

**STATE BUILDING AUTHORITY OF
THE STATE OF MICHIGAN**
(a blended component unit of the
State of Michigan)

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**For the Year Ended
September 30, 2006**



REHMANN ROBSON

Certified Public Accountants

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Table of Contents

	<u>PAGE</u>
Independent Auditors' Report	1-2
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	3-4
Management's Discussion and Analysis	5-7
Basic Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Statement of Net Assets and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	11
Notes to Financial Statements	12-22
Independent Auditors' Report on Supplementary Information	23
Supplementary Information	
Commercial Paper Program, Series 5:	
Project Balance Sheet	24
Schedule of Project Revenue, Expenditures and Changes in Project Equity	25
1998 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	26
Schedule of Project Revenue, Expenditures and Changes in Project Equity	27
2000 Revenue Bonds, Series I:	
Project Balance Sheet	28
Schedule of Project Revenue, Expenditures and Changes in Project Equity	29

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Table of Contents (Continued)

	<u>PAGE</u>
Supplemental Information (Continued)	
2001 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	30
Schedule of Project Revenue, Expenditures and Changes in Project Equity	31
2002 Revenue Bonds, Series I:	
Project Balance Sheet	32
Schedule of Project Revenue, Expenditures and Changes in Project Equity	33
2002 Revenue Bonds, Series II:	
Project Balance Sheet	34
Schedule of Project Revenue, Expenditures and Changes in Project Equity	35
2002 Revenue and Refunding Revenue Bonds, Series III:	
Project Balance Sheet	36
Schedule of Project Revenue, Expenditures and Changes in Project Equity	37
2003 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	38
Schedule of Project Revenue, Expenditures and Changes in Project Equity	39
2003 Revenue Refunding Bonds, Series II:	
Project Balance Sheet	40
Schedule of Project Revenue, Expenditures and Changes in Project Equity	41
2004 Revenue and Refunding Revenue Bonds, Series I:	
Project Balance Sheet	42
Schedule of Project Revenue, Expenditures and Changes in Project Equity	43
2005 Multi-Modal Revenue Bonds, Series I:	
Project Balance Sheet	44
Schedule of Project Revenue, Expenditures and Changes in Project Equity	45

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Table of Contents (Concluded)

	<u>PAGE</u>
Supplemental Information (Concluded)	
2005 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	46
Schedule of Project Revenue, Expenditures and Changes in Project Equity	47
2005 Revenue and Revenue Refunding Bonds, Series II:	
Project Balance Sheet	48
Schedule of Project Revenue, Expenditures and Changes in Project Equity	49
2005 Multi-Modal Revenue and Refunding Revenue Bonds, Series IIA and IIB:	
Project Balance Sheet	50
Schedule of Project Revenue, Expenditures and Changes in Project Equity	51
2006 Multi-Modal Revenue Refunding Bonds, Series IA and IB:	
Project Balance Sheet	52
Schedule of Project Revenue, Expenditures and Changes in Project Equity	53
Schedule of Bonds Payable (at Par), Including Mandatory Redemption Provisions	54



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

November 8, 2006

Mr. Robert C. Carr, Chairperson
State Building Authority of the State of Michigan
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the *State Building Authority of the State of Michigan*, a blended component unit of the State of Michigan, as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State Building Authority of the State of Michigan at September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis presented on pages 5 through 7 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 8, 2006, on our consideration of the State Building Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

**Independent Auditors' Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters Based
on an Audit of Financial Statements
Performed in Accordance with
*Government Auditing Standards***



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

November 8, 2006

Mr. Robert C. Carr, Chairperson
State Building Authority of the State of Michigan
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the financial statements of the governmental activities and each major fund of the State Building Authority of the State of Michigan, a blended component unit of the State of Michigan, as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 8, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Building Authority of the State of Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Building Authority of the State of Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the State Building Authority of the State of Michigan and the Auditor General of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Management's Discussion and Analysis

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2006. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements consist of 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a blended component unit of the State of Michigan, all of the statements presented in this discussion focus on the Authority, an individual part of the government, reporting only on that one component within the State of Michigan.

- The financial statements and management's discussion and analysis provide both long and short-term information about the Authority's overall financial status.
- Management's discussion and analysis provides a narrative overview of the financial statements from management's perspective.
- The basic financial statements provide information about the Authority's overall financial status.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

Condensed Financial Information

<u>Fiscal year ended September 30</u>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Total net assets	\$ 57,825,120	\$ 50,305,328
Total assets	3,209,648,605	3,147,295,211
Short-term debt	57,000,000	334,177,000
Long-term liabilities	2,952,024,714	2,608,469,301
Total liabilities	3,151,823,485	3,096,989,882
Revenues:		
Program revenues	147,591,657	133,322,058
General revenues	8,369,003	5,437,361
Expenses	148,440,868	137,008,974
Change in net assets	7,519,792	1,750,445

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Management's Discussion and Analysis - (Continued)

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds.

Unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-22 of this report.

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Management's Discussion and Analysis - (Concluded)

Financial Analysis of the Authority

Net assets of the Authority increased \$7,519,792 to an ending balance of \$57,825,120. The increase in net assets is the result of the Authority issuing five series of revenue and revenue refunding bonds during the fiscal year as described below.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported a combined ending fund balance of \$136,729,162, an increase of \$270,582,624 in comparison with the prior year. This amount was comprised of debt service fund balance of \$188,950,153, and a fund balance deficit in the capital projects fund of \$52,220,991. This deficit has been and continues to be largely the result of the Authority's use of short-term debt to finance certain project costs in advance of bonding.

Long-Term Debt Activity

During the current fiscal year, the Authority issued five series of bonds totaling \$1.94 billion.

The Authority issued 2005 Series II Revenue and Revenue Refunding Bonds on October 26, 2005, with a par amount of \$242.8 million. The 2005 Series II bonds refunded the 2000 Series I Revenue Bonds and financed the buyout of the State's capital lease on Constitution Hall. The final maturity of the 2005 Series II bonds is October 15, 2037.

The Authority issued 2005 Series II A and B Multi-Modal Revenue and Revenue Refunding Bonds on December 21, 2005, and January 19, 2006, respectively, with a par amount of \$353.5 million. The 2005 Multi-Modal Series IIA Bonds financed two state and nine college or university projects; the 2005 Multi-Modal Series IIB bonds partially refunded the 2003 Series I Revenue Refunding Bonds. The 2005 Series II A and B bonds have final maturity dates of October 15, 2018 and 2017, respectively.

The Authority issued 2006 Series I A and B Multi-Modal Revenue Refunding Bonds on September 6, 2006, with an ultimate maturity value of \$1.43 billion. The 2006 Series I A and B bonds refunded, in whole or in part, the 2005 Series I Multi-Modal Bonds, 2005 Series IIA Multi-Modal Revenue Bonds, 2002 Series III Revenue Refunding Bonds and 2003 Series II Revenue Refunding Bonds. The 2006 Series I A and B bonds have final maturity dates of October 15, 2037 and 2014, respectively.

Recent Events

The Authority does not anticipate any new or refunding bond issues for fiscal 2006-07. There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2006 through the date of this report that are expected to effect the Authority's financial position or results of operations.

