



State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2001

JOHN ENGLER
Governor

DON GILMER
State Budget Director
Office of the State Budget

LEON E. HANK, CPA
Director
Office of Financial Management

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STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

JOHN ENGLER
GOVERNOR

DON GILMER
DIRECTOR

March 29, 2002

The Honorable John Engler, Governor
Members of the Legislature
People of the State of Michigan

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)* for the fiscal year ended September 30, 2001.

INTRODUCTION TO THE REPORT

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

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

Report: The SOMCAFR is divided into three major sections: introductory, financial, and statistical. The introductory section includes this letter, the State's organization chart, and the list of principal officials. The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview and analysis to the "Basic Financial Statements"; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes

to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules. The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.

Internal Control Structure: The Office of the State Budget is responsible for the overall operation of the State's central accounting system and for establishing and maintaining the State's internal control structure. All financial transactions of the State primary government are recorded in the central accounting system, except for the Michigan Unemployment Compensation Funds, the State Employees' Deferred Compensation Funds, and the State Employees' Defined Contribution Retirement Fund. Many of the essential control features are decentralized, such as the preparation and entry of expenditure transactions into the central accounting system. Consequently, the Office of the State Budget relies upon the controls in place at the various State departments and agencies. The Management and Budget Act (Section 18.1483 – 18.1489 of the *Michigan Compiled Laws*) requires that the head of each principal department shall establish and maintain an internal accounting and administrative control system. The Act also requires that the heads of each principal department shall report biennially on any material inadequacy or weakness discovered in connection with the evaluation of their system. The *"Evaluation of Internal Controls – A General Framework and System of Reporting"*, developed in consultation with the Office of the Auditor General, provides the required guidance associated with the evaluation of internal controls in Michigan State government. The framework for internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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

Michigan

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

Independent Auditors: The Office of the Auditor General (OAG) audited the SOMCAFR with a goal to provide reasonable assurance that the SOMCAFR for the fiscal year ended September 30, 2001, is free of material misstatement. The OAG conducted the audit of the SOMCAFR in accordance with generally accepted auditing standards (GAAS), and its independent auditor's report precedes the Basic Financial Statements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and evaluating the overall financial statement presentation. The OAG concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the SOMCAFR for the fiscal year ended September 30, 2001, is fairly presented in conformity with GAAP.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial and performance audits of the various State departments, agencies, and institutions of higher education. The OAG engages outside public accounting firms periodically, particularly for the audits of the separately issued component unit financial statements (such as the Michigan State Housing Development Authority), the larger pension (and other employee benefit trust) funds, and the Michigan Unemployment Compensation Funds. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act of 1984. Pursuant to Michigan Public Act 251 of 1986, these audits are conducted biennially for applicable State departments, agencies, and component unit authorities, and result in separately issued audit reports.

Management's Discussion and Analysis (MD&A): GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Reporting Entity: The State of Michigan reporting entity reflected in the SOMCAFR, which is described more fully in Note 1 to the basic financial statements, conforms with the requirements of GASB Statement No. 14, The Financial Reporting Entity. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the *primary government* and permit financial statement users to distinguish between the primary government and its *component units*. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

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

The budgetary "basis of accounting" used by the State primary government departs from GAAP only in ways that do not affect unreserved fund balance, and that do not impact most revenue and expenditure line items. Appropriations for nearly all line items, therefore, are made on a basis consistent with GAAP, which makes it possible for the State to use the central accounting system for both budgetary control and financial reporting purposes. The two variances between GAAP and the budgetary basis of accounting are: 1) the use of encumbrances for budgetary control purposes (which GAAP does not require), and 2) the timing of recording expenditures and liabilities for capital lease commitments on a "pay as you go" basis for budgetary purposes, rather than at lease inception as required by GAAP. Compliance with the final updated budget for the annually budgeted operating funds of the State primary government is demonstrated in the budget and actual comparative schedules and notes in the SOMCAFR.

Revenue and Spending Limitation Requirements: Under the State Constitution, total State revenues are limited to a percentage of total Michigan personal income. If the limit is exceeded by an amount less than 1%, the excess may be transferred to the Budget Stabilization Fund. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to payers of personal income and single business taxes. The calculations necessary to determine the State's compliance with this requirement for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, total State revenues subject to this limitation exceeded the limit by \$159.7 million. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2000-2001.

The State Constitution also requires that spending to local units of government be maintained at not less than a specified level of total State spending, originally determined to be 41.61% for the base fiscal year 1978-79. The originally determined percentage was recalculated, effective fiscal year 1992-93, reflecting the terms of a legal settlement agreement. The recalculated base year percentage is 48.97%. The calculations necessary to determine the State's compliance with this requirement for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 61.68%, reflecting payments that exceeded the minimum required by \$3.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2000-2001.

The State's status, with regard to these Constitutional provisions, is discussed more fully in Note 3 to the basic financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2001 began with continuing national and state economic growth although at a much slower rate than the previous fiscal year. However, economic indicators reflected an overall leveling or temporary cooling in the economy. America finds itself in the midst of an economic downturn, predicted by analysts but exacerbated by the tragedies of September 11th. The last several months have forced the nation to face the unimaginable. Beyond the human tragedy, the September attacks and subsequent related events have inflicted economic pain that contrasts sharply with the preceding decade of prosperity and growth. Michigan has not been immune to these recent events. The impact of the recession is being widely observed. The U.S. economic slowdown that began in March 2001 ended the longest recorded economic expansion of ten years. Automakers made the most aggressive production cuts in a decade and offered zero percent financing to boost car sales beginning in October 2001. Michigan's economy also slowed, causing employment to decline. The unemployment rate averaged 5.0 percent in 2001, up from 3.6 percent a year ago. As a result, budgets for fiscal year 2001 and 2002 were adjusted downward to reflect softening revenues. In December 2001, economic indicators suggested the economy was turning the corner toward recovery. New claims for unemployment benefits had fallen sharply, employment declines slowed and consumer and business confidence improved. These fundamentals indicate the underlying economy is sound and the long-term outlook for Michigan is positive.

Inflation, as measured by the Detroit CPI, is forecast to be a moderate 2.4 percent in 2002 and 3.0 percent in 2003. As a result, real Michigan personal income (inflation adjusted) is expected to remain unchanged in 2002 before rising to a solid 2.2 percent in 2003. Michigan wage and salary employment is forecast to decline by 33,000 (0.7 percent) in 2002, and is forecast to rise by 79,000 (1.7 percent) in 2003. Personal income growth is forecast to slow to 2.4 percent in 2002, and post solid growth of 5.3 percent in 2003.

MAJOR INITIATIVES AND FUTURE PROJECTS

Education Remains a Top Priority: Education has been and continues to be critically important to the State. More than \$14.7 billion, or 39 percent, of the State's overall budget is devoted to education in fiscal year 2001-2002. This includes funding for the K-12 system, universities, community colleges and student financial aid. In fiscal year 2001, the State spent more on K-12 education than it spent on expenditures financed by General Fund general purpose revenues.

The Administration is committed to increasing the minimum foundation allowance to \$6,700 per pupil in fiscal year 2003. This \$200 (3.1 percent) per pupil increase will cost \$337 million and will require a change in the State education tax collection structure in fiscal year 2003.

Transportation Infrastructure Investments: The Build Michigan I, II, and III financing programs have resulted in record investments in Michigan's transportation infrastructure. In fiscal year 2001-2002, the Department of Transportation will invest over \$1.5 billion in the state trunkline system, making it the fifth year in a row that the Michigan transportation program has exceeded the billion-dollar mark.

Technology Consolidation: As part of a bold plan to keep Michigan on the cutting edge of technological change, all information technology management functions were moved to the new Michigan Department of Information Technology, effective October 2001. The department will establish a long-term strategy that allows for better management of technology investments, improved information management and more efficient services to citizens.

Central Electronic Payment Authorization System: The e-Michigan Office continues to search for an enterprise-wide electronic payment module that provides flexibility to support multiple payment instruments and makes State government more accessible to its citizens. Citizens will access the award-winning Web site "Michigan.gov" (<http://www.michigan.gov>) and use major credit cards and other electronic payment transactions to purchase the diverse services provided by the state, such as license renewal and camping reservations.

Child Support Enforcement System: The Family Independence Agency implemented a statewide integrated child support network that coordinates all employer withholdings for child and spousal support and disbursements to custodial families. The use of electronic funds transfer and electronic data interchange contributes to the effective processing and efficiencies gained from using a single location. FIA processes approximately \$80.0 million per month to custodial families.

Financial Management Reporting Improvements: The Office of the State Budget (OSB) continues to lead a statewide effort to reduce the time and cost of the annual bookclosing process that produces the SOMCAFR. OSB has set a statewide goal to produce the fiscal year 2002 SOMCAFR by December 31, 2002. This endeavor will require the collective effort from all accounting and financial personnel throughout State government.

FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Budget Stabilization Fund, School Aid Fund, State Lottery Fund, and the Michigan Unemployment Compensation Funds. Fiduciary activities are excluded from the MD&A.

Cash Management and Investments: As discussed more fully in Notes 5 and 8 to the basic financial statements, the State Treasurer maintains the State's Common Cash pool, which is used by most State funds for short-term investments and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to \$4.8 billion at September 30, 2001, a decrease of approximately \$700 million from \$5.5 billion at September 30, 2000. Total investments amounted to \$53.7 billion at September 30, 2001, a decrease of \$7.2 billion from \$60.9 billion at September 30, 2000. Pension (and other employee benefits) trust fund investments represent 91.3 percent of the total investments held by the state.

Debt Management: The State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. General obligation bond issues totaled \$324.6 million during 2000-2001. The bonds provide financing for

the Clean Michigan Initiative Program and school district loans.

Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. Revenue dedicated bonded debt, including that of the State Building Authority, increased by \$603.8 million to \$3.4 billion during 2000-2001. The bonds provide financing for building new state and university facilities and road and bridge construction.

The State Constitution provides that the Legislature may authorize the issuance of short-term general obligation notes to assist in managing cash flows. Such borrowings are limited by the Constitution to 15% of undedicated State revenue received in the preceding year. The Constitution also requires that such borrowings be repaid before year-end. No such borrowings occurred during the fiscal year.

