 81,207	-	\$ 292,623	\$ 292,623	-	\$ 1,157,311	\$ 1,157,311	-





## 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.

# Michigan

## COMBINING BALANCE SHEET SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED SEPTEMBER 30, 2020 (In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 3,815	\$ -	\$ 3,815
Equity in common cash	54,938	194,924	249,861
Taxes, interest, and penalties receivable	132,251	-	132,251
Amounts due from other funds	-	69,145	69,145
Amounts due from federal agencies	-	29,021	29,021
Amounts due from local units	-	610	610
Other current assets	8,634	15,239	23,873
Total Current Assets	199,637	308,938	508,576
Noncurrent Assets:			
Taxes, interest, and penalties receivable	3,314	-	3,314
Total Noncurrent Assets	3,314	-	3,314
Total Assets	\$ 202,951	\$ 308,938	\$ 511,890
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other liabilities	\$ 169,057	\$ 85,240	\$ 254,297
Amounts due to other funds	20,990	136	21,126
Unearned revenue	-	72	72
Total Current Liabilities	190,047	85,447	275,494
Long-Term Liabilities:			
Unearned revenue	-	2	2
Total Long-Term Liabilities	-	2	2
Total Liabilities	190,047	85,450	275,497
<b>DEFERRED INFLOWS OF RESOURCES</b>	12,904	-	12,904
<b>FUND BALANCES</b>			
Restricted	-	223,489	223,489
Total Fund Balances	-	223,489	223,489
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 202,951	\$ 308,938	\$ 511,890

# Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

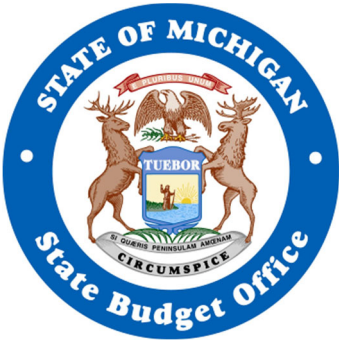
	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	TOTALS
<b>REVENUES</b>			
Taxes	\$ 3,131,465	\$ 90,066	\$ 3,221,531
From federal agencies	-	75,257	75,257
From services	4,526	-	4,526
From licenses and permits	30,900	254	31,154
Miscellaneous	2,920	14,049	16,969
Total Revenues	3,169,811	179,625	3,349,437
<b>EXPENDITURES</b>			
Current:			
Transportation	1,634,972	399,514	2,034,486
Total Expenditures	1,634,972	399,514	2,034,486
Excess of Revenues over (under)			
Expenditures	1,534,839	(219,889)	1,314,951
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	16	16
Transfers from other funds	-	241,849	241,849
Transfers to other funds	(1,534,839)	(11,262)	(1,546,101)
Total Other Financing Sources (Uses)	(1,534,839)	230,602	(1,304,237)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	10,714	10,714
Fund Balances - Beginning of fiscal year - restated	-	212,775	212,775
Fund Balances - End of fiscal year	\$ -	\$ 223,489	\$ 223,489

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	MICHIGAN TRANSPORTATION FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
Taxes	\$ 3,131,465	\$ 3,131,465	\$ -
From federal agencies	-	-	-
From services	4,526	4,526	-
From licenses and permits	30,900	30,900	-
Miscellaneous	2,920	2,920	-
Transfers in	-	-	-
Proceeds from sale of capital assets	-	-	-
Total Revenues and Other Sources	<u>3,169,811</u>	<u>3,169,811</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Transportation	<u>3,375,023</u>	<u>3,169,811</u>	<u>205,212</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>3,375,023</u>	<u>3,169,811</u>	<u>205,212</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (205,212)</u>	<u>-</u>	<u>\$ 205,212</u>
Reconciling Items:			
Encumbrances at September 30		<u>-</u>	
Net Reconciling Items		<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>-</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances - restated		<u>-</u>	
Ending balances (GAAP Basis)		<u>\$ -</u>	

# Michigan

COMPREHENSIVE TRANSPORTATION FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 90,066	\$ 90,066	\$ -	\$ 3,221,531	\$ 3,221,531	\$ -
75,257	75,257	-	75,257	75,257	-
-	-	-	4,526	4,526	-
254	254	-	31,154	31,154	-
14,049	14,049	-	16,969	16,969	-
241,849	241,849	-	241,849	241,849	-
16	16	-	16	16	-
421,490	421,490	-	3,591,301	3,591,301	-
579,806	554,256	25,549	3,954,829	3,724,068	230,761
579,806	554,256	25,549	3,954,829	3,724,068	230,761
\$ (158,315)	(132,766)	\$ 25,549	\$ (363,528)	(132,766)	\$ 230,761
	143,480			143,480	
	143,480			143,480	
	10,714			10,714	
	212,775			212,775	
\$ 223,489			\$ 223,489		



## 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 Environment, Great Lakes, and Energy (EGLE) 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 the Bottle Deposits Fund.

The 75 percent distribution to EGLE is initially deposited into the Cleanup and Redevelopment Trust Fund (CRTF), and if not further distributed, remains there until the principal amount reaches \$200 million. At that point, interest and earnings within the fund are used for environmental remediation purposes. Of funds received annually by the CRTF, 80 percent is allocated to the CRTF and 10 percent to the Community Pollution Prevention Fund.

MCL Section 324.20108 moved the former Environmental Response Fund (ERF) to a sub-fund of the CRTF. The law mandates that proceeds of all cost recovery actions taken and settlements entered into pursuant to the ERF (excluding natural resource damages) by EGLE or the Attorney General, or both, shall be credited to the ERF.

Several EGLE funds are administratively housed within the Bottle Deposits Fund, although they receive no bottle deposits revenue. Included is the State Sites Cleanup 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 EGLE 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.



# Michigan

## COMBINING BALANCE SHEET

### SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

SEPTEMBER 30, 2020

(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 261	\$ -
Equity in common cash	164,614	19,506
Taxes, interest, and penalties receivable	375	-
Amounts due from federal agencies	4,105	-
Amounts due from local units	90	-
Inventories	334	-
Other current assets	4,964	715
Total Current Assets	<u>174,743</u>	<u>20,221</u>
Noncurrent Assets:		
Amounts due from local units	-	-
Investments	3,038	236,170
Other noncurrent assets	-	-
Total Noncurrent Assets	<u>3,038</u>	<u>236,170</u>
Total Assets	<u>\$ 177,782</u>	<u>\$ 256,391</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and other liabilities	\$ 18,277	\$ -
Amounts due to other funds	2,762	-
Unearned revenue	3,216	-
Total Current Liabilities	<u>24,256</u>	<u>-</u>
Total Liabilities	<u>24,256</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	-	195,528
Restricted	153,526	60,863
Total Fund Balances	<u>153,526</u>	<u>256,391</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 177,782</u>	<u>\$ 256,391</u>

# Michigan

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ -	\$ -	\$ 261
2,968	48,373	79,613	315,074
-	-	-	375
-	405	-	4,510
-	-	1,682	1,773
-	-	-	334
39	67	6,092	11,877
<u>3,007</u>	<u>48,845</u>	<u>87,387</u>	<u>334,204</u>
-	-	18,021	18,021
7,789	-	-	246,997
-	-	29,329	29,329
<u>7,789</u>	<u>-</u>	<u>47,349</u>	<u>294,346</u>
<u>\$ 10,796</u>	<u>\$ 48,845</u>	<u>\$ 134,736</u>	<u>\$ 628,551</u>
\$ 24	\$ 3,681	\$ 1,166	\$ 23,148
2	512	329	3,605
-	4,231	-	7,447
<u>26</u>	<u>8,424</u>	<u>1,495</u>	<u>34,200</u>
26	8,424	1,495	34,200
<u>-</u>	<u>-</u>	<u>34,358</u>	<u>34,358</u>
6,000	-	24,927	226,455
<u>4,771</u>	<u>40,421</u>	<u>73,956</u>	<u>333,537</u>
<u>10,771</u>	<u>40,421</u>	<u>98,883</u>	<u>559,993</u>
<u>\$ 10,796</u>	<u>\$ 48,845</u>	<u>\$ 134,736</u>	<u>\$ 628,551</u>

# Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
<b>REVENUES</b>		
Taxes	\$ 483	\$ -
From federal agencies	4,688	-
From services	3	-
From licenses and permits	168,401	-
Miscellaneous	6,514	24,105
Total Revenues	180,089	24,105
<b>EXPENDITURES</b>		
Current:		
General government	3,129	253
Conservation, environment, recreation, and agriculture	185,689	269
Capital outlay	17,159	-
Debt service:		
Capital lease and financed purchase payments	74	-
Total Expenditures	206,051	523
Excess of Revenues over (under) Expenditures	(25,962)	23,582
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	35,944	-
Transfers to other funds	(3,273)	(14,237)
Total Other Financing Sources (Uses)	32,671	(14,237)
Excess Revenues and Other Sources over (under) Expenditures and Other Uses	6,709	9,346
Fund Balances - Beginning of fiscal year	146,817	247,046
Fund Balances - End of fiscal year	\$ 153,526	\$ 256,391

# Michigan

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ -	\$ -	\$ 483
-	425	-	5,113
-	-	-	3
-	-	-	168,401
918	43,952	35,248	110,737
918	44,377	35,248	284,738
-	-	-	3,383
276	41,692	20,862	248,788
-	509	-	17,668
-	11	65	149
276	42,211	20,927	269,989
642	2,166	14,321	14,749
-	-	-	35,944
(1)	(467)	(300)	(18,277)
(1)	(467)	(300)	17,667
641	1,699	14,021	32,416
10,130	38,722	84,862	527,577
\$ 10,771	\$ 40,421	\$ 98,883	\$ 559,993

**Michigan**

**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, 2020  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>MICHIGAN CONSERVATION AND RECREATION LEGACY FUND</u>			<u>MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ 483	\$ 483	\$ -	\$ -	\$ -	\$ -
From federal agencies	4,688	4,688	-	-	-	-
From services	3	3	-	-	-	-
From licenses and permits	168,401	168,401	-	-	-	-
Miscellaneous	6,514	6,514	-	918	918	-
Transfers in	35,944	35,944	-	-	-	-
	<u>216,033</u>	<u>216,033</u>	<u>-</u>	<u>918</u>	<u>918</u>	<u>-</u>
Total Revenues and Other Sources	216,033	216,033	-	918	918	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Natural Resources	235,703	219,353	16,350	582	365	216
Treasury	3,268	3,129	139	-	-	-
	<u>238,971</u>	<u>222,482</u>	<u>16,488</u>	<u>582</u>	<u>366</u>	<u>216</u>
Total Expenditures, Transfers Out and Encumbrances	238,971	222,482	16,488	582	366	216
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (22,937)</u>	<u>(6,449)</u>	<u>\$ 16,488</u>	<u>\$ 336</u>	<u>552</u>	<u>\$ 216</u>
Reconciling Items:						
Encumbrances at September 30		13,158			88	
Funds not annually budgeted		<u>-</u>			<u>-</u>	
Net Reconciling Items		<u>13,158</u>			<u>88</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>6,709</u>			<u>641</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>146,817</u>			<u>10,130</u>	
Ending balances (GAAP Basis)		<u>\$ 153,526</u>			<u>\$ 10,771</u>	

# Michigan

## FUNDS NOT ANNUALLY BUDGETED

FOREST DEVELOPMENT FUND			MICHIGAN GAME AND FISH PROTECTION TRUST FUND	BOTTLE DEPOSITS FUND	TOTALS		
BUDGET	ACTUAL	VARIANCE	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 483	\$ 483	\$ -
425	425	-	-	-	5,113	5,113	-
-	-	-	-	-	3	3	-
0	0	-	-	-	168,401	168,401	-
43,952	43,952	-	-	-	51,383	51,383	-
-	-	-	-	-	35,944	35,944	-
<u>44,377</u>	<u>44,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,328</u>	<u>261,328</u>	<u>-</u>
53,714	48,518	5,196	-	-	289,998	268,237	21,762
-	-	-	-	-	3,268	3,130	139
<u>53,714</u>	<u>48,518</u>	<u>5,196</u>	<u>-</u>	<u>-</u>	<u>293,267</u>	<u>271,366</u>	<u>21,900</u>
<u>\$ (9,337)</u>	<u>(4,141)</u>	<u>\$ 5,196</u>	<u>-</u>	<u>-</u>	<u>\$ (31,938)</u>	<u>(10,038)</u>	<u>\$ 21,900</u>
	5,840		-	-		19,086	
	-		9,346	14,021		23,367	
	<u>5,840</u>		<u>9,346</u>	<u>14,021</u>		<u>42,454</u>	
	1,699		9,346	14,021		32,416	
	<u>38,722</u>		<u>247,046</u>	<u>84,862</u>		<u>527,577</u>	
<u>\$ 40,421</u>			<u>\$ 256,391</u>	<u>\$ 98,883</u>	<u>\$ 559,993</u>		

## SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

### HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Michigan Compiled Laws (MCL) Section 570.1201 created the Homeowner Construction Lien Recovery Fund to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. MCL 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 Labor and Economic Opportunity. 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 Labor and Economic Opportunity's 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 held the bonds and made regular payments to the bond holders until the bonds were redeemed during fiscal year 2020. Unless utilized to collect a future obligation assessment, the activity of the fund will be only the collection of past due assessment balances, interest related to prior rate years and the disbursement of any collected funds for purposes as defined by the Act.

#### 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.



**Michigan**

**COMBINING BALANCE SHEET**

**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**

SEPTEMBER 30, 2020

(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in common cash	316	-	3,682	9,945	32,288
Amounts due from other funds	-	75	-	-	-
Amounts due from federal agencies	-	53,646	-	-	-
Amounts due from local units	-	3,945	250	-	-
Other current assets	-	1	7,279	404	1,117
Total Current Assets	<u>316</u>	<u>57,667</u>	<u>11,212</u>	<u>10,349</u>	<u>33,405</u>
Total Assets	<u>\$ 316</u>	<u>\$ 57,667</u>	<u>\$ 11,212</u>	<u>\$ 10,349</u>	<u>\$ 33,405</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other liabilities	\$ -	\$ 28,699	\$ 723	\$ 1,282	\$ 10,944
Amounts due to other funds	-	28,968	135	22	13
Unearned revenue	-	-	-	1,918	479
Total Current Liabilities	<u>-</u>	<u>57,667</u>	<u>858</u>	<u>3,222</u>	<u>11,437</u>
Total Liabilities	<u>-</u>	<u>57,667</u>	<u>858</u>	<u>3,222</u>	<u>11,437</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	20	13
Restricted	316	-	10,353	7,106	21,955
Committed	-	-	-	-	-
Total Fund Balances	<u>316</u>	<u>-</u>	<u>10,353</u>	<u>7,126</u>	<u>21,968</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 316</u>	<u>\$ 57,667</u>	<u>\$ 11,212</u>	<u>\$ 10,349</u>	<u>\$ 33,405</u>

# Michigan

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 6
1,301	22,578	2,879	6,588	9,146	88,723
-	-	-	500	-	575
-	-	-	-	-	53,646
-	-	-	-	-	4,195
147	3	-	1,229	355	10,536
<u>1,448</u>	<u>22,582</u>	<u>2,879</u>	<u>8,317</u>	<u>9,507</u>	<u>157,682</u>
<u>\$ 1,448</u>	<u>\$ 22,582</u>	<u>\$ 2,879</u>	<u>\$ 8,317</u>	<u>\$ 9,507</u>	<u>\$ 157,682</u>
\$ 213	\$ 339	\$ 154	\$ -	\$ 812	\$ 43,166
5	130	8	-	548	29,829
234	-	-	-	-	2,631
<u>452</u>	<u>468</u>	<u>163</u>	<u>-</u>	<u>1,360</u>	<u>75,627</u>
452	468	163	-	1,360	75,627
<u>-</u>	<u>-</u>	<u>-</u>	<u>847</u>	<u>-</u>	<u>847</u>
-	-	-	-	-	34
996	22,113	2,717	7,470	6,171	79,198
-	-	-	-	1,976	1,976
<u>996</u>	<u>22,113</u>	<u>2,717</u>	<u>7,470</u>	<u>8,147</u>	<u>81,207</u>
<u>\$ 1,448</u>	<u>\$ 22,582</u>	<u>\$ 2,879</u>	<u>\$ 8,317</u>	<u>\$ 9,507</u>	<u>\$ 157,682</u>

# Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2020  
 (In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	195,280	-	-	-
From services	-	-	27	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	16	23	11,549	7,555	1,796
Total Revenues	16	195,302	11,576	7,555	1,796
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Labor, commerce, and regulatory	-	208,624	10,021	7,216	2,016
Debt service:					
Capital lease and financed purchase payments	-	1,229	43	90	50
Total Expenditures	-	209,853	10,064	7,306	2,065
Excess of Revenues over (under) Expenditures	16	(14,551)	1,512	249	(269)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	15,787	-	-	-
Transfers to other funds	-	(1,237)	(135)	(22)	(14)
Total Other Financing Sources (Uses)	-	14,551	(135)	(22)	(14)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	16	-	1,376	228	(284)
Fund Balances - Beginning of fiscal year	300	-	8,977	6,899	22,252
Fund Balances - End of fiscal year	\$ 316	\$ -	\$ 10,353	\$ 7,126	\$ 21,968

# Michigan

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 928	\$ 928
-	-	-	-	-	195,280
-	10	-	-	-	38
-	12,077	-	-	902	12,979
803	249	1,886	42,611	38,885	105,373
803	12,336	1,886	42,611	40,715	314,596
-	-	1,011	-	28,782	29,792
968	9,766	693	35,141	-	274,445
21	-	-	-	-	1,432
989	9,766	1,704	35,141	28,782	305,670
(186)	2,570	182	7,470	11,934	8,927
-	-	-	36,009	2,150	53,946
(5)	(111)	(3)	(36,009)	(17,156)	(54,692)
(5)	(111)	(3)	-	(15,005)	(745)
(191)	2,459	178	7,470	(3,072)	8,181
1,187	19,654	2,538	-	11,219	73,026
\$ 996	\$ 22,113	\$ 2,717	\$ 7,470	\$ 8,147	\$ 81,207

**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, 2020  
(In Thousands)

Statutory/Budgetary Basis	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND			MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
From taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	-	-	195,280	195,280	-
From services	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	16	16	-	23	23	-
Transfers in	-	-	-	15,787	15,787	-
Total Revenues and Other Sources	16	16	-	211,089	211,089	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Licensing and Regulatory Affairs	-	-	-	-	-	-
Labor and Economic Opportunity	-	-	-	211,089	211,089	-
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	211,089	211,089	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 16	16	\$ -	\$ -	-	\$ -
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)		16			-	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		300			-	
Ending balances (GAAP Basis)		\$ 316			\$ -	

# Michigan

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
27	27	-	10	10	-
-	-	-	12,077	12,077	-
11,549	11,549	-	249	249	-
-	-	-	-	-	-
11,576	11,576	-	12,336	12,336	-
-	-	-	-	-	-
-	-	-	-	-	-
11,367	10,199	1,168	10,190	9,877	313
-	-	-	-	-	-
11,367	10,199	1,168	10,190	9,877	313
\$ 209	1,376	\$ 1,168	\$ 2,146	2,459	\$ 313
-	-	-	-	-	-
-	-	-	-	-	-
1,376			2,459		
8,977			19,654		
\$ 10,353			\$ 22,113		

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, 2020  
(In Thousands)

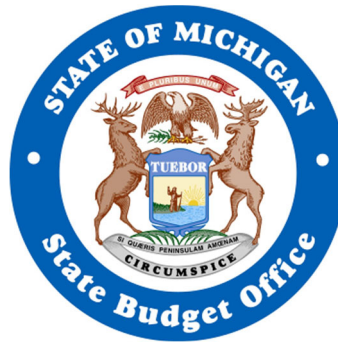
<u>Statutory/Budgetary Basis</u>	STATE CASINO GAMING FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
From taxes	\$ 928	\$ 928	\$ -
From federal agencies	-	-	-
From services	-	-	-
From licenses and permits	902	902	-
Miscellaneous	38,885	38,885	-
Transfers in	2,150	2,150	-
Total Revenues and Other Sources	<u>42,865</u>	<u>42,865</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Licensing and Regulatory Affairs	-	-	-
Labor and Economic Opportunity	-	-	-
Treasury	45,937	45,937	-
Total Expenditures, Transfers Out, and Encumbrances	<u>45,937</u>	<u>45,937</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (3,072)</u>	<u>(3,072)</u>	<u>\$ -</u>
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(3,072)</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>11,219</u>	
Ending balances (GAAP Basis)		<u>\$ 8,147</u>	

# Michigan

## 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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 928	\$ 928	\$ -
-	-	-	-	-	195,280	195,280	-
-	-	-	-	-	38	38	-
-	-	-	-	-	12,979	12,979	-
-	-	-	-	-	50,721	50,721	-
-	-	-	-	-	17,937	17,937	-
-	-	-	-	-	277,883	277,883	-
-	-	-	-	-	10,190	9,877	313
-	-	-	-	-	222,456	221,289	1,168
-	-	-	-	-	45,937	45,937	-
-	-	-	-	-	278,584	277,102	1,481
-	-	-	-	-	<u>\$ (701)</u>	780	<u>\$ 1,481</u>
-	-	-	-	-	-	-	-
228	(284)	(191)	178	7,470		7,401	
228	(284)	(191)	178	7,470		7,401	
228	(284)	(191)	178	7,470		8,181	
6,899	22,252	1,187	2,538	-		73,026	
<u>\$ 7,126</u>	<u>\$ 21,968</u>	<u>\$ 996</u>	<u>\$ 2,717</u>	<u>\$ 7,470</u>		<u>\$ 81,207</u>	





## SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

### 21<sup>st</sup> CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21<sup>st</sup> Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. Executive Order 2010-2 moved the Authority to the Michigan Finance Authority. The bonds were issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 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 up to 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 388.1622b, 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, 2020  
 (In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	CHILDREN'S TRUST FUND
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ 250,232	\$ 2,198	\$ 1,702
Amounts due from federal agencies	-	-	46
Other current assets	56,250	40,005	175
Total Current Assets	306,482	42,203	1,922
Noncurrent Assets:			
Investments	-	-	25,101
Other noncurrent assets	-	262	-
Total Noncurrent Assets	-	262	25,101
Total Assets	\$ 306,482	\$ 42,465	\$ 27,023
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other liabilities	\$ -	\$ 1,330	\$ 74
Amounts due to other funds	-	35	11
Total Current Liabilities	-	1,365	86
Total Liabilities	-	1,365	86
<b>DEFERRED INFLOWS OF RESOURCES</b>	56,250	40,222	-
<b>FUND BALANCES</b>			
Nonspendable	-	-	24,930
Restricted	-	-	2,008
Committed	250,232	878	-
Total Fund Balances	250,232	878	26,938
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 306,482	\$ 42,465	\$ 27,023

# Michigan

MILITARY FAMILY RELIEF FUND	COMMUNITY DISTRICT EDUCATION TRUST FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
\$ 2,599	\$ 7,996	\$ 3,748	\$ 268,474
-	-	-	46
-	54,000	52	150,481
2,599	61,996	3,800	419,001
-	-	-	25,101
-	-	376	638
-	-	376	25,739
\$ 2,599	\$ 61,996	\$ 4,175	\$ 444,740
\$ -	\$ -	\$ 18	\$ 1,423
-	-	6	53
-	-	25	1,476
-	-	25	1,476
-	54,000	170	150,642
-	-	-	24,930
2,599	-	3,980	8,587
-	7,996	-	259,105
2,599	7,996	3,980	292,623
\$ 2,599	\$ 61,996	\$ 4,175	\$ 444,740

# Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### SPECIAL REVENUE FUNDS - OTHER STATE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	CHILDREN'S TRUST FUND
<b>REVENUES</b>			
From federal agencies	\$ -	\$ -	\$ 726
Miscellaneous	75,000	46,835	1,774
Total Revenues	75,000	46,835	2,501
<b>EXPENDITURES</b>			
Current:			
General government	97,642	1,444	42
Education	-	-	-
Health and human services	-	61,072	3,022
Public safety and corrections	-	421	-
Labor, commerce, and regulatory	-	-	-
Total Expenditures	97,642	62,937	3,063
Excess of Revenues over (under)			
Expenditures	(22,642)	(16,102)	(563)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	51,780	-	-
Transfers to other funds	(54,000)	(27)	(13)
Total Other Financing Sources (Uses)	(2,220)	(27)	(13)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(24,862)	(16,129)	(576)
Fund Balances - Beginning of fiscal year	275,094	17,007	27,514
Fund Balances - End of fiscal year	\$ 250,232	\$ 878	\$ 26,938

# Michigan

MILITARY FAMILY RELIEF FUND	COMMUNITY DISTRICT EDUCATION TRUST FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ 726
107	71,960	7,486	203,161
107	71,960	7,486	203,888
-	-	-	99,127
-	75,355	-	75,355
-	-	-	64,094
17	-	-	438
-	-	9,150	9,150
17	75,355	9,150	248,163
90	(3,395)	(1,664)	(44,275)
-	-	-	51,780
-	-	(8)	(54,048)
-	-	(8)	(2,268)
90	(3,395)	(1,671)	(46,543)
2,509	11,391	5,652	339,166
\$ 2,599	\$ 7,996	\$ 3,980	\$ 292,623

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>21ST CENTURY JOBS TRUST FUND</u>			<u>MICHIGAN MERIT AWARD TRUST FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	75,000	75,000	-	46,835	46,835	-
Transfers in	51,780	51,780	-	-	-	-
Total Revenues and Other Sources	126,780	126,780	-	46,835	46,835	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Attorney General	-	-	-	516	412	103
Education	-	-	-	-	-	-
Health and Human Services	-	-	-	61,273	61,072	201
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	852	431	420
Treasury	401,873	151,642	250,232	1,204	1,048	155
Total Expenditures, Transfers Out, and Encumbrances	401,873	151,642	250,232	63,844	62,964	880
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (275,094)</u>	<u>(24,862)</u>	<u>\$ 250,232</u>	<u>\$ (17,009)</u>	<u>(16,129)</u>	<u>\$ 880</u>
Reconciling Items:						
Encumbrances at September 30		-			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(24,862)</u>			<u>(16,129)</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		275,094			17,007	
Ending balances (GAAP Basis)		<u>\$ 250,232</u>			<u>\$ 878</u>	

# Michigan

CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND			COMMUNITY DISTRICT EDUCATION TRUST FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 726	\$ 726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,774	1,774	-	107	107	-	71,960	71,960	-
-	-	-	-	-	-	-	-	-
2,501	2,501	-	107	107	-	71,960	71,960	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	75,355	75,355	-
3,624	3,035	589	-	-	-	-	-	-
-	-	-	1,000	17	983	-	-	-
-	-	-	-	-	-	-	-	-
42	42	-	-	-	-	-	-	-
3,666	3,077	589	1,000	17	983	75,355	75,355	-
\$ (1,165)	(576)	\$ 589	\$ (893)	90	\$ 983	\$ (3,395)	(3,395)	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(576)				90		(3,395)		
27,514				2,509		11,391		
\$ 26,938			\$ 2,599			\$ 7,996		

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, 2020

(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED		MISCELLANEOUS SPECIAL REVENUE FUNDS	
			TOTALS	
Statutory/Budgetary Basis	ACTUAL	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>				
From federal agencies	\$ -	\$ 726	\$ 726	\$ -
Miscellaneous	-	195,676	195,676	-
Transfers in	-	51,780	51,780	-
Total Revenues and Other Sources	-	248,182	248,182	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>				
Attorney General	-	516	412	103
Education	-	75,355	75,355	-
Health and Human Services	-	64,897	64,107	790
Military and Veterans Affairs	-	1,000	17	983
State Police	-	852	431	420
Treasury	-	403,119	152,732	250,387
Total Expenditures, Transfers Out, and Encumbrances	-	545,738	293,054	252,684
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	\$ (297,556)	(44,872)	\$ 252,684
Reconciling Items:				
Encumbrances at September 30	-		-	
Funds not annually budgeted	(1,671)		(1,671)	
Net Reconciling Items	(1,671)		(1,671)	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(1,671)		(46,543)	
<b>FUND BALANCES (GAAP BASIS)</b>				
Beginning balances	5,652		339,166	
Ending balances (GAAP Basis)	\$ 3,980		\$ 292,623	

## 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, cost of borrowing and debt service on projects related to particular bond issues. The resources to finance bond interest and principal payments 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.

**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
 SEPTEMBER 30, 2020  
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ 30	\$ -	\$ 1,624
Investments	-	-	-
Other current assets	-	-	13
Total Current Assets	<u>30</u>	<u>-</u>	<u>1,637</u>
Total Assets	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 1,637</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other liabilities	\$ -	\$ -	\$ 1
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>1</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1</u>
<b>FUND BALANCES</b>			
Restricted	<u>30</u>	<u>-</u>	<u>1,636</u>
Total Fund Balances	<u>30</u>	<u>-</u>	<u>1,636</u>
Total Liabilities and Fund Balances	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 1,637</u>

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	TOTALS
\$ -	\$ -	\$ 1,654
-	138,022	138,022
-	266	279
-	138,287	139,954
<u>\$ -</u>	<u>\$ 138,287</u>	<u>\$ 139,954</u>
\$ -	\$ 236	\$ 238
-	236	238
-	236	238
-	138,051	139,717
-	138,051	139,717
<u>\$ -</u>	<u>\$ 138,287</u>	<u>\$ 139,954</u>

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
<b>REVENUES</b>			
Miscellaneous	\$ 2	\$ -	\$ 9
Total Revenues	2	-	9
<b>EXPENDITURES</b>			
Current:			
General government	-	-	1
Education	-	-	-
Transportation	545	-	-
Debt service:			
Bond principal retirement	150,330	11,335	66,515
Bond interest and fiscal charges	49,236	2,997	29,702
Total Expenditures	200,110	14,332	96,217
Excess of Revenues over (under) Expenditures	(200,109)	(14,332)	(96,208)
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	103,485	-	-
Premium on bond issuance	7,675	-	-
Payment to refunded bond escrow agent	(110,587)	-	-
Transfers from other funds	199,566	14,332	95,945
Total Other Financing Sources (Uses)	200,139	14,332	95,945
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	30	-	(263)
Fund Balances - Beginning of fiscal year	-	-	1,899
Fund Balances - End of fiscal year	\$ 30	\$ -	\$ 1,636

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	TOTALS
\$ -	\$ 689	\$ 700
-	689	700
-	-	1
-	3,902	3,902
-	-	545
87,634	115,516	431,330
22,839	141,682	246,455
110,473	261,099	682,232
(110,473)	(260,411)	(681,532)
-	703,580	807,065
-	27,929	35,604
-	(717,328)	(827,914)
110,473	219,578	639,893
110,473	233,759	654,648
-	(26,652)	(26,884)
-	164,703	166,601
\$ -	\$ 138,051	\$ 139,717



## 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 (MCL) 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.

Pursuant to MCL 474.65a, this fund also is used for the Michigan Rail Loan Assistance Program that issues noninterest bearing loans to finance construction and improvements that are designed for improvements to freight railroad infrastructure for the purposes of preserving, rebuilding, rehabilitating, or constructing facilities or improvements on railroad operating property or property adjacent to railroad operating property in the State.

### 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 using short-term commercial paper notes. Transfers out reflect 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, 2020  
 (In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED TRANSPORTATION BOND PROCEEDS FUND
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 31	\$ -	\$ -	\$ -
Equity in common cash	945,747	11,494	1,044,035	3,964
Taxes, interest, and penalties receivable	-	251	-	-
Amounts due from other funds	16,345	-	-	-
Amounts due from component units	1,489	-	-	-
Amounts due from federal agencies	152,630	70,315	62,457	-
Amounts due from local units	27,765	72	-	30
Inventories	15,453	-	-	-
Investments	-	-	-	-
Other current assets	13,181	31	-	-
Total Current Assets	<u>1,172,642</u>	<u>82,163</u>	<u>1,106,492</u>	<u>3,994</u>
Noncurrent Assets:				
Taxes, interest, and penalties receivable	-	3	-	-
Amounts due from local units	55,137	204	-	270
Total Noncurrent Assets	<u>55,137</u>	<u>207</u>	<u>-</u>	<u>270</u>
Total Assets	<u>\$ 1,227,779</u>	<u>\$ 82,370</u>	<u>\$ 1,106,492</u>	<u>\$ 4,264</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	\$ 246,065	\$ 65,708	\$ 6,464	\$ -
Amounts due to other funds	5,688	94	-	-
Bonds and notes payable	-	-	-	-
Unearned revenue	5,663	-	-	-
Total Current Liabilities	<u>257,415</u>	<u>65,803</u>	<u>6,464</u>	<u>-</u>
Long-Term Liabilities:				
Unearned revenue	84	-	-	-
Total Long-Term Liabilities	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>257,499</u>	<u>65,803</u>	<u>6,464</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	15,454	-	-	-
Restricted	954,827	16,561	1,100,028	4,264
Unassigned	-	-	-	-
Total Fund Balances	<u>970,281</u>	<u>16,561</u>	<u>1,100,028</u>	<u>4,264</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,227,779</u>	<u>\$ 82,370</u>	<u>\$ 1,106,492</u>	<u>\$ 4,264</u>

# Michigan

TRANSPORTATION RELATED TRUST FUNDS	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ 31
-	25	-	2,005,265
-	-	-	251
-	-	49,419	65,764
-	-	-	1,489
42,238	-	15,861	343,502
93,461	-	-	121,329
-	-	-	15,453
-	65,784	-	65,784
-	-	55	13,268
<u>135,700</u>	<u>65,809</u>	<u>65,335</u>	<u>2,632,136</u>
-	-	-	3
-	-	-	55,611
-	-	-	55,613
<u>\$ 135,700</u>	<u>\$ 65,809</u>	<u>\$ 65,335</u>	<u>\$ 2,687,750</u>
\$ 71,199	\$ 433	\$ 39,697	\$ 429,566
64,500	49,423	32,641	152,346
-	158,500	-	158,500
-	11	-	5,674
<u>135,700</u>	<u>208,367</u>	<u>72,338</u>	<u>746,086</u>
-	-	-	84
-	-	-	84
<u>135,700</u>	<u>208,367</u>	<u>72,338</u>	<u>746,170</u>
-	-	-	6
-	-	-	15,454
-	-	-	2,075,681
-	(142,558)	(7,003)	(149,561)
-	(142,558)	(7,003)	1,941,573
<u>\$ 135,700</u>	<u>\$ 65,809</u>	<u>\$ 65,335</u>	<u>\$ 2,687,750</u>

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
<b>REVENUES</b>				
Taxes	\$ -	\$ 13,933	\$ -	\$ -
From federal agencies	967,360	233,913	80,331	-
From local agencies	20,687	174	-	-
From services	3,161	280	-	-
From licenses and permits	6,901	418	-	-
Miscellaneous	98,797	670	879	30
Total Revenues	1,096,907	249,389	81,210	30
<b>EXPENDITURES</b>				
Current:				
Education	-	-	-	-
Transportation	780,804	251,315	47	4,886
Capital outlay	1,567,338	192	36,419	2,380
Debt service:				
Capital lease and financed purchase payments	21,656	-	-	-
Total Expenditures	2,369,797	251,507	36,467	7,267
Excess of Revenues over (under) Expenditures	(1,272,890)	(2,118)	44,743	(7,236)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and bond anticipation notes issued	-	-	800,000	-
Premium on bond issuance	-	-	217,306	-
Capital lease and financed purchase acquisitions	205,902	-	-	-
Proceeds from sale of capital assets	206	-	-	-
Transfers from other funds (Note 21)	1,332,438	6,000	-	198
Transfers to other funds (Note 21)	(210,146)	(3,547)	(81,155)	-
Total Other Financing Sources (Uses)	1,328,399	2,453	936,151	198
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	55,510	335	980,894	(7,038)
Fund Balances - Beginning of fiscal year - restated	914,771	16,226	119,134	11,302
Fund Balances - End of fiscal year	\$ 970,281	\$ 16,561	\$ 1,100,028	\$ 4,264

# Michigan

TRANSPORTATION RELATED TRUST FUNDS	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ 13,933
345,170	-	53,125	1,679,899
-	-	-	20,862
-	-	-	3,442
-	-	-	7,320
892	206	-	101,474
<u>346,062</u>	<u>206</u>	<u>53,125</u>	<u>1,826,929</u>
-	77,975	4	77,979
346,062	-	-	1,383,113
-	66,746	56,292	1,729,367
-	-	-	21,656
<u>346,062</u>	<u>144,721</u>	<u>56,296</u>	<u>3,212,115</u>
-	(144,515)	(3,171)	(1,385,186)
-	98,280	-	898,280
-	4,352	-	221,657
-	-	-	205,902
-	-	-	206
-	-	19,855	1,358,491
-	(19,855)	-	(314,703)
<u>-</u>	<u>82,777</u>	<u>19,855</u>	<u>2,369,833</u>
-	(61,738)	16,684	984,647
-	(80,820)	(23,687)	956,926
<u>\$ -</u>	<u>\$ (142,558)</u>	<u>\$ (7,003)</u>	<u>\$ 1,941,573</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

Statutory/Budgetary Basis	STATE TRUNKLINE FUND			STATE AERONAUTICS FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 13,933	\$ 13,933	\$ -
From federal agencies	967,360	967,360	-	233,913	233,913	-
From local agencies	20,687	20,687	-	174	174	-
From services	3,161	3,161	-	280	280	-
From licenses and permits	6,901	6,901	-	418	418	-
Miscellaneous	98,797	98,797	-	670	670	-
Proceeds from sale of capital assets	206	206	-	-	-	-
Transfers in	1,332,438	1,332,438	-	6,000	6,000	-
Total Revenues and Other Sources	2,429,551	2,429,551	-	255,389	255,389	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Transportation	2,674,069	2,516,362	157,707	260,203	256,885	3,318
Total Expenditures, Transfers Out, and Encumbrances	2,674,069	2,516,362	157,707	260,203	256,885	3,318
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (244,518)</u>	<u>(86,811)</u>	<u>\$ 157,707</u>	<u>\$ (4,814)</u>	<u>(1,496)</u>	<u>\$ 3,318</u>
Reconciling Items:						
Encumbrances at September 30		142,321			1,831	
Funds not annually budgeted		-			-	
Net Reconciling Items		142,321			1,831	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		55,510			335	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances - restated		914,771			16,226	
Ending balances (GAAP Basis)		<u>\$ 970,281</u>			<u>\$ 16,561</u>	

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUNDS (Continued)**  
FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>TOTALS</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
Taxes	\$ 13,933	\$ 13,933	\$ -
From federal agencies	1,201,273	1,201,273	-
From local agencies	20,862	20,862	-
From services	3,442	3,442	-
From licenses and permits	7,320	7,320	-
Miscellaneous	99,468	99,468	-
Proceeds from sale of capital assets	206	206	-
Transfers in	1,338,438	1,338,438	-
Total Revenues and Other Sources	<u>2,684,940</u>	<u>2,684,940</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Transportation	<u>2,934,272</u>	<u>2,773,247</u>	<u>161,025</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>2,934,272</u>	<u>2,773,247</u>	<u>161,025</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (249,332)</u>	<u>(88,307)</u>	<u>\$ 161,025</u>
Reconciling Items:			
Encumbrances at September 30		144,152	
Funds not annually budgeted		<u>928,802</u>	
Net Reconciling Items		<u>1,072,954</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>984,647</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances - restated		<u>956,926</u>	
Ending balances (GAAP Basis)		<u>\$ 1,941,573</u>	

## PERMANENT FUNDS

### MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund (MNRTF). The fund, established in 1985, operates under Sections 324.1901 - 324.1908 of the Michigan Compiled Laws. The State Treasurer directs fund investments, which include fixed income and equity investments.

In May of 2011, the MNRTF reached the constitutional limit of \$500 million on the investment corpus. As a result, the MNRTF no longer receives revenue generated from oil and gas bonuses, rentals, and royalties from State-owned land. Constitutionally, these revenue sources are now deposited into the Michigan State Parks Endowment Fund.

Constitutional provisions limit all future MNRTF appropriations to investment and other miscellaneous income of the fund. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to fund payments in lieu of property taxes on State lands acquired by the fund.

### MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, the Michigan State Parks Endowment Fund (MSPEF) is governed by the provisions of Michigan Compiled Laws Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. Currently all revenues previously attributable to the Michigan Natural Resources Trust Fund from oil and gas bonuses, rentals, and royalties from State-owned land are deposited in the MSPEF until its accumulated principal is capped at \$800 million.

The legislature is limited to appropriating no more than 50 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 benefit 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.



# Michigan

## COMBINING BALANCE SHEET

### PERMANENT FUNDS

SEPTEMBER 30, 2020

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
<b>ASSETS</b>				
Current Assets:				
Equity in common cash	\$ 102,603	\$ 46,095	\$ 5,928	\$ 154,626
Other current assets	1,481	2,991	69	4,541
Total Current Assets	104,084	49,086	5,997	159,167
Noncurrent Assets:				
Investments	651,486	301,911	59,416	1,012,814
Total Noncurrent Assets	651,486	301,911	59,416	1,012,814
Total Assets	\$ 755,571	\$ 350,997	\$ 65,414	\$ 1,171,981
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	\$ 12,168	\$ 1,049	\$ 37	\$ 13,255
Amounts due to other funds	18	63	10	91
Total Current Liabilities	12,186	1,112	48	13,346
Total Liabilities	12,186	1,112	48	13,346
<b>FUND BALANCES</b>				
Nonspendable	500,000	291,763	50,000	841,763
Restricted	243,385	58,121	15,366	316,872
Total Fund Balances	743,385	349,885	65,366	1,158,635
Total Liabilities and Fund Balances	\$ 755,571	\$ 350,997	\$ 65,414	\$ 1,171,981

# Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### PERMANENT FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
<b>REVENUES</b>				
From services	\$ -	\$ 1	\$ -	\$ 1
Miscellaneous	43,898	38,821	3,828	86,546
Total Revenues	43,898	38,821	3,828	86,547
<b>EXPENDITURES</b>				
Current:				
General government	3,069	344	75	3,488
Public safety and corrections	-	-	1,778	1,778
Conservation, environment, recreation, and agriculture	20,296	17,132	-	37,428
Capital outlay	6,413	2,636	-	9,049
Debt service:				
Capital lease and financed purchase payments	-	10	-	10
Total Expenditures	29,779	20,121	1,853	51,754
Excess of Revenues over (under) Expenditures	14,119	18,700	1,975	34,793
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	10	-	-	10
Transfers to other funds	(22)	(1,305)	(10)	(1,337)
Total Other Financing Sources (Uses)	(12)	(1,305)	(10)	(1,327)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	14,107	17,395	1,965	33,466
Fund Balances - Beginning of fiscal year	729,278	332,490	63,401	1,125,169
Fund Balances - End of fiscal year	\$ 743,385	\$ 349,885	\$ 65,366	\$ 1,158,635

**Michigan**

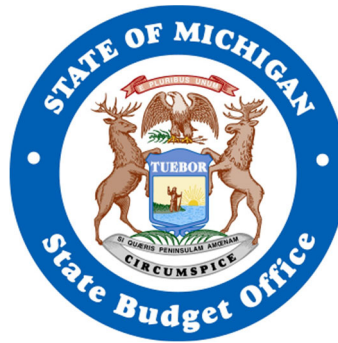
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

Statutory/Budgetary Basis	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
From services	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ -
Miscellaneous	43,898	43,898	-	38,821	38,821	-
Proceeds from sale of capital assets	10	10	-	-	-	-
Total Revenues and Other Sources	43,907	43,907	-	38,821	38,821	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	62,059	56,625	5,435	22,555	22,140	415
Treasury	3,069	3,069	-	344	344	-
Total Expenditures, Transfers Out, and Encumbrances	65,129	59,694	5,435	22,899	22,484	415
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (21,221)</u>	<u>(15,786)</u>	<u>\$ 5,435</u>	<u>\$ 15,923</u>	<u>16,337</u>	<u>\$ 415</u>
Reconciling Items:						
Encumbrances at September 30		29,893			1,058	
Net Reconciling Items		29,893			1,058	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		14,107			17,395	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		729,278			332,490	
Ending balances (GAAP Basis)		<u>\$ 743,385</u>			<u>\$ 349,885</u>	

# Michigan

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ -
3,828	3,828	-	86,546	86,546	-
-	-	-	10	10	-
3,828	3,828	-	86,557	86,557	-
5,235	1,792	3,442	5,235	1,792	3,442
-	-	-	84,614	78,765	5,849
75	75	-	3,489	3,488	-
5,310	1,868	3,442	93,338	84,045	9,292
<u>\$ (1,482)</u>	<u>1,960</u>	<u>\$ 3,442</u>	<u>\$ (6,781)</u>	<u>2,511</u>	<u>\$ 9,292</u>
	<u>5</u>			<u>30,955</u>	
	<u>5</u>			<u>30,955</u>	
	<u>1,965</u>			<u>33,466</u>	
	<u>63,401</u>			<u>1,125,169</u>	
<u>\$ 65,366</u>			<u>\$ 1,158,635</u>		



## 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, 2020  
 (In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 1,735	\$ -	\$ 1,735
Equity in common cash	-	111,560	111,560
Inventories	-	535	535
Investments	2,000	-	2,000
Other current assets	162	15,285	15,447
Total Current Assets	<u>3,897</u>	<u>127,381</u>	<u>131,277</u>
Noncurrent Assets:			
Investments	4,951	-	4,951
Capital Assets:			
Buildings and equipment	1,110	162	1,272
Allowance for depreciation	(624)	(5)	(629)
Total capital assets	<u>486</u>	<u>157</u>	<u>643</u>
Total Noncurrent Assets	<u>5,437</u>	<u>157</u>	<u>5,594</u>
Total Assets	<u>9,334</u>	<u>127,538</u>	<u>136,872</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>390</u>	<u>5,430</u>	<u>5,820</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other liabilities	580	130,107	130,687
Amounts due to other funds	-	237	237
Amounts due to component units	75	-	75
Unearned revenue	791	-	791
Current portion of other long-term obligations	28	853	881
Total Current Liabilities	<u>1,474</u>	<u>131,197</u>	<u>132,671</u>
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	2,697	31,788	34,485
Total Long-Term Liabilities	<u>2,697</u>	<u>31,788</u>	<u>34,485</u>
Total Liabilities	<u>4,171</u>	<u>162,985</u>	<u>167,156</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>342</u>	<u>7,175</u>	<u>7,517</u>
<b>NET POSITION</b>			
Net investment in capital assets	(87)	(5)	(91)
Restricted for other purposes	3,872	-	3,872
Unrestricted	1,426	(37,188)	(35,762)
Total Net Position	<u>\$ 5,211</u>	<u>\$ (37,193)</u>	<u>\$ (31,982)</u>

**Michigan**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 5,336	\$ 1,459,225	\$ 1,464,561
Total Operating Revenues	5,336	1,459,225	1,464,561
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	4,638	106,648	111,287
Depreciation	57	8	65
Purchases for resale	-	1,073,029	1,073,029
Other operating expenses	838	835	1,673
Total Operating Expenses	5,534	1,180,521	1,186,054
Operating Income (Loss)	(198)	278,704	278,507
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	44	971	1,015
Investment revenue (expense) - net	488	-	488
Other nonoperating revenues	-	35	35
Interest expense	-	(29)	(29)
Other nonoperating expenses	-	(145)	(145)
Total Nonoperating Revenues (Expenses)	532	832	1,364
Income (Loss) Before Transfers	334	279,537	279,871
<b>TRANSFERS</b>			
Transfers to other funds	-	(279,537)	(279,537)
Total Transfers In (Out)	-	(279,537)	(279,537)
Change in net position	334	-	334
Total net position - Beginning of fiscal year	4,876	(37,193)	(32,316)
Total net position - End of fiscal year	\$ 5,211	\$ (37,193)	\$ (31,982)



**COMBINING STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ 1,461,855	\$ 1,461,855
Membership dues	5,406	-	5,406
Payments to employees	(4,376)	(12,400)	(16,776)
Payments to suppliers	(738)	(1,133,148)	(1,133,885)
Other receipts	125	20	145
Other payments	(148)	(979)	(1,127)
Net cash provided (used) by operating activities	269	315,349	315,617
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	-	(279,487)	(279,487)
Net cash provided (used) by noncapital financing activities	-	(279,487)	(279,487)
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(17)	-	(17)
Capital lease payments (including imputed interest expense)	7	(30)	(23)
Net cash provided (used) by capital and related financing activities	(10)	(30)	(40)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities	(78)	-	(78)
Sale of investment securities	410	-	410
Interest and dividends on investments	44	971	1,015
Net cash provided (used) by investing activities	376	971	1,347
Net cash provided (used) - all activities	635	36,803	37,438
Cash and cash equivalents at beginning of year	1,100	74,757	75,857
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,735</b>	<b>\$ 111,560</b>	<b>\$ 113,295</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Position Classifications:			
Cash	\$ 1,735	\$ -	\$ 1,735
Equity in common cash	-	111,560	111,560
Cash and cash equivalents at end of year	\$ 1,735	\$ 111,560	\$ 113,295
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (198)	\$ 278,704	\$ 278,507
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)			
by Operating Activities:			
Depreciation expense	57	8	65
Pension expense	173	1,786	1,959
OPEB expense	53	281	334
Deferred outflows - contributions subsequent to measurement date	(211)	(2,586)	(2,797)
Other nonoperating revenues	-	35	35
Other nonoperating expenses	-	(145)	(145)
Other reconciling items	6	(52)	(46)
Net Changes in Assets and Liabilities:			
Inventories	-	12,748	12,748
Other assets (net)	30	4,018	4,048
Accounts payable and other liabilities	268	20,552	20,819
Unearned revenue	90	-	90
Net cash provided (used) by operating activities	\$ 269	\$ 315,349	\$ 315,617
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ -
Capital lease liabilities entered into during the year	-	-	-
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 multiple manufacturing and service processing industries employing inmates incarcerated in Michigan's correctional institutions. In 1980, 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.