Basic Financial Statements

State Building Authority of the State of Michigan
Statement of Net Assets
September 30, 2006

	Governmental Activities
ASSETS	
Current assets	
Investments	\$ 195,886,281
Accrued interest receivable	1,037,904
Current portion of leases receivable	52,400,194
Project costs in progress	58,975,670
Total current assets	308,300,049
Noncurrent assets	
Investments	6,000,000
Debt issuance costs, net	16,805,742
Leases receivable, net of current portion	2,878,542,814
Total noncurrent assets	2,901,348,556
Total assets	3,209,648,605
LIABILITIES	
Current liabilities	
Accounts payable and other liabilities	313,322
Due to State of Michigan	8,555,630
Accrued interest payable	49,854,819
Short-term debt	57,000,000
Current portion of long-term debt	84,075,000
Total current liabilities	199,798,771
Long-term liabilities	
Long-term debt, net of current portion	2,952,024,714
Total liabilities	3,151,823,485
NET ASSETS	
Restricted for debt service and construction	\$ 57,825,120

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

State Building Authority of the State of Michigan
Statement of Activities
Year Ended September 30, 2006

	Governmental Activities
Expenses	
General government - administration	\$ 1,608,851
Interest on long-term debt	145,911,409
Amortization of debt issue costs	920,608
Total expenses	148,440,868
Program revenues	
Charges for services:	
Lease revenue	146,935,030
Other revenue	656,627
Total program revenues	147,591,657
Net revenue (expense)	(849,211)
General revenues	
Unrestricted investment earnings	8,369,003
Change in net assets	7,519,792
Net assets	
Beginning of year	50,305,328
End of year	\$ 57,825,120

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

State Building Authority of the State of Michigan
Statement of Net Assets and
Governmental Funds Balance Sheet
September 30, 2006

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
ASSETS					
Current assets					
Investments	\$ 182,095,765	\$ 13,790,516	\$ 195,886,281	\$ -	\$ 195,886,281
Accrued interest receivable	925,380	112,524	1,037,904	-	1,037,904
Current portion of leases receivable	-	-	-	52,400,194	52,400,194
Project costs in progress	-	-	-	58,975,670	58,975,670
Total current assets	<u>183,021,145</u>	<u>13,903,040</u>	<u>196,924,185</u>	<u>111,375,864</u>	<u>308,300,049</u>
Noncurrent assets					
Investments	6,000,000	-	6,000,000	-	6,000,000
Debt issuance costs, net	-	-	-	16,805,742	16,805,742
Leases receivable, net of current portion	-	-	-	2,878,542,814	2,878,542,814
Total noncurrent assets	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>	<u>2,895,348,556</u>	<u>2,901,348,556</u>
Total assets	<u>\$ 189,021,145</u>	<u>\$ 13,903,040</u>	<u>\$ 202,924,185</u>	<u>3,006,724,420</u>	<u>3,209,648,605</u>
LIABILITIES					
Current liabilities					
Accounts payable and other liabilities	\$ 70,992	\$ 242,330	\$ 313,322	-	313,322
Due to State of Michigan	-	8,555,630	8,555,630	-	8,555,630
Accrued interest payable	-	326,071	326,071	49,528,748	49,854,819
Short-term debt	-	57,000,000	57,000,000	-	57,000,000
Current portion of long-term debt	-	-	-	84,075,000	84,075,000
Total current liabilities	<u>70,992</u>	<u>66,124,031</u>	<u>66,195,023</u>	<u>133,603,748</u>	<u>199,798,771</u>
Long-term liabilities					
Long-term debt, net of current portion	-	-	-	2,952,024,714	2,952,024,714
Total liabilities	<u>70,992</u>	<u>66,124,031</u>	<u>66,195,023</u>	<u>3,085,628,462</u>	<u>3,151,823,485</u>
FUND BALANCES					
Unreserved (deficit)	<u>188,950,153</u>	<u>(52,220,991)</u>	<u>136,729,162</u>	<u>(136,729,162)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 189,021,145</u>	<u>\$ 13,903,040</u>	<u>\$ 202,924,185</u>		
NET ASSETS					
Restricted for debt service and construction				<u>\$ 57,825,120</u>	<u>\$ 57,825,120</u>

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

**State Building Authority of the State of Michigan
Statement of Activities and
Governmental Funds Revenues, Expenditures
and Changes in Fund Balances
Year Ended September 30, 2006**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenue					
Investment income	\$ 6,895,040	\$ 1,473,963	\$ 8,369,003	\$ -	\$ 8,369,003
Lease revenue	248,599,270	4,220,670	252,819,940	(105,884,910)	146,935,030
Other revenue	6,408	650,219	656,627	-	656,627
Total revenue	255,500,718	6,344,852	261,845,570	(105,884,910)	155,960,660
Expenditures / Expenses					
Current - general government	1,204,689	275,746	1,480,435	128,416	1,608,851
Capital outlay	-	169,813,165	169,813,165	(169,813,165)	-
Capital outlay reimbursed to State of Michigan	-	14,078,875	14,078,875	(14,078,875)	-
Debt service:					
Principal	580,545,000	-	580,545,000	(580,545,000)	-
Interest and fiscal charges	140,780,470	3,481,315	144,261,785	1,649,624	145,911,409
Debt issuance costs	7,598,185	2,216,679	9,814,864	(9,814,864)	-
Amortization of debt issuance costs	-	-	-	920,608	920,608
Total expenditures/expenses	730,128,344	189,865,780	919,994,124	(771,553,256)	148,440,868
Revenue over (under) expenditures/expenses	(474,627,626)	(183,520,928)	(658,148,554)	665,668,346	7,519,792
Other financing sources (uses)					
Long-term debt issued	-	464,735,000	464,735,000	(464,735,000)	-
Premiums on bonds issued	-	4,852,316	4,852,316	(4,852,316)	-
Refunding debt issued	1,475,380,000	-	1,475,380,000	(1,475,380,000)	-
Premiums on refunding debt	25,410,319	-	25,410,319	(25,410,319)	-
Discounts on refunding debt	(496,443,842)	-	(496,443,842)	496,443,842	-
Payment to refunding escrow agent	(545,202,615)	-	(545,202,615)	545,202,615	-
Transfers in	11,255,262	468,918	11,724,180	(11,724,180)	-
Transfers out	(468,918)	(11,255,262)	(11,724,180)	11,724,180	-
Total other financing sources (uses)	469,930,206	458,800,972	928,731,178	(928,731,178)	-
Change in fund balances / net assets	(4,697,420)	275,280,044	270,582,624	(263,062,832)	7,519,792
Fund balances / Net assets (deficit)					
Beginning of year	193,647,573	(327,501,035)	(133,853,462)	184,158,790	50,305,328
End of year	\$ 188,950,153	\$ (52,220,991)	\$ 136,729,162	\$ (78,904,042)	\$ 57,825,120

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

Notes to Financial Statements

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the "Authority"), a blended component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2006. The Authority's activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. In accordance with generally accepted accounting principles, there are no other component units included in this financial report.

The Authority was organized under Act 183, P.A. 1964, as amended, and is governed by a Board of Trustees consisting of five members appointed by the Governor, with the advice and consent of the Senate. The mission of the Authority is to construct, acquire, improve, enlarge, and lease facilities and equipment for use by the State or any of its agencies, including public institutions of higher education (universities and community colleges).

The Authority is authorized to issue and sell bonds in an aggregate principal amount outstanding not to exceed \$2.7 billion, excluding refunding bonds. The Authority is also authorized to issue and sell commercial paper notes as a short-term funding source for capital outlay projects prior to bonding. All bonds and commercial paper are limited obligations of the Authority and are not general obligations of the State or the Authority. The bonds are payable solely from equipment and facility lease payments, investment earnings, insurance proceeds, undisbursed bond proceeds retained by the Authority on a bond issue-specific basis, and any other assets pledged by the Authority to the bondholders.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

The Authority reports two major governmental funds: a debt service fund and a capital projects fund.