Additional disclosures about the State's general long-term obligations are provided in Note 14 to the basic financial statements.

Pension Plans: The State Constitution requires the State to provide current funding of plan benefits for the State's defined benefit pension plans. Statutes provide for the amortization of unfunded prior service costs. In two of the four plans for which the State is responsible for providing funding, the enabling statutes for the plans contain provisions under which a shortfall in the legally required contributions will be corrected in succeeding fiscal years.

The State Employees' Retirement System (SERS) is the largest of the defined benefit plans for which the State is responsible for providing funding. Total assets of SERS at September 30, 2001 were \$10.1 billion, with net assets held in trust for pension and postemployment health-care benefits totaling \$9.6 billion. Additional disclosures relating to the State's pension funds are provided in Note 11 to the financial statements.

Risk Management: Risk management was established within the Department of Management and Budget in 1987 to improve the State's risk control policies and procedures. The unit's activities include analysis of and control over

insurance coverage and risk exposure, and planning and implementing a statewide safety and health policy and program. The State is self-insured for many types of general liability and property losses. Additional disclosures on the State's risk management activities are provided in Note 27.

OTHER INFORMATION

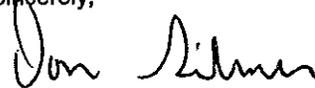
Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2000. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

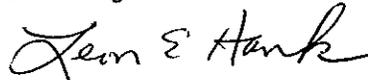
A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for the last fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the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

Acknowledgments: In any year, the preparation of this report requires the collective efforts of literally hundreds of finance personnel throughout the State, both individually and in teams from virtually all agencies and departments. We sincerely appreciate the dedicated efforts of all of these individuals. This year, we implemented several new GASB standards, including Statement No. 34 requirements, one year earlier than required. Achieving this is the result of the dedicated management and staff of the Financial Control Division, Office of Financial Management; the chief financial officers, chief accountants, and their staffs; and the management and staff of the Office of the Auditor General; who continue to strive for improvements that will result in Michigan being a national leader in quality and efficiency for financial reporting.

Sincerely,



Don Gilmer
State Budget Director



Leon E. Hank, CPA
Director, Office of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2000

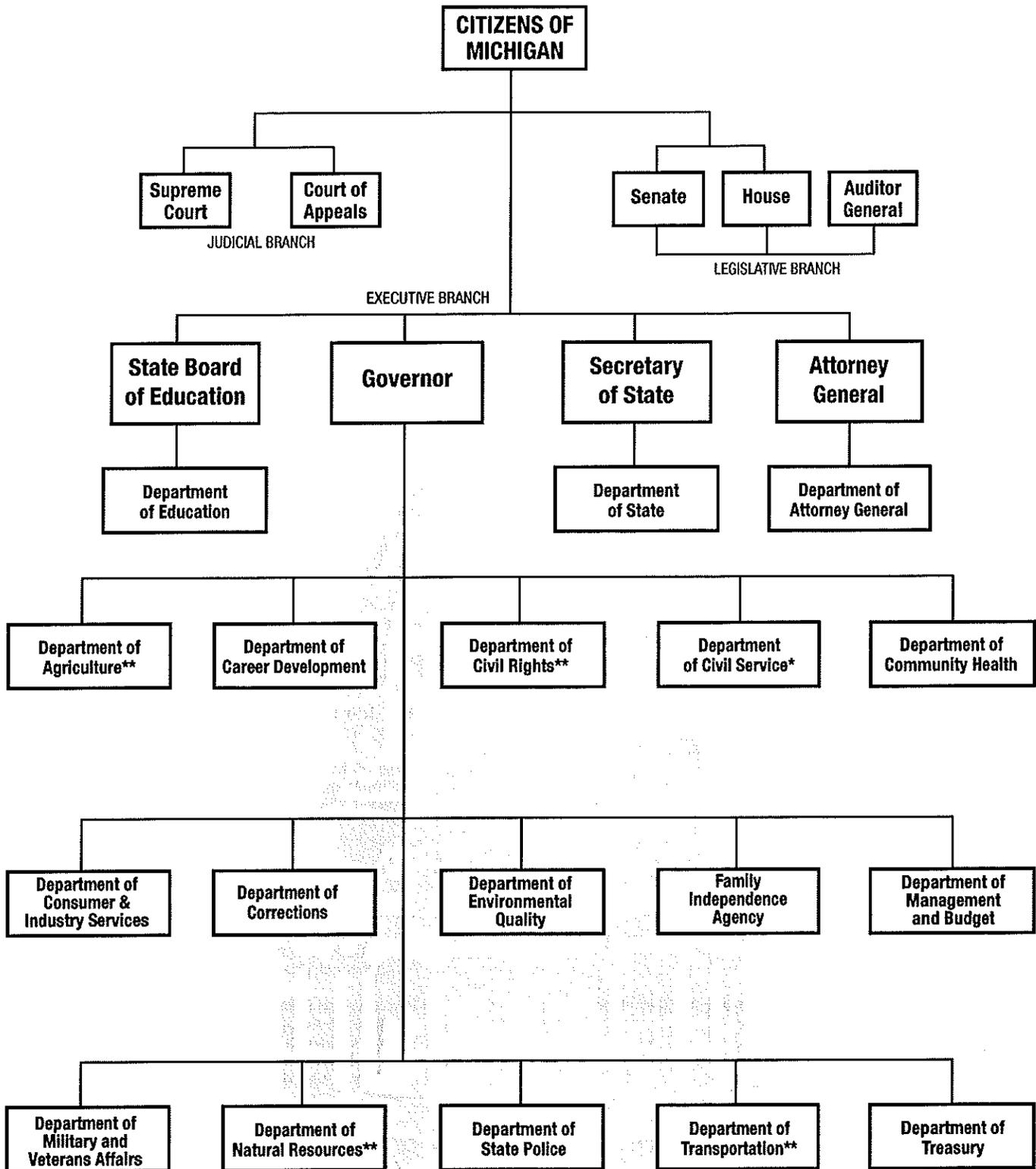
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda Grewe
President

Jeffrey L. Esser
Executive Director

**STATE OF MICHIGAN
ORGANIZATIONAL STRUCTURE
SEPTEMBER 30, 2001**



* Has Commission appointed by Governor
 ** Has Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN
PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

Supreme Court Justices
Honorable Maura D. Corrigan, Chief Justice
Honorable Michael F. Cavanagh, Justice
Honorable Marilyn Kelly, Justice
Honorable Stephen J. Markman, Justice
Honorable Clifford W. Taylor, Justice
Honorable Elizabeth A. Weaver, Justice
Honorable Robert P. Young, Jr., Justice

LEGISLATIVE BRANCH

Honorable Dick Posthumus
President of the Senate

Honorable Rick V. Johnson
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable John Engler, Governor

Honorable Jennifer M. Granholm, Attorney General

Honorable Candice S. Miller, Secretary of State

State Board of Education
Honorable John Engler (Ex Officio)
John C. Austin
Sharon L. Gire
Marianne Yared McGuire
Herbert S. Moyer
Kathleen N. Straus
Michael D. Warren, Jr.
Eileen L. Weiser
Sharon A. Wise
Thomas D. Watkins, Jr.,
Superintendent of Public Instruction

Michigan Commission of Agriculture
Douglas E. Darling
James E. Maitland
William Pridgeon
Jordan B. Tatter
Nora M. Viau
Dan Wyant, Director, Department of Agriculture

Barbara Bolin, Director
Department of Career Development

Civil Rights Commission
Bishop George Brown
Albert Callile
Evelyn L. Crane
Yahya Mossa-Basha
Valerie P. Simmons
Gary Torgow
Francisco J. Villarruel
Tarun K. Sharma
Nanette Lee Reynolds, Director, Department of Civil Rights

Civil Service Commission
Robert P. Hunter
Susan Grimes Munsell
James P. Pitz
Vacant
John F. Lopez, Director, Department of Civil Service

James K. Haveman, Jr., Director
Department of Community Health

Kathleen M. Wilbur, Director
Department of Consumer and Industry Services

William S. Overton, Director, Department of Corrections

Russell J. Harding, Director
Department of Environmental Quality

Douglas E. Howard, Director
Family Independence Agency

Duane E. Berger, Director
Department of Management and Budget

Don Gilmer, State Budget Director
Office of the State Budget

Major General E. Gordon Stump, Director
Department of Military and Veterans Affairs

Natural Resources Commission
Jim Campbell
Keith J. Charters
Nancy A. Douglas
Paul J. Eisele
Bob Garner
William U. Parfet
Frank C. Wheatlake
K. L. Cool, Director, Department of Natural Resources

Col. Stephen D. Madden, Director
Department of State Police

Transportation Commission
Betty Jean Awrey
John W. Garside
Lowell B. Jackson
Barton W. LaBelle
Brian K. Larche
Ted B. Wahby
Gregory J. Rosine, Director, Department of Transportation

Douglas B. Roberts, State Treasurer



II FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT BASIC FINANCIAL STATEMENTS



STATE OF MICHIGAN
 OFFICE OF THE AUDITOR GENERAL
 201 N. WASHINGTON SQUARE
 LANSING, MICHIGAN 48913
 (517) 334-8050
 FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
 AUDITOR GENERAL

Independent Auditor's Report

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

March 29, 2002

We have audited the accompanying basic financial statements of the State of Michigan, principally as of September 30, 2001 and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act - Administration Fund, State Building Authority - Debt Service Fund, State Building Authority - Capital Projects Fund, State Sponsored Group Insurance 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, Michigan Education Savings Program, Michigan Education Trust, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, Michigan Higher Education Facilities Authority, Mackinac Bridge Authority, Michigan State Hospital Finance Authority, Michigan Higher Education Student Loan Authority, Mackinac Island State Park Commission, State Bar of Michigan, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

<u>Government-Wide Financial Statements:</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	1.8%	1.3%
Primary Government - Business-Type Activities	98.8%	83.3%
Component Units	96.9%	85.0%

<u>Fund Financial Statements:</u>	<u>Percent of Assets</u>	<u>Percent of Revenues or Additions</u>
Governmental Funds - Non-Major Funds	7.4%	3.4%
Proprietary Funds - Business-Type Activities - Enterprise Funds - State Lottery Fund	100.0%	100.0%
Proprietary Funds - Business-Type Activities - Enterprise Funds - Michigan Unemployment Compensation Funds	100.0%	100.0%
Proprietary Funds - Governmental Activities - Internal Service Funds	61.9%	73.3%
Fiduciary Funds - Pension (and Other Employee Benefit) Trust Funds	99.7%	99.7%
Fiduciary Funds - Private Purpose Funds	45.6%	43.3%
Component Units	96.9%	85.0%

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 those component units and funds, is based solely upon the reports of the other auditors.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

The Honorable John M. Engler, Governor
Members of the Legislature
Page 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 basic 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, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the basic financial statements, the State of Michigan adopted Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules - non-major funds 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 basic financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in our audit of the basic 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 basic financial statements taken as a whole.