The amendment allowed for a five-year phase-in of price setting which would provide a margin in direct and indirect costs to reach self-sufficiency. Since self-sufficiency was reached in 1985, the fund has supported the cost of civilian wages, salaries and other costs which were paid by the Department in the past. A solvent fund allows Industries to expand its operations to service more inmates.

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 2020.

### 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.

### INFORMATION TECHNOLOGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. 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. User agencies are billed for equipment and services based on actual costs or rates established to cover actual costs.

### 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 and imaging, mailing, distribution of federal and state surplus property, delivery, and warehouse services. Other services may be added to this fund as determined to be advantageous to the State including but not limited to the purchase of bulk gas used by State agencies. 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.

### 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, 2020  
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>ASSETS</b>			
Current Assets:			
Cash	\$ -	\$ 2	\$ 6
Equity in common cash	2,914	390,038	75,572
Amounts due from other funds	-	10,996	-
Amounts due from component units	-	123	374
Inventories	6,862	-	292
Other current assets	36	6,937	38,149
Total Current Assets	<u>9,812</u>	<u>408,096</u>	<u>114,394</u>
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	-	-	83,147
Buildings and equipment	24,211	-	999,443
Allowance for depreciation	(15,736)	-	(661,082)
Construction in progress	-	-	60
Total capital assets	<u>8,475</u>	<u>-</u>	<u>421,567</u>
Other noncurrent assets	-	1,700	18,269
Total Noncurrent Assets	<u>8,475</u>	<u>1,700</u>	<u>439,836</u>
Total Assets	<u>18,287</u>	<u>409,796</u>	<u>554,231</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,351</u>	<u>-</u>	<u>130,630</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other liabilities	1,089	17,355	88,288
Amounts due to other funds	97	-	4,309
Amounts due to component units	-	-	-
Interest payable	2,150	-	78
Unearned revenue	-	123	82,492
Current portion of other long-term obligations	253	34,239	15,477
Total Current Liabilities	<u>3,590</u>	<u>51,718</u>	<u>190,645</u>
Long-Term Liabilities:			
Advances from other funds	860	-	-
Unearned revenue	-	-	301,480
Noncurrent portion of other long-term obligations	15,538	93,096	744,351
Total Long-Term Liabilities	<u>16,398</u>	<u>93,096</u>	<u>1,045,831</u>
Total Liabilities	<u>19,988</u>	<u>144,813</u>	<u>1,236,476</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,573</u>	<u>-</u>	<u>105,883</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,475	-	409,768
Restricted for other purposes	-	-	-
Unrestricted	<u>(10,398)</u>	<u>264,982</u>	<u>(1,067,266)</u>
Total Net Position	<u>\$ (1,923)</u>	<u>\$ 264,982</u>	<u>\$ (657,499)</u>

# Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTAL
\$ 3	\$ -	\$ -	\$ 10
32,273	-	11,254	512,052
64	-	-	11,061
-	-	-	497
3,391	227	-	10,771
5,555	754	839	52,271
<u>41,286</u>	<u>981</u>	<u>12,094</u>	<u>586,662</u>
-	-	-	83,147
13,635	10,594	463	1,048,346
(11,705)	(8,588)	(111)	(697,223)
-	-	-	60
1,929	2,007	352	434,330
3,500	-	1,050	24,519
5,429	2,007	1,402	458,849
46,715	2,987	13,496	1,045,511
6,263	2,371	368	141,984
7,097	1,424	195	115,449
209	133	11	4,759
73	-	-	73
-	-	3	2,232
-	-	-	82,615
575	173	2,832	53,551
<u>7,954</u>	<u>1,730</u>	<u>3,042</u>	<u>258,678</u>
-	-	-	860
-	-	-	301,480
34,139	11,414	7,013	905,551
34,139	11,414	7,013	1,207,892
42,093	13,144	10,056	1,466,570
6,738	1,496	198	116,889
1,929	2,007	(116)	422,063
2,217	-	-	2,217
-	(11,288)	3,726	(820,244)
<u>\$ 4,146</u>	<u>\$ (9,281)</u>	<u>\$ 3,610</u>	<u>\$ (395,965)</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 16,430	\$ 793,622	\$ 958,828
Total Operating Revenues	16,430	793,622	958,828
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	7,644	20,491	800,835
Depreciation	521	-	122,820
Purchases for resale	-	-	-
Purchases for prison industries	7,411	-	-
Premiums and claims	-	743,077	1
Other operating expenses:			
Leased vehicles expense	-	-	-
Vehicle maintenance expense	-	-	-
Total other operating expenses	-	-	-
Total Operating Expenses	15,576	763,569	923,655
Operating Income (Loss)	853	30,053	35,173
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	3,534	-
Other nonoperating revenues	2	1	1,778
Interest expense	(1)	-	(934)
Other nonoperating expenses	(131)	-	(36,250)
Total Nonoperating Revenues (Expenses)	(130)	3,535	(35,406)
Income (Loss) Before Transfers	723	33,589	(233)
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers to other funds	(103)	-	(3,809)
Total Transfers In (Out)	(103)	-	(3,809)
Change in net position	620	33,589	(4,043)
Total net position - Beginning of fiscal year	(2,543)	231,394	(653,456)
Total net position - End of fiscal year	\$ (1,923)	\$ 264,982	\$ (657,499)

# Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 104,265	\$ 71,807	\$ 3,891	\$ 1,948,843
104,265	71,807	3,891	1,948,843
34,931	7,472	2,166	873,539
595	254	39	124,228
65,201	-	-	65,201
-	-	-	7,411
-	2,297	3,702	749,078
264	40,533	-	40,798
-	26,005	-	26,005
264	66,538	-	66,802
100,991	76,561	5,907	1,886,260
3,274	(4,754)	(2,015)	62,584
-	-	-	3,534
108	1,718	-	3,607
-	-	(114)	(1,048)
8	(1)	-	(36,374)
116	1,717	(114)	(30,282)
3,389	(3,037)	(2,129)	32,302
(222)	(77)	(10)	(4,220)
(222)	(77)	(10)	(4,220)
3,168	(3,114)	(2,138)	28,082
978	(6,168)	5,748	(424,047)
\$ 4,146	\$ (9,281)	\$ 3,610	\$ (395,965)

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 16,640	\$ 790,336	\$ 885,718
Payments to employees	(5,731)	-	(268,131)
Payments to suppliers	(8,954)	(5,429)	(524,334)
Claims paid	-	(760,917)	-
Other receipts	2	-	1,905
Other payments	(135)	-	-
Net cash provided (used) by operating activities	1,822	23,990	95,157
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans or loan repayments from other funds	-	-	-
Loans or loan repayments to other funds	-	-	-
Transfers to other funds	(103)	-	(3,809)
Net cash provided (used) by noncapital financing activities	(103)	-	(3,809)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(195)	-	(32,459)
Interest paid	(1)	-	-
Capital lease payments (including imputed interest expense)	-	-	(10,303)
Net cash provided (used) by capital and related financing activities	(196)	-	(42,762)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	-	3,534	-
Net cash provided (used) by investing activities	-	3,534	-
Net cash provided (used) - all activities	1,523	27,524	48,586
Cash and cash equivalents at beginning of year	1,391	362,516	26,992
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,914</b>	<b>\$ 390,040</b>	<b>\$ 75,579</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Position Classifications:			
Cash	\$ -	\$ 2	\$ 6
Equity in common cash	2,914	390,038	75,572
Cash and cash equivalents at end of year	<b>\$ 2,914</b>	<b>\$ 390,040</b>	<b>\$ 75,579</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 853	\$ 30,053	\$ 35,173
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	521	-	122,820
Pension expense	569	-	35,329
OPEB expense	411	-	26,278
Deferred outflows - contributions subsequent to measurement date	(1,010)	-	(58,596)
Other nonoperating revenues	2	1	1,778
Other nonoperating expenses	(114)	-	-
Other reconciling items	1	-	56
Net Changes in Assets and Liabilities:			
Inventories	(1)	-	(246)
Other assets (net)	395	(4,333)	60,609
Accounts payable and other liabilities	194	(1,704)	(53,434)
Unearned revenue	-	(27)	(74,609)
Net cash provided (used) by operating activities	<b>\$ 1,822</b>	<b>\$ 23,990</b>	<b>\$ 95,157</b>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Gain (loss) on disposal of capital assets	\$ (17)	\$ -	\$ (36,250)
Total noncash investing, capital, and financing activities	<b>\$ (17)</b>	<b>\$ -</b>	<b>\$ (36,250)</b>

# Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 101,474	\$ 71,688	\$ 23,473	\$ 1,889,330
(12,122)	(3,968)	(1,094)	(291,045)
(89,573)	(68,406)	(3,642)	(700,338)
-	(2,297)	(19,056)	(782,270)
108	1,711	-	3,725
(134)	-	-	(269)
(247)	(1,272)	(319)	119,133
-	64	-	64
(64)	-	-	(64)
(222)	(77)	(10)	(4,220)
(286)	(12)	(10)	(4,220)
(51)	-	-	(32,706)
-	-	-	(1)
-	-	(130)	(10,432)
(51)	-	(130)	(43,139)
-	-	-	3,534
-	-	-	3,534
(584)	(1,284)	(458)	75,307
32,859	1,284	11,713	436,755
\$ 32,275	\$ -	\$ 11,254	\$ 512,062
\$ 3	\$ -	\$ -	\$ 10
32,273	-	11,254	512,052
\$ 32,275	\$ -	\$ 11,254	\$ 512,062
\$ 3,274	\$ (4,754)	\$ (2,015)	\$ 62,584
595	254	39	124,228
2,587	656	116	39,257
638	497	80	27,904
(2,812)	(1,037)	(146)	(63,600)
108	1,718	-	3,607
21	-	-	(93)
(84)	1	-	(26)
(206)	(22)	-	(476)
(3,143)	233	(173)	53,589
(1,224)	1,182	1,780	(53,206)
-	-	-	(74,636)
\$ (247)	\$ (1,272)	\$ (319)	\$ 119,133
\$ (13)	\$ (1)	\$ -	\$ (36,281)
\$ (13)	\$ (1)	\$ -	\$ (36,281)



## 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.

Pursuant to MCL Section 38.1075, the LRS OPEB plan became closed to new participants. All qualified participants must have completed six years of service before January 1, 2013, to qualify for health insurance in the 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 401k Plan's 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 (MPERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

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

MCLs Section 38.1304, et al 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.

Effective July 13, 2017, MCL Section 38.1305 et al., were amended to close the pension plus plan to employees hired after January 31, 2018 and a new, optional pension plus 2 was created. The pension plus 2 plan is similar to the pension plus plan, however, it contains a 50% contribution share from the employee and employer, both of which include the cost of future unfunded liabilities.

**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 (MPERS) created by Michigan Compiled Laws (MCL) Section 38.1321. MPERS'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, 2020

(In Thousands)

	STATE OF MICHIGAN 457 PLANS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
<b>ASSETS</b>				
Equity in common cash	\$ 7,148	\$ 1,532	\$ 194	\$ 4,916
Receivables:				
From participants	10,323	-	-	267
From employer	-	-	-	5,533
Other	12,803	-	-	-
Interest and dividends	-	21	-	14
Due from component unit	-	-	-	-
Due from other governmental	-	-	203	-
Sale of investments	-	45	-	-
Investments at Fair Value:				
Short-term investments	-	-	-	65,716
Fixed income	-	-	-	186,420
Domestic equities	-	25,588	7,048	325,364
Real estate	-	-	-	121,853
Alternative investments	-	11,414	3,144	-
Private equity pools	-	-	-	300,043
International equities	-	112	31	242,962
Absolute return	-	-	-	73,082
Mutual funds	121,408	75,485	20,793	-
Pooled investment funds	1,538,549	-	-	-
Separate accounts	878,542	-	-	-
Real return	-	-	-	186,562
Securities lending collateral	-	-	-	62,389
Total Assets	2,568,773	114,197	31,412	1,575,118
<b>LIABILITIES</b>				
Accounts payable and other liabilities	4,416	252	17	59
Amounts due to other funds	-	4	-	-
Obligations under security lending	-	-	-	62,389
Unearned revenue	753	-	26	-
Total Liabilities	5,169	256	44	62,447
<b>NET POSITION</b>				
Restricted for pension, postemployment health-care, and deferred compensation participants	\$ 2,563,604	\$ 113,941	\$ 31,369	\$ 1,512,670

# Michigan

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
\$ 13,132	\$ 27,881	\$ 196,158	\$ 125,372	\$ 9,768	\$ 2,633
-	811	-	564	1	4
4,100	44,884	53,057	229,530	90,232	31
907	-	25,243	-	420,491	-
2	109	30	464	70	2
-	357	418	-	-	-
1,688	-	55,848	-	-	-
-	-	-	-	-	-
11,817	532,017	136,379	2,274,662	339,538	11,493
31,799	1,482,915	412,872	6,337,047	958,366	31,199
55,926	2,587,245	721,194	11,060,949	1,672,335	54,711
20,641	970,061	270,272	4,145,114	626,993	20,259
-	-	-	-	-	-
51,506	2,386,336	665,859	10,199,012	1,540,749	50,336
41,628	1,932,079	538,570	8,259,404	1,249,897	40,767
12,198	581,554	162,303	2,487,237	375,942	12,031
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,828	1,483,271	413,646	6,342,140	959,227	31,232
10,810	497,017	136,778	2,130,864	321,288	10,734
<u>287,981</u>	<u>12,526,537</u>	<u>3,788,629</u>	<u>53,592,358</u>	<u>8,564,898</u>	<u>265,432</u>
2,053	1,984	29,627	1,272	223,971	1
-	-	-	-	-	-
10,810	497,017	136,778	2,130,864	321,288	10,734
-	-	5	3,994	612	-
<u>12,862</u>	<u>499,000</u>	<u>166,410</u>	<u>2,136,130</u>	<u>545,871</u>	<u>10,735</u>
<u>\$ 275,119</u>	<u>\$ 12,027,536</u>	<u>\$ 3,622,219</u>	<u>\$ 51,456,229</u>	<u>\$ 8,019,027</u>	<u>\$ 254,697</u>

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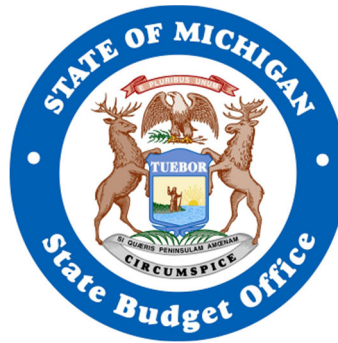
# Michigan

## COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)

SEPTEMBER 30, 2020

(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	MILITARY PENSION BENEFITS FUND	STATE OF MICHIGAN 401K PLANS	TOTALS
<b>ASSETS</b>				
Equity in common cash	\$ 2,004	\$ 1,548	\$ 20,726	\$ 413,011
Receivables:				
From participants	-	1	156,665	168,636
From employer	5	-	-	427,371
Other	29	-	25,367	484,840
Interest and dividends	-	1	-	713
Due from component unit	-	-	-	775
Due from other governmental	65	-	-	57,804
Sale of investments	-	-	-	45
Investments at Fair Value:				
Short-term investments	1,396	922	-	3,373,940
Fixed income	721	6,974	-	9,448,312
Domestic equities	1,491	12,171	-	16,524,022
Real estate	380	4,563	-	6,180,135
Alternative investments	-	-	-	14,558
Private equity pools	1,347	11,218	-	15,206,406
International equities	1,023	9,094	-	12,315,567
Absolute return	94	2,734	-	3,707,173
Mutual funds	-	-	463,324	681,009
Pooled investment funds	-	-	5,123,148	6,661,697
Separate accounts	-	-	1,904,305	2,782,847
Real return	722	6,978	-	9,455,606
Securities lending collateral	470	2,060	-	3,172,408
Total Assets	9,745	58,262	7,693,536	91,076,876
<b>LIABILITIES</b>				
Accounts payable and other liabilities	24	1	713	264,389
Amounts due to other funds	-	-	-	4
Obligations under security lending	470	2,060	-	3,172,408
Unearned revenue	-	-	-	5,389
Total Liabilities	494	2,061	713	3,442,190
<b>NET POSITION</b>				
Restricted for pension, postemployment health-care, and deferred compensation participants	\$ 9,252	\$ 56,201	\$ 7,692,823	\$ 87,634,686



# Michigan

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	STATE OF MICHIGAN 457 PLANS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
<b>ADDITIONS</b>				
Contributions:				
From participants	\$ 227,539	\$ 1	\$ -	\$ 4,100
From employers	292	-	4,638	79,165
From other governmental	-	-	240	-
From other systems	878	-	-	-
Investment Income:				
Net increase (decrease) in the fair value of investments	192,723	4,463	1,087	51,544
Interest, dividends, and other	16,836	2,465	566	27,847
Securities lending income	-	-	-	753
Less Investment Expense:				
Investment activity expense	-	293	71	4,550
Securities lending expense	-	-	-	546
Net investment income (loss)	209,559	6,636	1,582	75,047
Miscellaneous income	1,284	249	1,062	-
Total Additions	439,552	6,885	7,522	158,312
<b>DEDUCTIONS</b>				
Benefits paid to participants or beneficiaries	74,649	14,856	-	149,407
Medical, dental, and life insurance for retirants	-	-	5,836	-
Refunds and transfers to other systems	74,663	35	-	11
Administrative and other expenses	6,653	407	99	633
Total Deductions	155,965	15,298	5,935	150,050
Change in net position	283,588	(8,412)	1,586	8,262
Net position - Beginning of fiscal year - restated	2,280,016	122,353	29,782	1,504,408
Net position - End of fiscal year	\$ 2,563,604	\$ 113,941	\$ 31,369	\$ 1,512,670

# Michigan

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
\$ -	\$ 25,265	\$ -	\$ 401,626	\$ 204,752	\$ 500
58,303	613,729	703,567	2,808,839	708,509	2,840
4,577	-	123,515	-	254,348	-
-	-	-	-	-	-
8,711	410,528	111,568	1,751,042	259,249	8,974
4,649	223,800	60,336	940,705	135,980	4,709
129	5,985	1,653	25,714	3,835	128
718	36,721	9,342	153,621	21,686	785
94	4,347	1,204	18,609	2,808	93
12,677	599,246	163,011	2,545,231	374,570	12,933
445	73	9,816	74	118	40
76,002	1,238,312	999,909	5,755,771	1,542,297	16,313
-	1,432,401	-	5,183,129	-	24,289
32,046	-	402,567	-	286,465	-
-	311	2,975	27,917	113	-
955	5,956	16,042	23,119	163,713	387
33,001	1,438,668	421,583	5,234,165	450,291	24,677
43,001	(200,356)	578,325	521,606	1,092,007	(8,364)
232,118	12,227,892	3,043,893	50,934,622	6,927,020	263,061
<u>\$ 275,119</u>	<u>\$ 12,027,536</u>	<u>\$ 3,622,219</u>	<u>\$ 51,456,229</u>	<u>\$ 8,019,027</u>	<u>\$ 254,697</u>

This statement continued on next page.



# Michigan

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	MILITARY PENSION BENEFITS FUND	STATE OF MICHIGAN 401K PLANS	TOTALS
<b>ADDITIONS</b>				
Contributions:				
From participants	\$ 133	\$ -	\$ 301,498	\$ 1,165,415
From employers	398	1,000	354,559	5,335,839
From other governmental	55	-	-	382,735
From other systems	-	-	20,215	21,094
Investment Income:				
Net increase (decrease) in the fair value of investments	332	1,929	633,692	3,435,842
Interest, dividends, and other	160	1,025	35,021	1,454,100
Securities lending income	5	26	-	38,229
Less Investment Expense:				
Investment activity expense	25	157	-	227,968
Securities lending expense	4	19	-	27,725
Net investment income (loss)	468	2,805	668,714	4,672,478
Miscellaneous income	18	1	1,792	14,971
Total Additions	1,072	3,806	1,346,778	11,592,531
<b>DEDUCTIONS</b>				
Benefits paid to participants or beneficiaries	-	3,989	255,430	7,138,151
Medical, dental, and life insurance for retirants	137	-	-	727,050
Refunds and transfers to other systems	-	-	221,462	327,486
Administrative and other expenses	88	203	18,162	236,417
Total Deductions	225	4,192	495,054	8,429,105
Change in net position	847	(387)	851,724	3,163,426
Net position - Beginning of fiscal year - restated	8,405	56,588	6,841,100	84,471,260
Net position - End of fiscal year	\$ 9,252	\$ 56,201	\$ 7,692,823	\$ 87,634,686

## 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. 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.

### MICHIGAN ACHIEVING A BETTER LIFE EXPERIENCE

Michigan Compiled Laws Section 206.983 established the Michigan Achieving a Better Life Experience (MiABLE) Program within the Department of Treasury. MiABLE operates a disability 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 qualified disability expenses on behalf of individuals with disabilities and their designated beneficiaries with disabilities. Any person may contribute into the program, as prescribed by law. Investment earnings are held in trust by MiABLE until the account owner is ready to withdraw for eligible expenses. The Federal and State governments offer a tax benefit for contributions made each year.