These notes relate directly to the Authority; the *SOMCAFR* provides more thorough disclosures of the State's significant accounting policies.

Investments - Investments are stated at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool share.

Leases Receivable - Leases receivable represent amounts due from the State of Michigan for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

Project Costs in Progress - Project costs consist of capital costs incurred to date on various building projects. As the building projects are completed, the assets will be leased to the State of Michigan.

Debt Issue Costs - Debt issue costs are being amortized using the effective interest method over the life of the related debt. Accumulated amortization was \$1,692,999 at September 30, 2006.

Federal Arbitrage Liability - Included in long-term debt is a provision for federal arbitrage rebate, if any. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority has recorded an estimated liability for this amount.

Long-Term Liabilities - Long-term liabilities are reported on the Authority's statement of net assets, net of the applicable bond premiums and discounts, as well as gains or losses on refunding, which are deferred and amortized over the life of the bonds using the effective interest method.

Lease Revenue - Lease payments are collected from the State of Michigan to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset-carrying values.

2. INVESTMENTS

Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them.

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

The Authority's investments are restricted by State statute to obligations of the State or U.S. government, obligations of which the principal and interest are guaranteed by the State or U.S. government, certificates of deposit of a financial institution, certain commercial paper, and repurchase agreements collateralized by U.S. government obligations and certain investment trusts. Certain other restrictions as to investments are contained in the bond resolution for each bond issue.

At September 30, 2006, the Authority had no deposits and had investments totaling \$201,886,281, which included \$6,000,000 in a guaranteed investment contract (due July 15, 2008 with interest at 6.5 percent per annum; classified as noncurrent) and \$195,886,281 in government money market accounts. The Authority's investments comply with State statute.

Applicable risk disclosures under GASB Statement No. 40 for the Authority's investments are as follows:

Credit risk – The Authority's investments in 2a-7 like money market accounts with U.S. Bank and J.P. Morgan are both rated AAAM by Standard & Poor's and Aaa by Moody's. The guaranteed investment contract is not rated.

Custodial credit risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Because investments in money market accounts are not evidenced by securities that exist in physical or book entry form they are not exposed to custodial credit risk.

3. LEASES RECEIVABLE

The Authority's leasing operations consist of leasing of facilities and equipment for use by the State of Michigan or any of its agencies under direct financing arrangements expiring in various years through October 15, 2036.

Following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2006:

Total minimum lease payments to be received	\$ 5,206,014,271
Less – Unearned income	<u>2,275,071,263</u>
Net leases receivable	<u>\$ 2,930,943,008</u>
Statement of Net Assets classification:	
Current portion of leases receivable	\$ 52,400,194
Long-term portion of leases receivable	<u>2,878,542,814</u>
Total	<u>\$ 2,930,943,008</u>

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

Minimum lease payments to be received from the State of Michigan as of September 30, 2006, is as follows:

2006	\$ 213,177,157
2007	213,740,893
2008	214,367,266
2009	215,063,236
2010	215,836,536
2011 through 2040	<u>4,133,829,183</u>
Total	<u>\$ 5,206,014,271</u>

4. SHORT-TERM DEBT - NOTES PAYABLE

The Authority issues commercial paper notes to fund capital projects prior to bonding. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum amount of \$500 million, a maximum maturity of 270 days, and a maximum interest rate of 10 percent. Issuance costs are capitalized as part of project costs. The interest rate is 3.60 percent at September 30, 2006.

Short-term debt activity for the year ended September 30, 2006, was as follows (in thousands):

Beginning balance	\$ 334,177
Additions	173,141
Reductions	<u>(450,318)</u>
Ending balance	<u>\$ 57,000</u>

5. LONG-TERM LIABILITIES

Each series of bonds and related lease contracts are financing transactions under which the Authority issues revenue bonds for the purpose of constructing or acquiring facilities and/or equipment for lease to the State or institutions of higher education. Each issue of bonds is secured by and payable from the rentals. Rentals may only be used for payment of the bonds to which such lease pertains and may not be used for the payment of any other issue of bonds or any other unrelated obligation of the Authority. Each such lease (prior to execution) has been approved by the State Administrative Board; by concurrent resolution of the Legislature adopted by majority vote of the members elected to and serving in each house; by resolution of the Board of Trustees of the Authority; and, where required, by the governing body of the appropriate institution of higher education. The lease payments for all of the facilities and equipment are appropriated as an annual operating cost by the State.

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

The bonds represent limited obligations of the Authority and do not constitute general obligations of the Authority or general obligations or debts of the State or any of the institutions of higher education within the meaning of any constitutional or statutory limitation. The Authority has no taxing power. The bonds are payable from lease revenue to be paid by the State pursuant to the provisions of the leases and certain other funds and revenue provided for in the bond resolution.

Outstanding Debt

Long-term debt outstanding (excluding defeased bonds) at September 30, 2006 is as follows (in thousands):

	Date Sold	# of Projects	Original Amount Issued	Average Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable (in thousands)									
1998 Series I Refunding	12/17/98	7	\$ 330,405	4.746%	\$ 273,105	\$ -	\$ (11,890)	\$ 261,215	\$ 12,575
2000 Series I	11/30/00	8	147,855	5.244%	128,935	-	(128,935)	-	-
2001 Series I Refunding	06/21/01	17	419,730	5.262%	387,505	-	(11,625)	375,880	12,795
2002 Series III Refunding	12/05/02	16	215,205	4.558%	205,140	-	(205,140)	-	-
2003 Series I Refunding	07/30/03	19	659,420	3.635%	598,520	-	(31,550)	566,970	40,000
2003 Series II Refunding	12/01/03	44	392,590	4.415%	386,515	-	(211,985)	174,530	-
2004 Series I	05/27/04	5	155,350	4.076%	152,105	-	(9,975)	142,130	10,595
2005 Series I Multi Modal	01/27/05	14	189,300	Variable	189,300	-	(189,300)	-	-
2005 Series I Refunding	05/26/05	16	293,395	4.838%	293,395	-	(1,425)	291,970	6,700
2005 Series II Refunding	10/26/05	7	242,805	4.656%	-	242,805	-	242,805	930
2005 Series II A Multi Modal	12/21/05	11	343,600	Variable	-	343,600	(303,500)	40,100	-
2005 Series II B Multi Modal	01/19/06	1	9,900	Variable	-	9,900	-	9,900	480
2006 Series I A:									
Serial	09/06/06	n/a	438,300	4.798%	-	438,300	-	438,300	-
Capital appreciation	09/06/06	n/a	891,775	4.798%	-	891,775	-	891,775	-
2006 Series I B	09/06/06	n/a	13,735	4.798%	-	13,735	-	13,735	-
Total revenue bonds payable			<u>\$ 4,743,365</u>		2,614,520	1,940,115	(1,105,325)	3,449,310	<u>\$ 84,075</u>
Accrued compensated absences					17	27	(33)	11	
Arbitrage payable					164	134	-	298	
Add (deduct) deferred amounts:									
For issuance discounts on capital appreciation bonds					-	(496,444)	-	(496,444)	
For issuance premiums					142,763	30,262	(56,171)	116,854	
On refunding					(66,920)	(12,673)	45,663	(33,930)	
Total long-term debt					<u>\$ 2,690,544</u>	<u>\$ 1,461,421</u>	<u>\$ (1,115,866)</u>	<u>\$ 3,036,099</u>	
Current portion								\$ 84,075	
Long-term portion								<u>2,952,024</u>	
								<u>\$ 3,036,099</u>	

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

The 2005 Series II A and B Multi-Modal Variable Bonds currently bear interest at a Weekly Rate as determined through remarketing. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements below, estimated interest was computed using a rate of 4.75% percent. Associated annual lease rentals are fully pledged for the payment of bond principal and interest. The bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2018 for the Series IIA bonds and October 15, 2017 for the Series IIB bonds.

