DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all State Trunkline Fund-related bond issues. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund-related bond issues. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Public Acts 326 and 327 of 1988 established this fund to service bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Also pursuant to P.A. 284 of 1998 and Part 196 of P.A. 451 of 1994, the fund services bond issues of the Clean Michigan Initiative Bond Fund-Local Projects, Clean Michigan Initiative Bond Fund-State Projects, and Clean Michigan Initiative Bond Fund-Environmental Projects. This fund also reflects debt service transactions related to State Park Improvement Fund revenue bonds, issued pursuant to Part 741 of P.A. 451 of 1994, as amended.

Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund, transfers from the State Park Improvement Fund representing state park revenues pledged for the payment of State Park Gross Revenue Bonds, and transfers from other funds as required by legislative appropriation or executive order.

Reserved fund balance of $300 thousand on the Balance Sheet represents a reserve account required by the State Park Gross Revenue Bonds document for additional security to pay bond principal and interest.

SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 and P.A. 112 of 1961 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of state equipment.

The Authority's projects are financed by revenue bonds, the proceeds of which can only be used for construction and debt service on projects related to particular bond issues. During construction, debt service requirements are financed by a portion of the bond proceeds that are dedicated for that purpose. For completed projects, the resources to finance bond interest and redemption are provided by transfers from the General Fund and from investment earnings of this fund. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operates under Part 215 of P.A. 451 of 1994, as amended, to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund. A five-member board of directors governs the Authority.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Cash	$ -	$ -	$ -
Equity in common cash	61	-	1,110
Amounts due from other funds	-	-	-
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	61	-	1,110
Investments	-	-	-
Total Assets	$ 61	$ -	$ 1,110
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ 61	$ -	$ -
Amounts due to other funds	-	-	-
Total Current Liabilities	61	-	-
Total Liabilities	61	-	-
Fund Balances:			
Reserved for other purposes	-	-	300
Unreserved	-	-	810
Total Fund Balances	-	-	1,110
Total Liabilities and Fund Balances	$ 61	$ -	$ 1,110

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	**TOTALS**
$ -	$ -	$ 4,649	**$ 4,649**
-	-	4,339	**5,510**
-	-	5,690	**5,690**
-	187,153	191,495	**378,649**
-	370	-	**370**
-	187,523	206,173	**394,867**
-	6,000	-	**6,000**
$ -	$ 193,523	$ 206,173	**$ 400,867**
$ -	$ 16	$ 4,649	**$ 4,726**
-	-	30,000	**30,000**
-	16	34,649	**34,726**
-	16	34,649	**34,726**
-	-	-	**300**
-	193,507	171,524	**365,841**
-	193,507	171,524	**366,141**
$ -	$ 193,523	$ 206,173	**$ 400,867**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	$ -	$ -	$ 8
Total Revenues	-	-	8
EXPENDITURES			
Current:			
General government	-	-	-
Education	-	-	-
Transportation	881	-	-
Debt Service:			
Bond principal retirement	23,895	16,325	13,397
Bond interest and fiscal charges	51,291	13,954	43,381
Total Expenditures	76,066	30,279	56,778
Excess of Revenues over (under) Expenditures	(76,066)	(30,278)	(56,770)
OTHER FINANCING SOURCES (USES)			
Premium on bond issuance	9,736	-	-
Refunding bonds issued	103,450	-	-
Payment to refunded bond escrow agent	(112,305)	-	-
Transfers from other funds	75,186	30,279	56,792
Transfers to other funds	-	-	-
Total Other Financing Sources (Uses)	76,066	30,278	56,792
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	22
Fund Balances - Beginning of fiscal year	-	-	1,087
Fund Balances - End of fiscal year	$ -	$ -	$ 1,110

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	**TOTALS**
$ -	$ 1,559	$ 1,680	**$ 3,247**
-	1,559	1,680	**3,247**
544	-	42	**586**
-	4,230	-	**4,230**
-	-	-	**881**
213,965	445,205	16,770	**729,557**
16,040	109,465	7,064	**241,194**
230,549	558,900	23,876	**976,448**
(230,549)	(557,341)	(22,196)	**(973,201)**
-	23,871	-	**33,606**
139,189	417,610	-	**660,249**
-	(134,951)	-	**(247,256)**
91,360	239,939	29,575	**523,131**
-	-	(1)	**(1)**
230,549	546,469	29,574	**969,730**
-	(10,872)	7,378	**(3,471)**
-	204,379	164,146	**369,613**
$ -	$ 193,507	$ 171,524	**$ 366,141**

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CAPITAL PROJECTS FUNDS

COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund currently operates under Parts 196, 715, and 741 of P.A. 451 of 1994, as amended. The balances in the fund reflect proceeds and investment earnings remaining from three bond packages: $70 million of general obligation bonds approved by voters in November 1988 as part of a $140 million bond package for financing State and local public recreation projects, $50 million of general obligation bonds approved by voters in November 1998 as part of a $675 million bond package known as the "Clean Michigan Initiative", and $15.5 million of State Park Gross Revenue Bonds issued in September 2002.

Proceeds from the 1988 bond package were used to construct, expand, and develop recreational facilities at State parks. Proceeds from the 1998 bond package were used for infrastructure improvements at State parks with the installation or upgrade of drinking water systems or restroom facilities as a first priority. Proceeds from the 2002 bond package were used to finance a major renovation of the Sterling State Park.

ADVANCE FINANCING FUNDS

The Advance Financing Funds reflects the activities of two sub-funds: the State Building Authority Advance Financing Fund and the Site Preparation Economic Development Fund.

The State Building Authority Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of State Building Authority bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of the State Building Authority are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as a payable to the General Fund. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to State Building Authority projects are recorded in this fund.

The State Building Authority, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from the Authority is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. The Authority will reimburse this fund by recording a transfer and the deficit attributable to the bonded projects will be eliminated when the Authority issues bonds or obtains commercial paper.

The Site Preparation Economic Development Fund was created by P.A. 265 of 1999 to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of State equipment. The Authority's five board members are appointed by the Governor.

This capital projects fund accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the State Building Authority Advance Financing Fund, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	COMBINED RECREATION BOND FUND-STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	**TOTALS**
ASSETS				
Current Assets:				
Equity in common cash	$ 3,128	$ -	$ -	**$ 3,128**
Amounts due from other funds	-	45,595	-	**45,595**
Amounts due from component units	-	1,779	-	**1,779**
Amounts due from federal agencies	-	6	-	**6**
Amounts due from local units	-	3,794	-	**3,794**
Investments	-	-	60,863	**60,863**
Other current assets	-	1,536	81	**1,617**
Total Current Assets	3,128	52,710	60,944	**116,782**
Total Assets	$ 3,128	$ 52,710	$ 60,944	**$ 116,782**
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 18	$ 51	$ -	**$ 69**
Accounts payable and other liabilities	241	38,155	9	**38,405**
Amounts due to other funds	-	32,876	46,955	**79,831**
Bonds and notes payable	-	-	449,170	**449,170**
Interest payable	-	-	367	**367**
Total Current Liabilities	259	71,082	496,502	**567,842**
Total Liabilities	259	71,082	496,502	**567,842**
Fund Balances:				
Unreserved	2,869	(18,371)	(435,558)	**(451,060)**
Total Fund Balances	2,869	(18,371)	(435,558)	**(451,060)**
Total Liabilities and Fund Balances	$ 3,128	$ 52,710	$ 60,944	**$ 116,782**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	COMBINED RECREATION BOND FUND-STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS
REVENUES				
Miscellaneous	$ 100	$ 53	$ 22,542	**$ 22,695**
Total Revenues	100	53	22,542	**22,695**
EXPENDITURES				
Current:				
General government	-	290	-	**290**
Education	-	4	135,838	**135,842**
Capital outlay	10,268	10,434	15,663	**36,364**
Total Expenditures	10,268	10,728	151,500	**172,496**
Excess of Revenues over (under) Expenditures	(10,168)	(10,675)	(128,958)	**(149,801)**
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	130,330	**130,330**
Proceeds from sale of capital assets	-	438	-	**438**
Premium on bond issuance	-	-	6,799	**6,799**
Transfers from other funds	-	49,906	-	**49,906**
Transfers to other funds	(322)	-	(51,787)	**(52,109)**
Total Other Financing Sources (Uses)	(322)	50,343	85,342	**135,364**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(10,490)	39,669	(43,617)	**(14,438)**
Fund Balances - Beginning of fiscal year	13,358	(58,040)	(391,941)	**(436,623)**
Fund Balances - End of fiscal year	$ 2,869	$ (18,371)	$ (435,558)	**$ (451,060)**