The management's discussion and analysis on pages 5 through 12, budgetary comparison schedules and corresponding notes on pages 86 through 89, and information about infrastructure assets reported using the modified approach on pages 90 and 91 are not required parts of the basic financial statements but are 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 express no opinion on it.

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

Sincerely,

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2001. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. Because fiscal year 2000-2001 represents the first year in which the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

HIGHLIGHTS

Government-wide:

- The assets of the State exceeded its liabilities at the close of the fiscal year by \$22.5 billion (reported as *net assets*), a decrease of \$74.2 million from the previous year. Component units reported net assets of \$4.3 billion, an increase of \$219.0 million from the previous year.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$5.8 billion, with \$2.6 billion reported as *unreserved fund balance* and the remaining amount of \$3.2 billion reserved for specific purposes, such as education and transportation. At the end of the fiscal year, unreserved fund balance for the General Fund was \$28.1 million.
- The proprietary funds reported net assets at year-end of \$3.2 billion, a decrease of \$159.3 million during the year.

Long-term Debt:

- The State's total debt rose during the fiscal year to \$5.2 billion, an increase of \$956.4 million (or 22.6%), which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued bonds (\$1.5 billion), notes (\$400 million), and commercial paper (\$653.8 million).

More detailed information regarding these activities and funds begins on page 7.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

For the first time, this report includes government-wide financial statements as required by GASB Statement No. 34.

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

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

The Statement of Net Assets (pages 14 and 15) presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 16 and 17) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 12 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 21 and 23) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned, but not available, are reported as governmental activities, but are reported as deferred revenue on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Certain pension trust funds have been funded in excess of their annual required contribution. These assets are recorded only in the government-wide statements.
- Deferred issue costs are capitalized and amortized as governmental activities, but reported as expenditures in the governmental fund statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 41 of this report.

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

The fund financial statements begin on page 20 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 96 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* -- Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* -- When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report

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activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Vehicle and Travel Services. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary funds* -- The State acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 32. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net assets decreased \$74.2 million over the course of this fiscal year's operations. The net assets of the governmental activities increased \$135.4 million or .7% and business-type activities had a decrease of \$209.5 million or 6.3%.

Net Assets as of September 30, 2001 (in millions of dollars)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other non-current assets	\$ 12,420.6	\$ 4,219.9	\$ 16,640.4
Capital assets	17,750.5	.3	17,750.8
Total assets	30,171.1	4,220.1	34,391.2
Long-term liabilities	6,606.5	660.3	7,266.8
Other liabilities	4,180.8	431.8	4,612.5
Total liabilities	10,787.3	1,092.0	11,879.3
Net assets:			
Invested in capital assets, net of related debt	15,129.8	.3	15,130.1
Restricted	2,849.2	3,121.4	5,970.6
Unrestricted	1,404.8	6.4	1,411.2
Total net assets	\$ 19,383.8	\$ 3,128.1	\$ 22,511.9

The largest component (67.2%) of the State's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 26.5%. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on State statutes.

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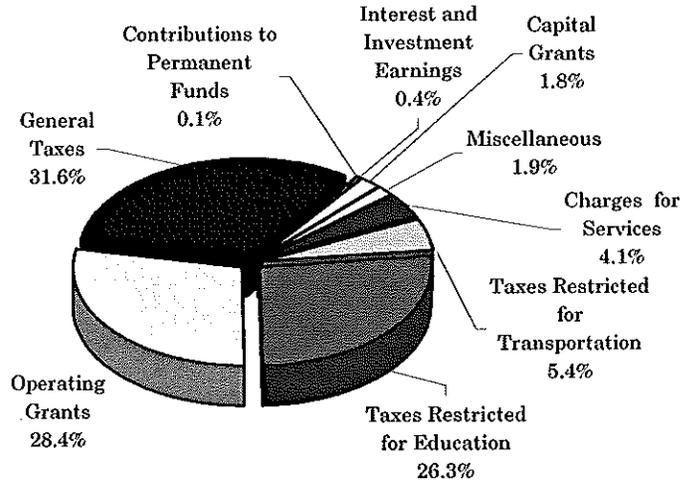
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

	Changes in Net Assets for Fiscal Year Ending September 30, 2001 (in millions of dollars)		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program revenues			
Charges for services	\$ 1,496.9	\$ 3,297.9	\$ 4,794.8
Operating grants	10,255.3	313.6	10,569.0
Capital grants	667.4	-	667.4
General revenues			
General taxes	11,425.7	10.4	11,436.2
Taxes restricted for educational purposes	9,500.3	-	9,500.3
Taxes restricted for transportation purposes	1,936.3	-	1,936.3
Interest and investment earnings	159.2	4.2	163.4
Miscellaneous	669.0	-	669.0
Total revenues	<u>36,110.1</u>	<u>3,626.2</u>	<u>39,736.3</u>
Expenses			
General government	1,735.2	-	1,735.2
Education	14,109.6	-	14,109.6
Family independence services	3,627.8	-	3,627.8
Public safety and corrections	2,098.6	-	2,098.6
Conservation, recreation, and agriculture	682.9	-	682.9
Labor, commerce, and regulatory	884.1	-	884.1
Health services	8,536.0	-	8,536.0
Transportation	2,766.7	-	2,766.7
Tax expenditures	532.8	-	532.8
Intergovernmental – revenue sharing	1,555.8	-	1,555.8
Interest on long-term debt	221.3	-	221.3
Liquor Purchase Revolving Fund	-	479.4	479.4
State Lottery Fund	-	1,132.8	1,132.8
Michigan Unemployment Compensation Funds	-	1,485.9	1,485.9
Total expenses	<u>36,750.8</u>	<u>3,098.1</u>	<u>39,848.9</u>
Excess (deficiency) Before Contributions and Transfers	(640.7)	528.1	(112.6)
Contributions to permanent fund principal	38.4	-	38.4
Transfers	737.6	(737.6)	-
Increase (decrease) in net assets	<u>135.4</u>	<u>(209.5)</u>	<u>(74.2)</u>
Net assets – beginning – restated	19,248.4	3,337.6	22,586.0
Net assets – ending	<u>\$ 19,383.8</u>	<u>\$ 3,128.1</u>	<u>\$ 22,511.8</u>

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:

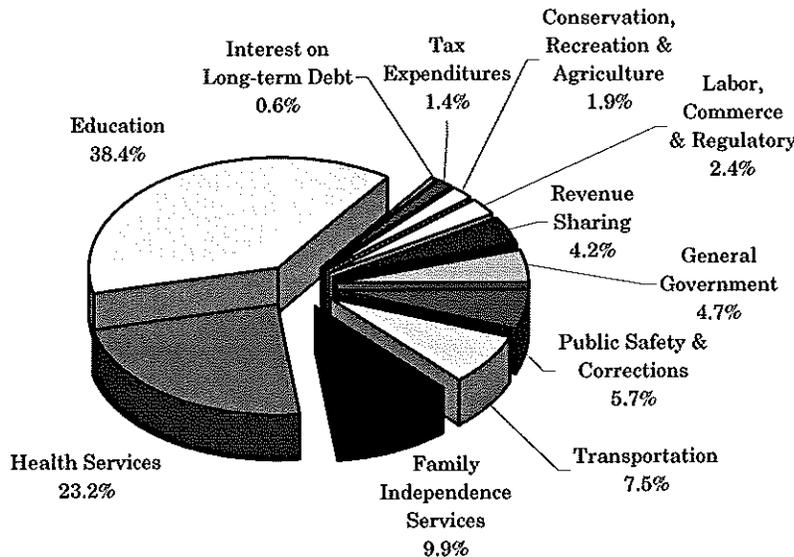
**Revenues - Governmental Activities
Fiscal Year Ending September 30, 2001**



Revenues for the State's governmental activities are likely to decrease in the coming years as the personal income and single business tax rates will experience gradual declines. Starting on January 1, 1999, the single business tax rate has been reduced by .1 percent each January 1 if the Budget Stabilization Fund has a fund balance greater than \$250 million. Beginning on January 1, 2000, the personal income tax will be reduced by .1 percent per year until the rate reaches 3.9%. There were no significant structural changes in the State's sales taxes during fiscal year 2000-2001. Decreases in tax revenues during the fiscal year resulted from these tax rollbacks, in addition to the slowdown in the economy.

The following chart depicts expenses of the governmental activities for the fiscal year:

**Expenses - Governmental Activities
Fiscal Year Ending September 30, 2001**



Business-type Activities

Net assets of the business-type activities decreased by \$209.5 million during the fiscal year. Factors contributing to these results included:

- The State Lottery Fund's net assets increased by \$44.8 million for the fiscal year, primarily from the increase in the market value of investments.
- Due to increasing unemployment in the State, the Michigan Unemployment Compensation Funds' payment of these benefits increased from \$905.9 million in fiscal year 1999-2000 to \$1.5 billion during fiscal year 2000-2001. However the impact on net assets was about half that amount, \$254.3 million, because of increases in operating revenues during the year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of \$5.8 billion. Of this total amount, \$2.6 billion, or 43.9% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The School Aid Fund, (\$694.8 million), the Budget Stabilization Fund (\$994.2 million), and transportation-related funds (\$539.4 million) comprise a significant portion of the unreserved fund balance. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments, such as capital outlay projects.

General Fund

The General Fund is the chief operating fund of the State. At the end of current fiscal year 2000-2001, unreserved fund balance of the General Fund was \$28.1 million and reserved fund balance was \$1.9 billion. Total fund balance diminished slightly during the fiscal year (\$192.8 million), primarily as a result of lower tax collections and slowing of the economy. By the end of fiscal year 2000-2001, net General Fund revenues had declined 8.1 percent from the prior year.