The 2006 Series IA bonds include both serial and capital appreciation bonds. The capital appreciation bonds have an ultimate maturity value of \$891.8 million on October 15, 2030; the accreted value as of September 30, 2006 is \$395.3 million. For purposes of the schedule below, the accreted maturities of the capital appreciation bonds are shown in the principal maturities column.

Debt Service Requirements

The annual requirements to service the outstanding debt are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 84,075	\$ 118,619	\$ 202,694
2008	85,200	103,538	188,738
2009	92,215	99,241	191,456
2010	97,430	94,505	191,935
2011	103,020	89,436	192,456
2012-2016	598,850	359,530	958,380
2017-2021	682,515	218,608	901,123
2022-2026	597,070	135,963	733,033
2027-2031	541,645	69,732	611,377
2032-2036	502,975	19,568	522,543
2037	64,315	164	64,479
	<u>\$ 3,449,310</u>	<u>\$ 1,308,904</u>	<u>\$ 4,758,214</u>

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

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

Current and Advance Refundings

2005 Revenue and Revenue Refunding Bonds, Series II. On October 26, 2005, the Authority issued \$242,805,000 of revenue and revenue refunding bonds; \$121,135,000 of revenue bonds to buyout the State of Michigan's capital lease on Constitution Hall (which constitutes a refunding transaction for the State, but a capital outlay expenditure for the Authority) and \$121,670,000 of revenue refunding bonds to refund the 2000 Series I bonds. The revenue refunding bonds were used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust, along with \$3,071,142 of Authority cash and \$4,830,504 of issuance premium, for the purpose of generating resources for all future debt service payments on \$121,825,000 of bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$4,297,741. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce debt service payments during the first 14 years of the 30-year bond amortization and produce an economic gain of \$10,475,984; however, if serviced serially through the maturity date of October 15, 2035, total payments under the refunding bond will exceed those of the refunded bonds by \$36,790,403.

2005 Multi-Modal Revenue Refunding Bonds, Series IIB. On January 19, 2006, the Authority issued \$9,900,000 of revenue refunding bonds for a current refunding of \$9,670,000 of 2003 Series I revenue refunding bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic loss of \$143,447 and a reduction of \$2,555,684 in future debt service payments.

2006 Multi-Modal Revenue Refunding Bonds, Series IA and IB. On September 6, 2006, the Authority issued \$1,343,810,000 of revenue refunding bonds, which included capital appreciation bonds having an ultimate maturity value of \$891,775,000 (which were discounted by \$496,443,842 for a net sales price of \$395,331,158). The revenue refunding bonds, net of the deep-discount and along with \$53,342,913 of Authority cash and \$20,579,815 of issuance premium, were used to provide resources for the: (1) current refunding of \$488,800,000 of variable-rate revenue bonds (2005 Series I Multi-Modal for \$185.3 million and 2005 Series II A for \$303.5 million); and (2) advance refunding of \$402,955,000 of fixed-rate revenue bonds (2002 Series III for \$199,285,000 and 2003 Series II for \$203,670,000). For the advance refunding, resources were used to purchase U.S. government securities that were placed in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The net carrying amount of the old debt exceeded the reacquisition price by \$14,255,959, which is being netted with the new debt and amortized over the remaining life of the refunded debt. The current and advance refundings were undertaken to reduce debt service payments during the first 11 years of the 30-year bond amortization and produce an economic gain of \$31,941,118; however, if serviced through the maturity date of October 15, 2036, total payments under the refunding bond will exceed those of the refunded bonds by \$340,771,659.

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

Defeased Debt

The Authority has defeased certain bond issues by placing refunding bond proceeds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The following table summarizes the defeased bonds outstanding at September 30, 2006 (in thousands):

1994 Series II *	\$	9,433
1996 Series I		33,150
1997 Series I		59,045
1997 Series II **		222,458
1998 Series I		69,140
2000 (MSP Phase II)		26,895
2001 (MSP Phase III)		37,315
2002 (MSP Phase IV)		26,950
1999 Series I		55,715
2001 Series I		93,475
2001 Series II		138,775
2000 Series I		119,490
2002 Series III Refunding		199,285
2003 Series II Refunding		<u>203,670</u>
Total	\$	<u>1,294,796</u>

* The 1994 Series II bond issue consisted of capital appreciation bonds with an ultimate maturity value of \$10.2 million. The accreted value of this issue at year-end is \$9.4 million.

** The 1997 Series II bond issue includes capital appreciation bonds with an ultimate maturity value of \$33.7 million. The accreted value of this issue at year-end is \$27.2 million.

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan provides insurance coverage for the Authority.

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

7. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 136,729,162
Adjustments:	
Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	2,930,943,008
Project costs financed by short-term borrowings are temporarily capitalized for net assets until lease agreements are executed	58,975,670
Deferred charges for bond issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized for net assets	16,805,742
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(3,449,310,000)
Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized for net assets (and added to bonds payable)	(116,853,983)
Discounts on bonds are reported as other financing uses in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	496,443,842
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	33,930,088
Accrued compensated absences and arbitrage payable are not recorded by governmental funds	(309,661)
Accrued interest payable on bonds is not recorded by governmental funds	<u>(49,528,748)</u>
Net assets	<u><u>\$ 57,825,120</u></u>

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balances \$ 270,582,624

Adjustments:

Amounts received for lease payments includes both principal and interest for purposes of governmental funds. For the statement of activities, the principal portions are eliminated with that portion of the receipts that pertain to interest being recognized as lease revenues. (105,884,910)

Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for *net assets* 580,545,000

Construction costs are recorded as expenditures in the funds, but increase leases receivable for *net assets* 183,892,040

The issuance of bonds provides current financial resources and bond issuance costs and premiums are a use or source of current financial resources, respectively. These transactions do not effect *net assets* and therefore are eliminated:

Bond and refunding bond proceeds	(1,940,115,000)
Bond issuance costs	9,814,864
Premiums on refunding bonds	(30,262,635)
Discounts on refunding bonds	496,443,842
Payments to refunding escrow agent	545,202,615
Portion of escrow payments applicable to accrued interest	(7,749,532)

STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

Notes to Financial Statements

Accrued interest expense on bonds and the amortization of bond issuance costs, premiums, and loss on refunding are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of *net assets*:

Accrued interest expense	\$ 5,986,675
Amortization of bond issuance costs	(920,608)
Amortization of premiums on bonds	7,825,426
Amortization of loss on refunding	(4,878,021)
Unamortized issuance costs on current refunded debt	(2,834,172)

Estimated liability for arbitrage and accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining *net assets*

(128,416)

Change in net assets

\$ 7,519,792

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

November 8, 2006

Mr. Robert C. Carr, Chairperson
State Building Authority of the State of Michigan
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the financial statements of the governmental activities and each major fund of the State Building Authority of the State of Michigan, a blended component unit of the State of Michigan, for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State Building Authority of the State of Michigan.

For management decision-making purposes, the Authority uses project accounting for each bond issue. This information is intended to assist management and presents these bond issues on the modified accrual basis.