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PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Part 19 of P.A. 451 of 1994, as amended. Most rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned land are credited to the fund. Public Act 451 of 1994 directs a portion (50%, up to $10 million per year) of these revenues to the Michigan State Parks Endowment Fund. The voters approved a constitutional amendment in August 2002, which increased the amount that can be accumulated to $500 million, modified the distribution formula, and allows the State Treasurer to invest in equity securities and other types of investments.

In accordance with statutory provisions, this fund is to accumulate up to $500 million in reserves for permanent investments. The amount accumulated toward this cap is shown as a reservation of fund balance. Investment earnings and one-third of royalty earnings are available for appropriation. Two-thirds of royalty earnings, less the portion transferred to the Michigan State Parks Endowment Fund, are added to amounts held for permanent investments until the investment reserve reaches $500 million. After that time, all royalties, less the portion transferred to the Michigan State Parks Endowment Fund, are restricted for investment and only interest is available for appropriation. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to pay property taxes on State lands acquired by the fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund operates under Part 741 of P.A. 451 of 1994, as amended, to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a $40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to $10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land are deposited into this fund until the Michigan Natural Resources Trust Fund reaches an accumulated principal of $500 million after which time all revenue previously going to that fund will go to this fund. The fund's investment reserve will be capped at $800 million. The legislature is limited to appropriating no more than 50% of the amount transferred from the Michigan Natural Resources Trust Fund plus interest and investment earnings. When the fund's reserve reaches $800 million, only the interest and earnings in excess of the amount needed to maintain the $800 million principal limit may be expended.

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

Public Act 394 of 1994, as amended, established this fund for the purpose of conserving, improving, and developing the State's natural resources, and for enhancing, preserving, and maintaining public lands and waters through the employment of residents of this State in work training programs.

Twenty million dollars earmarked from the sale of the Accident Fund of Michigan provided the fund's permanent investment reserve. Only the interest and earnings of the fund can be expended.

MICHIGAN VETERANS' TRUST FUND

Public Act 9 of 1946 (First Extra Session) created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

CHILDREN'S TRUST FUND

Public Act 249 of 1982 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under P.A. 250 of 1982 to coordinate and fund activities for the prevention of child abuse and neglect in the State.

Public Act 291 of 2000 provided for a transfer of $13.1 million from the General Fund during fiscal year 1999-2000 to bring the fund's total assets to an amount exceeding $20 million. Only the earnings credited to the fund are available for disbursement once the total assets of the fund exceed $20 million corpus. Revenues are derived primarily from grants from the federal government, gifts and donations, and interest on investments.

COMBINING BALANCE SHEET
PERMANENT FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND
ASSETS			
Current Assets:			
Equity in common cash	$ 177,735	$ 69,406	$ 6,785
Amounts due from local units	-	-	-
Securities lending collateral	4,948	5,541	1,020
Other current assets	8,186	315	79
Total Current Assets	190,868	75,261	7,885
Investments	170,512	72,494	13,527
Total Assets	$ 361,380	$ 147,756	$ 21,412
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 80	$ 92	$ 18
Obligations under security lending	4,948	5,541	1,020
Accounts payable and other liabilities	28,515	13,032	94
Amounts due to other funds	11	32	2
Amounts due to component units	-	-	-
Total Current Liabilities	33,553	18,697	1,135
Total Liabilities	33,553	18,697	1,135
Fund Balances:			
Reserves For:			
Budgetary Carry-Forwards:			
Encumbrances	11,005	2,264	-
Multi-year projects	34,320	3,422	-
Funds held as permanent investments	250,729	112,499	19,904
Total Reserved	296,055	118,185	19,904
Unreserved	31,773	10,874	372
Total Fund Balances	327,827	129,058	20,277
Total Liabilities and Fund Balances	$ 361,380	$ 147,756	$ 21,412

MICHIGAN VETERANS' TRUST FUND	CHILDREN'S TRUST FUND	**TOTALS**
$ 9,622	$ 8,465	**$ 272,013**
101	-	**101**
2,962	3,063	**17,532**
336	155	**9,072**
13,022	11,683	**298,719**
39,088	14,334	**309,955**
$ 52,110	$ 26,017	**$ 608,674**
$ 4	$ 10	**$ 205**
2,962	3,063	**17,532**
1,410	1,158	**44,210**
6	3	**54**
120	-	**120**
4,502	4,234	**62,121**
4,502	4,234	**62,121**
1	5	**13,275**
-	-	**37,743**
49,000	20,625	**452,758**
49,001	20,630	**503,775**
(1,393)	1,152	**42,778**
47,608	21,782	**546,553**
$ 52,110	$ 26,017	**$ 608,674**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND
REVENUES			
From federal agencies	$ -	$ -	$ -
Miscellaneous	59,705	5,071	690
Total Revenues	59,705	5,071	690
EXPENDITURES			
Current:			
General government	402	206	38
Family independence services	-	-	-
Public safety and corrections	-	-	-
Conservation, environment, recreation, and agriculture	2,578	10,705	905
Capital outlay	15,723	1,680	-
Total Expenditures	18,702	12,591	943
Excess of Revenues over (under) Expenditures	41,003	(7,520)	(253)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	5,286	-	-
Transfers from other funds	-	10,000	-
Transfers to other funds	(10,034)	(25)	(5)
Total Other Financing Sources (Uses)	(4,748)	9,975	(5)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	36,255	2,455	(258)
Fund Balances - Beginning of fiscal year	291,572	126,604	20,535
Fund Balances - End of fiscal year	$ 327,827	$ 129,058	$ 20,277

MICHIGAN VETERANS' TRUST FUND	CHILDREN'S TRUST FUND	**TOTALS**
$ -	$ 832	**$ 832**
2,581	1,648	**69,695**
2,581	2,480	**70,528**
65	-	**711**
-	2,695	**2,695**
2,695	-	**2,695**
-	-	**14,188**
-	-	**17,403**
2,760	2,695	**37,691**
(179)	(215)	**32,836**
-	-	**5,286**
-	-	**10,000**
(31)	(3)	**(10,098)**
(31)	(3)	**5,188**
(210)	(218)	**38,024**
47,818	22,000	**508,529**
$ 47,608	$ 21,782	**$ 546,553**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous	59,705	59,705	-	5,071	5,071	-
Proceeds from sale of capital assets	5,286	5,286	-	-	-	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	64,991	64,991	-	15,071	15,071	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Family Independence Agency	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	40,885	39,339	1,546	14,942	14,674	268
Treasury	402	402	-	206	206	-
Total Expenditures, Transfers Out, and Encumbrances	41,287	39,741	1,546	15,148	14,880	268
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 23,704	25,250	$ 1,546	$ (78)	191	$ 268
Reconciling Items:						
Encumbrances at September 30		11,005			2,264	
Net Reconciling Items		11,005			2,264	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		36,255			2,455	
FUND BALANCES (GAAP BASIS)						
Beginning balances		291,572			126,604	
Ending balances (GAAP Basis)		$ 327,827			$ 129,058	

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			MICHIGAN VETERANS' TRUST FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
690	690	-	2,581	2,581	-
-	-	-	-	-	-
-	-	-	-	-	-
690	690	-	2,582	2,582	-
-	-	-	-	-	-
-	-	-	4,777	2,728	2,049
1,033	910	123	-	-	-
38	38	-	65	65	-
1,071	948	123	4,841	2,793	2,049
$ (381)	(258)	$ 123	$ (2,260)	(211)	$ 2,049
	-			1	
	-			1	
	(258)			(210)	
	20,535			47,818	
	$ 20,277			$ 47,608	

This schedule continued on next page.