General Fund Budgetary Highlights:

Changes in the State's projected revenue mirrored the national economic condition. In May 2001, it became apparent that state revenues were declining and fiscal year 2000-2001 budgets were adjusted downward to reflect the softening revenues.

As a result, the original budget was amended by various supplemental appropriations and appropriation revisions. The following summarizes the differences between the original and final budget amounts:

- General purpose tax revenues of \$8.7 billion were significantly less than the estimated \$9.4 billion.
- Restricted revenue inflows of \$12.6 billion were slightly greater than the estimated \$12.5 billion.
- Funding shifts for several major construction projects from the General Fund to the State Building Authority resulted in a decrease of \$211.2 million, of which \$195.7 million related to appropriation revisions in fiscal year 2000-2001.
- Agencies controlled spending in an effort to create budgetary savings of almost \$24.4 million.
- The Budget Stabilization Fund transferred \$270.0 million to the General Fund to balance the budget.

Differences between the final budget and actual spending result from spending authority lapses of \$89.6 million, over-expended appropriations of \$31.9 million, and restricted revenue authorized but not spent of \$9.3 million.

Overall, there were no net overexpenditures by General Fund departments. There were, however, the following line-item overexpenditures of State funds incurred during the year:

Community Health	\$31.3 million
Career Development	\$.6 million

Although it is anticipated that the General Fund will experience reduced revenues in the next fiscal year, corresponding reductions in spending and other measures will help ensure that the fund balance remains positive.

School Aid Fund

Fund balance at September 30, 2001 totaled \$704.1 million, a decrease of \$281.5 million from the prior year. Although revenues increased by \$264.4 million, expenditures to school districts and other costs increased by nearly \$900 million and transfers to the fund decreased by \$66.4 million.

Counter-cyclical Budget and Economic Stabilization Fund

Fund balance at September 30, 2001 decreased to \$994.2 million, from \$1.3 billion the previous year. The downturn in the economy required an increase in transfers from the fund to assist the State in balancing its budget. During fiscal year 2001-2002, the State anticipates that transfers from the fund will significantly reduce fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2000-2001, the State had invested \$17.8 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$199.7 million.

Capital Assets as of September 30, 2001
(net of depreciation, in millions of dollars)

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 3,093.3	\$ -	\$ 3,093.3
Land improvements	56.2	-	56.2
Buildings and improvements	1,714.5	-	1,714.5
Equipment	193.1	.3	193.4
Infrastructure	11,810.4	-	11,810.4
Other	20.7	-	20.7
Subtotal	16,888.2	.3	16,888.5
Construction in progress	862.3	-	862.3
Total	\$ 17,750.5	\$.3	\$ 17,750.8

Although the most significant change in accounting for capital assets during the year resulted from the inclusion of infrastructure assets, the State also purchased the Grand Tower building, which houses the Family Independence Agency, for approximately \$40 million and completed construction on a variety of projects at correctional facilities that totaled approximately \$100 million.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,300 lane miles of roads and approximately 5,700 bridges that the State is responsible to maintain.

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to have no more than 30% of roads in "poor" or "very poor" condition. The most recent condition assessment, completed for calendar year 2000, indicated that 22% of roads were considered poor or very poor.

The State's bridges have assessed conditions which are better than the established benchmarks, although the most recent assessment (2000) indicated that the condition of the bridges had deteriorated slightly from 1999.

The State's fiscal year 2001-2002 capital outlay budget projects spending \$486.2 million for new projects at Michigan colleges and universities, and special maintenance projects at various state agency buildings, in addition to \$329.1 million of unspent capital outlay authorizations that existed at September 30, 2001. More detailed information about the State's capital assets is presented in Note 10 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA), a component unit of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. SBA issues debt that is not backed by the State's full faith and credit. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. More detailed information regarding the State's long-term obligations is presented in Note 14 to the financial statements.

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Outstanding Bonded Debt as of September 30, 2001 (in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the State)	\$ 1,031.8	\$ -	\$ 1,031.8
Revenue bonds and notes (backed by specific tax and fee revenues)	3,433.3	-	3,433.3
Total	<u>\$ 4,465.1</u>	<u>\$ -</u>	<u>\$ 4,465.1</u>

During fiscal year 2000-2001, the State issued general obligation debt totaling \$324.6 million, including \$183.3 million to pay off amounts outstanding on previously issued bonds that carried higher interest costs, \$60.0 million of bonds to fund conservation and recreation projects, and \$81.3 million of bonds to provide funds to loan to school districts.

Bond Ratings

The State's general obligations are rated Aaa by Moody's and AAA by Standard & Poors.

Limitations on Debt

The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. No short-term borrowing occurred in fiscal year 2000-2001.

ECONOMIC CONDITION AND OUTLOOK

Downturns in the U.S. economy that began in March 2001 had a similar impact on the State. Michigan's unemployment rate averaged 5.0% in 2001, up from 3.6% the year before. In May 2001 it became apparent that State revenues were declining and the budget for the 2000-2001 and 2001-2002 fiscal years were adjusted to reflect the softening revenues.

For fiscal year 2001-2002, spending reductions of nearly \$460 million have been approved, in addition to the more than \$210 million in spending reductions contained within the original fiscal 2001-2002 budget. As previously mentioned, the Budget Stabilization Fund will be utilized to soften the impact of the slowing economy.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the State Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. To obtain their phone numbers, you may contact the Office of Financial Management at (517) 373-3029.



BASIC FINANCIAL STATEMENTS

Michigan

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2001

(In Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Current Assets:				
Cash	\$ 12,784	\$ 741	\$ 13,525	\$ 300,760
Equity in common cash (Note 5)	4,211,343	147,422	4,358,765	219,912
Taxes, interest, and penalties receivable (Note 6)	3,963,798	-	3,963,798	-
Internal balances	7,589	(7,589)	-	-
Amounts due from component units	16,281	150	16,431	5,650
Amounts due from primary government	-	-	-	183,727
Amounts due from federal government	1,052,857	538	1,053,396	16,647
Amounts due from local units	213,319	11,802	225,122	752,264
Inventories	52,224	5,423	57,646	16,224
Investments (Note 8)	296,311	2,943,330	3,239,641	690,367
Securities lending collateral (Note 8)	-	203,945	203,945	-
Other current assets	461,673	194,753	656,427	358,921
Total Current Assets	<u>10,288,180</u>	<u>3,500,515</u>	<u>13,788,695</u>	<u>2,544,473</u>
Restricted assets:				
Cash and cash equivalents	-	-	-	486,435
Investments	-	-	-	665,472
Taxes, interest, and penalties receivable (Note 6)				
	830,000	-	830,000	-
Amounts due from federal government	889	-	889	-
Amounts due from local units	539,427	-	539,427	1,727,411
Mortgages and loans receivable (Note 9)	-	-	-	2,685,972
Investments (Note 8)	523,320	709,321	1,232,640	2,084,413
Capital assets (Note 10):				
Land and other non-depreciable assets	3,101,732	-	3,101,732	80,372
Buildings, equipment, and other depreciable assets	3,842,815	3,436	3,846,252	3,128,127
Less accumulated depreciation	(1,651,305)	(3,149)	(1,654,454)	(1,250,999)
Infrastructure	11,594,889	-	11,594,889	154,523
Construction in progress	862,339	-	862,339	209,851
Total capital assets	<u>17,750,471</u>	<u>287</u>	<u>17,750,758</u>	<u>2,321,874</u>
Interest in joint ventures (Note 7)	25,000	-	25,000	-
Other noncurrent assets	213,781	10,016	223,797	248,568
Total Assets	<u>\$ 30,171,067</u>	<u>\$ 4,220,139</u>	<u>\$ 34,391,206</u>	<u>\$ 12,764,617</u>
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 165,379	\$ 1,704	\$ 167,084	\$ 182
Accounts payable and other liabilities	2,625,178	225,420	2,850,598	378,456
Income tax refunds payable (Note 16)	618,030	-	618,030	-
Amounts due to component units	11,813	-	11,813	5,298
Amounts due to primary government	-	-	-	5,431
Bonds and notes payable (Notes 14 and 15)	338,651	-	338,651	914,661
Interest payable	93,653	-	93,653	88,464
Deferred revenue	62,163	222	62,385	54,608
Obligations under security lending	-	203,945	203,945	-
Current portion of other long-term obligations (Note 14)	265,909	463	266,371	2,313
Total Current Liabilities	<u>4,180,776</u>	<u>431,753</u>	<u>4,612,530</u>	<u>1,449,413</u>
Prize awards payable (Note 17)	-	615,647	615,647	-
Deferred revenue	19,543	-	19,543	1,699
Bonds and notes payable (Notes 14 and 15)	4,857,466	-	4,857,466	5,696,428
Noncurrent portion of other long-term obligations (Notes 14 and 18)	1,729,491	44,646	1,774,136	1,334,903
Total Liabilities	<u>\$ 10,787,277</u>	<u>\$ 1,092,046</u>	<u>\$ 11,879,323</u>	<u>\$ 8,482,444</u>

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

Michigan

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 15,129,844	\$ 287	\$ 15,130,131	\$ 1,582,576
Restricted for:				
Education	664,725	-	664,725	193,482
Construction and debt service	318,721	-	318,721	267,590
Public safety and corrections	16,513	-	16,513	-
Conservation, environment, recreation, and agriculture	413,747	-	413,747	-
Health services	24,906	-	24,906	-
Transportation	526,552	-	526,552	-
Intergovernmental-revenue sharing	199,449	-	199,449	-
Unemployment compensation	-	3,025,712	3,025,712	-
Other purposes	201,085	95,706	296,790	1,241,579
Funds held as permanent investments:				
Expendable	87,313	-	87,313	-
Nonexpendable	396,161	-	396,161	-
Unrestricted	1,404,776	6,388	1,411,164	996,947
Total Net Assets	\$ 19,383,790	\$ 3,128,093	\$ 22,511,883	\$ 4,282,173