This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

State Building Authority of the State of Michigan
Commercial Paper Program, Series 5
Project Balance Sheet
September 30, 2006

	<u>Debt Service Activities</u>	<u>Capital Projects Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Investments	\$ -	\$ 2,446,532	\$ 2,446,532
Accrued interest receivable	-	52,882	52,882
Due from other funds	-	-	-
Total current assets	<u>-</u>	<u>2,499,414</u>	<u>2,499,414</u>
Noncurrent assets			
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 2,499,414</u>	<u>\$ 2,499,414</u>
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ 242,330	\$ 242,330
Due to State of Michigan	-	4,193,340	4,193,340
Due to other funds	-	-	-
Accrued interest payable	-	326,071	326,071
Short-term debt	<u>-</u>	<u>57,000,000</u>	<u>57,000,000</u>
Total liabilities	-	61,761,741	61,761,741
PROJECT EQUITY			
Unreserved (deficit)	<u>-</u>	<u>(59,262,327)</u>	<u>(59,262,327)</u>
Total liabilities and project equity	<u>\$ -</u>	<u>\$ 2,499,414</u>	<u>\$ 2,499,414</u>
OUTSTANDING DEBT (short-term)			<u>\$ 57,000,000</u>

State Building Authority of the State of Michigan
Commercial Paper Program, Series 5
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ -	\$ 562,542	\$ 562,542
Lease revenue	-	4,220,670	4,220,670
Other revenue	-	621,403	621,403
	<u>-</u>	<u>5,404,615</u>	<u>5,404,615</u>
Total revenue	<u>-</u>	<u>5,404,615</u>	<u>5,404,615</u>
Expenditures			
Current - general government	-	200,717	200,717
Capital outlay	-	155,955,748	155,955,748
Capital outlay reimbursed to State of Michigan	-	14,078,875	14,078,875
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	3,481,315	3,481,315
Debt issuance costs	-	-	-
	<u>-</u>	<u>173,716,655</u>	<u>173,716,655</u>
Total expenditures	<u>-</u>	<u>173,716,655</u>	<u>173,716,655</u>
Revenue over (under) expenditures	<u>-</u>	<u>(168,312,040)</u>	<u>(168,312,040)</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	446,715,245	446,715,245
Transfers out	-	-	-
	<u>-</u>	<u>446,715,245</u>	<u>446,715,245</u>
Total other financing sources (uses)	<u>-</u>	<u>446,715,245</u>	<u>446,715,245</u>
Net change in project equity	-	278,403,205	278,403,205
Project equity (deficit)			
Beginning of year	<u>-</u>	<u>(337,665,532)</u>	<u>(337,665,532)</u>
End of year	<u>\$ -</u>	<u>\$ (59,262,327)</u>	<u>\$ (59,262,327)</u>

State Building Authority of the State of Michigan
1998 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 19,139,463	\$ -	\$ 19,139,463
Accrued interest receivable	270,717	-	270,717
Due from other funds	-	-	-
Total current assets	19,410,180	-	19,410,180
Noncurrent assets			
Investments	6,000,000	-	6,000,000
Total assets	\$ 25,410,180	\$ -	\$ 25,410,180
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	25,410,180	-	25,410,180
Total liabilities and project equity	\$ 25,410,180	\$ -	\$ 25,410,180
OUTSTANDING DEBT (long-term)			\$ 261,215,000

State Building Authority of the State of Michigan
1998 Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 1,089,560	\$ -	\$ 1,089,560
Lease revenue	24,886,557	-	24,886,557
Other revenue	-	-	-
	<u>25,976,117</u>	<u>-</u>	<u>25,976,117</u>
Expenditures			
Current - general government	53,250	-	53,250
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	11,890,000	-	11,890,000
Interest and fiscal charges	13,387,244	-	13,387,244
Debt issuance costs	-	-	-
	<u>25,330,494</u>	<u>-</u>	<u>25,330,494</u>
Revenue over (under) expenditures	<u>645,623</u>	<u>-</u>	<u>645,623</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in project equity	645,623	-	645,623
Project equity			
Beginning of year	<u>24,764,557</u>	<u>-</u>	<u>24,764,557</u>
End of year	<u><u>\$ 25,410,180</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,410,180</u></u>

State Building Authority of the State of Michigan
2000 Revenue Bonds, Series I
Project Balance Sheet
September 30, 2006

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

State Building Authority of the State of Michigan
2000 Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ -	\$ -	\$ -
Lease revenue	1,023,751	-	1,023,751
Other revenue	-	-	-
	<u>1,023,751</u>	<u>-</u>	<u>1,023,751</u>
Total revenue	<u>1,023,751</u>	<u>-</u>	<u>1,023,751</u>
Expenditures			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,110,000	-	7,110,000
Interest and fiscal charges	3,373,487	-	3,373,487
Debt issuance costs	-	-	-
	<u>10,483,487</u>	<u>-</u>	<u>10,483,487</u>
Total expenditures	<u>10,483,487</u>	<u>-</u>	<u>10,483,487</u>
Revenue over (under) expenditures	<u>(9,459,736)</u>	<u>-</u>	<u>(9,459,736)</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	(4,119,518)	-	(4,119,518)
	<u>(4,119,518)</u>	<u>-</u>	<u>(4,119,518)</u>
Total other financing sources (uses)	<u>(4,119,518)</u>	<u>-</u>	<u>(4,119,518)</u>
Net change in project equity	(13,579,254)	-	(13,579,254)
Project equity			
Beginning of year	<u>13,579,254</u>	<u>-</u>	<u>13,579,254</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

State Building Authority of the State of Michigan
2001 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 31,078,062	\$ 543,553	\$ 31,621,615
Accrued interest receivable	115,401	2,039	117,440
Due from other funds	-	-	-
Total current assets	31,193,463	545,592	31,739,055
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 31,193,463	\$ 545,592	\$ 31,739,055
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 1,858	\$ -	\$ 1,858
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	1,858	-	1,858
PROJECT EQUITY			
Unreserved	31,191,605	545,592	31,737,197
Total liabilities and project equity	\$ 31,193,463	\$ 545,592	\$ 31,739,055
OUTSTANDING DEBT (long-term)			\$ 375,880,000

State Building Authority of the State of Michigan
2001 Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 899,801	\$ 21,026	\$ 920,827
Lease revenue	32,058,516	-	32,058,516
Other revenue	-	-	-
	<u>32,958,317</u>	<u>21,026</u>	<u>32,979,343</u>
Expenditures			
Current - general government	53,108	-	53,108
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	11,625,000	-	11,625,000
Interest and fiscal charges	20,293,513	-	20,293,513
Debt issuance costs	-	-	-
	<u>31,971,621</u>	<u>-</u>	<u>31,971,621</u>
Revenue over (under) expenditures	<u>986,696</u>	<u>21,026</u>	<u>1,007,722</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in project equity	986,696	21,026	1,007,722
Project equity			
Beginning of year	<u>30,204,909</u>	<u>524,566</u>	<u>30,729,475</u>
End of year	<u><u>\$ 31,191,605</u></u>	<u><u>\$ 545,592</u></u>	<u><u>\$ 31,737,197</u></u>

State Building Authority of the State of Michigan
2002 Revenue Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ -	\$ 1,807	\$ 1,807
Accrued interest receivable	-	302	302
Due from other funds	-	-	-
Total current assets	-	2,109	2,109
Noncurrent assets			
Investments	-	-	-
Total assets	\$ -	\$ 2,109	\$ 2,109
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	-	2,109	2,109
Total liabilities and project equity	\$ -	\$ 2,109	\$ 2,109
OUTSTANDING DEBT (long-term)			\$ -