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

FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	CHILDREN'S TRUST FUND			TOTALS		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ 832	$ 832	$ -	$ 832	$ 832	$ -
Miscellaneous	1,648	1,648	-	69,695	69,695	-
Proceeds from sale of capital assets	-	-	-	5,286	5,286	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	2,480	2,480	-	85,814	85,814	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Family Independence Agency	4,104	2,703	1,401	4,104	2,703	1,401
Military and Veterans Affairs	-	-	-	4,777	2,728	2,049
Natural Resources	-	-	-	56,860	54,923	1,937
Treasury	-	-	-	711	711	-
Total Expenditures, Transfers Out, and Encumbrances	4,104	2,703	1,401	66,452	61,065	5,387
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (1,624)	(222)	$ 1,401	$ 19,362	24,749	$ 5,387
Reconciling Items:						
Encumbrances at September 30		5			13,275	
Net Reconciling Items		5			13,275	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(218)			38,024	
FUND BALANCES (GAAP BASIS)						
Beginning balances		22,000			508,529	
Ending balances (GAAP Basis)		$ 21,782			$ 546,553	

ENTERPRISE 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 Labor and Economic Growth, 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.

ATTORNEY DISCIPLINE SYSTEM

The Attorney Discipline System consists of the Attorney Grievance Commission and the Attorney Discipline Board. This system provides the courts, legal profession, and the general public with a means to ensure that complaints against attorneys for potential violations of the Court Rules and the Michigan Rules of Professional Conduct are properly heard and investigated, and that sanctions are imposed where required. The Attorney Discipline System is under the supervision of the Michigan Supreme Court.

The Attorney Discipline System receives revenue in the form of mandatory annual assessments on members of the State Bar of Michigan, provided for by Court Rules. This system also receives other revenue, primarily through the assessment of administrative fees and the recovery of costs, including subpoena fees and transcript costs.

STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
ASSETS			
Current Assets:			
Cash	$ 1	$ 1,193	**$ 1,194**
Equity in common cash	60,064	-	**60,064**
Inventories	3,501	-	**3,501**
Investments	-	1,163	**1,163**
Other current assets	7,370	57	**7,427**
Total Current Assets	70,935	2,414	**73,349**
Capital Assets:			
Buildings and equipment	-	722	**722**
Allowance for depreciation	-	(669)	**(669)**
Total capital assets	-	53	**53**
Total Assets	$ 70,935	$ 2,467	**$ 73,403**
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 6,677	$ -	**$ 6,677**
Accounts payable and other liabilities	58,522	172	**58,694**
Amounts due to other funds	77	-	**77**
Deferred revenue	-	695	**695**
Current portion of other long-term obligations	196	-	**196**
Total Current Liabilities	65,472	867	**66,339**
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	588	-	**588**
Total Liabilities	66,060	867	**66,927**
NET ASSETS			
Invested in capital assets, net of related debt	$ -	$ 53	**$ 53**
Unrestricted	4,876	1,547	**6,423**
Total Net Assets	$ 4,876	$ 1,600	**$ 6,476**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
OPERATING REVENUES			
Operating revenues	$ 675,747	$ 4,593	**$ 680,340**
Total Operating Revenues	675,747	4,593	**680,340**
OPERATING EXPENSES			
Salaries, wages, and other administrative	50,149	4,032	**54,181**
Depreciation	-	24	**24**
Purchases for resale	493,271	-	**493,271**
Premiums and claims	1	-	**1**
Other operating expenses	1,262	-	**1,262**
Total Operating Expenses	544,683	4,056	**548,739**
Operating Income (Loss)	131,064	537	**131,601**
NONOPERATING REVENUES (EXPENSES)			
Specific tax on spirits	11,989	-	**11,989**
Interest revenue	1,127	50	**1,177**
Investment revenue (expense) - net	-	48	**48**
Total Nonoperating Revenues (Expenses)	13,116	98	**13,214**
Income (Loss) Before Capital Contributions and Transfers	144,180	636	**144,815**
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers to other funds	(144,180)	-	**(144,180)**
Total Capital Contributions and Transfers In (Out)	(144,180)	-	**(144,180)**
Change in net assets	-	636	**636**
Total net assets - Beginning of fiscal year	4,876	965	**5,841**
Total net assets - End of fiscal year	$ 4,876	$ 1,600	**$ 6,476**

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 675,747	$ -	**$ 675,747**
Membership dues	-	4,791	**4,791**
Payments to employees	(10,139)	(3,207)	**(13,347)**
Payments to suppliers	(523,629)	(495)	**(524,124)**
Other receipts	-	167	**167**
Other payments	(4,784)	(343)	**(5,127)**
Net cash provided (used) by operating activities	$ 137,195	$ 912	**$ 138,107**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Specific tax on spirits	$ 11,989	$ -	**$ 11,989**
Transfers to other funds	(144,180)	-	**(144,180)**
Net cash provided (used) by noncapital financing activities	$ (132,191)	$ -	**$ (132,191)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investment securities	$ -	$ (26)	**$ (26)**
Interest and dividends on investments	1,127	50	**1,177**
Net cash provided (used) by investing activities	$ 1,127	$ 24	**$ 1,151**
Net cash provided (used) - all activities	$ 6,131	$ 936	**$ 7,067**
Cash and cash equivalents at beginning of year	47,256	257	**47,514**
Cash and cash equivalents at end of year	$ 53,387	$ 1,193	**$ 54,580**
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	$ 1	$ 1,193	**$ 1,194**
Equity in common cash	60,064	-	**60,064**
Warrants outstanding	(6,677)	-	**(6,677)**
Cash and cash equivalents at end of year	$ 53,387	$ 1,193	**$ 54,580**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 131,064	$ 537	**$ 131,601**
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	-	24	**24**
Net Changes in Assets and Liabilities:			
Inventories	161	-	**161**
Other assets (net)	(3,555)	49	**(3,506)**
Accounts payable and other liabilities	9,525	(63)	**9,462**
Deferred revenue	-	365	**365**
Net cash provided (used) by operating activities	$ 137,195	$ 912	**$ 138,107**

INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Created by P.A. 210 of 1935 and continued by P.A. 15 of 1968, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax-exempt organizations.

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The repayment provisions, as stipulated in Executive Order 1992-13, resulted in no required payment in fiscal year 2003-2004.

MOTOR TRANSPORT FUND

This fund was created by P.A. 260 of 1947 and continued by P.A. 431 of 1984 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2001-2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

INFORMATION TECHNOLOGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 2001-2002, the use of this fund was expanded to account for all information technology activities of the executive branch as prescribed in Executive Order 2001-03.

RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the Government-wide Financial Statements entitled "Risk Management" provides additional information about this fund.