Michigan

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

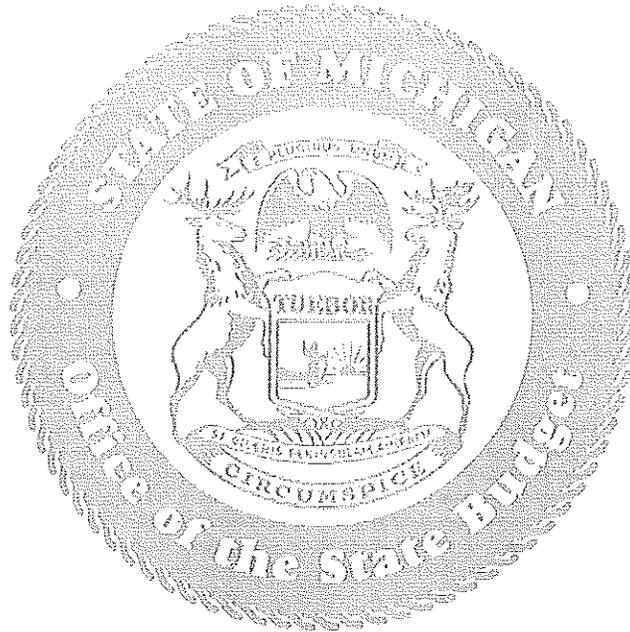
(In Thousands)

<u>Functions/Programs</u>	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 1,735,152	\$ 612,104	\$ 60,470	\$ 9,383
Education	14,109,560	12,836	925,741	-
Family independence services	3,627,815	66,365	2,287,028	-
Public safety and corrections	2,098,619	98,075	101,866	-
Conservation, environment, recreation, and agriculture	682,875	262,367	143,047	166
Labor, commerce, and regulatory	884,129	204,650	548,599	-
Health services	8,535,965	42,959	5,798,724	-
Transportation	2,766,735	197,536	389,867	657,888
Tax expenditures (Note 16)	532,800	-	-	-
Intergovernmental-revenue sharing	1,555,799	-	-	-
Interest on long-term debt	221,333	-	-	-
Total governmental activities	<u>36,750,783</u>	<u>1,496,893</u>	<u>10,255,342</u>	<u>667,437</u>
Business-type activities:				
Liquor Purchase Revolving Fund	479,359	592,084	-	-
State Lottery Fund	1,132,767	1,655,683	119,297	-
Michigan Unemployment Compensation Funds	1,485,947	1,050,123	194,332	-
Total business-type activities	<u>3,098,072</u>	<u>3,297,891</u>	<u>313,629</u>	<u>-</u>
Total primary government	<u>\$ 39,848,855</u>	<u>\$ 4,794,784</u>	<u>\$ 10,568,971</u>	<u>\$ 667,437</u>
Component units:				
Authorities:				
Michigan Education Trust	\$ 142,138	\$ 199	\$ 79,260	\$ -
Michigan State Housing Development Authority	305,329	159,936	172,450	-
Michigan Municipal Bond Authority	151,626	105,938	169,087	-
Non-Major	580,603	114,956	314,743	-
State Universities:				
Central Michigan University	252,962	144,340	24,663	3,213
Western Michigan University	381,847	200,483	26,403	151
Non-Major	1,099,492	532,953	136,231	62,756
Total component units	<u>\$ 2,913,998</u>	<u>\$ 1,258,806</u>	<u>\$ 922,836</u>	<u>\$ 66,120</u>
General revenues:				
Taxes:				
General:				
Sales and use				
Personal income				
Single business				
Other				
Restricted for educational purposes:				
Sales and use				
Personal income				
Education, property, and real estate transfers				
Other				
Restricted for transportation purposes:				
Sales and use				
Gasoline and diesel fuel				
Motor vehicle weight				
Other				
Unrestricted investment and interest earnings				
Miscellaneous				
Contributions to permanent fund principal				
Payments from State of Michigan				
Transfers				
Total general and other revenue, payments, and transfers				
Change in net assets				
Net assets-beginning - restated				
Net assets-ending				

Michigan

NET (EXPENSE) REVENUES AND
CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
\$ (1,053,196)	\$ -	\$ (1,053,196)	\$ -
(13,170,983)	-	(13,170,983)	-
(1,274,422)	-	(1,274,422)	-
(1,898,677)	-	(1,898,677)	-
(277,295)	-	(277,295)	-
(130,880)	-	(130,880)	-
(2,694,282)	-	(2,694,282)	-
(1,521,443)	-	(1,521,443)	-
(532,800)	-	(532,800)	-
(1,555,799)	-	(1,555,799)	-
(221,333)	-	(221,333)	-
<u>(24,331,111)</u>	<u>-</u>	<u>(24,331,111)</u>	<u>-</u>
-	112,726	112,726	-
-	642,214	642,214	-
-	(241,492)	(241,492)	-
-	513,448	513,448	-
<u>(24,331,111)</u>	<u>513,448</u>	<u>(23,817,663)</u>	<u>-</u>
-	-	-	(62,680)
-	-	-	27,057
-	-	-	123,399
-	-	-	(150,904)
-	-	-	(80,746)
-	-	-	(154,810)
-	-	-	(367,552)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(666,236)</u>
2,555,186	-	2,555,186	-
5,483,584	-	5,483,584	-
2,207,500	-	2,207,500	-
1,179,461	10,419	1,189,880	-
5,117,360	-	5,117,360	-
2,003,475	-	2,003,475	-
1,742,445	-	1,742,445	-
636,984	-	636,984	-
74,415	-	74,415	-
1,077,187	-	1,077,187	-
777,903	-	777,903	-
6,766	-	6,766	-
159,194	4,248	163,442	28,981
668,970	1	668,972	48,884
38,415	-	38,415	-
-	-	-	807,340
737,635	(737,635)	-	-
<u>24,466,480</u>	<u>(722,967)</u>	<u>23,743,513</u>	<u>885,205</u>
135,369	(209,519)	(74,150)	218,969
19,248,421	3,337,612	22,586,033	4,063,204
<u>\$ 19,383,790</u>	<u>\$ 3,128,093</u>	<u>\$ 22,511,883</u>	<u>\$ 4,282,173</u>



GOVERNMENTAL FUND FINANCIAL STATEMENTS



Major Funds

GENERAL FUND

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

COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, commonly referred to as the "Budget Stabilization Fund" or "Rainy Day Fund," was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times and funds flow from this fund to the General Fund in times of declining economy. Additional information regarding the fund is provided in Note 3.

SCHOOL AID FUND

An amendment to the 1908 State Constitution created this fund in 1955. The 1963 State Constitution provided for the fund's continued existence. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. School aid payments to school districts are based on a statutory formula.

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

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 96.

Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2001
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS SEPTEMBER 30, 2001
ASSETS					
Current Assets:					
Cash	\$ 7,420	\$ -	\$ -	\$ 5,327	\$ 12,746
Equity in common cash (Note 5)	1,059,933	994,187	-	2,019,983	4,074,102
Taxes, interest, and penalties receivable (Note 6)	2,680,738	-	1,162,203	120,856	3,963,798
Amounts due from other funds (Note 20)	298,628	-	9,009	192,161	499,798
Amounts due from component units	582	-	-	15,699	16,281
Amounts due from federal agencies	847,038	-	2,286	203,533	1,052,857
Amounts due from local units	112,040	-	48,630	52,649	213,319
Inventories	24,353	-	-	8,155	32,508
Investments (Note 8)	-	-	-	296,311	296,311
Other current assets	306,121	-	1,233	130,838	438,192
Total Current Assets	5,336,853	994,187	1,223,361	3,045,512	10,599,913
Taxes, interest, and penalties receivable (Note 6)	693,432	-	130,221	6,347	830,000
Advances to other funds (Note 20)	7,210	-	-	26,442	33,652
Amounts due from federal agencies	889	-	-	-	889
Amounts due from local units	493,407	-	1,252	44,767	539,427
Investments (Note 8)	-	-	-	523,320	523,320
Other noncurrent assets	3,287	-	-	8,693	11,981
Total Assets	\$ 6,535,078	\$ 994,187	\$ 1,354,835	\$ 3,655,081	\$ 12,539,181
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 134,908	\$ -	\$ 304	\$ 23,762	\$ 158,974
Accounts payable and other liabilities (Note 25)	1,601,998	-	125,217	847,715	2,574,930
Income tax refunds payable (Note 16)	618,030	-	-	-	618,030
Amounts due to other funds (Note 20)	27,641	-	117,304	375,916	520,861
Amounts due to component units	11,654	-	-	159	11,813
Interest payable	-	-	-	478	478
Deferred revenue	1,458,293	-	277,676	126,342	1,862,310
Total Current Liabilities	3,852,525	-	520,501	1,374,371	5,747,396
Long-Term Liabilities:					
Advances from other funds (Note 20)	-	-	-	26,442	26,442
Deferred revenue	774,029	-	130,221	25,169	929,419
Total Liabilities	4,626,553	-	650,722	1,425,982	6,703,257
Fund Balances:					
Reserved fund balance (Note 24)	1,880,452	-	9,317	1,384,205	3,273,975
Unreserved fund balance reported in:					
General fund	28,072	-	-	-	28,072
Special revenue funds	-	994,187	694,796	773,050	2,462,033
Debt service funds	-	-	-	318,721	318,721
Capital projects funds	-	-	-	(287,958)	(287,958)
Permanent funds	-	-	-	41,082	41,082
Total Fund Balances	1,908,525	994,187	704,113	2,229,100	5,835,924
Total Liabilities and Fund Balances	\$ 6,535,078	\$ 994,187	\$ 1,354,835	\$ 3,655,081	\$ 12,539,181

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

Michigan

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2001
(In Thousands)**

Total fund balances for governmental funds		\$ 5,835,924
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 10)		
Land and other non-depreciable assets	3,101,732	
Buildings, equipment, and other depreciable assets	3,558,728	
Infrastructure	11,594,889	
Construction in progress	862,339	
Interest in joint ventures	25,000	
Accumulated depreciation	<u>(1,481,368)</u>	17,661,320
Certain tax revenues are earned but not available and therefore are deferred in the funds.		
		2,546,248
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
		169,106
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		
		118,286
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a current available resource and is not reported in the funds. (Note 11)		
		103,879
Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.		
		8,843
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 14)		
Capital lease obligations	(228,454)	
Compensated absences	(431,740)	
Workers' Compensation	(199,850)	
Litigation	(887,851)	
Net pension obligations	(19,536)	
Arbitrage	<u>(5,417)</u>	(1,772,848)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement. (Note 14)		
Bonds and notes payable	(5,172,523)	
Unamortized premiums	(43,942)	
Less deferred loss amount on refundings	20,348	
Accrued interest payable	<u>(90,852)</u>	(5,286,969)
Net assets of governmental activities		<u>\$ 19,383,790</u>