## COMBINING STATEMENT OF FIDUCIARY NET POSITION

## PRIVATE PURPOSE TRUST FUNDS

SEPTEMBER 30, 2020

(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND
<b>ASSETS</b>			
Cash	\$ 10,344	\$ -	\$ 1,575
Equity in common cash	-	120,213	37,346
Receivables:			
Interest and Dividends	-	-	55
Investments at Fair Value:			
Fixed income	-	-	9,438
Real estate	-	-	1,082
Alternative investments	-	-	3,830
Mutual funds	5,538,606	-	20,972
Guaranteed funding agreements	1,603,409	-	-
Other current assets	388	2,694	989
Other noncurrent assets	-	-	400
Total Assets	<u>7,152,747</u>	<u>122,907</u>	<u>75,688</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	4,955	168	8,887
Amounts due to other funds	-	-	93
Total Liabilities	<u>4,955</u>	<u>168</u>	<u>8,980</u>
<b>NET POSITION</b>			
Restricted for other purposes	<u>\$ 7,147,792</u>	<u>\$ 122,739</u>	<u>\$ 66,707</u>

HOSPITAL PATIENTS' TRUST FUND	MICHIGAN ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM	TOTALS
\$ 8	\$ 9,442	\$ 21,370
309	-	157,869
-	-	55
-	-	9,438
-	-	1,082
-	-	3,830
-	9,500	5,569,078
-	-	1,603,409
-	-	4,071
-	-	400
317	18,942	7,370,602
4	62	14,077
-	-	93
4	62	14,171
<u>\$ 313</u>	<u>\$ 18,880</u>	<u>\$ 7,356,431</u>

# Michigan

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### PRIVATE PURPOSE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	MICHIGAN EDUCATION SAVINGS PROGRAM	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND
<b>ADDITIONS</b>			
Contributions:			
From participants	\$ 656,615	\$ -	\$ -
From clients	-	-	73,645
From gifts, bequests, and endowments	-	-	13,748
Investment Income:			
Net increase (decrease) in the fair value of investments	312,919	-	1,056
Interest, dividends, and other	167,403	-	2,402
Net investment income (loss)	480,322	-	3,458
Escheated property	-	124,542	-
Miscellaneous income	-	11	10
Total Additions	1,136,937	124,553	90,861
<b>DEDUCTIONS</b>			
Benefits paid to participants or beneficiaries	537,852	-	-
Amounts distributed to clients, claimants, or third parties	-	131,414	80,619
Administrative expense	9,649	3,131	-
Total Deductions	547,501	134,545	80,619
Change in net position	589,436	(9,992)	10,242
Net position - Beginning of fiscal year	6,558,356	132,730	56,466
Net position - End of fiscal year	\$ 7,147,792	\$ 122,739	\$ 66,707

HOSPITAL PATIENTS' TRUST FUND	MICHIGAN ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM	TOTALS
\$ -	\$ 9,771	\$ 666,386
548	-	74,194
-	-	13,748
-	198	314,173
4	219	170,028
4	418	484,201
-	-	124,542
-	-	21
552	10,188	1,363,092
-	2,613	540,465
564	-	212,597
-	184	12,965
564	2,798	766,027
(12)	7,391	597,065
325	11,489	6,759,366
\$ 313	\$ 18,880	\$ 7,356,431

## AGENCY FUNDS

### ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Environment, Great Lakes, and Energy 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 as amended, 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, 2020

(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	CITY INCOME TAX - TRUST FUND	CHILD SUPPORT COLLECTION FUND	SOCIAL WELFARE FUND	TOTALS
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ 64,834	\$ -	\$ 64,834
Equity in common cash	2,795	11,693	7,452	-	2,074	24,013
Other noncurrent assets	-	268,463	-	-	-	268,463
Total Assets	<u>\$ 2,795</u>	<u>\$ 280,156</u>	<u>\$ 7,452</u>	<u>\$ 64,834</u>	<u>\$ 2,074</u>	<u>\$ 357,311</u>
<b>LIABILITIES</b>						
Accounts payable and other liabilities	\$ 2,795	\$ 11,693	\$ 7,452	\$ 64,834	\$ 2,074	\$ 88,848
Other long-term liabilities	-	268,463	-	-	-	268,463
Total Liabilities	<u>\$ 2,795</u>	<u>\$ 280,156</u>	<u>\$ 7,452</u>	<u>\$ 64,834</u>	<u>\$ 2,074</u>	<u>\$ 357,311</u>



**Michigan**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - AGENCY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

	BALANCE OCTOBER 1, 2019	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2020
<b>ENVIRONMENTAL QUALITY DEPOSITS FUND</b>				
<b>ASSETS</b>				
Equity in common cash	\$ 2,755	\$ 54	\$ 14	\$ 2,795
Total Assets	<u>\$ 2,755</u>	<u>\$ 54</u>	<u>\$ 14</u>	<u>\$ 2,795</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,755	\$ 54	\$ 14	\$ 2,795
Total Liabilities	<u>\$ 2,755</u>	<u>\$ 54</u>	<u>\$ 14</u>	<u>\$ 2,795</u>
<b>INSURANCE CARRIER DEPOSITS FUND</b>				
<b>ASSETS</b>				
Equity in common cash	\$ 4,281	\$ 50,512	\$ 43,100	\$ 11,693
Other noncurrent assets	<u>277,157</u>	<u>56,806</u>	<u>65,501</u>	<u>268,463</u>
Total Assets	<u>\$ 281,438</u>	<u>\$ 107,318</u>	<u>\$ 108,601</u>	<u>\$ 280,156</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 4,281	\$ 50,512	\$ 43,100	\$ 11,693
Other long-term liabilities	<u>277,157</u>	<u>56,806</u>	<u>65,501</u>	<u>268,463</u>
Total Liabilities	<u>\$ 281,438</u>	<u>\$ 107,318</u>	<u>\$ 108,601</u>	<u>\$ 280,156</u>
<b>CITY INCOME TAX - TRUST FUND</b>				
<b>ASSETS</b>				
Equity in common cash	\$ 6,736	\$ 355,859	\$ 355,143	\$ 7,452
Total Assets	<u>\$ 6,736</u>	<u>\$ 355,859</u>	<u>\$ 355,143</u>	<u>\$ 7,452</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 6,736	\$ 356,419	\$ 355,703	\$ 7,452
Total Liabilities	<u>\$ 6,736</u>	<u>\$ 356,419</u>	<u>\$ 355,703</u>	<u>\$ 7,452</u>

**Michigan**

	BALANCE OCTOBER 1, 2019	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2020
CHILD SUPPORT COLLECTION FUND				
<b>ASSETS</b>				
Cash	\$ 40,726	\$ 1,655,148	\$ 1,631,040	\$ 64,834
Other current assets	9	301	310	-
Total Assets	<u>\$ 40,735</u>	<u>\$ 1,655,449</u>	<u>\$ 1,631,350</u>	<u>\$ 64,834</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	<u>\$ 40,735</u>	<u>\$ 1,853,301</u>	<u>\$ 1,829,202</u>	<u>\$ 64,834</u>
Total Liabilities	<u>\$ 40,735</u>	<u>\$ 1,853,301</u>	<u>\$ 1,829,202</u>	<u>\$ 64,834</u>
SOCIAL WELFARE FUND				
<b>ASSETS</b>				
Cash	\$ 182	\$ -	\$ 182	\$ -
Equity in common cash	<u>2,546</u>	<u>2,991</u>	<u>3,463</u>	<u>2,074</u>
Total Assets	<u>\$ 2,729</u>	<u>\$ 2,991</u>	<u>\$ 3,646</u>	<u>\$ 2,074</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	<u>\$ 2,729</u>	<u>\$ 4,104</u>	<u>\$ 4,759</u>	<u>\$ 2,074</u>
Total Liabilities	<u>\$ 2,729</u>	<u>\$ 4,104</u>	<u>\$ 4,759</u>	<u>\$ 2,074</u>
TOTALS - ALL AGENCY FUNDS				
<b>ASSETS</b>				
Cash	\$ 40,908	\$ 1,655,148	\$ 1,631,223	\$ 64,834
Equity in common cash	16,318	409,416	401,721	24,013
Other current assets	9	301	310	-
Other noncurrent assets	<u>277,157</u>	<u>56,806</u>	<u>65,501</u>	<u>268,463</u>
Total Assets	<u>\$ 334,393</u>	<u>\$ 2,121,672</u>	<u>\$ 2,098,754</u>	<u>\$ 357,311</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 57,236	\$ 2,264,390	\$ 2,232,778	\$ 88,848
Other long-term liabilities	<u>277,157</u>	<u>56,806</u>	<u>65,501</u>	<u>268,463</u>
Total Liabilities	<u>\$ 334,393</u>	<u>\$ 2,321,196</u>	<u>\$ 2,298,279</u>	<u>\$ 357,311</u>

## COMPONENT UNITS – AUTHORITIES

### FARM PRODUCE INSURANCE AUTHORITY

Michigan Compiled Laws (MCL) Section 285.315 created the Farm Produce Insurance Authority (FPIA) as a public body corporate. Operating under Sections 285.311 – 285.331 of the MCL, FPIA is governed and administered by a ten-member board of directors. FPIA administers a program in which producers of dry beans, grain, or corn may contribute to the Farm Produce Insurance Fund, a percentage of their net proceeds from all farm produce sold by the producer to a licensee in this State. Under this program the producer may recover from the fund for losses caused by the licensed grain dealer's financial failure.

### 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. In 2018, the interlocal agreement was first amended and restated between the Department of Education and participating intermediate school districts. 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. The Corporation Board will also include fifteen members appointed by the Governor and the State Superintendent or his or her designee from within the Department. The Corporation will have an Executive Committee of 15 members of the Corporation Board. The members of the Executive Committee will include the State Superintendent, or his or her designated representative from within the Department serving as a member of the Corporation Board, and 14 members of the Corporation Board appointed by the Governor. The members of the Executive Committee appointed by the Governor must include at least one of the members of the Corporation Board appointed by a Participant. The Executive 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.

### STATE LAND BANK AUTHORITY

Michigan Compiled Laws Section 124.765 and Executive Order 2019-3 established the State Land Bank Authority (SLBA) 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. SLBA receives public properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

### 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.

# Michigan

## COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS - AUTHORITIES

SEPTEMBER 30, 2020

(In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	MACKINAC BRIDGE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 275	\$ 10,048	\$ 1,956	\$ 1,972
Equity in common cash	-	-	-	-
Amounts due from component units	-	436	-	-
Amounts due from primary government	-	-	39	676
Inventories	-	-	763	-
Investments	2,813	27,050	-	-
Other current assets	175	-	94	108
Total Current Assets	3,263	37,533	2,851	2,756
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	2,274	-
Investments	-	-	2,304	-
Mortgages and loans receivable	-	-	-	-
Investments	7,879	92,422	-	-
Land and property held for resale	-	-	-	-
Capital Assets:				
Land and other non-depreciable assets	-	125	393	-
Buildings, equipment, and other depreciable assets	-	13,804	16,721	680
Less accumulated depreciation	-	(7,257)	(12,418)	(232)
Infrastructure	-	102,950	-	-
Total capital assets	-	109,622	4,697	448
Other noncurrent assets	-	-	-	-
Total Noncurrent Assets	7,879	202,044	9,275	448
Total Assets	11,142	239,576	12,127	3,204
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	3,623	1,041	-
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	4	1,023	209	217
Amounts due to component units	-	-	-	-
Amounts due to primary government	-	1,520	-	-
Bonds and notes payable	-	-	65	-
Interest payable	-	-	17	-
Unearned revenue	-	1,798	-	-
Current portion of other long-term obligations	-	132	-	28
Total Current Liabilities	4	4,473	290	246
Long-Term Liabilities:				
Unearned revenue	-	809	-	-
Bonds and notes payable	-	-	1,325	-
Noncurrent portion of other long-term obligations	-	22,003	6,141	36
Total Long-Term Liabilities	-	22,813	7,466	36
Total Liabilities	4	27,286	7,756	282
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	2,945	1,072	-
<b>NET POSITION</b>				
Net investment in capital assets	-	108,622	3,333	448
Restricted For:				
Construction and debt service	-	-	3,879	-
Other purposes	-	1,000	1,228	1,309
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Unrestricted	11,139	103,347	(4,101)	1,165
Total Net Position	\$ 11,139	\$ 212,969	\$ 4,339	\$ 2,922

# Michigan

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN EDUCATION TRUST	STATE BAR OF MICHIGAN	STATE LAND BANK AUTHORITY	VENTURE MICHIGAN FUND	TOTALS
\$ 23,864	\$ 60,706	\$ 3,504	\$ -	\$ 55,045	\$ 157,370
29,237	-	-	14,614	-	43,851
18,615	-	-	-	-	19,050
-	3,504	75	73	-	4,367
-	-	-	-	-	763
4,657	-	8,594	-	-	43,113
1,700	9,690	830	271	-	12,868
78,074	73,900	13,002	14,960	55,045	281,384
132	-	-	-	26,091	28,497
-	-	3,849	-	-	6,154
273	-	-	8,900	-	9,173
62,965	1,011,139	-	-	250,353	1,424,759
-	-	-	5,011	-	5,011
100	-	470	-	-	1,088
17,833	-	11,337	-	-	60,375
(12,890)	-	(8,251)	-	-	(41,048)
-	-	-	-	-	102,950
5,043	-	3,556	-	-	123,365
8,029	22,927	-	-	-	30,956
76,442	1,034,066	7,405	13,911	276,444	1,627,914
154,515	1,107,966	20,407	28,870	331,489	1,909,297
5,602	1,580	485	1,899	13,195	27,425
5,829	-	923	161	226	8,591
391	-	-	-	-	391
331	-	-	20	-	1,871
-	-	-	-	60,000	60,065
-	-	-	-	4,275	4,292
-	-	1,458	-	-	3,256
1,822	66,226	-	23	-	68,231
8,372	66,226	2,381	204	64,501	146,696
-	-	-	-	-	809
-	-	-	-	190,000	191,325
30,460	717,920	1,946	4,437	13,727	796,671
30,460	717,920	1,946	4,437	203,727	988,806
38,832	784,146	4,327	4,641	268,228	1,135,501
6,693	859	342	575	-	12,487
5,043	-	3,556	-	-	121,001
-	-	-	-	-	3,879
-	324,541	2,389	5,900	-	336,368
-	-	-	-	26,091	26,091
109,550	-	10,278	19,653	50,365	301,395
\$ 114,593	\$ 324,541	\$ 16,223	\$ 25,553	\$ 76,456	\$ 788,735

# Michigan

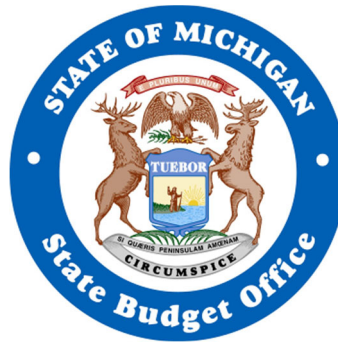
**COMBINING STATEMENT OF ACTIVITIES**  
**NON-MAJOR COMPONENT UNITS - AUTHORITIES**  
FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	\$ 662	\$ 259	\$ -	\$ -	\$ (403)
Mackinac Bridge Authority	13,267	21,764	-	-	8,497
Mackinac Island State Park Commission	3,924	3,355	35	358	(176)
Michigan Early Childhood Investment Corporation	5,248	151	3,895	-	(1,202)
Michigan Economic Development Corporation	88,114	-	51,591	-	(36,523)
Michigan Education Trust	(592)	445	44,273	-	45,310
State Bar of Michigan	12,303	11,517	-	-	(786)
State Land Bank Authority	3,423	-	-	-	(3,423)
Venture Michigan Fund	18,579	-	-	-	(18,579)
Total	<u>\$ 144,929</u>	<u>\$ 37,492</u>	<u>\$ 99,794</u>	<u>\$ 358</u>	<u>\$ (7,285)</u>

GENERAL REVENUES

INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR	NET POSITION END OF YEAR
\$ 612	\$ -	\$ -	\$ 208	\$ 10,930	\$ 11,139
7,175	-	(250)	15,422	197,547	212,969
143	-	-	(32)	4,372	4,339
1	-	5	(1,196)	4,118	2,922
4,846	76	3,174	(28,426)	143,019	114,593
-	-	-	45,310	279,231	324,541
545	-	-	(241)	16,465	16,223
166	73	700	(2,484)	28,037	25,553
2,104	-	-	(16,475)	92,931	76,456
<u>\$ 15,593</u>	<u>\$ 149</u>	<u>\$ 3,628</u>	<u>\$ 12,086</u>	<u>\$ 776,649</u>	<u>\$ 788,735</u>





## COMPONENT UNITS – STATE UNIVERSITIES

The State has 13 legally separate public universities, 10 of which are included in this report as component units and 3 of which are excluded. Included are the 10 universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by the Governmental Accounting Standards Board (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, 2020. 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.

# Michigan

## COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES

JUNE 30, 2020

(In Thousands)

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 30,966	\$ 33,463	\$ 136,365	\$ 13,134
Amounts due from primary government	11,354	4,415	58,279	1,347
Amounts due from federal government	2,516	1,323	9,026	343
Amounts due from local units	-	-	-	-
Inventories	337	794	1,595	430
Investments	-	48,569	39,801	4,972
Other current assets	17,481	12,400	16,161	1,450
Total Current Assets	62,653	100,964	261,227	21,675
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	11,648	27,590	1,301	-
Investments	96,655	51,562	-	-
Mortgages and loans receivable	-	13,452	-	-
Mortgages and loans receivable	3,855	-	2,088	1,793
Investments	22,254	60,806	266,094	28,777
Capital Assets:				
Land and other non-depreciable assets	11,330	6,597	81,304	3,678
Buildings, equipment, and other depreciable assets	942,395	553,526	1,063,242	191,118
Less accumulated depreciation	(374,471)	(231,461)	(425,431)	(122,101)
Construction in progress	57,798	1,768	77,601	2,686
Total capital assets	637,052	330,429	796,716	75,381
Other noncurrent assets	-	27	9,716	1,050
Total Noncurrent Assets	771,463	483,865	1,075,915	107,001
Total Assets	834,116	584,830	1,337,142	128,677
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	69,512	8,708	23,868	957
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other liabilities	44,580	27,221	81,600	3,731
Amounts due to primary government	201	-	20	204
Bonds and notes payable	4,060	7,549	15,061	1,091
Interest payable	5,603	1,376	858	559
Unearned revenue	25,852	10,337	15,334	662
Current portion of other long-term obligations	1,467	410	7,564	443
Total Current Liabilities	81,764	46,893	120,436	6,690
Long-Term Liabilities:				
Unearned revenue	15,832	794	3,865	-
Bonds and notes payable	343,191	117,879	265,857	38,911
Noncurrent portion of other long-term obligations	216,197	153,046	63,288	24,046
Total Long-Term Liabilities	575,221	271,719	333,011	62,957
Total Liabilities	656,985	318,612	453,446	69,647
<b>DEFERRED INFLOWS OF RESOURCES</b>	59,343	3,371	3,938	622
<b>NET POSITION</b>				
Net investment in capital assets	277,454	225,286	525,795	37,885
Restricted For:				
Education	-	9,222	20,630	18,278
Construction and debt service	-	-	1,817	423
Other purposes	39,094	-	-	2,782
Funds Held as Permanent Investments:				
Expendable	-	16,900	43,032	3,478
Nonexpendable	54,653	51,562	77,968	11,578
Unrestricted	(183,901)	(31,416)	234,383	(15,060)
Total Net Position	\$ 187,300	\$ 271,555	\$ 903,626	\$ 59,365

# Michigan

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	TOTALS
\$ 19,373	\$ 32,721	\$ 63,873	\$ 92,174	\$ 422,069
4,320	3,650	3,664	12,440	99,468
3,668	2,439	2,078	1,493	22,885
-	9,769	21	-	9,790
1,367	843	1,379	113	6,857
-	508	-	1	93,850
7,955	7,746	12,068	14,008	89,269
36,682	57,675	83,082	120,228	744,187
10,270	-	105,499	-	156,308
139,992	-	76,514	-	364,723
-	-	620	-	14,072
7,959	3,575	-	-	19,270
37,771	134,466	200,205	99,789	850,161
17,360	82,740	4,625	2,077	209,710
437,039	466,574	926,109	500,187	5,080,190
(230,887)	(217,225)	(347,240)	(206,987)	(2,155,803)
3,991	2,379	13,283	14	159,520
227,504	334,467	596,778	295,290	3,293,617
18,814	1,809	6,195	7,879	45,488
442,309	474,316	985,811	402,958	4,743,639
478,991	531,991	1,068,893	523,186	5,487,826
5,276	5,410	17,334	3,748	134,813
14,827	17,812	30,408	19,370	239,549
278	637	650	-	1,991
3,480	5,859	13,536	6,322	56,957
946	-	5,522	-	14,863
5,856	5,572	20,105	6,949	90,667
7,138	1,672	2,840	100	21,635
32,525	31,553	73,062	32,741	425,662
-	-	5,907	898	27,296
84,746	79,275	411,657	90,066	1,431,582
97,776	93,948	51,388	4,389	704,079
182,522	173,223	468,952	95,353	2,162,957
215,047	204,776	542,014	128,094	2,588,619
2,326	67,106	11,855	491	149,052
138,086	174,725	273,248	202,160	1,854,639
40,193	3,342	31,849	29,184	152,699
2,551	-	-	186	4,978
-	-	-	1,195	43,071
27,716	41,178	19,538	-	151,843
104,237	925	35,829	56,728	393,480
(45,889)	45,349	171,896	108,896	284,259
\$ 266,895	\$ 265,519	\$ 532,359	\$ 398,350	\$ 2,884,968

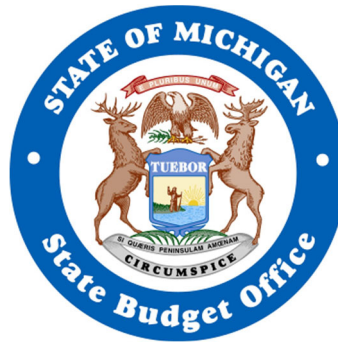
# Michigan

## COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES FISCAL YEAR ENDED JUNE 30, 2020 (In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Eastern Michigan University	344,119	210,769	21,811	1,072	(110,468)
Ferris State University	252,532	154,946	4,916	-	(92,670)
Grand Valley State University	473,461	341,810	24,524	6,570	(100,557)
Lake Superior State University	50,235	23,201	4,450	3,281	(19,303)
Michigan Technological University	259,922	131,691	60,784	6,268	(61,179)
Northern Michigan University	176,048	105,896	14,036	-	(56,116)
Oakland University	359,219	258,137	20,131	43	(80,908)
Saginaw Valley State University	142,274	92,854	17,354	-	(32,066)
Total	<u>\$ 2,057,810</u>	<u>\$ 1,319,305</u>	<u>\$ 168,004</u>	<u>\$ 17,234</u>	<u>\$ (553,266)</u>

GENERAL REVENUES

INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	EXTRAORDINARY ITEMS	CHANGE IN NET POSITION	NET POSITION BEGINNING OF YEAR	NET POSITION END OF YEAR
(6,930)	72,358	31,535	-	(13,505)	200,805	187,300
3,786	51,304	33,550	-	(4,030)	275,585	271,555
7,656	66,764	56,935	-	30,798	872,827	903,626
458	12,884	3,661	-	(2,300)	61,665	59,365
3,709	44,953	5,571	677	(6,269)	273,164	266,895
6,606	44,080	14,252	-	8,822	256,697	265,519
9,617	47,476	29,483	-	5,668	526,691	532,359
6,299	27,380	14,685	-	16,298	382,051	398,350
<u>\$ 31,201</u>	<u>\$ 367,200</u>	<u>\$ 189,670</u>	<u>\$ 677</u>	<u>\$ 35,482</u>	<u>\$ 2,849,486</u>	<u>\$ 2,884,968</u>



INDEX

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

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**SOURCES:**

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.