The amounts reflected as amounts due from other funds include reclassifications of other funds' negative balances in the common cash pool.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	$ -	$ -	$ -
Equity in common cash	1,429	-	285
Amounts due from other funds	-	-	-
Amounts due from component units	-	-	-
Inventories	10,943	312	3,493
Other current assets	229	9,699	1,406
Total Current Assets	12,601	10,011	5,184
Capital Assets:			
Buildings and equipment	49,458	12,537	24,388
Allowance for depreciation	(21,751)	(10,540)	(14,955)
Total capital assets	27,707	1,997	9,432
Total Assets	$ 40,308	$ 12,008	$ 14,616
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 249	$ 10	$ 267
Accounts payable and other liabilities	1,285	1,949	8,413
Amounts due to other funds	122	6,937	5,237
Deferred revenue	-	3	-
Current portion of other long-term obligations	114	29	1,897
Total Current Liabilities	1,771	8,928	15,814
Long-Term Liabilities:			
Advances from other funds	6,768	-	-
Noncurrent portion of other long-term obligations	1,399	385	3,508
Total Liabilities	$ 9,938	$ 9,314	$ 19,323
NET ASSETS			
Invested in capital assets, net of related debt	$ 27,707	$ 1,997	$ 6,267
Restricted for other purposes	2,664	697	-
Unrestricted	-	-	(10,974)
Total Net Assets	$ 30,371	$ 2,695	$ (4,707)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	**TOTALS**
$ 1	$ -	$ 90	**$ 91**
25,697	8,310	238,716	**274,437**
-	-	31,180	**31,180**
-	-	152	**152**
155	-	-	**14,904**
131	1,501	7,328	**20,293**
25,984	9,811	277,466	**341,057**
355,702	4	303	**442,392**
(292,584)	(4)	(303)	**(340,138)**
63,118	-	-	**102,254**
$ 89,102	$ 9,811	$ 277,466	**$ 443,311**
$ 1,790	$ -	$ 1,273	**$ 3,589**
36,063	780	21,319	**69,809**
1,118	6	-	**13,419**
6,511	-	223	**6,737**
11,408	2,562	80,451	**96,461**
56,890	3,347	103,266	**190,016**
-	-	-	**6,768**
27,082	5,058	87,474	**124,907**
$ 83,972	$ 8,406	$ 190,740	**$ 321,691**
$ 46,696	$ -	$ -	**$ 82,667**
-	-	-	**3,361**
(41,566)	1,405	86,726	**35,591**
$ 5,130	$ 1,405	$ 86,726	**$ 121,620**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
OPERATING REVENUES			
Operating revenues	$ 36,472	$ 59,710	$ 73,126
Total Operating Revenues	36,472	59,710	73,126
OPERATING EXPENSES			
Salaries, wages, and other administrative	22,548	4,636	27,911
Interest expense	-	-	-
Depreciation	1,691	1,361	2,062
Purchases for resale	-	-	43,058
Purchases for prison industries	14,204	-	-
Premiums and claims	-	2,078	1
Other operating expenses:			
Leased vehicles expense	-	29,537	-
Vehicle maintenance expense	-	21,500	-
Miscellaneous	-	-	-
Total other operating expenses	-	51,037	-
Total Operating Expenses	38,443	59,112	73,031
Operating Income (Loss)	(1,972)	598	95
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	-	-
Other nonoperating revenues	-	121	9
Interest expense	(292)	-	(199)
Other nonoperating expense	(744)	(1)	(46)
Total Nonoperating Revenues (Expenses)	(1,036)	120	(236)
Income (Loss) Before Capital Contributions and Transfers	(3,008)	718	(141)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions from other funds	-	-	-
Transfers to other funds	(205)	(57)	(120)
Total Capital Contributions and Transfers In (Out)	(205)	(57)	(120)
Change in net assets	(3,212)	661	(261)
Total net assets - Beginning of fiscal year	33,583	2,033	(4,445)
Total net assets - End of fiscal year	$ 30,371	$ 2,695	$ (4,707)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
$ 448,612	$ 4,623	$ 946,525	**$ 1,569,067**
448,612	4,623	946,525	**1,569,067**
407,111	948	58,608	**521,761**
18	-	-	**18**
43,852	-	-	**48,966**
-	-	-	**43,058**
-	-	-	**14,204**
5	3,122	889,632	**894,837**
59	-	-	**29,596**
-	-	-	**21,500**
3	-	-	**3**
62	-	-	**51,099**
451,048	4,070	948,240	**1,573,943**
(2,436)	553	(1,715)	**(4,876)**
-	-	3,025	**3,025**
500	-	-	**630**
(723)	-	-	**(1,214)**
-	-	-	**(791)**
(223)	-	3,025	**1,651**
(2,659)	553	1,311	**(3,226)**
1,125	-	-	**1,125**
(795)	(8)	(5)	**(1,190)**
330	(8)	(5)	**(64)**
(2,329)	545	1,306	**(3,290)**
7,459	860	85,420	**124,910**
$ 5,130	$ 1,405	$ 86,726	**$ 121,620**

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 36,483	$ 58,284	$ 72,969
Payments to employees	(13,550)	(2,598)	(10,082)
Payments to suppliers	(13,253)	(51,233)	(55,565)
Claims paid	-	-	-
Other receipts	-	311	-
Other payments	(8,784)	-	-
Net cash provided (used) by operating activities	$ 895	$ 4,764	$ 7,322
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	$ 292	$ 6,914	$ 5,126
Loans or loan repayments to other funds	-	(11,714)	(7,941)
Transfers to other funds	(205)	(57)	(120)
Other reciepts	-	-	9
Net cash provided (used) by noncapital financing activities	$ 88	$ (4,856)	$ (2,926)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	$ (966)	$ -	$ (61)
Interest paid	(292)	-	-
Capital lease payments (including imputed interest expense)	-	-	(1,384)
Proceeds from sale of capital assets	-	120	59
Net cash provided (used) by capital and related financing activities	$ (1,258)	$ 120	$ (1,386)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	$ -	$ -	$ -
Net cash provided (used) by investing activities	$ -	$ -	$ -
Net cash provided (used) - all activities	$ (275)	$ 28	$ 3,010
Cash and cash equivalents at beginning of year	1,455	(38)	(2,992)
Cash and cash equivalents at end of year	$ 1,180	$ (10)	$ 18
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	$ -	$ -	$ -
Equity in common cash	1,429	-	285
Warrants outstanding	(249)	(10)	(267)
Cash and cash equivalents at end of year	$ 1,180	$ (10)	$ 18
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (1,972)	$ 598	$ 95
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,691	1,361	2,062
Net Changes in Assets and Liabilities:			
Inventories	1,059	(45)	1,332
Other assets (net)	11	4,026	(907)
Accounts payable and other liabilities	105	(1,175)	4,741
Net cash provided (used) by operating activities	$ 895	$ 4,764	$ 7,322
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital contributions	$ -	$ -	$ -
Cost of capital assets acquisitions financed by capital leases	-	-	590
Capital lease liabilities entered into during the year	-	-	(590)
Gain (loss) on disposal of capital assets	(292)	-	(46)
Total noncash investing, capital, and financing activities	$ (292)	$ -	$ (46)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
$ 450,982	$ 4,623	$ 928,980	**$ 1,552,322**
(132,035)	(608)	-	**(158,873)**
(291,209)	(1,192)	(265,677)	**(678,130)**
-	(3,136)	(677,892)	**(681,027)**
-	-	-	**311**
-	-	-	**(8,784)**
$ 27,738	$ (312)	$ (14,589)	**$ 25,819**
$ -	$ -	$ 19,655	**$ 31,987**
-	-	(12,040)	**(31,695)**
(795)	(8)	(5)	**(1,190)**
-	-	-	**9**
$ (795)	$ (8)	$ 7,610	**$ (888)**
(18,487)	$ -	$ -	$ **(19,514)**
-	-	-	**(292)**
(15,653)	-	-	**(17,037)**
-	-	-	**180**
$ (34,140)	$ -	$ -	**$ (36,664)**
$ -	$ -	$ 3,025	**$ 3,025**
$ -	$ -	$ 3,025	**$ 3,025**
$ (7,197)	$ (321)	$ (3,954)	**$ (8,708)**
31,105	8,631	241,487	**279,647**
$ 23,908	$ 8,310	$ 237,533	**$ 270,939**
$ 1	$ -	$ 90	**$ 91**
25,697	8,310	238,716	**274,437**
(1,790)	-	(1,273)	**(3,589)**
$ 23,908	$ 8,310	$ 237,533	**$ 270,939**
$ (2,436)	$ 553	$ (1,715)	**$ (4,876)**
43,852	-	-	**48,966**
-	-	-	**2,346**
102	5	(15,840)	**(12,603)**
(13,779)	(871)	2,965	**(8,014)**
$ 27,738	$ (312)	$ (14,589)	**$ 25,819**
$ 1,125	$ -	$ -	**$ 1,125**
9,986	-	-	**10,576**
(9,986)	-	-	**(10,576)**
-	-	-	**(339)**
$ 1,125	$ -	$ -	**$ 786**