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

Michigan

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

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(In Thousands)

	GENERAL	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
					SEPTEMBER 30, 2001
REVENUES					
Taxes	\$ 11,013,063	\$ -	\$ 9,407,071	\$ 1,984,890	\$ 22,405,023
From federal agencies	8,310,763	-	148,627	1,113,507	9,572,898
From local agencies	106,676	-	-	121,320	227,996
From services	114,645	-	-	700	115,346
From licenses and permits	219,732	-	-	171,923	391,655
Special Medicaid reimbursements	1,155,374	-	-	-	1,155,374
Miscellaneous	511,912	66,736	117,380	715,601	1,411,628
Total Revenues	21,432,165	66,736	9,673,078	4,107,942	35,279,920
EXPENDITURES					
Current:					
General government	1,126,062	-	-	151,760	1,277,822
Education	2,930,894	-	10,955,944	289,222	14,176,060
Family independence services	3,596,001	-	-	2,590	3,598,591
Public safety and corrections	2,155,711	-	-	3,890	2,159,602
Conservation, environment, recreation, and agriculture	362,546	-	-	273,733	636,279
Labor, commerce, and regulatory	684,164	-	-	196,905	881,069
Health services	8,478,167	-	-	47,268	8,525,435
Transportation	-	-	-	2,058,484	2,058,484
Tax expenditures (Note 16)	532,800	-	-	-	532,800
Capital outlay	68,146	-	-	1,463,998	1,532,145
Intergovernmental-revenue sharing	1,555,799	-	-	-	1,555,799
Debt service:					
Bond principal retirement	-	-	-	219,552	219,552
Bond interest and fiscal charges	-	-	-	201,980	201,980
Capital lease payments	47,763	-	-	1,057	48,820
Total Expenditures	21,538,055	-	10,955,944	4,910,440	37,404,438
Excess of Revenues over (under)					
Expenditures	(105,890)	66,736	(1,282,867)	(802,498)	(2,124,519)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	-	1,223,549	1,223,549
Premium on bond issuance	-	-	-	44,373	44,373
Refunding bonds issued	-	-	-	630,812	630,812
Payment to refunded bond escrow agent	-	-	-	(698,723)	(698,723)
Extinguishment of commercial paper	-	-	-	(40,680)	(40,680)
Capital lease acquisitions	23,014	-	-	-	23,014
Transfers from other funds	627,049	-	1,004,237	1,554,629	3,185,915
Transfers to other funds	(736,981)	(336,983)	(2,889)	(1,334,338)	(2,411,191)
Total Other Financing Sources (Uses)	(86,919)	(336,983)	1,001,348	1,379,623	1,957,070
Excess of Revenues and Other Sources over (under)					
Expenditures Other Uses	(192,808)	(270,247)	(281,518)	577,125	(167,449)
Fund Balances - Beginning of fiscal year - restated					
	2,101,333	1,264,434	985,632	1,651,975	6,003,373
Fund Balances - End of fiscal year	\$ 1,908,525	\$ 994,187	\$ 704,113	\$ 2,229,100	\$ 5,835,924

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

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

SEPTEMBER 30, 2001

(In Thousands)

Net change in fund balance - total governmental funds \$ (167,449)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.
(Note 10)

Land and other non-depreciable assets	77,988	
Buildings, equipment, and other depreciable assets	232,900	
Infrastructure	49,699	
Construction in progress	418,383	
Accumulated depreciation	<u>(161,908)</u>	617,062

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 496,006

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 50,243

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments. (Note 14)

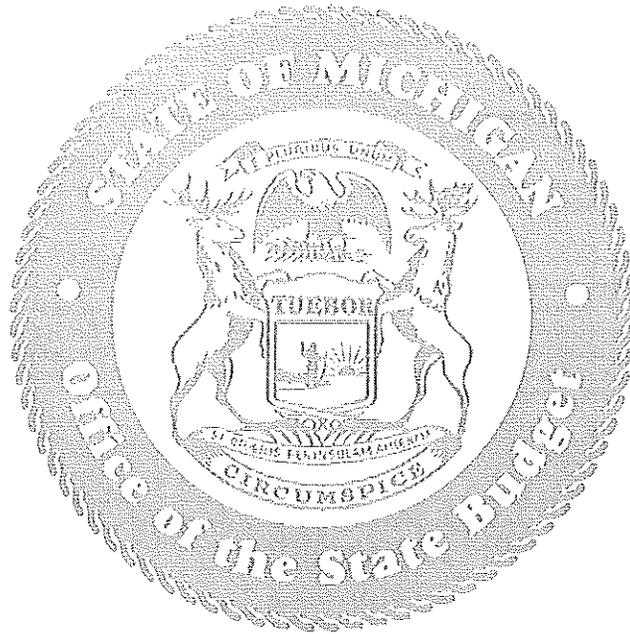
Bond proceeds and premiums received	(1,898,698)	
Repayment of bond principal	219,552	
Payment to refunded bond escrow agent	698,723	
Extinguishment of commercial paper	40,680	
Accrued interest	4,300	
Deferred issue costs	8,843	
Loss on refunding	<u>(20,709)</u>	(947,307)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.
(Note 14)

Excess contributions to pension funds	9,935	
Capital lease payments	28,466	
Compensated absences payments	30,570	
Litigation payments	22,668	
Workers' compensation	<u>(4,824)</u>	<u>86,815</u>

Change in net assets of governmental activities \$ 135,369

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



PROPRIETARY FUND FINANCIAL STATEMENTS



Major Funds

STATE LOTTERY FUND

Public Act 239 of 1972 established the State Lottery Fund and created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1990-91. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net assets balance represents the unrealized cumulative gain or loss on investments, as required by GASB Statement No. 31.

Revenues and related expenses are recognized in the period during which the related drawings are held. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

The columns for the Michigan Unemployment Compensation Funds reflect the activity of two funds administered by the Unemployment Agency within the Department of Consumer and Industry Services: the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund. The Michigan Unemployment Compensation Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. The fund also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, a special revenue fund.

Administered under the supervision of the Director of Employment Security, the Michigan Employment Security Act Contingent Fund was created by P.A. 535 of 1982 to receive a special temporary unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. Public Act 224 of 1989 restricts use of solvency taxes for payment of interest on the Michigan Unemployment Compensation borrowings from the federal government.

Non-Major Funds

LIQUOR PURCHASE REVOLVING FUND

Public Act 259 of 1941 authorized the creation of the Liquor Purchase Revolving Fund. The Liquor Control Commission, within the Department of Consumer and Industry Services, is primarily responsible for the fund. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with P.A. 431 of 1984.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 166.

Michigan

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR	TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2001	
ASSETS					
Current Assets:					
Cash	\$ 2	\$ 739	\$ 1	\$ 741	\$ 38
Equity in common cash (Note 5)	7,463	87,565	52,393	147,422	137,241
Amounts due from other funds (Note 20)	-	4,386	-	4,386	40,163
Amounts due from component units	-	150	-	150	-
Amounts due from federal agencies	-	538	-	538	-
Amounts due from local units	-	11,802	-	11,802	-
Inventories	2,131	-	3,291	5,423	19,716
Investments (Note 8)	108,783	2,834,547	-	2,943,330	-
Securities lending collateral	203,945	-	-	203,945	-
Other current assets	50,595	138,313	5,845	194,753	23,129
Total Current Assets	<u>372,920</u>	<u>3,078,041</u>	<u>61,530</u>	<u>3,512,491</u>	<u>220,287</u>
Investments (Note 8)	709,321	-	-	709,321	-
Capital Assets (Note 10):					
Buildings and equipment	3,436	-	-	3,436	284,087
Allowance for depreciation	(3,149)	-	-	(3,149)	(169,936)
Total capital assets	<u>287</u>	<u>-</u>	<u>-</u>	<u>287</u>	<u>114,151</u>
Other noncurrent assets	-	10,016	-	10,016	89,020
Total Assets	<u>\$ 1,082,527</u>	<u>\$ 3,088,058</u>	<u>\$ 61,530</u>	<u>\$ 4,232,115</u>	<u>\$ 423,458</u>
LIABILITIES					
Current Liabilities:					
Warrants outstanding	\$ 1,563	\$ -	\$ 142	\$ 1,704	\$ 6,405
Accounts payable and other liabilities (Note 25)	154,773	17,292	53,354	225,420	35,122
Amounts due to other funds (Note 20)	9,069	2,828	79	11,976	26,422
Deferred revenue	-	222	-	222	5,138
Obligations under security lending	203,945	-	-	203,945	-
Current portion of other long-term obligations (Note 14)	130	-	332	463	113,586
Total Current Liabilities	<u>369,481</u>	<u>20,342</u>	<u>53,907</u>	<u>443,729</u>	<u>186,672</u>
Long-Term Liabilities:					
Advances from other funds (Note 20)	-	-	-	-	7,210
Prize awards payable (Note 17)	615,647	-	-	615,647	-
Noncurrent portion of other long-term obligations (Note 14)	1,694	42,004	948	44,646	111,289
Total Liabilities	<u>986,822</u>	<u>62,346</u>	<u>54,854</u>	<u>1,104,022</u>	<u>305,172</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 287	\$ -	\$ -	\$ 287	\$ 85,347
Restricted for:					
Unemployment compensation	-	3,025,712	-	3,025,712	-
Other purposes	95,706	-	-	95,706	11,884
Unrestricted	(287)	-	6,676	6,388	21,055
Total Net Assets	<u>\$ 95,706</u>	<u>\$ 3,025,712</u>	<u>\$ 6,676</u>	<u>\$ 3,128,093</u>	<u>\$ 118,286</u>