# Michigan

## NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(In Thousands)

(Accrual Basis of Accounting)

	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 17,782,073	\$ 18,198,345	\$ 19,649,694	\$ 20,279,584
Restricted	3,552,062	3,394,212	3,773,962	3,824,871
Unrestricted	(5,325,636)	(5,349,668)	(5,192,624)	(5,876,457)
Total governmental activities net position	<u>\$ 16,008,499</u>	<u>\$ 16,242,889</u>	<u>\$ 18,231,031</u>	<u>\$ 18,227,998</u>
Business-type activities				
Net investment in capital assets	\$ 578	\$ 355	\$ 813	\$ 606
Restricted	131,453	1,276,713	1,843,965	2,442,471
Unrestricted	(2,911,176)	5,926	5,538	5,834
Total business-type activities net position	<u>\$ (2,779,145)</u>	<u>\$ 1,282,994</u>	<u>\$ 1,850,316</u>	<u>\$ 2,448,910</u>
Primary government				
Net investment in capital assets	\$ 17,782,652	\$ 18,198,700	\$ 19,650,507	\$ 20,280,190
Restricted	3,683,515	4,670,926	5,617,926	6,267,342
Unrestricted	(8,236,812)	(5,343,743)	(5,187,086)	(5,870,623)
Total primary government net position	<u>\$ 13,229,354</u>	<u>\$ 17,525,883</u>	<u>\$ 20,081,347</u>	<u>\$ 20,676,909</u>
Reconciliation of net position				
Beginning net position	\$ 11,672,743	\$ 13,229,354	\$ 17,525,883	\$ 20,081,347
Restatement of beginning net position	(5,377)	(2,954)	6,459	(36,068)
Beginning net position - restated	11,667,366	13,226,400	17,532,342	20,045,279
Statement of Activities - changes in net position	1,561,989	4,299,483	2,549,005	631,629
Ending net position	<u>\$ 13,229,354</u>	<u>\$ 17,525,883</u>	<u>\$ 20,081,347</u>	<u>\$ 20,676,909</u>

# Michigan

2015	2016	2017	2018	2019	2020
\$ 20,578,869	\$ 21,162,152	\$ 21,736,440	\$ 21,014,252	\$ 21,599,362	\$ 21,305,928
3,647,713	3,772,413	4,152,864	4,218,412	4,267,930	5,651,877
(9,942,038)	(11,298,822)	(9,848,197)	(14,946,883)	(14,621,279)	(13,636,896)
<u>\$ 14,284,544</u>	<u>\$ 13,635,744</u>	<u>\$ 16,041,107</u>	<u>\$ 10,285,781</u>	<u>\$ 11,246,012</u>	<u>\$ 13,320,910</u>
\$ 1,557	\$ 1,257	\$ 1,183	\$ 969	\$ 1,058	\$ 646
2,989,561	3,526,823	3,994,553	4,525,760	5,006,011	1,491,560
(11,862)	(19,126)	(21,180)	(80,469)	(70,076)	(62,509)
<u>\$ 2,979,255</u>	<u>\$ 3,508,953</u>	<u>\$ 3,974,556</u>	<u>\$ 4,446,260</u>	<u>\$ 4,936,993</u>	<u>\$ 1,429,697</u>
\$ 20,580,426	\$ 21,163,409	\$ 21,737,623	\$ 21,015,221	\$ 21,600,419	\$ 21,306,575
6,637,274	7,299,236	8,147,417	8,744,173	9,273,941	7,143,436
(9,953,900)	(11,317,949)	(9,869,376)	(15,027,352)	(14,691,355)	(13,699,405)
<u>\$ 17,263,800</u>	<u>\$ 17,144,696</u>	<u>\$ 20,015,664</u>	<u>\$ 14,732,042</u>	<u>\$ 16,183,005</u>	<u>\$ 14,750,607</u>
\$ 20,676,909	\$ 17,263,800	\$ 17,144,696	\$ 20,015,664	\$ 14,732,042	\$ 16,183,005
(4,780,332)	(1,712,198)	-	(6,999,392)	(24,796)	305,808
15,896,577	15,551,601	17,144,696	13,016,272	14,707,246	16,488,813
1,367,223	1,593,095	2,870,968	1,715,770	1,475,759	(1,738,206)
<u>\$ 17,263,800</u>	<u>\$ 17,144,696</u>	<u>\$ 20,015,664</u>	<u>\$ 14,732,042</u>	<u>\$ 16,183,005</u>	<u>\$ 14,750,607</u>

# Michigan

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(In Thousands)

(Accrual Basis of Accounting)

	2011	2012	2013	2014
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,286,436	\$ 2,491,270	\$ 2,093,352	\$ 2,455,999
Education	15,269,638	14,601,171	14,617,662	14,941,366
Health and human services	20,340,564	19,676,708	19,784,847	20,544,300
Public safety and corrections	2,863,890	2,816,575	2,663,440	2,638,272
Conservation, environment, recreation, and agriculture	575,118	657,527	593,446	714,019
Labor, commerce, and regulatory	1,178,970	956,357	965,696	956,256
Transportation	2,460,553	2,840,961	2,914,884	3,309,442
Tax credits (Note 16)	1,271,900	1,226,300	689,900	676,500
Intergovernmental-revenue sharing	1,091,527	1,032,243	1,077,514	1,120,593
Interest on long-term debt	217,014	196,040	178,561	174,522
Total governmental activities	47,555,610	46,495,152	45,579,303	47,531,269
Business-type activities:				
Liquor Purchase Revolving Fund	660,861	696,723	742,611	779,276
State Lottery Fund	1,631,489	1,654,234	1,758,718	1,868,607
Attorney Discipline System	4,941	4,818	4,846	4,798
Michigan Unemployment Compensation Funds	4,350,158	2,991,500	2,188,132	1,246,507
Total business-type activities	6,647,450	5,347,275	4,694,307	3,899,188
Total primary government expenses	<u>\$ 54,203,060</u>	<u>\$ 51,842,428</u>	<u>\$ 50,273,610</u>	<u>\$ 51,430,457</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 790,054	\$ 844,661	\$ 678,845	\$ 688,044
Education	5,491	15,688	7,206	9,388
Health and human services	125,368	129,069	107,657	152,511
Public safety and corrections	166,034	158,707	164,019	161,447
Conservation, environment, recreation, and agriculture	266,062	269,307	271,119	299,073
Labor, commerce, and regulatory	316,941	548,543	750,517	754,054
Transportation	92,045	91,690	96,842	96,727
Operating grants and contributions	19,608,970	17,373,332	17,194,905	17,981,852
Capital grants and contributions	1,061,715	845,873	867,155	850,174
Total governmental activities program revenues	<u>\$ 22,432,679</u>	<u>\$ 20,276,870</u>	<u>\$ 20,138,265</u>	<u>\$ 20,993,270</u>
Business-type activities:				
Charges for services:				
Liquor Purchase Revolving Fund	\$ 812,140	\$ 856,717	\$ 912,112	\$ 957,054
State Lottery Fund	2,357,417	2,430,281	2,491,131	2,608,920
Attorney Discipline System	5,114	5,166	4,887	4,867
Michigan Unemployment Compensation Funds	4,441,664	3,529,515	2,776,790	1,809,854
Operating grants and contributions	172,038	251,786	21,710	59,881
Total business-type activities program revenues	<u>7,788,373</u>	<u>7,073,466</u>	<u>6,206,631</u>	<u>5,440,576</u>
Total primary government program revenues	<u>\$ 30,221,052</u>	<u>\$ 27,350,336</u>	<u>\$ 26,344,896</u>	<u>\$ 26,433,845</u>
<b>Net (Expenses)/Revenues</b>				
Governmental activities	\$ (25,122,932)	\$ (26,218,282)	\$ (25,441,038)	\$ (26,538,000)
Business-type activities	<u>1,140,924</u>	<u>1,726,190</u>	<u>1,512,324</u>	<u>1,541,388</u>
Total primary government net expenses	<u>\$ (23,982,008)</u>	<u>\$ (24,492,092)</u>	<u>\$ (23,928,714)</u>	<u>\$ (24,996,612)</u>

# Michigan

2015	2016	2017	2018	2019	2020
\$ 3,240,918	\$ 3,044,493	\$ 2,595,165	\$ 3,334,891	\$ 3,210,082	\$ 2,882,398
15,452,338	15,831,480	16,114,081	16,727,675	17,059,677	17,831,607
23,190,878	23,441,412	23,020,839	24,071,364	25,613,513	26,420,104
2,685,500	2,664,726	2,686,252	2,899,797	3,269,546	3,078,647
609,306	753,361	783,971	932,250	990,650	1,575,468
953,030	746,550	890,781	821,050	951,297	980,383
3,325,519	3,377,660	3,483,622	3,891,092	4,460,862	5,204,891
662,400	672,400	696,500	696,100	895,100	936,500
1,210,557	1,213,432	1,259,005	1,289,064	1,327,717	1,241,267
162,859	415,468	272,742	287,506	259,781	224,617
51,493,305	52,160,983	51,802,959	54,950,789	58,038,224	60,375,882
825,796	872,902	903,150	953,854	1,007,701	1,180,694
1,990,582	2,229,995	2,424,850	2,654,651	2,833,493	3,082,442
4,710	5,019	4,898	5,077	5,307	5,534
952,773	914,081	859,638	793,535	785,553	25,367,742
3,773,861	4,021,996	4,192,536	4,407,117	4,632,053	29,636,413
\$ 55,267,166	\$ 56,182,979	\$ 55,995,495	\$ 59,357,906	\$ 62,670,277	\$ 90,012,294
\$ 666,648	\$ 658,741	\$ 694,819	\$ 627,297	\$ 683,878	\$ 632,904
(3,752)	6,947	5,662	24,025	11,462	6,312
162,768	155,276	159,544	174,607	166,326	176,825
163,821	169,789	170,323	168,028	167,635	153,967
301,529	296,694	318,319	360,981	328,642	330,842
749,576	788,169	794,170	789,277	784,214	390,859
100,403	105,108	94,683	134,043	100,933	88,316
20,431,030	20,660,821	20,244,084	20,636,711	21,581,071	25,735,099
926,670	878,642	953,635	863,854	1,014,734	1,187,137
\$ 23,498,693	\$ 23,720,187	\$ 23,435,239	\$ 23,778,822	\$ 24,838,895	\$ 28,702,263
\$ 1,021,890	\$ 1,082,256	\$ 1,123,654	\$ 1,181,472	\$ 1,252,065	\$ 1,459,240
2,785,133	3,118,137	3,347,126	3,591,929	3,897,405	4,256,618
4,024	4,045	4,082	4,699	5,334	5,336
1,461,988	1,383,410	1,291,128	1,276,504	1,207,485	21,748,077
67,628	78,660	74,694	90,410	132,247	137,422
5,340,663	5,666,507	5,840,685	6,145,014	6,494,536	27,606,694
\$ 28,839,356	\$ 29,386,694	\$ 29,275,924	\$ 29,923,836	\$ 31,333,430	\$ 56,308,956
\$ (27,994,612)	\$ (28,440,795)	\$ (28,367,720)	\$ (31,171,967)	\$ (33,199,329)	\$ (31,673,619)
1,566,801	1,644,511	1,648,149	1,737,897	1,862,482	(2,029,719)
\$ (26,427,810)	\$ (26,796,285)	\$ (26,719,571)	\$ (29,434,070)	\$ (31,336,847)	\$ (33,703,338)

# Michigan

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Continued)

(In Thousands)

(Accrual Basis of Accounting)

	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
General:				
Sales and use	\$ 2,784,245	\$ 2,735,674	\$ 2,620,176	\$ 2,993,426
Personal income	5,822,443	6,119,213	6,946,947	6,078,008
Single business, Michigan business, and corporate income	1,456,727	1,294,287	859,612	562,739
Tobacco products	593,462	586,108	587,598	578,154
Beer, wine, and liquor	128,574	133,276	139,728	143,105
Insurance company	271,198	290,383	302,015	362,287
Quality assurance assessment	884,412	955,029	974,563	971,377
Essential services assessment	-	-	-	-
Penalties and interest	132,724	163,496	172,049	117,734
Insurance provider assessment	-	-	-	-
Other	239,306	412,904	503,413	514,504
Restricted For Educational Purposes:				
Sales and use	5,399,478	5,515,083	5,668,592	5,872,729
Personal income	1,999,556	2,121,630	2,479,897	2,276,581
Michigan business	611,433	-	-	-
Education, property, and real estate transfers	2,015,369	1,939,493	1,908,481	2,033,711
Tobacco products	377,288	371,774	373,296	357,389
Beer, wine, and liquor	39,165	41,065	44,069	45,722
Casino Gaming Wagering	114,017	115,753	110,667	106,903
Other	66,231	59,568	56,503	65,172
Restricted For Transportation Purposes:				
Sales and use	90,025	98,101	212,970	102,026
Personal income	-	-	-	-
Gasoline and diesel fuel	959,479	940,099	953,108	958,745
Motor vehicle weight	859,783	875,952	906,633	940,637
Other	5,621	5,027	5,034	5,052
Unrestricted investment and interest earnings	696	710	1,204	990
Miscellaneous	648,297	659,801	628,204	517,297
Contributions to permanent fund principal	28,773	20,359	22,847	23,865
Transfers	917,966	1,000,841	945,115	942,883
Total governmental activities	26,446,268	26,455,626	27,422,722	26,571,035
Business-type activities:				
Taxes	14,855	15,737	-	-
Investment earnings	191	139	112	87
Miscellaneous	649	3,320,915	-	3
Transfers	(917,966)	(1,000,841)	(945,115)	(942,883)
Total business-type activities	(902,271)	2,335,949	(945,003)	(942,793)
Total primary government	\$ 25,543,997	\$ 28,791,575	\$ 26,477,719	\$ 25,628,241
<b>Changes in Net Position</b>				
Governmental activities	\$ 1,323,336	\$ 237,344	\$ 1,981,683	\$ 33,035
Business-type activities	238,653	4,062,139	567,322	598,595
Total primary government	\$ 1,561,989	\$ 4,299,483	\$ 2,549,005	\$ 631,630

NOTE: 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.

# Michigan

2015	2016	2017	2018	2019	2020
\$ 3,250,886	\$ 3,281,008	\$ 2,733,120	\$ 2,899,347	\$ 2,898,982	\$ 2,891,029
7,260,820	7,332,173	7,435,551	8,109,910	8,526,451	7,891,855
892,039	760,979	1,427,291	942,942	1,409,618	979,259
586,133	590,507	589,959	567,634	563,157	567,482
144,449	157,421	160,271	164,204	172,133	193,699
322,988	329,871	371,233	393,357	327,420	467,761
1,017,823	1,135,257	1,128,006	1,250,422	1,410,904	1,264,403
-	-	-	99,290	111,214	121,991
131,601	120,116	104,375	194,309	128,295	96,894
-	-	-	-	602,602	603,781
433,640	495,183	592,077	554,313	229,796	214,254
5,905,831	6,023,300	6,209,309	6,455,104	6,616,765	6,604,996
2,557,141	2,647,832	2,723,883	2,948,984	2,907,833	3,123,542
-	-	-	-	-	-
2,110,325	2,174,946	2,278,142	2,339,504	2,466,383	2,524,085
360,645	360,017	357,202	339,070	328,327	328,318
48,706	52,247	54,048	56,405	60,254	70,174
110,785	112,868	113,219	115,423	117,257	67,011
61,643	58,943	63,633	61,328	65,456	67,867
90,806	84,499	95,229	103,275	107,728	99,672
-	-	-	-	264,000	468,000
1,003,958	1,005,121	1,362,260	1,469,228	1,462,292	1,319,661
977,958	1,018,280	1,210,628	1,295,268	1,353,613	1,344,763
6,383	6,133	4,855	4,535	4,702	4,327
1,187	4,403	11,021	25,327	40,019	20,726
500,891	621,777	545,398	740,953	614,858	619,530
18,261	16,075	19,468	19,675	18,759	9,019
999,812	1,118,001	1,182,908	1,222,917	1,375,539	1,478,612
28,794,710	29,506,957	30,773,084	32,372,724	34,184,356	33,442,709
-	-	-	-	-	-
133	423	331	(25)	3,789	1,015
1	-	31	57	-	20
(999,812)	(1,118,001)	(1,182,908)	(1,222,917)	(1,375,539)	(1,478,612)
(999,677)	(1,117,577)	(1,182,545)	(1,222,884)	(1,371,750)	(1,477,577)
\$ 27,795,033	\$ 28,389,380	\$ 29,590,539	\$ 31,149,840	\$ 32,812,606	\$ 31,965,132
\$ 800,098	\$ 1,066,162	\$ 2,405,364	\$ 1,200,757	\$ 985,026	\$ 1,769,090
567,124	526,933	465,604	515,013	490,733	(3,507,296)
\$ 1,367,223	\$ 1,593,095	\$ 2,870,968	\$ 1,715,770	\$ 1,475,759	\$ (1,738,206)

# Michigan

## FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(In Thousands)

(Modified Accrual Basis of Accounting)

	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 267,289	\$ 237,955	\$ 221,614	\$ 189,095
Restricted	351,551	364,497	376,977	383,025
Committed	463,685	805,402	933,666	998,674
Assigned	67,021	68,583	137,947	206,875
Unassigned	553,746	979,205	1,186,647	306,382
Total general fund	<u>\$ 1,703,292</u>	<u>\$ 2,455,642</u>	<u>\$ 2,856,852</u>	<u>\$ 2,084,052</u>
All Other Governmental Funds				
Nonspendable	\$ 929,077	\$ 951,453	\$ 968,433	\$ 992,581
Restricted	2,269,086	2,086,927	2,200,564	2,250,773
Committed	137,910	196,931	322,056	547,466
Unassigned	(41,126)	(144,804)	(13,216)	(106,128)
Total all other governmental funds	<u>\$ 3,294,948</u>	<u>\$ 3,090,508</u>	<u>\$ 3,477,837</u>	<u>\$ 3,684,691</u>
Reconciliation of governmental fund balances				
Beginning fund balances	\$ 3,578,997	\$ 4,998,240	\$ 5,546,150	\$ 6,334,689
Restatement of beginning fund balances	-	(15,602)	-	-
Beginning fund balances - restated	<u>3,578,997</u>	<u>4,982,638</u>	<u>5,546,150</u>	<u>6,334,689</u>
Excess of revenues and other sources over				
(under) expenditures and other uses	1,419,243	563,512	788,538	(565,945)
Ending fund balances	<u>\$ 4,998,240</u>	<u>\$ 5,546,150</u>	<u>\$ 6,334,689</u>	<u>\$ 5,768,743</u>

# Michigan

2015	2016	2017	2018	2019	2020
\$ 115,937	\$ 76,746	\$ 63,135	\$ 17,813	\$ 22,306	\$ 249,010
395,945	467,486	598,414	591,065	653,888	782,072
1,108,240	1,378,378	1,482,000	2,128,981	2,425,716	2,041,315
176,405	151,555	176,986	176,480	135,304	99,794
694,734	604,388	622,538	788,321	916,168	2,363,049
<u>\$ 2,491,262</u>	<u>\$ 2,678,554</u>	<u>\$ 2,943,074</u>	<u>\$ 3,702,660</u>	<u>\$ 4,153,382</u>	<u>\$ 5,535,239</u>
\$ 1,016,322	\$ 1,030,282	\$ 1,047,393	\$ 1,063,885	\$ 1,087,207	\$ 1,108,636
1,989,423	2,048,762	2,378,356	2,453,833	2,388,941	4,397,613
352,699	289,534	312,162	363,400	305,419	261,081
(56,951)	(62,012)	6,918	(63,301)	(104,507)	(149,561)
<u>\$ 3,301,493</u>	<u>\$ 3,306,566</u>	<u>\$ 3,744,829</u>	<u>\$ 3,817,817</u>	<u>\$ 3,677,060</u>	<u>\$ 5,617,769</u>
\$ 5,768,743	\$ 5,792,755	\$ 5,985,120	\$ 6,687,903	\$ 7,520,477	\$ 7,830,442
-	24,182	-	-	-	-
<u>5,768,743</u>	<u>5,816,936</u>	<u>5,985,120</u>	<u>6,687,903</u>	<u>7,520,477</u>	<u>7,830,442</u>
24,011	168,184	702,783	832,574	309,965	3,322,566
<u>\$ 5,792,755</u>	<u>\$ 5,985,120</u>	<u>\$ 6,687,903</u>	<u>\$ 7,520,477</u>	<u>\$ 7,830,442</u>	<u>\$ 11,153,008</u>



# Michigan

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(In Thousands)

(Modified Accrual Basis of Accounting)

	2011	2012	2013	2014
<b>Revenues</b>				
Taxes	\$ 24,691,957	\$ 24,769,943	\$ 25,239,420	\$ 25,335,788
From federal agencies	20,401,399	17,830,166	17,800,913	18,524,648
From local agencies	102,979	102,776	109,771	100,372
From services	321,799	314,059	322,553	326,560
From licenses and permits	464,756	481,994	501,581	511,416
Special Medicaid reimbursements	155,059	186,194	134,353	133,909
Miscellaneous	1,523,221	1,896,663	1,721,838	1,714,576
Total revenues	<u>47,661,170</u>	<u>45,581,795</u>	<u>45,830,430</u>	<u>46,647,268</u>
<b>Expenditures</b>				
General government	1,857,989	1,937,876	1,870,041	2,066,169
Education	15,297,255	14,636,439	14,652,527	14,973,104
Health and human services	20,251,675	19,585,310	19,787,851	20,600,683
Public safety and corrections	2,549,993	2,567,504	2,604,520	2,669,883
Conservation, environment, recreation, and agriculture	516,098	582,955	571,371	681,072
Labor, commerce, and regulatory	1,143,962	923,059	961,279	961,934
Transportation	2,069,572	2,149,628	2,362,335	2,611,213
Tax credits	1,271,900	1,226,300	689,900	676,500
Capital outlay	1,169,458	1,045,060	1,013,461	1,113,770
Intergovernmental - revenue sharing	1,091,527	1,032,243	1,077,514	1,120,593
Debt service:				
Bond principal retirement	231,577	342,241	404,396	452,631
Bond interest and fiscal charges	311,955	346,861	339,908	317,873
Capital lease and financed purchase payments	56,146	56,327	58,990	63,028
Total expenditures	<u>47,819,108</u>	<u>46,431,804</u>	<u>46,394,092</u>	<u>48,308,452</u>
Excess of revenues over (under) expenditures	(157,938)	(850,008)	(563,662)	(1,661,184)
<b>Other Financing Sources (Uses)</b>				
Bonds and bond anticipation notes issued	-	-	-	-
Bonds and notes issued	474,278	360,260	377,326	85,295
Refunding bonds issued	543,367	163,035	508,109	295,085
Premium on bond issuance	12,216	22,071	38,495	47,579
Discount on bond issuance	(150)	(1,339)	(14)	-
Payment to refunded bond escrow agent	(549,296)	(172,223)	(537,743)	(299,121)
Capital lease and financed purchase acquisitions	172,111	34,567	18,285	18,846
Proceeds from sale of capital assets	1,797	3,160	4,148	3,466
Transfers from other funds	2,616,900	2,956,635	3,115,335	3,354,150
Transfers to other funds	(1,694,043)	(1,952,646)	(2,171,741)	(2,410,062)
Total other financing sources (uses)	<u>1,577,181</u>	<u>1,413,520</u>	<u>1,352,200</u>	<u>1,095,238</u>
Net change in fund balances	<u>\$ 1,419,243</u>	<u>\$ 563,512</u>	<u>\$ 788,538</u>	<u>\$ (565,945)</u>
Debt service as a percentage of noncapital expenditures (1)	1.3%	1.6%	1.8%	1.7%

NOTE: (1) Noncapital expenditures are calculated as total expenditures less capital outlay expenditures less capital expenditures in current expenditure functions. Capital expenditures in current expenditure functions are identified in the process of reconciling Governmental Funds to Governmental Activities.