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans" and "Pension Benefits and Other Postemployment Benefits," include additional information regarding the following funds and plans.

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS

The State Employees' Deferred Compensation Fund I (457) and the State Employees' Deferred Compensation Fund II (401k) are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years. Executive Order 1999-7 transferred administration of the plans from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer continues to oversee investment options.

LEGISLATIVE RETIREMENT FUND

Public Act 261 of 1957 created the Legislative Retirement System (LRS) to provide retirement and other benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

Public Act 486 of 1996 amended LRS' enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

STATE POLICE RETIREMENT FUND

This fund was created by P.A. 251 of 1935 and later superseded by P.A. 182 of 1986. A nine-member board, under the direction of a chairperson elected from the membership, administers the fund to provide retirement benefits for State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine-member board under the direction of an Executive Secretary. Public Act 216 of 1974 eliminated the requirement for member contributions and provided for financing by legislative appropriation and investment earnings.

Effective March 31, 1997, P.A. 487 of 1996 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The public act also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981, the Public School Employees' Chapter I Retirement Fund merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. Public Acts 136 of 1945 and 259 of 1974, respectively, created the two original funds. An eight-member board governs administrative policy.

Employer contributions and investment earnings provide financing for the fund. Under P.A. 91 of 1985, employees may contribute additional amounts into a "member investment plan."

JUDGES' RETIREMENT FUND

Public Act 234 of 1992 authorized the merger of the Probate Judges' Retirement Fund into the Judges' Retirement Fund by requiring the consolidation of all assets, rights, and obligations under the former Judges' and Probate Judges' Retirement Funds. The Judges' Retirement Board, with the director of the Office of Retirement Systems as the Executive Secretary, administers the consolidated fund. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

Public Act 523 of 1996, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by P.A. 487 of 1996 as a defined contribution pension plan for all state employees hired after March 31, 1997, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. Executive Order 1999-7 transferred administration of the fund from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer shall continue to oversee investment options.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND
ASSETS			
Cash	$ -	$ -	$ -
Equity in common cash	814	3,448	8,386
Receivables:			
Employee	97,933	-	-
Employer	432	116	-
Interest and dividends	-	60	3
Due from other funds	24	-	1,543
Sale of investments	-	184	-
Investments at Fair Value:			
Short-term investments	51,404	-	19,504
Bonds, notes, mortgages, and preferred stock	-	-	191,458
Common stock	-	65,973	501,035
Real estate	-	-	76,438
Alternative investments	-	-	132,259
International investments	-	-	112,429
Mutual funds	1,358,405	99,080	-
Pooled investment funds	1,611,540	-	-
Money market funds	60,252	-	-
Securities lending collateral	-	-	65,551
Total Assets	$ 3,180,803	$ 168,861	$ 1,108,605
LIABILITIES			
Warrants outstanding	$ -	$ 31	$ 224
Accounts payable and other liabilities	-	612	68
Amounts due to other funds	-	2	-
Obligations under security lending	-	-	65,551
Total Liabilities	$ -	$ 645	$ 65,843
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, and other employee benefits	$ 3,180,803	$ 168,216	$ 1,042,762
Reconciliation of Net Assets Held in Trust:			
Pension benefits	$ -	$ 158,423	$ 1,042,762
Postemployment health-care benefits	-	9,793	-
Other employee benefits	3,180,803	-	-
Total net assets held in trust for benefits	$ 3,180,803	$ 168,216	$ 1,042,762

STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	**TOTALS**
$ 5	$ 587	$ -	$ -	**$ 592**
37,345	156,278	2,155	-	**208,426**
-	-	-	38,409	**136,342**
87,072	458,465	67	68	**546,220**
24	92	1	-	**179**
13,335	-	-	-	**14,902**
-	-	-	-	**184**
222,980	1,153,592	6,558	95,117	**1,549,154**
1,594,598	6,337,628	53,559	-	**8,177,244**
4,567,228	17,684,366	128,971	-	**22,947,573**
723,689	2,433,331	26,141	-	**3,259,600**
1,199,581	4,812,902	25,003	-	**6,169,744**
1,020,558	3,811,046	25,392	-	**4,969,425**
-	-	-	220,321	**1,677,805**
-	-	-	144,703	**1,756,243**
-	-	-	2,829	**63,081**
558,059	2,166,910	18,077	-	**2,808,598**
$ 10,024,472	$ 39,015,198	$ 285,925	$ 501,447	**$ 54,285,311**
$ 2,790	$ 7,006	$ 47	$ -	**$ 10,098**
1,255	68,797	3	-	**70,735**
-	-	-	24	**26**
558,059	2,166,910	18,077	-	**2,808,598**
$ 562,104	$ 2,242,713	$ 18,127	$ 24	**$ 2,889,457**
$ 9,462,368	$ 36,772,485	$ 267,797	$ 501,423	**$ 51,395,854**
$ 9,428,464	$ 36,288,507	$ 268,082	$ 501,423	**$ 47,687,660**
33,905	483,978	(285)	-	**527,391**
-	-	-	-	**3,180,803**
$ 9,462,368	$ 36,772,485	$ 267,797	$ 501,423	**$ 51,395,854**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND
ADDITIONS			
Contributions:			
From participants	$ 151,419	$ 197	$ 1,602
From employers	-	2,947	50,219
From other plans	5,010	-	-
Investment Income:			
Net appreciation (depreciation) in fair value of investments	197,504	15,719	97,723
Interest, dividends, and other	74,530	3,816	22,708
Securities lending income	-	-	704
Less Investment Expense:			
Investment activity expense	-	525	1,689
Securities lending expense	-	-	628
Net investment income (loss)	272,034	19,010	118,817
Miscellaneous income	868	1,231	-
Total Additions	429,330	23,385	170,639
DEDUCTIONS			
Benefits paid to participants or beneficiaries	220,843	8,016	77,592
Medical, dental, and life insurance for retirants	-	3,965	29,195
Refunds and transfers to other systems	1,195	16	1
Administrative expense	5,560	304	316
Transfers to other funds	-	-	1
Total Deductions	227,598	12,301	107,105
Net increase (decrease)	201,732	11,084	63,533
Net assets held in trust for pension, postemployment health-care, and other employee benefits - Beginning of fiscal year	2,979,071	157,132	979,228
Net assets held in trust for pension, postemployment health-care, and other employee benefits - End of fiscal year	$ 3,180,803	$ 168,216	$ 1,042,762
Reconciliation of Net Increase in Assets:			
Net increase (decrease) in assets held in trust for pension benefits	$ -	$ 9,686	$ 65,730
Net increase (decrease) in assets held in trust for postemployment benefits	-	1,398	(2,196)
Net increase (decrease) in assets held in trust for other employee benefits	201,732	-	-
Total net increase (decrease)	$ 201,732	$ 11,084	$ 63,533

STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
$ 47,406	$ 509,118	$ 2,628	$ 20,070	**$ 732,441**
461,428	1,316,478	-	55,983	**1,887,056**
26	20	-	-	**5,055**
887,790	3,448,001	22,924	32,279	**4,701,940**
203,946	776,830	6,221	5,863	**1,093,914**
6,017	23,292	194	-	**30,206**
15,266	61,292	349	-	**79,120**
5,349	20,738	173	-	**26,887**
1,077,138	4,166,093	28,818	38,143	**5,720,053**
2	32	215	132	**2,480**
1,586,001	5,991,741	31,661	114,328	**8,347,086**
731,009	2,358,216	17,541	17,980	**3,431,197**
354,650	615,417	576	-	**1,003,803**
183	18,521	68	11,833	**31,818**
4,305	70,432	210	1,136	**82,263**
12	62	-	-	**74**
1,090,158	3,062,647	18,395	30,950	**4,549,155**
495,842	2,929,094	13,266	83,379	**3,797,931**
8,966,526	33,843,391	254,531	418,044	**47,597,924**
$ 9,462,368	$ 36,772,485	$ 267,797	$ 501,423	**$ 51,395,854**
$ 504,197	$ 2,888,648	$ 13,144	$ 83,379	**$ 3,564,783**
(8,355)	40,446	123	-	**31,416**
-	-	-	-	**201,732**
$ 495,842	$ 2,929,094	$ 13,266	$ 83,379	**$ 3,797,931**

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

PRIVATE PURPOSE TRUST FUNDS

ESCHEATS FUND

The Escheats Fund operates under the authority of P.A. 29 of 1995 and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the Act are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the Act.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended in accordance with applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

HOSPITAL PATIENTS' TRUST FUND

Public Act 258 of 1974 established this fund to account for funds of patients receiving services in State hospitals. The Department of Community Health, in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. The Department of Community Health distributes interest on a monthly basis to patients meeting minimum balance requirements.

MICHIGAN EDUCATION SAVINGS PROGRAM

Public Act 161 of 2000 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes no monetary contributions into the program. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	TOTALS
ASSETS					
Cash	$ -	$ 746	$ 26	$ 188	**$ 960**
Equity in common cash	41,773	27,394	218	-	**69,386**
Receivables:					
Interest and dividends	-	95	-	48	**143**
Sale of investments	1,160	-	-	-	**1,160**
Investments at Fair Value:					
Bonds, notes, mortgages, and preferred stock	-	11,734	-	-	**11,734**
Common stock	-	86	-	-	**86**
Mutual funds	-	6	-	623,047	**623,053**
Guaranteed funding agreements	-	-	-	120,804	**120,804**
Securities lending collateral	-	1	-	-	**1**
Other current assets	3,547	2,670	19	738	**6,973**
Total Assets	$ 46,481	$ 42,733	$ 263	$ 744,824	**$ 834,300**
LIABILITIES					
Warrants outstanding	$ 1,091	$ 781	$ 20	$ -	**$ 1,891**
Accounts payable and other liabilities	19	6,203	6	1,012	**7,240**
Obligations under security lending	-	1	-	-	**1**
Total Liabilities	$ 1,110	$ 6,985	$ 26	$ 1,012	**$ 9,133**
NET ASSETS					
Net assets held in trust for other purposes	$ 45,371	$ 35,748	$ 237	$ 743,812	**$ 825,168**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	TOTALS
ADDITIONS					
Contributions:					
From participants	$ -	$ -	$ -	$ 260,920	**$ 260,920**
From clients	-	35,828	2,032	-	**37,860**
From gifts, bequests, and endowments	-	983	-	-	**983**
Investment Income:					
Net appreciation (depreciation) in fair value of investments	-	22	-	31,017	**31,039**
Interest, dividends, and other	-	743	3	24,400	**25,145**
Securities lending income	-	18	-	-	**18**
Less Investment Expense:					
Investment activity expense	-	-	-	2,714	**2,714**
Securities lending expense	-	17	-	-	**17**
Net investment income (loss)	-	766	3	52,703	**53,472**
Escheated property	22,622	-	-	-	**22,622**
Miscellaneous income	-	1,664	-	-	**1,664**
Total Additions	22,622	39,241	2,034	313,624	**377,520**
DEDUCTIONS					
Benefits paid to participants or beneficiaries	-	-	-	22,277	**22,277**
Amounts distributed to clients, claimants, or third parties	33,498	38,144	2,027	-	**73,668**
Administrative expense	5,753	1,032	-	-	**6,785**
Total Deductions	39,250	39,176	2,027	22,277	**102,731**
Net increase (decrease)	(16,629)	64	8	291,346	**274,789**
Net assets held in trust for others - Beginning of fiscal year	62,000	35,683	230	452,466	**550,378**
Net assets held in trust for others End of fiscal year	$ 45,371	$ 35,748	$ 237	$ 743,812	**$ 825,168**
Reconciliation of Net Increase in Assets:					
Net increase (decrease) in assets held in trust for other purposes	$ (16,629)	$ 64	$ 8	$ 291,346	**$ 274,789**
Total net increase (decrease)	$ (16,629)	$ 64	$ 8	$ 291,346	**$ 274,789**

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

This fund was established to account for deposits for which the Department of Environmental Quality has legal custody as provided by various statutes.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by P.A. 218 of 1956, as amended, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals, which have defeased Michigan State Hospital Finance Authority (MSHFA) bonds.

CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). MISDU, administered by the Family Independence Agency, was created to provide a single location within the State for the receipt and disbursement of child support payments.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2004
(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	STATE TREASURER'S ESCROW AND PAYING AGENT FUND	CHILD SUPPORT COLLECTION FUND	**TOTALS**
ASSETS					
Cash	$ -	$ -	$ 4,042	$ 75,665	**$ 79,707**
Equity in common cash	2,875	1,220	-	-	**4,095**
Investments at Fair Value:					
Short-term investments	-	-	15,070	-	**15,070**
Bonds, notes, mortgages, and preferred stock	-	-	44,606	-	**44,606**
Other current assets	-	-	2,209	3,821	**6,029**
Other noncurrent assets	-	372,614	-	-	**372,614**
Total Assets	$ 2,875	$ 373,834	$ 65,927	$ 79,486	**$ 522,122**
LIABILITIES					
Warrants outstanding	$ -	$ 154	$ -	$ -	**$ 154**
Accounts payable and other liabilities	2,875	786	18,599	78,188	**100,448**
Amounts due to other funds	-	-	-	1,298	**1,298**
Other long-term liabilities	-	372,894	47,328	-	**420,222**
Total Liabilities	$ 2,875	$ 373,834	$ 65,927	$ 79,486	**$ 522,122**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	BALANCE OCTOBER 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2004
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 3,931	$ 151	$ 1,207	**$ 2,875**
Total Assets	$ 3,931	$ 151	$ 1,207	**$ 2,875**
LIABILITIES				
Accounts payable and other liabilities	$ 3,931	$ 151	$ 1,207	**$ 2,875**
Total Liabilities	$ 3,931	$ 151	$ 1,207	**$ 2,875**
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 1,127	$ 49,660	$ 49,567	**$ 1,220**
Other noncurrent assets	336,062	169,707	133,155	**372,614**
Total Assets	$ 337,189	$ 219,367	$ 182,722	**$ 373,834**
LIABILITIES				
Warrants outstanding	$ 67	$ 87	$ -	**$ 154**
Accounts payable and other liabilities	776	49,759	49,750	**786**
Other long-term liabilities	336,346	657,764	621,216	**372,894**
Total Liabilities	$ 337,189	$ 707,610	$ 670,965	**$ 373,834**
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Cash	$ 725	$ 32,700	$ 29,383	**$ 4,042**
Investments at Fair Value:				
Short-term investments	23,758	15,975	24,663	**15,070**
Bonds, notes, mortgages, and preferred stock	58,917	-	14,311	**44,606**
Other current assets	3,155	7,637	8,583	**2,209**
Total Assets	$ 86,554	$ 56,312	$ 76,939	**$ 65,927**
LIABILITIES				
Accounts payable and other liabilities	$ 18,610	$ 36,889	$ 36,901	**$ 18,599**
Other long-term liabilities	67,944	-	20,616	**47,328**
Total Liabilities	$ 86,554	$ 36,889	$ 57,517	**$ 65,927**

