



STATE OF MICHIGAN
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

The Honorable John M. Engler, Governor
Members of the Legislature

February 15, 2000

We have audited the accompanying general purpose financial statements of the State of Michigan, principally as of September 30, 1999 and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Michigan Employment Security Act - Administration Fund, State Building Authority - Debt Service Fund, State Building Authority - Capital Projects Fund, State Lottery Fund, State Sponsored Group Insurance Fund, Michigan Unemployment Compensation Fund, Michigan Employment Security Act Contingent Fund, State Employees' Deferred Compensation Funds, State Police Retirement Fund, State Employees' Retirement Fund, Public School Employees' Retirement Fund, Judges' Retirement Fund, State Employees' Defined Contribution Retirement Fund, Mackinac Bridge Authority, Michigan Higher Education Facilities Authority, Michigan State Hospital Finance Authority, Michigan Education Trust, Michigan Higher Education Student Loan Authority, Michigan Higher Education Assistance Authority, Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, State Bar of Michigan, and the discretely presented State universities (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). Those financial statements reflect total assets and revenues constituting 0.4% and 1.1% of the assets and revenues, respectively, of the special revenue funds; 89.4% and 90.8% of the assets and revenues, respectively, of the debt service funds; 39.0% and 11.3% of the assets and revenues, respectively, of the capital projects funds; 95.5% and 76.9% of the assets and operating revenues, respectively, of the enterprise funds; 56.2% and 71.0% of the assets and operating revenues, respectively, of the internal service funds; 97.4% and 85.0% of the assets and revenues, respectively, of the expendable trust funds; 99.7% and 99.7% of the assets and total additions to plan assets, respectively, of the pension trust funds; 48.9% and 46.9% of the assets and revenues of the discretely presented governmental component units; 96.6% and 98.4% of the assets and operating revenues, respectively, of the discretely presented proprietary component units; 100.0% of the discretely presented State universities (as previously identified); 1.3% of the general fixed assets account group; and 35.7% of the general long-term obligations account group. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units and funds, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates



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Page 2

made by management, as well as evaluating the overall general purpose financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our report and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Michigan, principally as of September 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 4 to the general purpose financial statements, the State of Michigan adopted Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the State's management, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

The year 2000 supplementary information on page 68 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

The introductory and statistical sections listed in the table of contents were not audited by us and, accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in dark ink, appearing to read "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General