# Michigan

2015	2016	2017	2018	2019	2020
\$ 27,176,341	\$ 27,804,517	\$ 28,530,168	\$ 30,359,702	\$ 31,519,313	\$ 31,401,952
21,096,200	21,198,341	20,717,668	21,004,796	22,064,601	26,475,081
105,270	114,454	103,722	108,513	117,086	144,259
330,508	339,877	358,373	364,475	364,935	351,341
527,500	570,150	577,757	585,765	619,452	622,910
120,904	115,621	188,933	149,350	175,942	153,051
1,734,331	2,038,138	1,982,759	2,111,796	2,013,900	1,459,166
<u>51,091,052</u>	<u>52,181,098</u>	<u>52,459,380</u>	<u>54,684,397</u>	<u>56,875,229</u>	<u>60,607,760</u>
2,741,135	2,931,623	2,555,020	2,764,946	2,755,260	2,923,223
15,493,658	15,831,979	16,117,415	16,707,956	17,059,690	17,827,446
23,287,158	23,516,873	23,070,385	23,925,010	25,269,773	26,301,845
2,707,199	2,670,637	2,694,120	2,725,056	2,800,651	2,963,209
615,656	753,725	787,112	895,072	892,066	915,403
978,003	1,230,828	1,270,025	1,259,349	1,343,644	1,071,869
2,604,129	2,650,069	2,753,765	2,934,340	3,311,343	3,429,999
662,400	672,400	696,500	696,100	895,100	936,500
1,160,142	1,106,163	1,223,968	1,297,519	1,619,894	1,992,422
1,210,557	1,213,432	1,259,005	1,289,064	1,327,717	1,241,267
468,085	452,695	423,751	415,853	432,071	431,330
305,687	276,369	288,859	281,758	259,750	246,455
66,939	68,982	69,414	72,168	74,334	106,972
<u>52,300,750</u>	<u>53,375,775</u>	<u>53,209,340</u>	<u>55,264,192</u>	<u>58,041,294</u>	<u>60,387,940</u>
(1,209,697)	(1,194,677)	(749,959)	(579,795)	(1,166,065)	219,820
177,965	172,195	228,560	149,200	67,478	1,051,090
-	-	-	-	-	-
969,870	1,425,395	-	-	168,102	807,065
156,548	294,178	18,999	4,108	29,111	286,681
(298)	(2,773)	-	-	-	-
(1,107,996)	(1,674,399)	-	-	(185,167)	(827,914)
25,373	19,322	14,480	23,383	10,788	300,768
5,250	3,111	3,764	8,454	5,724	1,967
3,024,769	3,184,970	3,586,039	3,515,528	3,814,588	4,308,350
<u>(2,017,772)</u>	<u>(2,059,139)</u>	<u>(2,399,099)</u>	<u>(2,288,305)</u>	<u>(2,434,594)</u>	<u>(2,825,261)</u>
<u>1,233,709</u>	<u>1,362,860</u>	<u>1,452,742</u>	<u>1,412,368</u>	<u>1,476,030</u>	<u>3,102,746</u>
<u>\$ 24,011</u>	<u>\$ 168,184</u>	<u>\$ 702,783</u>	<u>\$ 832,574</u>	<u>\$ 309,965</u>	<u>\$ 3,322,566</u>
1.6%	1.5%	1.5%	1.4%	1.3%	1.3%

## Michigan

### PERSONAL INCOME BY INDUSTRY

LAST TEN FISCAL YEARS

(In Millions)

	2010	2011	2012	2013
Farm earnings	\$ 1,288	\$ 2,372	\$ 1,870	\$ 2,159
Forestry, fishing, and related activities	300	294	345	346
Mining	934	1,334	1,221	1,121
Utilities	2,672	2,668	2,710	2,753
Construction	9,848	10,163	11,587	12,839
Manufacturing	35,339	38,682	42,205	43,658
Wholesale trade	11,964	12,954	13,717	14,284
Retail trade	14,559	15,065	15,430	15,683
Transportation and warehousing	6,565	6,933	7,312	7,603
Information	4,507	4,476	4,531	4,786
Finance and insurance	12,185	11,958	12,378	12,874
Real estate and rental and leasing	3,707	4,540	5,776	6,542
Professional, scientific, and technical services	22,817	24,842	26,399	27,778
Management of companies and enterprises	6,006	6,308	6,498	7,000
Administrative and waste services	10,635	11,718	12,433	12,674
Educational services	3,017	3,030	3,220	3,270
Health care and social assistance	32,177	32,830	33,671	34,081
Arts, entertainment, and recreation	2,249	2,094	2,078	2,205
Accommodation and food services	6,030	6,419	7,176	7,574
Other services, except public administration	9,305	9,715	10,193	10,190
Government and government enterprises	42,180	41,491	40,420	40,738
Total earnings by place of work	238,281	249,884	261,168	270,156
Total earnings by place of work	238,281	249,884	261,168	270,156
less: Contributions for government social insurance	28,532	27,060	27,419	31,177
plus: Adjustment for residence	1,559	1,699	1,856	1,920
Net earnings by place of residence	211,308	224,523	235,604	240,900
Net earnings by place of residence	211,308	224,523	235,604	240,900
plus: Dividends, interest, and rent	52,213	58,500	63,886	66,978
plus: Personal current transfer receipts	81,663	82,656	82,085	83,065
Total Personal Income	\$ 345,185	\$ 365,680	\$ 381,574	\$ 390,942
Statutory Tax Rate (blended rate)	4.4%	4.4%	4.4%	4.3%

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 2019 is the most recent year for which data is available.

SOURCES: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Office of Revenue and Tax Analysis, Michigan Department of Treasury.

# Michigan

2014	2015	2016	2017	2018	2019
\$ 1,497	\$ 1,122	\$ 1,010	\$ 1,015	\$ 976	\$ 1,201
415	458	504	512	498	519
1,261	938	611	591	737	784
2,928	2,991	3,173	3,407	3,571	3,864
14,049	15,087	15,917	17,307	18,250	18,755
44,437	46,951	49,186	51,814	54,279	54,893
14,723	15,611	15,796	16,391	16,999	17,224
16,111	17,048	17,641	18,322	18,923	19,490
8,016	8,488	8,779	9,313	10,169	11,195
5,070	5,260	5,280	5,157	5,367	5,585
12,913	13,484	14,449	15,416	15,842	16,270
6,826	7,423	7,707	7,555	7,542	7,750
29,183	31,114	32,650	33,915	35,319	36,218
7,445	7,911	8,273	9,414	10,816	10,494
13,032	13,366	13,419	13,923	14,591	14,652
3,453	3,462	3,606	3,585	3,572	3,647
34,646	35,886	37,578	38,730	40,136	41,217
2,332	2,312	2,435	2,592	2,728	2,814
7,895	8,467	9,045	9,493	10,069	10,459
10,455	10,919	11,092	11,349	11,756	12,251
40,330	42,047	42,232	43,173	44,104	45,296
<u>277,015</u>	<u>290,342</u>	<u>300,382</u>	<u>312,973</u>	<u>326,241</u>	<u>334,575</u>
277,015	290,342	300,382	312,973	326,241	334,575
32,943	34,327	35,448	36,679	38,629	39,502
<u>2,034</u>	<u>2,120</u>	<u>2,237</u>	<u>2,312</u>	<u>2,456</u>	<u>2,453</u>
246,105	258,135	267,170	278,606	290,068	297,526
246,105	258,135	267,170	278,606	290,068	297,526
71,279	78,110	80,903	82,024	86,029	88,032
<u>85,365</u>	<u>90,343</u>	<u>93,227</u>	<u>93,736</u>	<u>96,615</u>	<u>102,403</u>
<u>\$ 402,748</u>	<u>\$ 426,589</u>	<u>\$ 441,300</u>	<u>\$ 454,366</u>	<u>\$ 472,712</u>	<u>\$ 487,962</u>
4.3%	4.3%	4.3%	4.3%	4.3%	4.3%

## Michigan

### TAXABLE SALES BY INDUSTRY

LAST TEN FISCAL YEARS

(In Millions)

	2010	2011	2012	2013
Farming	\$ 56.1	\$ 58.5	\$ 61.7	\$ 69.4
Agricultural	211.8	216.2	238.1	254.3
Mining	116.2	145.7	156.1	136.2
Construction	497.3	534.1	601.6	617.9
Manufacturing	2,645.7	2,738.4	3,131.6	3,514.0
Transportation and utilities	12,041.1	12,860.4	12,412.4	12,763.8
Wholesale trade	2,426.9	2,861.1	2,727.9	2,652.0
Retail trade	80,195.7	85,484.6	90,639.0	94,582.1
Finance, insurance, and real estate	193.0	254.6	263.4	355.8
Services	5,405.8	5,831.0	6,092.7	6,223.3
State and local government	240.0	93.3	178.5	187.3
Other classifications	1,007.5	1,048.7	1,290.4	1,255.7
Total	<u>\$ 105,036.9</u>	<u>\$ 112,126.5</u>	<u>\$ 117,793.5</u>	<u>\$ 122,611.9</u>
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 2019 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

## Michigan

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2014	2015	2016	2017	2018	2019
\$ 79.2	\$ 32.6	\$ 148.1	\$ 152.8	\$ 134.9	\$ 148.8
349.8	330.0	65.4	69.9	81.7	83.8
152.1	139.2	112.9	109.2	173.0	187.9
665.3	1,064.1	1,375.4	1,493.0	1,609.8	1,590.4
3,435.2	5,593.7	4,998.2	5,264.1	5,571.0	5,591.2
11,567.7	11,447.0	10,541.2	10,749.4	11,553.2	11,510.3
2,574.0	5,136.3	6,861.6	7,507.8	11,094.2	11,273.9
93,964.6	79,923.2	73,330.2	75,988.5	78,650.3	78,696.5
386.7	1,901.3	2,813.5	2,787.3	2,451.9	3,299.1
6,412.5	16,925.4	23,323.8	23,615.8	24,107.3	24,687.5
187.6	323.6	243.3	252.2	201.8	194.2
1,433.4	1,677.0	2,078.5	2,348.8	685.6	2,322.7
<u>\$ 121,208.3</u>	<u>\$ 124,493.4</u>	<u>\$ 125,892.1</u>	<u>\$ 130,338.9</u>	<u>\$ 136,314.6</u>	<u>\$ 139,586.3</u>
6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

## Michigan

### PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL

TAX YEARS 2009 AND 2018

Adjusted Gross Income (AGI) Group	Tax Year 2009				Tax Year 2018			
	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	2,911,905	66.2%	\$ (3)	-0.1%	2,832,722	58.8%	\$ 578	6.4%
\$50,001 - \$100,000	984,515	22.4%	1,887	38.5%	1,102,372	22.9%	2,270	25.1%
\$100,001 - \$250,000	437,104	9.9%	1,988	40.6%	735,990	15.3%	3,431	37.9%
\$250,001 - \$1,000,000	55,398	1.3%	746	15.2%	127,865	2.7%	1,705	18.8%
\$1,000,001 and higher	7,057	0.2%	282	5.8%	18,803	0.4%	1,078	11.9%
Total	<u>4,395,979</u>	<u>100.0%</u>	<u>\$ 4,899</u>	<u>100.0%</u>	<u>4,817,752</u>	<u>100.0%</u>	<u>\$ 9,062</u>	<u>100.0%</u>

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

Tax year 2009 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 2018 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 2018 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

## Michigan

### SALES TAX PAYERS BY INDUSTRY

FISCAL YEARS 2010 AND 2019

	2010				2019			
	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	598	0.7%	\$ 3.4	0.1%	766	0.6%	\$ 8.9	0.1%
Agricultural	1,321	1.4%	12.7	0.2%	455	0.4%	5.0	0.1%
Mining	246	0.3%	7.0	0.1%	220	0.2%	11.3	0.1%
Construction	2,342	2.6%	29.8	0.5%	3,706	3.1%	95.4	1.1%
Manufacturing	6,387	6.9%	158.7	2.6%	11,005	9.2%	335.5	4.0%
Transportation and utilities	1,201	1.3%	569.5	9.3%	995	0.8%	690.6	8.3%
Wholesale trade	2,058	2.2%	145.6	2.4%	6,405	5.3%	676.4	8.1%
Retail trade	51,947	56.5%	4,811.7	78.3%	40,291	33.5%	4,721.8	56.4%
Finance, insurance, and real estate	446	0.5%	11.6	0.2%	3,492	2.9%	197.9	2.4%
Services	23,762	25.8%	324.3	5.3%	46,166	38.4%	1,481.2	17.7%
State and local government	296	0.3%	14.4	0.2%	311	0.3%	11.7	0.1%
Other classifications	1,369	1.5%	60.4	1.0%	6,479	5.4%	139.4	1.7%
<b>Total</b>	<b>91,973</b>	<b>100.0%</b>	<b>\$ 6,149.2</b>	<b>100.0%</b>	<b>120,291</b>	<b>100.0%</b>	<b>\$ 8,375.1</b>	<b>100.0%</b>

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 2019 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.



## Michigan

### RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Dollars In Millions, except Per Capita)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				
	GENERAL OBLIGATION BONDS	REVENUE BONDS	STATE BUILDING AUTHORITY BONDS	CAPITAL LEASES	DIRECT BORROWING - FINANCED PURCHASES
2011	\$ 1,871.8	\$ 2,339.2	\$ 3,247.4	\$ 407.5	\$ -
2012	1,998.4	2,317.4	3,171.9	416.2	-
2013	2,034.3	2,188.8	3,251.1	407.3	-
2014	1,988.6	2,065.8	3,165.2	393.6	-
2015	1,790.5	1,916.0	3,272.4	453.6	-
2016	1,700.4	1,798.4	3,289.0	527.0	37.9
2017	1,634.4	1,623.7	3,303.1	500.3	64.8
2018	1,607.0	1,446.9	3,199.5	488.6	60.2
2019	1,422.3	1,262.2	3,170.1	453.2	48.9
2020	1,439.5	2,088.3	3,191.4	420.2	242.3

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.

## Michigan

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<u>TOTAL PRIMARY GOVERNMENT</u>	<u>PERCENTAGE OF PERSONAL INCOME</u>	<u>PER CAPITA</u>
\$ 7,865.9	2.1%	\$ 796
7,903.8	2.0%	799
7,881.4	2.0%	795
7,613.2	1.9%	767
7,432.5	1.7%	748
7,352.7	1.7%	739
7,126.4	1.6%	715
6,802.2	1.4%	681
6,356.7	1.3%	636
7,381.8	Unavailable	Unavailable

## Michigan

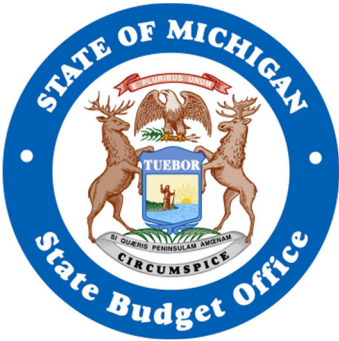
### RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING

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
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	0.3%	161
2019	1,422.3	1.9	1,420.4	0.3%	142
2020	1,439.5	1.6	1,437.9	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.



# Michigan

## DEBT SERVICE COVERAGE COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS LAST TEN FISCAL YEARS (In Millions)

	2011	2012	2013	2014
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 957.7	\$ 945.9	\$ 950.9	\$ 958.8
Registration Taxes	859.7	876.1	906.5	940.6
Miscellaneous Fees	34.2	35.0	36.1	37.4
Total	1,851.5	1,857.0	1,893.5	1,936.8
Less Deductions	137.4	138.0	133.2	135.3
Remaining Balance	1,714.1	1,719.0	1,760.4	1,801.5
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	156.7	157.0	161.4	165.5
Motor Vehicle Related Sales Tax Revenues	\$ 1,290.7	\$ 1,406.5	\$ 1,476.3	\$ 1,462.7
Allocation to Comprehensive Transportation Fund	90.0	98.1	103.0	102.0
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	\$ 246.7	\$ 255.1	\$ 264.4	\$ 267.5
Plus Other Revenues (primarily interest)	1.0	0.6	1.1	1.1
Money Available for Debt Service	\$ 247.8	\$ 255.8	\$ 265.4	\$ 268.6
Debt Service:				
Principal	\$ 10.2	\$ 14.0	\$ 13.9	\$ 14.5
Interest	10.0	9.3	8.6	7.9
Actual Annual Debt Service (1)	20.1	23.4	22.4	22.4
Debt Service Coverage	12.3 x	10.9 x	11.8 x	12.0 x

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

# Michigan

2015	2016	2017	2018	2019	2020
\$ 1,003.8	\$ 1,011.0	\$ 1,359.5	\$ 1,467.9	\$ 1,460.1	\$ 1,318.4
978.1	1,018.3	1,210.0	1,294.9	1,354.2	1,345.1
38.8	40.6	44.8	42.0	41.3	35.4
2,020.7	2,069.9	2,614.3	2,804.8	2,855.6	2,698.9
143.5	144.7	161.6	161.6	163.1	158.6
1,877.2	1,925.2	2,452.6	2,643.1	2,692.5	2,540.3
172.5	176.9	229.8	248.7	254.0	240.4
\$ 1,301.9	\$ 1,211.5	\$ 1,255.1	\$ 1,378.0	\$ 1,388.5	\$ 1,291.3
90.8	84.5	87.5	96.1	96.9	90.1
\$ 263.3	\$ 261.4	\$ 317.4	\$ 344.9	\$ 350.9	\$ 330.5
1.5	6.4	1.1	2.6	4.9	5.3
\$ 264.8	\$ 267.9	\$ 318.5	\$ 347.4	\$ 355.8	\$ 335.8
\$ 15.9	\$ 16.5	\$ 17.2	\$ 18.1	\$ 18.9	\$ 11.3
7.3	6.2	5.7	4.8	3.9	3.0
23.2	22.7	22.9	22.9	22.8	14.3
11.4 x	11.8 x	13.9 x	15.2 x	15.6 x	23.4 x

# Michigan

## DEBT SERVICE COVERAGE STATE TRUNKLINE FUND RELATED BONDS LAST TEN FISCAL YEARS (In Millions)

	2011	2012	2013	2014
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 957.7	\$ 945.9	\$ 950.9	\$ 958.8
Registration Taxes	859.7	876.1	906.5	940.6
Miscellaneous Fees	34.2	35.0	36.1	37.4
Total	1,851.5	1,857.0	1,893.5	1,936.8
Less Deductions:				
Local Bridge Debt Service	3.3	3.3	3.0	2.4
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Collection Costs	47.8	48.6	43.9	46.4
Recreation Improvement Fund	16.5	16.4	16.4	16.5
Comprehensive Transportation Fund (excluding interest)	156.7	157.0	161.4	165.5
Local Program Fund	33.0	33.0	33.0	33.0
Movable Bridge Fund	-	-	-	-
Local Agency Wetlands Mitigation Fund	-	-	-	-
Local Bridge Fund	26.9	26.8	26.8	26.9
Economic Development Fund	40.3	40.3	40.3	40.3
Miscellaneous	-	-	-	-
Total Deductions	367.4	368.4	367.8	374.1
Constitutionally Restricted Revenues				
Available for Distribution	1,484.1	1,488.6	1,525.7	1,562.8
Plus Income Tax Redirection	-	-	-	-
Plus Other Revenues (primarily interest)	0.6	1.2	1.1	1.1
Total Money Available for Distribution	1,484.7	1,489.8	1,526.8	1,563.8
Distributions to:				
Cities and Villages	324.6	326.0	334.2	342.3
County Road Commissions	568.4	569.3	584.5	598.9
State Trunkline Fund	591.7	592.5	607.7	622.6
Money Available for Debt Service:				
State Trunkline Fund	591.7	592.5	607.7	622.6
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	3.3	3.3	3.0	2.4
Miscellaneous	39.5	35.4	133.0	35.7
Total Available for Debt Service	750.7	747.4	860.1	777.0
Debt Service:				
Principal	\$ 82.6	\$ 86.3	\$ 88.5	\$ 106.5
Interest	77.5	75.6	73.2	59.2
Actual Annual Debt Service (1)	160.1	161.9	161.8	165.7
Debt Service Coverage	4.7 x	4.6 x	5.3 x	4.7 x

NOTE: (1) The table above excludes amounts related to refunded bonds and federally funded debt.

SOURCE: Michigan Department of Transportation.