State Building Authority of the State of Michigan
2002 Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ -	\$ 18,225	\$ 18,225
Lease revenue	-	-	-
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	-	18,225	18,225
	<hr/>	<hr/>	<hr/>
Expenditures			
Current - general government	-	-	-
Capital outlay	-	170,345	170,345
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	170,345	170,345
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	(152,120)	(152,120)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	(463,578)	(463,578)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	(463,578)	(463,578)
	<hr/>	<hr/>	<hr/>
Net change in project equity	-	(615,698)	(615,698)
	<hr/>	<hr/>	<hr/>
Project equity			
Beginning of year	-	617,807	617,807
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ -</u>	<u>\$ 2,109</u>	<u>\$ 2,109</u>

State Building Authority of the State of Michigan
2002 Revenue Bonds, Series II
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ -	\$ 1,601	\$ 1,601
Accrued interest receivable	-	268	268
Due from other funds	-	-	-
Total current assets	-	1,869	1,869
Noncurrent assets			
Investments	-	-	-
Total assets	\$ -	\$ 1,869	\$ 1,869
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	-	1,869	1,869
Total liabilities and project equity	\$ -	\$ 1,869	\$ 1,869
OUTSTANDING DEBT (long-term)			\$ -

State Building Authority of the State of Michigan
2002 Revenue Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ -	\$ 14,674	\$ 14,674
Lease revenue	-	-	-
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	-	14,674	14,674
	<hr/>	<hr/>	<hr/>
Expenditures			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	14,674	14,674
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	(410,807)	(410,807)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	(410,807)	(410,807)
	<hr/>	<hr/>	<hr/>
Net change in project equity	-	(396,133)	(396,133)
	<hr/>	<hr/>	<hr/>
Project equity			
Beginning of year	-	398,002	398,002
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ 1,869</u>

State Building Authority of the State of Michigan
2002 Revenue and Refunding Revenue Bonds, Series III
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 54,463	\$ 97,241	\$ 151,704
Accrued interest receivable	9,736	1,401	11,137
Due from other funds	-	-	-
Total current assets	64,199	98,642	162,841
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 64,199	\$ 98,642	\$ 162,841
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	3,258	3,258
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	3,258	3,258
PROJECT EQUITY			
Unreserved	64,199	95,384	159,583
Total liabilities and project equity	\$ 64,199	\$ 98,642	\$ 162,841
OUTSTANDING DEBT (long-term)			\$ -

State Building Authority of the State of Michigan
2002 Revenue and Refunding Revenue Bonds, Series III
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 422,329	\$ 120,178	\$ 542,507
Lease revenue	16,094,988	-	16,094,988
Other revenue	-	-	-
	<u>16,517,317</u>	<u>120,178</u>	<u>16,637,495</u>
Expenditures			
Current - general government	25,922	-	25,922
Capital outlay	-	1,699,827	1,699,827
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	5,855,000	-	5,855,000
Interest and fiscal charges	10,295,790	-	10,295,790
Debt issuance costs	-	-	-
	<u>16,176,712</u>	<u>1,699,827</u>	<u>17,876,539</u>
Revenue over (under) expenditures	<u>340,605</u>	<u>(1,579,649)</u>	<u>(1,239,044)</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	19,160	-	19,160
Transfers out	<u>(15,415,219)</u>	<u>(1,509,152)</u>	<u>(16,924,371)</u>
Total other financing sources (uses)	<u>(15,396,059)</u>	<u>(1,509,152)</u>	<u>(16,905,211)</u>
Net change in project equity	(15,055,454)	(3,088,801)	(18,144,255)
Project equity			
Beginning of year	<u>15,119,653</u>	<u>3,184,185</u>	<u>18,303,838</u>
End of year	<u>\$ 64,199</u>	<u>\$ 95,384</u>	<u>\$ 159,583</u>

State Building Authority of the State of Michigan
2003 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 73,007,851	\$ -	\$ 73,007,851
Accrued interest receivable	282,227	-	282,227
Due from other funds	-	-	-
Total current assets	73,290,078	-	73,290,078
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 73,290,078	\$ -	\$ 73,290,078
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	73,290,078	-	73,290,078
Total liabilities and project equity	\$ 73,290,078	\$ -	\$ 73,290,078
OUTSTANDING DEBT (long-term)			\$ 566,970,000

State Building Authority of the State of Michigan
2003 Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	<u>Debt Service Activities</u>	<u>Capital Projects Activities</u>	<u>Total</u>
Revenue			
Investment income	\$ 2,135,086	\$ -	\$ 2,135,086
Lease revenue	67,309,218	-	67,309,218
Other revenue	-	-	-
	<u>69,444,304</u>	<u>-</u>	<u>69,444,304</u>
Expenditures			
Current - general government	2,750	29	2,779
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	31,550,000	-	31,550,000
Interest and fiscal charges	30,108,175	-	30,108,175
Debt issuance costs	-	-	-
	<u>61,660,925</u>	<u>29</u>	<u>61,660,954</u>
Revenue over (under) expenditures	<u>7,783,379</u>	<u>(29)</u>	<u>7,783,350</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	9,851,313	-	9,851,313
Transfers out	-	-	-
	<u>9,851,313</u>	<u>-</u>	<u>9,851,313</u>
Total other financing sources (uses)	<u>9,851,313</u>	<u>-</u>	<u>9,851,313</u>
Net change in project equity	17,634,692	(29)	17,634,663
Project equity			
Beginning of year	<u>55,655,386</u>	<u>29</u>	<u>55,655,415</u>
End of year	<u><u>\$ 73,290,078</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,290,078</u></u>

State Building Authority of the State of Michigan
2003 Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 6,644,284	\$ 10,194	\$ 6,654,478
Accrued interest receivable	31,948	2,835	34,783
Due from other funds	-	-	-
Total current assets	6,676,232	13,029	6,689,261
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 6,676,232	\$ 13,029	\$ 6,689,261
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	6,676,232	13,029	6,689,261
Total liabilities and project equity	\$ 6,676,232	\$ 13,029	\$ 6,689,261
 OUTSTANDING DEBT (long-term)			 \$ 174,530,000

State Building Authority of the State of Michigan
2003 Revenue Refunding Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 418,991	\$ 162,631	\$ 581,622
Lease revenue	25,152,504	-	25,152,504
Other revenue	-	-	-
	<u>25,571,495</u>	<u>162,631</u>	<u>25,734,126</u>
Expenditures			
Current - general government	-	-	-
Capital outlay	-	72,200	72,200
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	8,315,000	-	8,315,000
Interest and fiscal charges	19,026,188	-	19,026,188
Debt issuance costs	-	-	-
	<u>27,341,188</u>	<u>72,200</u>	<u>27,413,388</u>
Revenue over (under) expenditures	<u>(1,769,693)</u>	<u>90,431</u>	<u>(1,679,262)</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	468,918	468,918
Transfers out	(10,233,252)	(4,360,073)	(14,593,325)
	<u>(10,233,252)</u>	<u>(3,891,155)</u>	<u>(14,124,407)</u>
Total other financing sources (uses)	<u>(10,233,252)</u>	<u>(3,891,155)</u>	<u>(14,124,407)</u>
Net change in project equity	(12,002,945)	(3,800,724)	(15,803,669)
Project equity			
Beginning of year	<u>18,679,177</u>	<u>3,813,753</u>	<u>22,492,930</u>
End of year	<u>\$ 6,676,232</u>	<u>\$ 13,029</u>	<u>\$ 6,689,261</u>