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

Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2001
 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS	
	MAJOR		NON-MAJOR			TOTALS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2001		
OPERATING REVENUES						
Operating revenues	\$ 1,655,683	\$ 1,050,123	\$ 592,084	\$ 3,297,891	\$ 1,076,940	
Total Operating Revenues	<u>1,655,683</u>	<u>1,050,123</u>	<u>592,084</u>	<u>3,297,891</u>	<u>1,076,940</u>	
OPERATING EXPENSES						
Salaries, wages, and other administrative	195,442	-	46,825	242,267	168,084	
Depreciation	242	-	-	242	37,576	
Purchases for resale	-	-	431,737	431,737	46,185	
Purchases for prison industries	-	-	-	-	15,528	
Lottery prize awards	873,325	-	-	873,325	-	
Premiums and claims	-	-	1	1	704,712	
Unemployment benefits	-	1,458,848	-	1,458,848	-	
Other operating expenses	-	27,099	796	27,895	61,566	
Total Operating Expenses	<u>1,069,009</u>	<u>1,485,947</u>	<u>479,359</u>	<u>3,034,314</u>	<u>1,033,651</u>	
Operating Income (Loss)	<u>586,675</u>	<u>(435,824)</u>	<u>112,726</u>	<u>263,577</u>	<u>43,289</u>	
NONOPERATING REVENUES (EXPENSES)						
Specific tax on spirits	-	-	10,419	10,419	-	
Interest revenue	4,184	4,626	4,248	13,058	-	
Investment revenue (expense) - net	115,113	189,706	-	304,819	-	
Other nonoperating revenues	1	-	-	1	11,410	
Amortization of prize award obligation discount	(53,080)	-	-	(53,080)	-	
Interest expense	(10,648)	-	-	(10,648)	(1,083)	
Other nonoperating expense	(31)	-	-	(31)	(3,130)	
Total Nonoperating Revenues (Expenses)	<u>55,541</u>	<u>194,332</u>	<u>14,667</u>	<u>264,539</u>	<u>7,198</u>	
Income (Loss) Before Transfers	<u>642,215</u>	<u>(241,492)</u>	<u>127,393</u>	<u>528,116</u>	<u>50,487</u>	
TRANSFERS						
Transfers to:						
School Aid Fund	(587,009)	-	-	(587,009)	-	
Other funds	(10,377)	(12,856)	(127,393)	(150,626)	(244)	
Total transfers to other funds	<u>(597,386)</u>	<u>(12,856)</u>	<u>(127,393)</u>	<u>(737,635)</u>	<u>(244)</u>	
Total Transfers In (Out)	<u>(597,386)</u>	<u>(12,856)</u>	<u>(127,393)</u>	<u>(737,635)</u>	<u>(244)</u>	
Change in net assets	<u>44,829</u>	<u>(254,348)</u>	<u>-</u>	<u>(209,519)</u>	<u>50,243</u>	
Total net assets - Beginning of fiscal year - restated	<u>50,877</u>	<u>3,280,059</u>	<u>6,676</u>	<u>3,337,612</u>	<u>68,043</u>	
Total net assets - End of fiscal year	<u>\$ 95,706</u>	<u>\$ 3,025,712</u>	<u>\$ 6,676</u>	<u>\$ 3,128,093</u>	<u>\$ 118,286</u>	

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

Michigan

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2001
 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR	TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 27,770	\$ -	\$ 27,770	\$ -
Receipts from customers	1,631,473	11,263	592,082	2,234,818	1,074,760
Payments to employees	(12,557)	(2,694)	(14,299)	(29,551)	(49,926)
Payments to suppliers	(39,587)	-	(465,528)	(505,115)	(385,061)
Payments to prize winners	(962,928)	-	-	(962,928)	-
Payments for commissions to retailers	(143,259)	-	-	(143,259)	-
Claims paid	-	(1,468,890)	-	(1,468,890)	(545,048)
Other receipts	-	1,010,073	-	1,010,073	2,006
Other payments	-	-	(1,517)	(1,517)	(16,482)
Net cash provided (used) by operating activities	<u>\$ 473,142</u>	<u>\$ (422,478)</u>	<u>\$ 110,737</u>	<u>\$ 161,401</u>	<u>\$ 80,250</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans or loan repayments from other funds	\$ -	\$ -	\$ -	\$ -	\$ 4,427
Loans or loan repayments to other funds	-	-	-	-	(5,427)
Specific tax on spirits	-	-	10,419	10,419	-
Transfers to other funds	(588,377)	(12,856)	(127,393)	(728,626)	(244)
Net cash provided (used) by noncapital financing activities	<u>\$ (588,377)</u>	<u>\$ (12,856)</u>	<u>\$ (116,974)</u>	<u>\$ (718,207)</u>	<u>\$ (1,244)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (109)	\$ -	\$ -	\$ (109)	\$ (31,394)
Principal paid on bond and loan maturities	-	-	-	-	(6,881)
Interest paid	-	-	-	-	(219)
Capital lease payments (including imputed interest expense)	-	-	-	-	(8,089)
Proceeds from sale of capital assets	1	-	-	1	541
Net cash provided (used) by capital and related financing activities	<u>\$ (108)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108)</u>	<u>\$ (46,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	\$ 110,458	\$ 245,660	\$ -	\$ 356,118	\$ -
Interest and dividends on investments	4,184	194,331	4,248	202,763	11,410
Income from securities lending activities	11,405	-	-	11,405	-
Expenses from securities lending activities	(10,648)	-	-	(10,648)	-
Net cash provided (used) by investing activities	<u>\$ 115,400</u>	<u>\$ 439,991</u>	<u>\$ 4,248</u>	<u>\$ 559,638</u>	<u>\$ 11,410</u>
Net cash provided (used) - all activities	\$ 56	\$ 4,657	\$ (1,989)	\$ 2,725	\$ 44,375
Cash and cash equivalents at beginning of year	<u>5,846</u>	<u>83,647</u>	<u>54,240</u>	<u>143,734</u>	<u>86,499</u>
Cash and cash equivalents at end of year	<u>\$ 5,902</u>	<u>\$ 88,304</u>	<u>\$ 52,252</u>	<u>\$ 146,458</u>	<u>\$ 130,873</u>

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

Michigan

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR		
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	TOTALS SEPTEMBER 30, 2001	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 586,675	\$ (435,824)	\$ 112,726	\$ 263,577	\$ 43,289
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	242	-	-	242	37,576
Amortization of pre-paid expense	-	-	-	-	93
Amortization of prize award obligation discount	(53,080)	-	-	(53,080)	-
Other reconciling items	103	-	-	103	21
Net changes in assets and liabilities:					
Inventories	180	-	(383)	(204)	(1,302)
Other assets (net)	(922)	9,375	(720)	7,733	(4,070)
Accounts payable and other liabilities	(244)	4,036	(883)	2,909	4,644
Prize awards payable	(59,812)	-	-	(59,812)	-
Deferred revenue	-	(65)	(2)	(67)	-
Net cash provided (used) by operating activities	<u>\$ 473,142</u>	<u>\$ (422,478)</u>	<u>\$ 110,737</u>	<u>\$ 161,401</u>	<u>\$ 80,250</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ -	\$ -	\$ 19,335
Capital lease liabilities entered into during the year	-	-	-	-	(19,335)
Increase (decrease) in fair value of investments	44,829	-	-	44,829	-
Transfers to other funds (accrual)	(9,009)	-	-	(9,009)	-
Gain (loss) on disposal of capital assets	(31)	-	-	(31)	(3,118)
Total noncash investing, capital, and financing activities	<u>\$ 35,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,789</u>	<u>\$ (3,118)</u>



FIDUCIARY FUND FINANCIAL STATEMENTS



Individual fund descriptions and financial statements begin on the following pages:

- Pension (and Other Employee Benefit) Trust Funds, page 174
- Private Purpose Trust Funds, page 180
- Agency Funds, page 185

Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

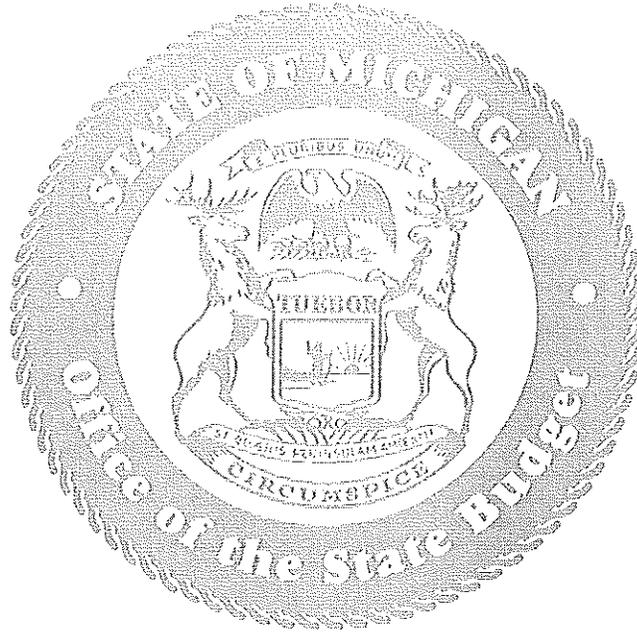
ASSETS	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
Cash	\$ 565	\$ 386	\$ 7,935
Equity in common cash (Note 5)	157,568	47,511	4,425
Receivables:			
From participants	92,772	-	-
From employers	357,437	-	-
Interest and dividends	166,355	376	-
Due from other funds (Note 20)	15,126	-	-
Sale of investments	1,555	-	-
Investments at fair value (Note 8):			
Short term investments	3,641,279	164	17,174
Bonds, notes, mortgages, and preferred stock	9,259,610	14,289	103,421
Common stock	18,871,164	85	-
Real estate	4,241,169	-	-
Alternative investments	6,906,286	-	-
International investments	2,987,682	-	-
Mutual funds	1,525,522	51,319	-
Pooled investment funds	1,508,482	4,437	-
Money market funds	88,261	-	-
Securities lending collateral (Note 8)	1,946,262	-	-
Capital assets:			
Buildings and equipment	24	-	-
Allowance for depreciation	(24)	-	-
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Other current assets	-	5,130	4,329
Other noncurrent assets	-	-	349,587
Total assets	<u>\$ 51,767,096</u>	<u>\$ 123,697</u>	<u>\$ 486,872</u>
LIABILITIES			
Warrants outstanding	\$ 13,357	\$ 2,202	\$ 145
Accounts payable and other liabilities	273,451	5,318	33,950
Amounts due to other funds (Note 20)	1	-	215
Obligations under security lending	1,946,262	-	-
Other long-term liabilities	-	-	452,562
Total liabilities	<u>\$ 2,233,072</u>	<u>\$ 7,519</u>	<u>\$ 486,872</u>
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, other employee benefits, and other purposes	<u>\$ 49,534,024</u>	<u>\$ 116,178</u>	
Reconciliation of net assets held in trust:			
Pension benefits (Note 11)	\$ 46,206,548	\$ -	
Postemployment health-care benefits	238,714	-	
Other employee benefits (Note 19)	3,088,761	-	
Other purposes	<u>-</u>	<u>116,178</u>	
Total net assets held in trust for benefits and other purposes	<u>\$ 49,534,024</u>	<u>\$ 116,178</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2001
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
From participants	\$ 604,833	\$ 62,849
From employers	1,614,243	-
From clients	-	37,304
From gifts, bequests, and endowments	-	177
From other plans	2,873	-
Investment income:		
Net appreciation (depreciation) in fair value of investments	(8,111,910)	(6,649)
Interest, dividends, and other	1,621,621	2,489
Securities lending income	64,592	-
Less investment expense:		
Investment activity expense	71,159	119
Securities lending expense	59,465	-
Net investment income (loss)	<u>(6,556,321)</u>	<u>(4,280)</u>
Escheated property	-	33,492
Miscellaneous income	3,134	1,145
Transfers from other funds	<u>-</u>	<u>740</u>
Total Additions	<u>(4,331,238)</u>	<u>131,428</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	2,624,308	888
Medical, dental, and life insurance for retirants	730,990	-
Refunds and transfers to other systems	21,455	1
Amounts distributed to clients or third parties	-	37,887
Administrative expense	71,041	8
Transfers to other funds	<u>-</u>	<u>37,585</u>
Total Deductions	<u>3,447,794</u>	<u>76,369</u>
Net increase (decrease)	(7,779,032)	55,059
Net assets - Beginning of fiscal year - restated	<u>57,313,056</u>	<u>61,119</u>
Net assets - End of fiscal year (Note 11)	<u>\$ 49,534,024</u>	<u>\$ 116,178</u>
Reconciliation of net increase in assets:		
Net increase (decrease) in assets held in trust for pension benefits	\$ (7,400,673)	\$ -
Net increase (decrease) in assets held in trust for postemployment benefits	87,773	-
Net increase (decrease) in assets held in trust for other employee benefits	(466,132)	-
Net increase (decrease) in assets held in trust for other purposes	<u>-</u>	<u>55,059</u>
Total net increase (decrease)	<u>\$ (7,779,032)</u>	<u>\$ 55,059</u>

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



COMPONENT UNIT FINANCIAL STATEMENTS



Major Funds

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The amount the purchaser is required to pay is based on several factors, among them are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

Public Act 316 of 1986 created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the Act provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the Act. The Act and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Public Act 346 of 1966, as amended, created the Michigan State Housing Development Authority (MSHDA) to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Governor appoints MSHDA's board members.

MICHIGAN MUNICIPAL BOND AUTHORITY

Public Act 227 of 1985, as amended, created the Michigan Municipal Bond Authority (MMBA) to assist local units of government in reducing their financing costs for public improvements, deficit reduction, and various other municipal purposes. MMBA pools the borrowing needs of various units and issues limited obligation debt; the proceeds of which are used to purchase local unit obligations or to make loans to local units.

MMBA is governed by a board of trustees consisting of the State Treasurer, two appointees of the Governor, and five state residents appointed by the Governor, with the advice and consent of the Senate.

MMBA and the Department of Environmental Quality serve as co-administrators of a special State Revolving Fund, which is reported as part of MMBA. The State Revolving Fund assists governmental units in financing water quality projects. Federal government and State matching provides financing for this activity along with investment interest earnings and/or other available funds. MMBA's separately issued financial reports provide a separate accounting of this fund's activities.

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

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

Non-Major Funds

The non-major component unit - authorities are presented beginning on page 190.

The non-major component unit - State universities are presented beginning on page 194.

Michigan

STATEMENT OF NET ASSETS
COMPONENT UNITS
 SEPTEMBER 30, 2001
 (In Thousands)

	AUTHORITIES			
	MICHIGAN EDUCATION TRUST	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	NON-MAJOR
ASSETS				
Current Assets:				
Cash	\$ 135,764	\$ -	\$ 141	\$ 28,596
Equity in common cash (Note 5)	-	-	19,527	200,384
Amounts due from component units	-	-	-	5,298
Amounts due from primary government	906	-	609	11,007
Amounts due from federal government	-	-	-	7,361
Amounts due from local units	-	-	751,652	2
Inventories	-	-	-	520
Investments (Note 8)	-	-	483,427	35,362
Other current assets	18,695	68,382	53,321	133,780
Total Current Assets	155,364	68,382	1,308,678	422,311
Restricted assets:				
Cash and cash equivalents	-	356,487	-	128,931
Investments	-	562,055	-	103,417
Amounts due from local units	-	-	1,727,411	-
Mortgages and loans receivable	-	1,855,219	-	762,068
Investments (Note 8)	684,707	-	1,000,953	83,982
Capital assets:				
Land and other non-depreciable assets	-	-	-	843
Buildings, equipment, and other depreciable assets	-	-	-	43,230
Less accumulated depreciation	-	-	-	(11,582)
Infrastructure	-	-	-	99,564
Construction in progress	-	-	-	1,411
Total capital assets	-	-	-	133,465
Other noncurrent assets	21,991	51,079	141,007	11,150
Total Assets	\$ 862,062	\$ 2,893,222	\$ 4,178,048	\$ 1,645,324
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ -	\$ -	\$ 182
Accounts payable and other liabilities	60,008	14,405	8,889	65,701
Amounts due to component units	-	-	-	5,298
Amounts due to primary government	-	-	218	1,450
Bonds and notes payable (Note 15)	-	54,465	723,008	95,293
Interest payable	-	17,008	58,923	8,193
Deferred revenue	-	-	-	1,854
Current portion of other long-term obligations	-	-	-	2,313
Total Current Liabilities	60,008	85,879	791,037	180,283
Deferred revenue	-	-	-	-
Bonds and notes payable (Note 15)	-	1,951,729	2,160,827	841,010
Noncurrent portion of other long-term obligations	699,284	447,947	83,582	51,474
Total Liabilities	\$ 759,292	\$ 2,485,555	\$ 3,035,446	\$ 1,072,767
NET ASSETS				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 126,527
Restricted for:				
Education	-	-	-	-
Construction and debt service	-	173,599	-	12,186
Other purposes	102,770	-	1,134,826	1,384
Unrestricted	-	234,069	7,776	432,459
Total Net Assets	\$ 102,770	\$ 407,667	\$ 1,142,602	\$ 572,557

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

Michigan

STATE UNIVERSITIES

CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	TOTALS SEPTEMBER 30, 2001
\$ 19,377	\$ 8,917	\$ 107,965	\$ 300,760
26	-	326	219,912
43,629	22,872	104,704	5,650
959	2,273	6,053	183,727
-	-	610	16,647
2,813	5,243	7,648	752,264
-	83,867	87,711	16,224
15,663	11,752	57,329	690,367
<u>82,469</u>	<u>134,924</u>	<u>372,346</u>	<u>358,921</u>
-	-	1,016	486,435
-	-	-	665,472
-	-	-	1,727,411
7,633	7,622	53,429	2,685,972
103,815	35,604	175,352	2,084,413
9,734	9,495	60,301	80,372
333,226	653,771	2,097,899	3,128,127
(169,999)	(261,395)	(808,022)	(1,250,999)
9,231	-	45,728	154,523
48,100	41,063	119,277	209,851
<u>230,292</u>	<u>442,934</u>	<u>1,515,183</u>	<u>2,321,874</u>
-	5,163	18,179	248,568
<u>\$ 424,209</u>	<u>\$ 626,246</u>	<u>\$ 2,135,505</u>	<u>\$ 12,764,617</u>
\$ -	\$ -	\$ -	\$ 182
40,683	60,215	128,554	378,456
-	-	-	5,298
597	11	3,156	5,431
3,365	22,759	15,771	914,661
1,059	-	3,281	88,464
9,770	8,484	34,500	54,608
-	-	-	2,313
<u>55,474</u>	<u>91,470</u>	<u>185,263</u>	<u>1,449,413</u>
-	-	1,699	1,699
91,354	217,786	433,721	5,696,428
15,100	-	37,516	1,334,903
<u>\$ 161,928</u>	<u>\$ 309,256</u>	<u>\$ 658,199</u>	<u>\$ 8,482,444</u>
\$ 135,573	\$ 216,668	\$ 1,103,807	\$ 1,582,576
27,371	20,530	145,581	193,482
7,026	31,142	43,637	267,590
-	-	2,598	1,241,579
92,311	48,650	181,683	996,947
<u>\$ 262,281</u>	<u>\$ 316,990</u>	<u>\$ 1,477,306</u>	<u>\$ 4,282,173</u>

Michigan

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	PROGRAM REVENUES			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS/ CONTRIBUTIONS</u>	<u>CAPITAL GRANTS/ CONTRIBUTIONS</u>	
Authorities:					
Michigan Education Trust	\$ 142,138	\$ 199	\$ 79,260	\$ -	\$ (62,680)
Michigan State Housing Development Authority	305,329	159,936	172,450	-	27,057
Michigan Municipal Bond Authority	151,626	105,938	169,087	-	123,399
Non-Major	580,603	114,956	314,743	-	(150,904)
State Universities:					
Central Michigan University	252,962	144,340	24,663	3,213	(80,746)
Western Michigan University	381,847	200,483	26,403	151	(154,810)
Non-Major	1,099,492	532,953	136,231	62,756	(367,552)
Total	\$ 2,913,998	\$ 1,258,806	\$ 922,836	\$ 66,120	\$ (666,236)
General revenues:					
Interest and investment earnings					28,981
Payments from State of Michigan					807,340
Other					48,884
Total general revenues					885,205
Change in net assets					218,969
Net assets -- beginning - restated					4,063,204
Net assets -- ending					\$ 4,282,173

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