# Michigan

2015	2016	2017	2018	2019	2020
\$ 1,003.8	\$ 1,011.0	\$ 1,359.5	\$ 1,467.9	\$ 1,460.1	\$ 1,318.4
978.1	1,018.3	1,210.0	1,294.9	1,354.2	1,345.1
38.8	40.6	44.8	42.0	41.3	35.4
2,020.7	2,069.9	2,614.3	2,804.8	2,855.6	2,698.9
2.3	2.4	2.4	2.3	2.3	2.4
43.0	43.0	50.0	50.0	50.0	50.0
53.2	53.1	58.4	56.4	58.2	58.8
17.2	17.6	22.5	24.4	24.3	21.7
172.5	176.9	229.8	248.7	254.0	240.4
33.0	33.0	33.0	33.0	33.0	33.0
-	5.0	5.0	5.1	5.2	5.3
-	2.0	2.0	1.0	2.0	2.0
27.8	28.5	28.3	28.5	28.3	25.7
40.3	40.3	40.3	40.3	40.3	40.3
-	-	-	0.4	-	-
389.3	401.9	471.8	490.1	497.6	479.6
1,631.5	1,668.0	2,142.5	2,314.7	2,357.9	2,219.3
-	-	-	-	264.0	468.0
1.4	2.4	3.4	3.5	5.2	2.9
1,632.9	1,670.4	2,145.9	2,318.1	2,627.1	2,690.2
357.2	365.9	470.2	509.9	578.2	593.5
625.4	639.6	825.1	891.3	1,011.8	1,037.0
650.3	664.9	850.5	917.0	1,037.1	1,059.7
650.3	664.9	850.5	917.0	1,037.1	1,059.7
43.0	43.0	50.0	50.0	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
2.3	2.4	2.4	2.3	2.3	2.4
26.4	31.8	38.5	62.1	38.8	24.7
795.4	815.4	1,014.7	1,104.6	1,201.4	1,210.1
\$ 111.4	\$ 116.4	\$ 121.8	\$ 127.2	\$ 133.9	\$ 150.3
48.7	45.8	39.9	33.6	26.8	49.2
160.1	162.2	161.8	160.8	160.7	199.6
5.0 x	5.0 x	6.3 x	6.9 x	7.5 x	6.1 x



# Michigan

## DEBT SERVICE COVERAGE STATE BUILDING AUTHORITY LAST TEN FISCAL YEARS (In Millions)

	2011	2012	2013	2014
Revenue - Lease and Rental Payments	\$ 233.1	\$ 234.3	\$ 234.4	\$ 231.0
Less: Operating Expenses	1.4	1.6	1.3	1.1
Net Available Revenue	<u>231.7</u>	<u>232.7</u>	<u>233.1</u>	<u>229.9</u>
Debt Service:				
Principal	\$ 128.9	\$ 96.2	\$ 126.6	\$ 102.2
Interest	<u>122.5</u>	<u>121.0</u>	<u>124.8</u>	<u>118.5</u>
Actual Annual Debt Service (1)	<u>251.4</u>	<u>217.2</u>	<u>251.4</u>	<u>220.6</u>
Debt Service Coverage	0.9 x	1.1 x	0.9 x	1.0 x

NOTE: (1) The table above excludes amounts related to refunded bonds.

## Michigan

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2015	2016	2017	2018	2019	2020
\$ 230.9	\$ 224.4	\$ 216.7	\$ 225.1	\$ 224.2	\$ 219.6
1.0	0.8	1.0	1.6	1.5	1.5
<u>229.9</u>	<u>223.6</u>	<u>215.7</u>	<u>223.5</u>	<u>222.7</u>	<u>218.1</u>
<u><u>229.9</u></u>	<u><u>223.6</u></u>	<u><u>215.7</u></u>	<u><u>223.5</u></u>	<u><u>222.7</u></u>	<u><u>218.1</u></u>
\$ 139.5	\$ 108.8	\$ 87.1	\$ 95.8	\$ 99.7	\$ 115.5
121.7	117.3	133.2	141.6	140.5	141.7
<u>261.2</u>	<u>226.1</u>	<u>220.2</u>	<u>237.4</u>	<u>240.2</u>	<u>257.2</u>
0.9 x	1.0 x	1.0 x	0.9 x	0.9 x	0.8 x

# Michigan

## DEMOGRAPHIC AND ECONOMIC INDICATORS

### LAST TEN CALENDAR YEARS

	2010	2011	2012	2013
Population (a) (in thousands)				
Michigan	9,884	9,882	9,897	9,913
United States	308,746	311,557	313,831	315,994
Total Personal Income (b) (in billions)				
Michigan	\$ 349.6	\$ 370.7	\$ 386.6	\$ 390.2
United States	\$ 12,542.0	\$ 13,315.5	\$ 13,998.4	\$ 14,175.5
Per Capita Income (b)				
Michigan	\$ 35,391	\$ 37,509	\$ 39,059	\$ 39,362
United States	\$ 40,547	\$ 42,739	\$ 44,605	\$ 44,860
Unemployment Rate (c)				
Michigan	12.6%	10.4%	9.1%	8.8%
United States	9.6%	8.9%	8.1%	7.4%
Michigan estimated wage and salary employees (c) (in thousands)				
Goods Producing:				
Mining and Logging	7.1	7.4	7.8	8.0
Construction	121.6	125.3	128.2	133.5
Manufacturing	466.2	501.8	530.5	548.7
Total Goods Producing	594.9	634.6	666.5	690.2
Service-Providing:				
Private Service-Providing				
Trade, Transportation, and Utilities:				
Wholesale Trade	150.1	154.4	158.6	162.5
Retail Trade	446.6	448.6	449.3	455.4
Transportation and Utilities	113.5	118.3	121.7	125.7
Information	54.8	53.2	53.3	55.3
Financial Activities:				
Finance and Insurance	140.0	144.5	148.6	153.9
Real Estate and Rental and Leasing	48.3	48.9	48.2	49.4
Professional and Business Services:				
Professional, Scientific, and Technical Services	231.0	242.8	253.6	263.3
Management of Companies and Enterprises	49.8	52.5	54.4	56.9
Administrative, Support Services, and Waste Management	243.7	267.8	280.9	291.6
Educational and Health Services:				
Educational Services	77.3	73.5	73.1	73.4
Health Care and Social Assistance	534.3	547.9	558.5	564.8
Leisure and Hospitality:				
Accommodation and Food Services	329.0	332.8	341.9	350.3
Other	48.6	47.7	46.9	47.9
Other Services	166.3	167.3	169.3	170.5
Total Private Service-Providing	2,633.1	2,700.1	2,758.5	2,820.7
Government	635.6	617.4	608.5	598.5
Total Service-Providing	3,268.7	3,317.6	3,367.0	3,419.3
Total Wage and Salary Employment	3,863.7	3,952.1	4,033.5	4,109.5

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 2019 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.

# Michigan

2014	2015	2016	2017	2018	2019
9,930	9,932	9,951	9,973	9,984	9,987
318,301	320,635	322,941	324,986	326,688	328,240
\$ 408.6	\$ 431.8	\$ 444.2	\$ 458.2	\$ 477.0	\$ 491.6
\$ 14,982.7	\$ 15,717.1	\$ 16,151.9	\$ 16,937.6	\$ 17,839.3	\$ 18,542.3
\$ 41,150	\$ 43,477	\$ 44,637	\$ 45,948	\$ 47,777	\$ 49,228
\$ 47,071	\$ 49,019	\$ 50,015	\$ 52,118	\$ 54,606	\$ 56,490
7.2%	5.4%	5.0%	4.6%	4.1%	4.1%
6.2%	5.3%	4.9%	4.4%	3.9%	3.7%
8.3	7.7	7.2	7.1	7.3	7.3
141.8	148.3	155.1	162.2	169.1	173.4
574.7	591.7	605.7	616.1	628.6	627.2
724.8	747.6	768.0	785.4	805.0	808.0
165.8	167.1	168.5	170.6	171.7	171.7
461.4	467.6	473.2	473.3	470.0	464.3
130.6	135.5	138.7	142.5	149.2	159.9
57.5	56.6	57.3	56.5	56.0	55.2
154.3	156.8	161.6	165.0	165.9	168.3
50.6	51.3	52.8	54.2	54.9	56.2
271.7	277.8	285.8	294.1	298.6	298.3
58.5	61.1	63.8	66.6	68.8	70.2
294.5	298.0	296.4	289.2	292.1	285.6
72.4	72.3	72.0	72.6	74.5	74.7
568.0	576.2	589.3	597.6	603.0	606.9
357.5	363.5	373.5	379.1	380.2	381.0
49.0	50.2	51.7	53.1	53.4	53.2
169.5	167.3	167.7	165.7	166.0	166.0
2,861.1	2,901.4	2,952.3	2,980.0	3,004.2	3,011.4
595.8	594.2	599.4	603.7	608.5	613.3
3,456.9	3,495.5	3,551.7	3,583.7	3,612.7	3,624.6
4,181.7	4,243.1	4,319.7	4,369.1	4,417.7	4,432.6

## Michigan

### CLASSIFIED EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

	2011	2012	2013	2014
General government	6,645	7,026	7,273	7,377
Education	446	476	518	518
Health and human services	13,813	14,055	14,885	14,516
Public safety and corrections	17,508	16,689	16,561	16,154
Conservation, environment, recreation, and agriculture	3,041	3,049	3,033	3,050
Labor, commerce, and regulatory	3,727	3,756	2,899	2,817
Transportation	2,639	2,632	2,570	2,573
Total	47,818	47,683	47,739	47,003

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, this schedule also includes approximately 2,000 classified employees for the business-type activities and discretely presented component unit authorities. Although the expenses for the business-type activities and component unit authorities are reported separately in the government-wide financial statements, the employee counts were combined in this schedule to ensure consistency with the Civil Service Commission reports and for administrative efficiency.

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

SOURCE: Michigan Civil Service Commission, Annual Work Force Report.

## Michigan

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<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
6,888	7,016	7,090	7,155	7,181	7,194
515	507	504	505	503	498
14,046	13,858	14,083	14,273	14,406	14,241
16,019	16,125	15,916	15,716	15,743	15,558
3,119	3,185	3,247	3,305	3,370	3,363
3,431	3,402	3,390	3,405	3,537	4,094
<u>2,570</u>	<u>2,600</u>	<u>2,594</u>	<u>2,597</u>	<u>2,583</u>	<u>2,574</u>
46,588	46,692	46,825	46,956	47,324	47,522

# Michigan

## OPERATING INDICATORS BY FUNCTION

### LAST TEN FISCAL YEARS

	2011	2012	2013	2014
General government				
Tax forms processed	8,521,664	8,539,957	8,360,575	8,432,444
Passenger, commercial, and recreational vehicle registrations	8,479,747	8,435,868	8,496,407	8,543,342
Driver licenses issued	1,901,673	1,969,253	1,956,686	1,811,237
Education				
K-12 students	1,565,324	1,550,111	1,533,442	1,522,039
Public university students	264,903	264,913	263,817	262,537
Community college students	176,370	164,828	154,118	143,829
Human services				
Food assistance program recipients (1)	1,928,478	1,828,384	1,775,646	1,680,721
Family independence program recipients (1)	227,490	154,941	129,185	89,957
Day care recipients (1)	54,049	50,028	43,246	35,501
Children in foster care	14,043	13,504	13,902	13,209
State disability assistance recipients (1)	10,094	8,713	7,845	6,723
Finalized adoptions (yearly total) (2)	2,506	2,554	2,361	2,185
Juvenile justice youth served	951	801	790	729
Open child support cases with support orders established	772,687	774,463	771,108	760,284
Public safety and corrections				
Inmates, parolees, and probationers (as of 9/30)	117,152	112,049	108,738	106,966
State police patrol miles driven	15,045,772	17,633,319	18,852,703	21,249,946
Criminal offender DNA samples entered into federal indexing database (calendar year)	16,475	16,098	21,283	14,776
National Guard members (as of 9/30)	11,504	11,156	10,901	10,537
Veteran homes average daily census	798	690	665	649
Conservation, environment, recreation and agriculture				
Hunting and/or fishing license holders (3)	1,912,262	1,851,287	1,919,692	1,947,508
Camping nights in State parks	899,311	987,189	1,021,712	939,105
Population impacted by water purification projects	725,931	463,457	691,102	677,175
Underground storage tank releases closed	171	184	285	488
Scrap tires collected (passenger tire equivalent)	220,508	161,704	522,869	183,359
Labor, commerce, and regulatory				
Processed applications for new and renewal occupational licenses	147,791	125,603	135,734	341,132
Building related permits issued	18,182	19,221	17,783	17,066
Building related safety inspections conducted	46,510	49,614	58,223	56,098
Occupational safety and health enforcement inspections conducted	5,343	5,394	5,267	5,231
Alleged occupational safety and health violations identified	14,333	13,744	12,741	10,693
Financial and insurance service providers chartered	349,269	390,005	225,927	255,121
Health services				
Medicaid recipients (1)	1,899,107	1,875,544	1,854,880	1,842,957
Healthy Michigan Plan recipients	-	-	-	286,311 (10)
Women, Infants, and Children Food and Nutrition Program recipients (1)	252,123	255,954	254,126	251,713
Children's special health care services recipients (1)	31,587	29,958	31,083	33,550
Mentally ill/developmental disability service recipients (1)	231,091	242,884	251,019	241,329
Substance abuse service recipients	70,069	70,145	70,664	71,248

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 2020 are for the licensing year ending March 31, 2020.

(4) Amount estimated.

SOURCES: Various State departments.

## Michigan

2015	2016	2017	2018	2019	2020
8,253,892	8,843,031	8,957,609	9,517,077	9,316,186	9,289,026
8,604,852	8,726,870	8,828,958	8,778,306	9,402,232	9,319,373
1,907,776	1,995,736	1,998,160	1,877,592	1,985,920	1,894,352
1,506,953	1,494,000	1,489,357	1,481,199	1,467,410	1,457,939
261,989	260,817	259,711	257,535	256,090	255,155
133,895	125,388	124,868	120,724	116,340	108,318
1,571,403	1,473,614	1,375,434	1,281,862	1,180,070	1,254,475
71,156	55,379	48,120	41,914	36,584	46,341
29,624	30,941	32,217	34,218	35,225	33,151
13,246	13,145	13,329	14,149	13,830	12,875
5,600	4,664	3,991	3,339	3,032	3,677
1,815	2,109	1,998	2,002	2,191	1,767 (4)
668	639	640	617	560	495
683,193	694,706	685,058	674,643	642,177	621,773
104,345	101,853	98,666	96,579	92,954	83,637
22,731,503	22,532,597	22,762,373	23,622,792	24,531,668	25,813,004
20,930	37,856	33,421	32,121	27,414	18,661 (4)
10,001	10,242	10,451	10,532	10,640	10,824
610	589	499	453	384	364
1,838,505	1,836,298	1,827,091	1,815,201	1,763,571	1,725,335
1,022,791	1,034,109	1,155,052	1,163,997	1,151,830	1,037,105 (4)
821,323	1,181,115	806,760	76,472	4,018,604	4,916,705
427	344	249	218	166	165
369,305	212,528	203,162	277,578	342,947	372,689 (4)
128,071	148,606	167,118	169,267	206,962	217,085
18,051	16,718	17,747	18,346	19,372	19,745
52,578	55,731	41,649	35,930	35,159	32,380
4,437	5,069	4,862	4,339	4,757	3,443
11,266	13,855	12,566	9,510	9,843	6,782
277,147	298,370	310,436	336,604	338,972	358,138
1,706,468	1,710,770	1,775,073	1,769,624	1,742,904	1,772,810
544,377	597,225	650,000	671,601	662,818	699,225
244,829	234,546	224,106	213,964	205,364	213,281
33,512	33,206	33,622	35,835	39,163	41,504
236,291	228,444	231,307	240,434	232,945	Unavailable
70,173	72,306	72,627	75,875	76,947	66,099 (4)



# Michigan

## OPERATING INDICATORS BY FUNCTION (Continued)

LAST TEN FISCAL YEARS

	2011	2012	2013	2014
Transportation				
Annual vehicle miles of travel on				
State Trunkline roads (8)	49,800,000,000	48,700,000,000	49,400,000,000	50,000,000,000
Miles of intercity bus travel receiving State funding	1,086,022	1,094,911	1,110,733	1,109,738
Miles of local bus travel receiving State funding	105,267,567	104,317,459	101,203,565	100,071,938
Railroad crossing maintenance/safety inspections	2,563	2,644	1,970	1,624
Tax credits				
Taxpayers claiming refundable credits (5) (7)	2,363,800	1,882,600	1,840,900	1,802,100
Intergovernmental-revenue sharing				
Township grants	1,240	1,240	1,240	1,240
City grants	277	277	277	277
Village grants	256	256	256	256
County grants (6)	36	50	62	63
Liquor Purchase Revolving Fund				
Annual retail liquor licenses issued (9)	15,870	15,961	16,026	15,989
Liquor sales volume (cases)	7,117,299	7,373,714	7,532,846	7,709,480
Beer sales volume (barrels)	6,250,673	6,318,295	6,206,452	6,221,433
Wine sales volume (liters)	81,504,221	84,253,865	88,096,394	92,044,380
Pre-mixed spirit drink sales volume (liters)	954,712	1,076,369	1,058,511	1,074,364
State Lottery Fund				
Retailers	10,746	10,879	10,848	10,684
Winners greater than \$600	48,567	44,904	52,365	56,735
Millionaire prizewinners	28	31	36	39
Michigan Unemployment Compensation Funds				
Individuals receiving benefits (calendar year)	636,493	527,507	449,388	370,980

- NOTES: (5) Tax credits are reported based on the tax year. Credits claimed during tax year 2019, for example, are reported above in fiscal year 2019.
- (6) 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.
- (7) Amount estimated and rounded to nearest hundred.
- (8) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.
- (9) 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.
- (10) 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.

## Michigan

2015	2016	2017	2018	2019	2020
51,100,000,000	51,400,000,000	52,900,000,000	54,300,000,000	54,200,000,000	53,900,000,000
1,112,920	1,056,684	972,876	960,280	946,945	506,270
101,441,015	102,988,003	108,598,150	115,451,020	113,284,035	94,036,864 (4)
1,787	3,256	2,250	2,379	2,191	2,155
1,757,100	1,783,300	1,733,200	1,856,300	1,923,800	Unavailable
1,240	1,240	1,240	1,240	1,240	1,240
279	280	280	280	280	280
254	253	253	253	253	253
74	76	78	78	81	81
15,940	15,921	25,727	26,351	29,495	29,403
8,043,595	8,370,191	8,549,809	8,898,383	9,046,819	10,552,801
6,302,160	6,221,883	6,064,592	6,024,082	5,917,199	6,001,106
92,562,421	95,465,899	96,255,115	97,473,694	98,009,016	102,679,536
1,142,527	1,385,629	1,553,193	1,726,361	2,436,149	4,428,526
10,654	10,650	10,645	10,792	10,508	10,492
68,359	74,352	82,435	91,984	94,046	115,829
42	46	38	39	42	42
306,158	286,449	272,373	241,828	253,518	2,361,468 (4)

# Michigan

## CAPITAL ASSETS BY FUNCTION

LAST TEN FISCAL YEARS

	2011	2012	2013	2014
General government				
Buildings (2)	247	239	240	240
Vehicles	762	783	927	974
Education				
Buildings (2)	27	27	27	28
Vehicles	24	28	27	29
Health and Human services				
Buildings (2)	429	420	459	443
Vehicles	1,297	1,317	1,546	1,682
Public safety and corrections				
Buildings (2)	1,386	1,255	1,254	1,254
Vehicles	3,448	3,433	3,547	3,700
Conservation, environment, recreation, and agriculture				
Buildings (2)	339	335	325	327
Vehicles	3,829	3,853	3,985	4,053
Environmental quality air-monitoring instruments	202	202	231	229
Environmental quality lab/analyzing equipment	150	156	159	143
Natural resources acres of land (1)	4,586,891	4,586,922	4,595,866	4,592,910
Harbors	18	19	19	19
Hatcheries	6	6	6	6
State park & recreation areas	99	101	101	102
Labor, commerce, and regulatory				
Buildings (2)	166	112	45	45
Vehicles	490	585	484	495
Transportation				
Buildings (2)	435	374	373	373
Vehicles	1,729	1,707	1,692	1,682
Highway lane miles (calendar year)	27,439	27,437	27,424	27,459
Heavy equipment owned	2,211	2,150	2,150	2,156

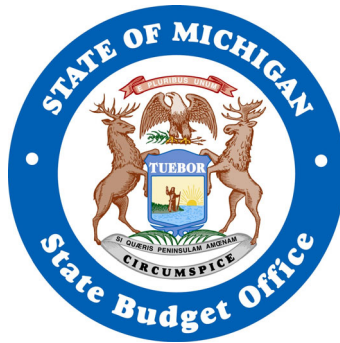
NOTES: (1) Acres of land are on a tax year basis rather than a fiscal year basis.

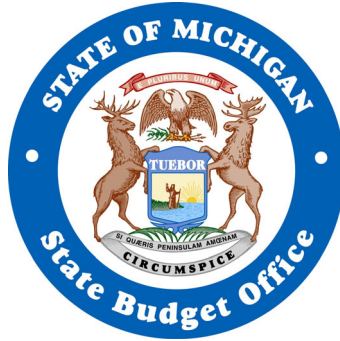
(2) Beginning in fiscal year 2019, amounts only include buildings where costs exceed the \$100.0 thousand threshold for capitalization.

SOURCES: Michigan Departments of Technology, Management and Budget; Natural Resources; Environmental Quality; and Transportation.