State Building Authority of the State of Michigan
2004 Revenue and Refunding Revenue Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 14,021,300	\$ -	\$ 14,021,300
Accrued interest receivable	52,051	-	52,051
Due from other funds	-	-	-
Total current assets	14,073,351	-	14,073,351
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 14,073,351	\$ -	\$ 14,073,351
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	14,073,351	-	14,073,351
Total liabilities and project equity	\$ 14,073,351	\$ -	\$ 14,073,351
OUTSTANDING DEBT (long-term)			\$ 142,130,000

State Building Authority of the State of Michigan
2004 Revenue and Refunding Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 324,245	\$ -	\$ 324,245
Lease revenue	17,029,992	-	17,029,992
Other revenue	-	-	-
	<u>17,354,237</u>	<u>-</u>	<u>17,354,237</u>
Expenditures			
Current - general government	51,500	-	51,500
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	9,975,000	-	9,975,000
Interest and fiscal charges	6,948,973	-	6,948,973
Debt issuance costs	-	-	-
	<u>16,975,473</u>	<u>-</u>	<u>16,975,473</u>
Revenue over (under) expenditures	<u>378,764</u>	<u>-</u>	<u>378,764</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in project equity	378,764	-	378,764
Project equity			
Beginning of year	<u>13,694,587</u>	<u>-</u>	<u>13,694,587</u>
End of year	<u><u>\$ 14,073,351</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,073,351</u></u>

State Building Authority of the State of Michigan
2005 Multi-Modal Revenue Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 3,000,846	\$ 3,700	\$ 3,004,546
Accrued interest receivable	18,938	362	19,300
Due from other funds	-	-	-
Total current assets	3,019,784	4,062	3,023,846
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 3,019,784	\$ 4,062	\$ 3,023,846
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	3,019,784	4,062	3,023,846
Total liabilities and project equity	\$ 3,019,784	\$ 4,062	\$ 3,023,846
OUTSTANDING DEBT (long-term)			\$ -

State Building Authority of the State of Michigan
2005 Multi-Modal Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 412,854	\$ 64,394	\$ 477,248
Lease revenue	14,389,992	-	14,389,992
Other revenue	-	28,816	28,816
	<u>14,802,846</u>	<u>93,210</u>	<u>14,896,056</u>
Expenditures			
Current - general government	234,790	-	234,790
Capital outlay	-	1,172,281	1,172,281
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	189,300,000	-	189,300,000
Interest and fiscal charges	7,542,209	-	7,542,209
Debt issuance costs	-	-	-
	<u>197,076,999</u>	<u>1,172,281</u>	<u>198,249,280</u>
Revenue over (under) expenditures	<u>(182,274,153)</u>	<u>(1,079,071)</u>	<u>(183,353,224)</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	175,491,905	-	175,491,905
Transfers out	-	(543,022)	(543,022)
	<u>175,491,905</u>	<u>(543,022)</u>	<u>174,948,883</u>
Total other financing sources (uses)	<u>175,491,905</u>	<u>(543,022)</u>	<u>174,948,883</u>
Net change in project equity	(6,782,248)	(1,622,093)	(8,404,341)
Project equity			
Beginning of year	<u>9,802,032</u>	<u>1,626,155</u>	<u>11,428,187</u>
End of year	<u><u>\$ 3,019,784</u></u>	<u><u>\$ 4,062</u></u>	<u><u>\$ 3,023,846</u></u>

State Building Authority of the State of Michigan
2005 Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 19,016,631	\$ -	\$ 19,016,631
Accrued interest receivable	75,471	-	75,471
Due from other funds	-	-	-
Total current assets	19,092,102	-	19,092,102
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 19,092,102	\$ -	\$ 19,092,102
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	19,092,102	-	19,092,102
Total liabilities and project equity	\$ 19,092,102	\$ -	\$ 19,092,102
OUTSTANDING DEBT (long-term)			\$ 291,970,000

State Building Authority of the State of Michigan
2005 Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 580,197	\$ -	\$ 580,197
Lease revenue	20,544,996	-	20,544,996
Other revenue	6,408	-	6,408
	<u>21,131,601</u>	<u>-</u>	<u>21,131,601</u>
Expenditures			
Current - general government	58,765	-	58,765
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,425,000	-	1,425,000
Interest and fiscal charges	12,703,752	-	12,703,752
Debt issuance costs	-	-	-
	<u>14,187,517</u>	<u>-</u>	<u>14,187,517</u>
Revenue over (under) expenditures	<u>6,944,084</u>	<u>-</u>	<u>6,944,084</u>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in project equity	6,944,084	-	6,944,084
Project equity			
Beginning of year	<u>12,148,018</u>	<u>-</u>	<u>12,148,018</u>
End of year	<u><u>\$ 19,092,102</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,092,102</u></u>

State Building Authority of the State of Michigan
2005 Revenue and Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 11,168,259	\$ 87,924	\$ 11,256,183
Accrued interest receivable	43,771	701	44,472
Due from other funds	-	-	-
Total current assets	11,212,030	88,625	11,300,655
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 11,212,030	\$ 88,625	\$ 11,300,655
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Unreserved	11,212,030	88,625	11,300,655
Total liabilities and project equity	\$ 11,212,030	\$ 88,625	\$ 11,300,655
OUTSTANDING DEBT (long-term)			\$ 242,805,000

State Building Authority of the State of Michigan
2005 Revenue and Revenue Refunding Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 372,229	\$ 2,211	\$ 374,440
Lease revenue	11,115,741	-	11,115,741
Other revenue	-	-	-
	<u>11,487,970</u>	<u>2,211</u>	<u>11,490,181</u>
Expenditures			
Current - general government	75,000	-	75,000
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	5,570,850	-	5,570,850
Debt issuance costs	1,060,185	1,187,936	2,248,121
	<u>6,706,035</u>	<u>1,187,936</u>	<u>7,893,971</u>
Revenue over (under) expenditures	<u>4,781,935</u>	<u>(1,185,725)</u>	<u>3,596,210</u>
Other financing sources (uses)			
Long-term debt issued	-	121,135,000	121,135,000
Premiums on bonds issued	-	4,852,316	4,852,316
Refunding debt issued	121,670,000	-	121,670,000
Premiums on refunding debt	4,830,504	-	4,830,504
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	(126,301,450)	-	(126,301,450)
Transfers in	6,231,041	-	6,231,041
Transfers out	-	(124,712,966)	(124,712,966)
	<u>6,430,095</u>	<u>1,274,350</u>	<u>7,704,445</u>
Net change in project equity	11,212,030	88,625	11,300,655
Project equity			
Beginning of year	-	-	-
End of year	<u>\$ 11,212,030</u>	<u>\$ 88,625</u>	<u>\$ 11,300,655</u>

State Building Authority of the State of Michigan
2005 Multi-Modal Revenue and Refunding Revenue Bonds, Series IIA and IIB
Project Balance Sheet
September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 2,821,019	\$ 10,597,964	\$ 13,418,983
Accrued interest receivable	16,307	51,734	68,041
Due from other funds	-	-	-
Total current assets	2,837,326	10,649,698	13,487,024
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 2,837,326	\$ 10,649,698	\$ 13,487,024
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	4,359,032	4,359,032
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	4,359,032	4,359,032
PROJECT EQUITY			
Unreserved	2,837,326	6,290,666	9,127,992
Total liabilities and project equity	\$ 2,837,326	\$ 10,649,698	\$ 13,487,024
OUTSTANDING DEBT (long-term)			\$ 50,000,000