# Michigan

2015	2016	2017	2018	2019	2020
241	240	243	241	171	168
972	988	990	1,059	1,011	992
28	28	28	28	2	2
32	35	33	35	35	37
439	441	442	439	136	98
1,708	1,698	1,729	1,746	1,791	1,688
1,253	1,261	1,259	1,254	635	630
3,705	3,924	3,977	4,057	4,082	4,044
330	327	326	326	327	324
4,159	4,275	4,528	4,005	4,027	3,623
229	248	278	294	283	332
147	156	166	217	229	234
4,597,121	4,590,035	4,594,015	4,594,482	4,590,515	4,594,121
19	19	19	19	19	19
6	6	6	6	6	6
102	103	103	102	102	102
70	69	66	65	20	35
493	574	601	636	696	796
372	373	373	374	239	249
1,674	1,682	1,691	1,729	1,758	1,780
27,488	27,452	29,702	29,748	29,711	29,386
2,185	2,222	2,258	2,343	2,425	2,506





## OTHER INFORMATION

**Michigan**

**COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES**

**GENERAL AND SPECIAL REVENUE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
<b>TAXES</b>			
Sales	\$ 8,299,005	\$ 2,160,224	\$ 6,138,781
Personal income	11,438,300	7,877,373	3,560,928
Single business, Michigan business, and corporate income	1,019,636	1,019,636	-
Use	1,368,751	755,741	613,010
State education (property)	2,189,928	-	2,189,928
Real estate transfer	335,402	-	335,402
Tobacco products	904,170	572,384	331,786
Beer and wine	51,364	51,364	-
Liquor	215,112	144,229	70,883
Casino gaming wagering	67,011	-	67,011
Telephone and telegraph company	32,735	32,735	-
Commercial mobile radio service	42,817	42,817	-
Insurance company	467,757	467,757	-
Health insurance claims assessment	1,794	1,794	-
Motor vehicle registration	1,348,427	3,315	1,345,112
Gasoline	1,086,829	-	1,086,829
Diesel fuel	230,429	-	230,429
Gas and oil severance	14,095	14,095	-
Industrial facilities	40,863	-	40,863
Convention hotel accommodation	15,161	15,161	-
Airport parking	16,602	16,602	-
Quality assurance assessment	1,261,031	1,261,031	-
Essential services assessment	121,991	121,991	-
Penalties and interest	93,545	93,545	-
Marihuana excise	31,164	31,164	-
Insurance provider assessment	608,376	608,376	-
Environmental protection regulatory fee	48,385	48,385	-
Michigan State Housing Development Authority payment in lieu of taxes	14,630	-	14,630
Other	22,710	7,800	14,909
	<u>31,388,019</u>	<u>15,347,519</u>	<u>16,040,501</u>
<b>FROM FEDERAL AGENCIES</b>			
Department of Health and Human Services	16,963,987	16,962,907	1,080
Department of Education	1,293,408	174,123	1,119,285
Department of Agriculture	3,509,015	2,846,730	662,285
Department of the Treasury	1,915,849	1,915,849	-
Department of Labor	341,977	148,093	193,884
Department of Housing and Urban Development	11,085	11,085	-
Department of Energy	14,014	14,014	-
Department of Transportation	100,150	24,893	75,257
Department of Interior	30,395	26,087	4,308
Department of Defense	72,850	72,850	-
Department of Justice	85,748	85,748	-
Department of Homeland Security	160,056	158,284	1,772
Department of Veterans Affairs	21,014	21,014	-
Social Security Administration	95,421	95,421	-
Environmental Protection Agency	147,322	147,316	6
Other	32,891	32,879	12
	<u>24,795,182</u>	<u>22,737,294</u>	<u>2,057,888</u>
<b>FROM LOCAL AGENCIES</b>			
Counties	93,714	93,714	-
Cities, villages, and townships	8,109	8,109	-
School districts	3,156	3,156	-
Other	18,418	18,418	-
	<u>123,397</u>	<u>123,397</u>	<u>-</u>

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
<b>SPECIAL MEDICAID REIMBURSEMENTS</b>	<u>153,051</u>	<u>153,051</u>	<u>-</u>
<b>FROM SERVICES</b>			
Charges for providing vehicle and driver services	\$ 154,949	\$ 150,424	\$ 4,526
Revenues for patient, ward, and inmate care	33,684	33,684	-
Other	<u>159,265</u>	<u>159,225</u>	<u>41</u>
	<u>347,899</u>	<u>343,333</u>	<u>4,566</u>
<b>FROM LICENSES AND PERMITS</b>			
Liquor retailer, manufacturer, and wholesaler licenses	18,986	18,986	-
Motor vehicle operator and chauffeur licenses	56,811	56,558	254
Examination fees - financial institutions and insurance industry	41,287	41,287	-
Motor vehicle related	32,819	2,517	30,301
Hunting, fishing, and trapping licenses	65,570	-	65,570
Public utilities assessment fees	32,382	32,382	-
Regulatory licenses and permits	170,729	158,652	12,077
Corporation franchise fees	31,994	31,994	-
Recreation user fees and permits	102,657	1,617	101,040
Other	<u>62,355</u>	<u>59,063</u>	<u>3,292</u>
	<u>615,590</u>	<u>403,056</u>	<u>212,534</u>
<b>MISCELLANEOUS</b>			
Income from investments	58,294	28,218	30,076
Tobacco settlement proceeds	211,280	17,510	193,770
Various fines, fees, and assessments	105,452	69,567	35,885
Court fines, fees, and assessments	135,766	123,159	12,607
Oil and gas royalties, fees, assignments, and rentals	3,904	2,996	908
Sale of forest products on tax reverted land	49,576	-	49,576
Child support	36,903	36,903	-
Unclaimed bottle deposits	32,426	-	32,426
Unemployment obligation assessment	42,587	-	42,587
Low-income energy efficiency program	50,469	50,469	-
Unclaimed property proceeds	78,808	78,808	-
School bond loan repayment interest	83,201	83,201	-
Other	<u>381,779</u>	<u>322,173</u>	<u>59,606</u>
	<u>1,270,446</u>	<u>813,006</u>	<u>457,440</u>
Total Revenues	<u>58,693,584</u>	<u>39,920,656</u>	<u>18,772,929</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from bond issues and bond anticipation notes	182,230	182,230	-
Capital lease and financed purchase acquisitions	94,866	94,866	-
Proceeds from sale of capital assets	1,751	1,736	16
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	279,537	279,537	-
From State Lottery Fund	1,183,288	2,202	1,181,087
From other funds	<u>847,141</u>	<u>111,319</u>	<u>735,822</u>
Total Other Financing Sources	<u>2,588,813</u>	<u>671,888</u>	<u>1,916,924</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>\$ 61,282,397</u>	<u>\$ 40,592,544</u>	<u>\$ 20,689,853</u>



**SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES****GENERAL FUND**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
<b>TAXES</b>			
Sales	\$ 2,160,224	\$ 903,910	\$ 1,256,314
Personal income	7,877,373	6,736,383	1,140,989
Single business, Michigan business, and corporate income	1,019,636	541,110	478,526
Use	755,741	747,452	8,289
Tobacco products	572,384	180,061	392,323
Beer and wine	51,364	51,364	-
Liquor	144,229	73,072	71,158
Telephone and telegraph company	32,735	32,735	-
Commercial mobile radio service	42,817	-	42,817
Insurance company	467,757	456,802	10,955
Health insurance claims assessment	1,794	-	1,794
Motor vehicle registration	3,315	-	3,315
Gas and oil severance	14,095	12,845	1,250
Convention hotel accommodation	15,161	10,000	5,161
Airport parking	16,602	-	16,602
Quality assurance assessment	1,261,031	1,124	1,259,907
Essential services assessment	121,991	121,991	-
Penalties and interest	93,545	86,463	7,082
Marihuana excise	31,164	97	31,068
Insurance provider assessment	608,376	-	608,376
Environmental protection regulatory fee	48,385	-	48,385
Other	7,800	2,199	5,601
	<u>15,347,519</u>	<u>9,957,608</u>	<u>5,389,911</u>
<b>FROM FEDERAL AGENCIES</b>			
Department of Health and Human Services	16,962,907	1,575	16,961,332
Department of Education	174,123	56	174,066
Department of Agriculture	2,846,730	265	2,846,465
Department of the Treasury	1,915,849	-	1,915,849
Department of Labor	148,093	583	147,510
Department of Housing and Urban Development	11,085	78	11,008
Department of Energy	14,014	-	14,014
Department of Transportation	24,893	579	24,313
Department of Interior	26,087	-	26,087
Department of Defense	72,850	-	72,850
Department of Justice	85,748	68	85,681
Department of Homeland Security	158,284	63	158,221
Department of Veterans Affairs	21,014	-	21,014
Social Security Administration	95,421	-	95,421
Environmental Protection Agency	147,316	17	147,300
Other	32,879	598	32,281
	<u>22,737,294</u>	<u>3,882</u>	<u>22,733,412</u>
<b>FROM LOCAL AGENCIES</b>			
Counties	93,714	31	93,683
Cities, villages, and townships	8,109	-	8,109
School districts	3,156	266	2,891
Other	18,418	141	18,277
	<u>123,397</u>	<u>437</u>	<u>122,960</u>

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
<b>SPECIAL MEDICAID REIMBURSEMENTS</b>	153,051	48	153,004
<b>FROM SERVICES</b>			
Charges for providing vehicle and driver services	\$ 150,424	\$ -	\$ 150,424
Revenues for patient, ward, and inmate care	33,684	2,747	30,937
Other	159,225	1,041	158,184
	343,333	3,789	339,544
<b>FROM LICENSES AND PERMITS</b>			
Liquor retailer, manufacturer, and wholesaler licenses	18,986	1,930	17,056
Motor vehicle operator and chauffeur licenses	56,558	10,786	45,772
Examination fees - financial institutions and insurance industry	41,287	-	41,287
Motor vehicle related	2,517	21	2,496
Public utilities assessment fees	32,382	-	32,382
Regulatory licenses and permits	158,652	37,426	121,226
Corporation franchise fees	31,994	-	31,994
Recreation user fees and permits	1,617	253	1,364
Other	59,063	723	58,340
	403,056	51,138	351,918
<b>MISCELLANEOUS</b>			
Income from investments	28,218	6,653	21,565
Tobacco settlement proceeds	17,510	-	17,510
Various fines, fees, and assessments	69,567	1,452	68,115
Court fines, fees, and assessments	123,159	10,089	113,070
Oil and gas royalties, fees, assignments, and rentals	2,996	-	2,996
Child support	36,903	-	36,903
Low-income energy efficiency program	50,469	-	50,469
Unclaimed property proceeds	78,808	74,289	4,519
School bond loan repayment interest	83,201	-	83,201
Other	322,173	96,482	225,692
	813,006	188,964	624,042
Total Revenues	39,920,656	10,205,866	29,714,790
<b>OTHER FINANCING SOURCES</b>			
Proceeds from bond and bond anticipation notes	182,230	-	182,230
Capital lease and financed purchase acquisitions	94,866	-	94,866
Proceeds from sale of capital assets	1,736	-	1,736
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	279,537	279,347	189
From State Lottery Fund	2,202	768	1,433
From other funds	111,319	58,979	52,340
Total Other Financing Sources	671,888	339,095	332,793
Total Revenue and Other Financing Sources (GAAP Basis)	40,592,544	10,544,961	30,047,583
<b>BUDGETARY BASIS ADJUSTMENTS</b>			
Capital lease and financed purchase acquisitions	(94,866)	-	(94,866)
Total Revenue and Other Financing Sources (Budgetary Basis)	\$ 40,497,678	\$ 10,544,961	\$ 29,952,717

# Michigan

## SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(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	\$ 188,366	\$ -	\$ 965	\$ 48,978	\$ 12,413	\$ (3,492)
Judicial Branch	198,894	-	11	35,959	67,264	(30,861)
Executive Branch:						
Agriculture and Rural Development	51,597	-	-	56,603	43,219	(42,758)
Attorney General	37,548	-	-	15,560	53,828	(6,403)
Civil Rights	12,137	-	-	672	1,767	-
Colleges and Universities Grants	1,207,949	-	1	15,803	229,076	-
Corrections	1,610,469	-	-	197,492	459,259	(12,008)
Education	186,726	-	-	30,186	927,402	(4,500)
Environment, Great Lakes, and Energy	170,516	-	47	285,270	514,786	(397,670)
Executive Office	6,759	-	-	1,246	-	-
Health and Human Services	4,331,780	-	51	328,389	22,510,476	(237,576)
Insurance and Financial Services	-	-	-	25,635	59,333	(31,023)
Labor and Economic Opportunity	135,872	-	-	22,281	392,727	(15,873)
Licensing and Regulatory Affairs	109,451	-	-	172,547	232,110	(166,318)
Marshall Plan for Talent	-	-	-	62,485	821	(63,193)
Military and Veterans Affairs	70,984	-	-	20,150	119,215	(15,859)
Natural Resources	45,139	-	-	74,270	52,352	(24,062)
State	12,153	-	-	57,830	227,029	(34,342)
State Police	363,938	-	-	111,758	459,235	(71,026)
Technology, Management and Budget	478,261	-	-	1,340,938	578,742	(912,187)
Transportation	12,000	-	962	140,080	-	(553)
Treasury	232,555	-	5	145,326	3,528,786	(75,512)
Intrafund expenditure reimbursements	-	-	-	-	-	-
Total	<u>\$ 9,463,093</u>	<u>\$ -</u>	<u>\$ 2,043</u>	<u>\$ 3,189,458</u>	<u>\$ 30,469,842</u>	<u>\$ (2,145,216)</u>

\* 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 is considered use of spending authority in the year the State incurs an obligation.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

# Michigan

GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	"BUDGET"	"ACTUAL"		"VARIANCES"		
		AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
\$ 247,230	\$ (52,093)	\$ 195,137	\$ 181,319	\$ 583	\$ 89	\$ 13,146	\$ -
271,267	(1,447)	269,820	268,836	845	-	139	-
108,661	(2,300)	106,362	91,752	12,120	-	2,491	-
100,532	(6,838)	93,693	93,026	15	-	652	-
14,576	(75)	14,501	13,999	46	-	456	-
1,452,829	(10,014)	1,442,815	1,440,823	-	-	1,993	-
2,255,212	(144,971)	2,110,241	1,987,867	43,665	-	78,708	-
1,139,815	(6,409)	1,133,406	1,128,110	1,495	-	3,801	-
572,948	(115,429)	457,519	443,458	13,069	-	992	-
8,005	-	8,005	6,476	941	-	588	-
26,933,120	(39,497)	26,893,623	26,543,600	26,757	-	368,313	(45,047)
53,945	-	53,945	53,945	-	-	-	-
535,008	(160)	534,848	530,114	4,311	-	423	-
347,790	(8,166)	339,624	328,827	1,971	410	8,416	-
113	-	113	113	-	-	-	-
194,490	(2,935)	191,555	183,692	1,145	3,202	4,167	(651)
147,699	(11,801)	135,898	108,783	25,139	-	1,976	-
262,670	(4,582)	258,087	256,300	46	126	1,614	-
863,905	(24,586)	839,319	837,387	1,741	-	2,269	(2,077)
1,485,754	(171,676)	1,314,077	1,282,812	16,487	6,736	8,043	-
152,489	(28,577)	123,913	109,927	13,653	-	332	-
3,831,159	(17,660)	3,813,499	3,731,447	4,984	42,535	34,533	-
-	-	(517,124)	(517,124)	-	-	-	-
<u>\$ 40,979,219</u>	<u>\$ (649,215)</u>	<u>\$ 39,812,879</u>	<u>\$ 39,105,489</u>	<u>\$ 169,015</u>	<u>\$ 53,098</u>	<u>\$ 533,052</u>	<u>\$ (47,775)</u>
Prior Year encumbrances		(198,163)	(198,163)				
Amount reported on Budgetary Comparison Schedule		<u>\$ 39,614,715</u>	<u>\$ 38,907,326</u>	<u>\$ 169,015</u>	<u>\$ 53,098</u>	<u>\$ 533,052</u>	<u>\$ (47,775)</u>

**Michigan**

**SOURCE AND DISPOSITION OF  
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS**

FISCAL YEAR ENDED SEPTEMBER 30, 2020

(In Thousands)

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION*</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>	<u>UNEXPENDED FROM PRIOR YEAR</u>
Legislative Branch	\$ 188,366	\$ -	\$ 965	\$ 45,459
Judicial Branch	198,894	-	11	2,874
Executive Branch:				
Agriculture and Rural Development	51,597	-	-	20,493
Attorney General	37,548	-	-	8,421
Civil Rights	12,137	-	-	672
Colleges and Universities Grants	1,207,949	-	1	15,803
Corrections	1,610,469	-	-	178,588
Education	186,726	-	-	13,604
Environment, Great Lakes, and Energy	170,516	-	47	15,989
Executive Office	6,759	-	-	1,246
Health and Human Services	4,331,780	-	51	97,745
Labor and Economic Opportunity	135,872	-	-	3,262
Licensing and Regulatory Affairs	109,451	-	-	13,252
Military and Veterans Affairs	70,984	-	-	8,450
Natural Resources	45,139	-	-	48,362
State	12,153	-	-	7,850
State Police	363,938	-	-	58,496
Technology, Management and Budget	478,261	-	-	159,636
Transportation	12,000	-	962	139,472
Treasury	232,555	-	5	43,460
Total	<u>\$ 9,463,093</u>	<u>\$ -</u>	<u>\$ 2,043</u>	<u>\$ 883,134</u>

\* The amounts in the "Current Legislative Appropriation" column include certain appropriations that do not appear as line-item appropriations in the budget bills. These appropriations are authorized in narrative "boilerplate" language in the budget bills. "Boilerplate" appropriations include interfund borrowing, interest on general obligation notes and bonds, and certain interfund transfers.

"Boilerplate" appropriations accounted for \$61.2 thousand of the "Current Legislative Appropriation."

# Michigan

GROSS SPENDING AUTHORITY	"ACTUAL"			"VARIANCES"	
	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
\$ 234,791	\$ 168,969	\$ 583	\$ 52,093	\$ 13,146	\$ -
201,779	199,348	845	1,447	139	-
72,090	55,180	12,120	2,300	2,491	-
45,968	38,463	15	6,838	652	-
12,809	12,232	46	75	456	-
1,223,753	1,211,747	-	10,014	1,993	-
1,789,057	1,521,712	43,665	144,971	78,708	-
200,330	188,625	1,495	6,409	3,801	-
186,552	57,062	13,069	115,429	992	-
8,005	6,476	941	-	588	-
4,429,575	4,000,343	26,757	39,497	368,313	(5,334)
139,134	134,240	4,311	160	423	-
122,703	104,149	1,971	8,166	8,416	-
79,434	71,838	1,145	2,935	4,167	(651)
93,501	54,586	25,139	11,801	1,976	-
20,003	13,760	46	4,582	1,614	-
422,434	394,287	1,741	24,586	2,269	(450)
637,897	441,691	16,487	171,676	8,043	-
152,434	109,872	13,653	28,577	332	-
276,020	218,842	4,984	17,660	34,533	-
<u>\$ 10,348,269</u>	<u>\$ 9,003,422</u>	<u>\$ 169,015</u>	<u>\$ 649,215</u>	<u>\$ 533,052</u>	<u>\$ (6,435)</u>

# Michigan

## REVENUE, BOND PROCEEDS, AND CAPITAL LEASE AND FINANCED PURCHASE ACQUISITIONS

### GENERAL AND SPECIAL REVENUE FUNDS

LAST TEN YEARS

SEPTEMBER 30, 2020

(In Thousands)

<u>SOURCE</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>TAXES</b>				
Sales	\$ 6,710,882	\$ 6,955,198	\$ 7,050,204	\$ 7,362,620
Personal Income (net of tax credits)	6,417,078	6,921,033	8,271,838	8,020,054
Amount reported as tax credits	1,271,900	1,226,300	689,900	676,500
Single Business, Michigan Business, and Corporate Income	2,098,407	1,321,782	721,602	419,554
Use	1,548,914	1,428,284	1,300,590	1,639,442
State Education (Property)	1,845,086	1,789,672	1,771,083	1,804,238
Real Estate Transfer	123,254	150,106	202,323	233,416
Tobacco Products	968,512	963,181	957,485	940,337
Beer, Wine, and Liquor	167,487	175,181	182,878	189,792
Casino Gaming Wagering	114,017	115,753	110,667	106,903
Insurance Company	271,257	290,385	301,883	362,397
Health Insurance Claims Assessment	-	176,419	270,489	271,861
Motor Vehicle and Fuel	1,820,367	1,825,091	1,860,582	1,902,612
Quality Assurance Assessment	882,600	959,267	969,767	975,786
Penalties and Interest	139,251	167,882	171,092	115,439
Insurance Provider Assessment	-	-	-	-
Other	307,324	299,383	292,011	309,781
Total Taxes	24,686,336	24,764,916	25,124,393	25,330,732
FEDERAL AGENCIES	18,972,659	16,612,723	16,598,202	17,259,668
LOCAL AGENCIES	85,674	85,394	87,578	89,644
SPECIAL MEDICAID REIMBURSEMENTS	155,059	186,194	134,353	133,909
SERVICES	320,469	310,275	318,403	322,271
LICENSES AND PERMITS	448,012	464,072	484,059	494,595
MISCELLANEOUS	1,387,068	1,716,779	1,594,097	1,558,174
Total Revenue	46,055,277	44,140,354	44,341,085	45,188,992
PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES	211,001	270,001	200,000	97,651
CAPITAL LEASE AND FINANCED PURCHASE ACQUISITIONS	171,094	34,567	17,224	18,371
PROCEEDS FROM SALE OF CAPITAL ASSETS	1,742	2,848	3,064	1,626
Total Revenue, Bond Proceeds, Capital Lease and Financed Purchase Acquisitions, and Proceeds from Sale of Capital Assets	<u>\$ 46,439,114</u>	<u>\$ 44,447,770</u>	<u>\$ 44,561,373</u>	<u>\$ 45,306,640</u>

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. Effective October 1, 2018, the State replaced the Health Insurance Claims Assessment with the Insurance Provider Assessment.

# Michigan

2015	2016	2017	2018	2019	2020
\$ 7,246,989	\$ 7,299,628	\$ 7,791,774	\$ 8,074,032	\$ 8,243,168	\$ 8,299,005
8,987,939	9,372,028	9,454,968	10,162,211	10,432,233	10,501,800
662,400	672,400	696,500	696,100	895,100	936,500
891,594	763,498	900,848	1,036,594	1,199,866	1,019,636
2,062,838	2,056,124	1,266,699	1,486,178	1,358,473	1,368,751
1,857,684	1,897,292	1,964,780	1,989,481	2,114,632	2,189,928
258,398	289,314	317,056	350,281	350,113	335,402
954,481	946,651	946,048	917,994	889,591	904,170
194,692	208,689	214,028	222,938	231,999	266,476
110,785	112,868	113,219	115,423	117,257	67,011
322,999	329,806	371,279	393,367	327,439	467,757
225,888	228,475	300,111	331,920	1,113	1,794
1,985,186	2,032,947	2,573,013	2,766,327	2,816,068	2,665,684
1,007,464	1,138,810	1,136,099	1,245,149	1,392,069	1,261,031
128,723	124,391	115,911	178,622	128,905	93,545
-	-	-	-	602,602	608,376
271,896	325,461	355,297	381,389	403,107	401,153
27,169,955	27,798,384	28,517,631	30,348,004	31,503,734	31,388,019
19,800,600	20,027,958	19,508,727	19,957,136	20,827,638	24,795,182
90,672	93,888	90,457	91,962	99,633	123,397
120,904	115,621	188,933	149,350	175,942	153,051
326,488	335,812	354,324	360,831	361,118	347,899
510,359	551,984	567,595	568,448	601,648	615,590
1,629,833	1,847,842	1,711,460	1,831,961	1,732,463	1,270,446
49,648,811	50,771,488	50,939,127	53,307,693	55,302,176	58,693,584
-	100,215	138,395	151,484	-	182,230
25,373	18,423	14,473	22,994	10,275	94,866
3,008	2,543	2,656	6,236	5,053	1,751
<u>\$ 49,677,192</u>	<u>\$ 50,892,669</u>	<u>\$ 51,094,652</u>	<u>\$ 53,488,407</u>	<u>\$ 55,317,504</u>	<u>\$ 58,972,432</u>



**SCHEDULE OF EXPENDITURES BY FUNCTION**  
**GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS**  
 LAST TEN YEARS  
 SEPTEMBER 30, 2020  
 (In Thousands)

	2011	2012	2013	2014
Current:				
General government	\$ 1,856,935	\$ 1,935,857	\$ 1,868,138	\$ 2,064,016
Education	15,216,151	14,540,137	14,604,622	14,909,901
Health and human services	20,251,675	19,585,310	19,787,851	20,600,683
Public safety and corrections	2,547,868	2,564,921	2,601,307	2,666,541
Conservation, environment, recreation, and agriculture	501,050	563,310	545,565	656,061
Labor, commerce, and regulatory	1,143,962	923,059	961,279	961,934
Transportation	1,149,640	1,180,615	1,395,444	1,532,228
Tax credits	1,271,900	1,226,300	689,900	676,500
Capital outlay	21,659	26,765	35,676	70,695
Intergovernmental - revenue sharing	1,091,527	1,032,243	1,077,514	1,120,593
Debt service:				
Capital lease and financed purchase payments	55,803	55,867	58,357	62,237
Total Expenditures	<u>\$ 45,108,168</u>	<u>\$ 43,634,383</u>	<u>\$ 43,625,653</u>	<u>\$ 45,321,388</u>

## Michigan

2015	2016	2017	2018	2019	2020
\$ 2,738,104	\$ 2,927,185	\$ 2,551,534	\$ 2,761,629	\$ 2,751,034	\$ 2,919,734
15,366,390	15,726,589	16,078,445	16,673,594	16,995,495	17,745,565
23,287,158	23,516,873	23,070,385	23,925,010	25,269,773	26,301,845
2,704,901	2,668,747	2,692,527	2,723,546	2,798,756	2,961,431
586,028	721,772	748,228	842,420	831,194	877,975
978,003	1,230,828	1,270,025	1,259,349	1,343,644	1,071,869
1,527,057	1,617,799	1,703,525	1,854,936	2,203,682	2,046,341
662,400	672,400	696,500	696,100	895,100	936,500
237,442	212,705	55,534	122,461	194,591	254,005
1,210,557	1,213,432	1,259,005	1,289,064	1,327,717	1,241,267
66,295	68,377	68,826	71,700	73,740	85,307
<u>\$ 49,364,335</u>	<u>\$ 50,576,708</u>	<u>\$ 50,194,535</u>	<u>\$ 52,219,810</u>	<u>\$ 54,684,725</u>	<u>\$ 56,441,839</u>

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