State Building Authority of the State of Michigan
2005 Multi-Modal Revenue and Refunding Revenue Bonds, Series IIA and IIB
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 230,935	\$ 508,082	\$ 739,017
Lease revenue	18,993,015	-	18,993,015
Other revenue	-	-	-
	<u>19,223,950</u>	<u>508,082</u>	<u>19,732,032</u>
Expenditures			
Current - general government	480,470	75,000	555,470
Capital outlay	-	10,742,764	10,742,764
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	303,500,000	-	303,500,000
Interest and fiscal charges	11,530,289	-	11,530,289
Debt issuance costs	36,934	1,028,743	1,065,677
	<u>315,547,693</u>	<u>11,846,507</u>	<u>327,394,200</u>
Revenue over (under) expenditures	<u>(296,323,743)</u>	<u>(11,338,425)</u>	<u>(307,662,168)</u>
Other financing sources (uses)			
Long-term debt issued	-	343,600,000	343,600,000
Premiums on bonds issued	-	-	-
Refunding debt issued	9,900,000	-	9,900,000
Premiums on refunding debt	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	289,261,069	-	289,261,069
Transfers out	-	(325,970,909)	(325,970,909)
	<u>299,161,069</u>	<u>17,629,091</u>	<u>316,790,160</u>
Total other financing sources (uses)	<u>299,161,069</u>	<u>17,629,091</u>	<u>316,790,160</u>
Net change in project equity	2,837,326	6,290,666	9,127,992
Project equity			
Beginning of year	-	-	-
End of year	<u>\$ 2,837,326</u>	<u>\$ 6,290,666</u>	<u>\$ 9,127,992</u>

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

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 2,143,587	\$ -	\$ 2,143,587
Accrued interest receivable	8,813	-	8,813
Due from other funds	-	-	-
Total current assets	2,152,400	-	2,152,400
Noncurrent assets			
Investments	-	-	-
Total assets	\$ 2,152,400	\$ -	\$ 2,152,400
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 69,134	\$ -	\$ 69,134
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	69,134	-	69,134
PROJECT EQUITY			
Unreserved	2,083,266	-	2,083,266
Total liabilities and project equity	\$ 2,152,400	\$ -	\$ 2,152,400
OUTSTANDING DEBT (long-term)			\$ 1,343,810,000

State Building Authority of the State of Michigan
2006 Multi-Modal Revenue Refunding Bonds, Series IA and IB
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2006

	Debt Service Activities	Capital Projects Activities	Total
Revenue			
Investment income	\$ 8,813	\$ -	\$ 8,813
Lease revenue	-	-	-
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	8,813	-	8,813
	<hr/>	<hr/>	<hr/>
Expenditures			
Current - general government	169,134	-	169,134
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Debt issuance costs	6,501,066	-	6,501,066
	<hr/>	<hr/>	<hr/>
Total expenditures	6,670,200	-	6,670,200
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(6,661,387)	-	(6,661,387)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	1,343,810,000	-	1,343,810,000
Premiums on refunding debt	20,579,815	-	20,579,815
Discounts on refunding debt	(496,443,842)	-	(496,443,842)
Payment to refunding escrow agent	(418,901,165)	-	(418,901,165)
Transfers in	7,267,472	-	7,267,472
Transfers out	(447,567,627)	-	(447,567,627)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	8,744,653	-	8,744,653
	<hr/>	<hr/>	<hr/>
Net change in project equity	2,083,266	-	2,083,266
	<hr/>	<hr/>	<hr/>
Project equity			
Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 2,083,266</u>	<u>\$ -</u>	<u>\$ 2,083,266</u>

State Bulding Authority of the State of Michigan
Schedule of Bonds Payable (at par)
Including Mandatory Redemption Provisions
September 30, 2006
(in thousands)

Year Ending September 30,	1998 Series I Refunding	2001 Series I Refunding	2003 Series I Refunding	2003 Series II Refunding	2004 Series I Refunding	2005 Series I Refunding
2007	\$ 12,575	\$ 12,795	\$ 40,000	\$ -	\$ 10,595	\$ 6,700
2008	12,140	12,590	42,000	-	10,600	6,405
2009	12,745	13,285	44,100	-	10,895	6,660
2010	13,385	14,015	46,305	-	11,375	6,985
2011	14,085	14,785	48,620	-	11,915	7,315
2012	14,825	15,600	51,050	-	12,525	7,665
2013	15,605	16,455	53,730	-	13,180	6,115
2014	16,425	17,360	56,550	-	13,830	6,420
2015	17,285	18,315	59,520	-	14,560	6,740
2016	18,195	19,325	62,645	-	15,330	7,075
2017	19,125	20,385	53,500	-	7,485	7,430
2018	20,105	21,510	8,950	-	3,960	7,800
2019	21,060	22,690	-	-	4,140	8,190
2020	22,060	23,940	-	-	1,740	8,600
2021	23,110	25,255	-	-	-	9,030
2022	8,490	26,550	-	-	-	9,485
2023	-	27,930	-	18,825	-	9,960
2024	-	29,325	-	19,765	-	10,455
2025	-	13,855	-	20,755	-	10,975
2026	-	9,915	-	21,790	-	11,855
2027	-	-	-	22,880	-	12,805
2028	-	-	-	24,025	-	13,825
2029	-	-	-	25,225	-	14,935
2030	-	-	-	21,265	-	16,130
2031	-	-	-	-	-	16,940
2032	-	-	-	-	-	17,790
2033	-	-	-	-	-	18,680
2034	-	-	-	-	-	19,005
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
	<u>\$ 261,215</u>	<u>\$ 375,880</u>	<u>\$ 566,970</u>	<u>\$ 174,530</u>	<u>\$ 142,130</u>	<u>\$ 291,970</u>

2005 Series II Refunding	2005 Series II A Multi-Modal	2005 Series II B Multi-Modal	2006 Series I A Refunding	2006 Series I B Refunding	Totals
\$ 930	\$ -	\$ 480	\$ -	\$ -	\$ 84,075
780	-	685	-	-	85,200
1,365	-	710	-	2,455	92,215
2,035	-	745	-	2,585	97,430
2,805	-	780	-	2,715	103,020
3,690	-	805	-	2,860	109,020
3,835	-	865	-	3,010	112,795
4,395	-	895	3,065	110	119,050
5,020	-	940	3,175	-	125,555
5,700	-	985	3,175	-	132,430
6,430	-	2,010	14,615	-	130,980
6,750	40,100	-	23,935	-	133,110
7,090	-	-	75,420	-	138,590
7,445	-	-	75,420	-	139,205
7,815	-	-	75,420	-	140,630
8,205	-	-	75,420	-	128,150
8,615	-	-	56,595	-	121,925
9,045	-	-	56,595	-	125,185
9,500	-	-	56,595	-	111,680
9,975	-	-	56,595	-	110,130
10,470	-	-	56,595	-	102,750
10,995	-	-	56,595	-	105,440
11,545	-	-	56,595	-	108,300
12,125	-	-	61,820	-	111,340
12,730	-	-	84,145	-	113,815
13,365	-	-	84,145	-	115,300
14,035	-	-	85,660	-	118,375
14,735	-	-	67,275	-	101,015
15,470	-	-	68,265	-	83,735
12,875	-	-	71,675	-	84,550
3,035	-	-	61,280	-	64,315
<u>\$ 242,805</u>	<u>\$ 40,100</u>	<u>\$ 9,900</u>	<u>\$ 1,330,075</u>	<u>\$ 13,735</u>	<u>\$ 3,449,310</u>