CHILD SUPPORT COLLECTION FUND	BALANCE OCTOBER 1, 2003	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2004**
ASSETS				
Cash	$ 80,852	$ 1,723,409	$ 1,728,596	**$ 75,665**
Equity in common cash	-	1,697	1,697	**-**
Other current assets	7,049	3,821	7,049	**3,821**
Total Assets	$ 87,900	$ 1,728,927	$ 1,737,342	**$ 79,486**
LIABILITIES				
Accounts payable and other liabilities	$ 87,777	$ 2,041,254	$ 2,050,843	**$ 78,188**
Amounts due to other funds	124	1,974	800	**1,298**
Total Liabilities	$ 87,900	$ 2,043,229	$ 2,051,643	**$ 79,486**
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 81,576	$ 1,756,109	$ 1,757,979	**$ 79,707**
Equity in common cash	5,058	51,508	52,471	**4,095**
Investments at Fair Value:				
Short-term investments	23,758	15,975	24,663	**15,070**
Bonds, notes, mortgages, and preferred stock	58,917	-	14,311	**44,606**
Other current assets	10,204	11,457	15,632	**6,029**
Other noncurrent assets	336,062	169,707	133,155	**372,614**
Total Assets	$ 515,575	$ 2,004,757	$ 1,998,210	**$ 522,122**
LIABILITIES				
Warrants outstanding	$ 67	$ 87	$ -	**$ 154**
Accounts payable and other liabilities	111,094	2,128,054	2,138,700	**100,448**
Amounts due to other funds	124	1,974	800	**1,298**
Other long-term liabilities	404,290	657,764	641,832	**420,222**
Total Liabilities	$ 515,575	$ 2,787,879	$ 2,781,332	**$ 522,122**

COMPONENT UNITS – AUTHORITIES

MACKINAC BRIDGE AUTHORITY

Public Act 21 of 1950 created the Mackinac Bridge Authority (MBA). Public Act 214 of 1952, as amended, empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MACKINAC ISLAND STATE PARK COMMISSION

Public Act 355 of 1927, as amended, established the Mackinac Island State Park Commission. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN BROADBAND DEVELOPMENT AUTHORITY

Public Act 49 of 2002 created the Michigan Broadband Development Authority (MBDA). The MBDA is a state financing authority that will assist in the build out and utilization of high-speed broadband internet service and infrastructure across the state. It is the responsibility of the authority to remain financially self-sufficient by generating revenues from project lending and joint venture activity.

MBDA's 11-member governing board consists of the President and CEO of MBDA, the Vice President of MBDA, the State Treasurer, the Executive Director of the Michigan State Housing Development Authority, the head of the Michigan Economic Development Corporation and six fixed-term Governor appointed members.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article VII, Section 28 of the Michigan State Constitution of 1963 and P.A. 7 of the 1967 extra session, is a public body corporation. Created by a ten-year contract (inter-local agreement) between participating local economic development corporations formed under P.A. 338 of 1974 and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 17 members appointed to eight-year, staggered terms.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

Public Act 77 of 1960, as amended, created the Michigan Higher Education Assistance Authority (MHEAA). It is governed by a 16-member board, appointed by the Governor, with the advice and consent of the Senate. MHEAA is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan and to administer scholarship and grant programs in accordance with State laws. The federal government reimburses MHEAA for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the creation of the Michigan Higher Education Facilities Authority (MHEFA) for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. MHEFA consists of an eleven-member commission, nine are appointed by the Governor with the advice and consent of the Senate and two are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, however these bonds do not constitute an obligation of the State or MHEFA, therefore no liabilities have been recorded. Annual service fees to higher education institutions finance MHEFA's administrative operations.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority (MHESLA) to make loans to qualified students (or their parents) attending participating institutions of higher education. MHESLA may issue revenue-dedicated debt in principal amounts necessary to provide funds for achieving its purpose. A board comprised of the same members as Michigan Higher Education Assistance Authority governs MHESLA. The Governor, with the consent of the Senate, appoints the 16 members. The State Treasurer, an ex officio member, serves as chairman of the board.

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

The Michigan Public Educational Facilities Authority was organized by Executive Order 2002-3. The Authority was created in response to the passage of the federal Economic Growth and Tax Relief Reconciliation Act of 2001. This act authorizes the issuance of "qualified public educational facility bonds" as tax exempt facility bonds.

The Authority partners with other states to facilitate the acquisition of capital for the construction, rehabilitation, refurbishing or equipping of qualified public educational facilities.

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Michigan State Hospital Finance Authority (MSHFA) was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals and health-care corporations for capital improvements or debt refinancing. The Act also empowers MSHFA to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. MSHFA is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Community Health). Some of MSHFA's revenue and mortgage bonds have been defeased by the various borrowers by placing proceeds of new bonds in an escrow with the State Treasurer or trustee as escrow agent. Such defeased bonds and related investments are reported in the State Treasurer's Escrow and Paying Agent Fund.

MSHFA no longer performs trustee, fiscal agent, registrar, and paying agent functions for bonds payable. The bonds and related assets have been transferred to financial institutions' trust departments. Since these obligations are, in substance, debts of other entities, MSHFA does not reflect the liabilities, assets, revenues and expenditures related to these bonds in its financial statements.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by P.A. 270 of 1984 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. Executive Order 1999-1, as amended, transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF. The order further placed MSF as an autonomous entity in the Department of Management and Budget. Executive Order 2003-18 transferred MSF from the Department of Management and Budget to the Department of Labor and Economic Growth, where it remains an autonomous entity. MSF is governed by a board of nine members, consisting of the directors of the State Departments of Labor and Economic Growth and Treasury plus seven members appointed by the Governor with the advice and consent of the Senate.

STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its financial support comes solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
AUTHORITIES
SEPTEMBER 30, 2004
(In Thousands)

	MACKINAC BRIDGE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN BROADBAND DEVELOPMENT AUTHORITY	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
ASSETS					
Current Assets:					
Cash	$ 670	$ 782	$ 2,277	$ 4,755	$ 2,388
Equity in common cash	-	-	-	74,125	-
Amounts due from primary government	-	680	-	-	124
Amounts due from federal government	-	-	-	375	2,282
Inventories	-	727	-	-	-
Investments	25,674	317	17	22,796	16,494
Other current assets	321	57	254	2,676	376
Total Current Assets	26,665	2,562	2,548	104,728	21,664
Restricted Assets:					
Cash and cash equivalents	-	792	-	5,615	-
Investments	-	2,786	-	7,628	-
Mortgages and loans receivable	-	-	3,626	35,945	-
Investments	-	-	-	23,611	-
Capital Assets:					
Land and other non-depreciable assets	125	337	-	-	-
Buildings, equipment, and other depreciable assets	8,341	9,123	-	16,422	1,835
Less accumulated depreciation	(3,341)	(5,851)	-	(4,480)	(444)
Infrastructure	102,621	-	-	-	-
Total capital assets	107,746	3,610	-	11,941	1,391
Other noncurrent assets	-	-	-	-	-
Total Assets	$ 134,411	$ 9,750	$ 6,174	$ 189,469	$ 23,056
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ -	$ -	$ -	$ 391	$ -
Accounts payable and other liabilities	2,492	66	164	11,760	1
Amounts due to primary government	1,261	-	-	126	22
Bonds and notes payable	-	235	-	-	-
Interest payable	-	15	3,812	-	-
Deferred revenue	734	65	19	475	-
Current portion of other long-term obligations	250	-	56	3,542	21
Total Current Liabilities	4,737	381	4,050	16,293	44
Bonds and notes payable	-	1,801	13,574	-	-
Noncurrent portion of other long-term obligations	217	-	157	6,547	420
Total Liabilities	$ 4,954	$ 2,182	$ 17,781	$ 22,840	$ 464
NET ASSETS					
Invested in capital assets, net of related debt	$ 107,746	$ 1,573	$ -	$ 11,941	$ 1,391
Restricted For:					
Construction and debt service	-	1,005	-	-	-
Other purposes	-	3,630	2	-	21,200
Unrestricted	21,711	1,360	(11,609)	154,687	-
Total Net Assets	$ 129,457	$ 7,568	$ (11,607)	$ 166,628	$ 22,591

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN STRATEGIC FUND	STATE BAR OF MICHIGAN	**TOTALS**
$ -	$ 59,035	$ 5,026	$ 461	$ 50	$ 3,188	**$ 78,631**
-	-	-	-	774	-	**74,899**
418	-	-	40	-	-	**1,263**
-	-	-	-	11,379	-	**14,036**
-	-	-	-	-	-	**727**
-	252,857	-	1,794	-	3,330	**323,278**
31	173,892	16,218	973	13	536	**195,347**
449	485,784	21,244	3,268	12,216	7,054	**688,181**
-	-	-	-	-	-	**6,407**
-	-	-	125	-	-	**10,539**
-	1,184,941	-	-	-	-	**1,224,512**
-	368,695	-	2,465	-	-	**394,772**
-	-	-	-	-	381	**843**
-	-	-	64	-	10,808	**46,592**
-	-	-	(46)	-	(4,540)	**(18,702)**
-	-	-	-	-	-	**102,621**
-	-	-	18	-	6,648	**131,355**
-	16,882	-	-	-	-	**16,882**
$ 449	$ 2,056,303	$ 21,244	$ 5,876	$ 12,216	$ 13,702	**$ 2,472,648**
$ -	$ -	$ -	$ -	$ 725	$ -	**$ 1,116**
-	1,657	3	31	11,166	665	**28,004**
-	197	325	-	14	-	**1,945**
-	23,790	16,356	-	-	245	**40,626**
-	4,382	38	-	-	-	**8,246**
-	-	-	-	246	1,300	**2,838**
-	366	-	-	-	-	**4,235**
-	30,392	16,721	31	12,150	2,210	**87,009**
-	1,836,650	-	-	-	2,873	**1,854,898**
-	58,371	-	428	-	-	**66,140**
$ -	$ 1,925,413	$ 16,721	$ 459	$ 12,150	$ 5,083	**$ 2,008,047**
$ -	$ -	$ -	$ 18	$ -	$ 3,530	**$ 126,200**
-	9,365	-	-	-	-	**10,371**
-	-	4,845	-	-	-	**29,677**
449	121,525	(323)	5,399	66	5,089	**298,353**
$ 449	$ 130,890	$ 4,522	$ 5,417	$ 66	$ 8,619	**$ 464,601**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS/ CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Mackinac Bridge Authority	$ 11,270	$ 15,707	$ -	$ -	$ 4,437
Mackinac Island State Park Commission	4,151	4,064	157	-	69
Michigan Broadband Development Authority	4,072	101	81	-	(3,890)
Michigan Economic Development Corporation	113,616	-	53,843	-	(59,773)
Michigan Higher Education Assistance Authority	143,640	17,173	127,576	-	1,109
Michigan Higher Education Facilities Authority	99	117	-	-	18
Michigan Higher Education Student Loan Authority	56,824	64,488	-	-	7,663
Michigan Public Educational Facilities Authority	577	66	-	-	(511)
Michigan State Hospital Finance Authority	1,064	951	-	-	(112)
Michigan Strategic Fund	87,660	1,338	35,989	-	(50,334)
State Bar of Michigan	10,278	11,128	63	-	913
Total	$ 433,252	$ 115,133	$ 217,708	$ -	$ (100,411)

GENERAL REVENUES						
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	SPECIAL ITEMS	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR	NET ASSETS END OF YEAR
$ 258	$ -	$ -	$ -	$ 4,695	$ 124,762	$ 129,457
72	-	-	-	142	7,426	7,568
17	-	2	-	(3,871)	(7,735)	(11,607)
2,595	-	2,955	-	(54,223)	220,852	166,628
-	-	-	-	1,109	21,483	22,591
5	-	-	-	23	427	449
3,906	-	-	-	11,570	119,320	130,890
318	-	537	-	344	4,178	4,522
35	-	-	-	(78)	5,495	5,417
-	47,987	2,356	-	9	56	66
279	-	-	-	1,192	7,427	8,619
$ 7,486	$ 47,987	$ 5,850	$ -	$ (39,089)	$ 503,690	$ 464,601

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COMPONENT UNITS – STATE UNIVERSITIES

The State has thirteen legally separate public universities, ten of which are included in this report as component units and three of which are excluded. Included are the ten universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by GASB Statement No. 14. Excluded are those three that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The three that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the ten universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2004. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2004
(In Thousands)

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	$ 54,959	$ 14,689	$ 9,428	$ 7,402
Amounts due from component units	-	-	-	-
Amounts due from primary government	18,362	8,963	28,243	3,280
Amounts due from federal government	2,479	1,145	1,357	271
Amounts due from local units	-	-	-	-
Inventories	721	970	1,546	398
Investments	-	22,756	7,485	-
Other current assets	18,912	3,039	9,533	1,090
Total Current Assets	95,433	51,561	57,592	12,441
Restricted Assets:				
Cash and cash equivalents	-	-	128	850
Investments	76,778	11,660	7,760	3,050
Mortgages and loans receivable	10,945	18,407	8,760	-
Mortgages and loans receivable	-	-	-	2,721
Investments	-	30,264	91,662	5,818
Capital Assets:				
Land and other non-depreciable assets	10,640	4,362	28,654	2,025
Buildings, equipment, and other depreciable assets	469,707	338,673	481,334	122,293
Less accumulated depreciation	(198,917)	(132,722)	(114,832)	(61,691)
Construction in progress	10,463	1,675	38,080	14,753
Total capital assets	291,894	211,987	433,236	77,380
Other noncurrent assets	3,583	2,056	3,610	-
Total Assets	$ 478,633	$ 325,936	$ 602,748	$ 102,259
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 24,012	$ 10,021	$ 35,739	$ 2,438
Amounts due to primary government	538	74	40	123
Bonds and notes payable	3,111	2,455	5,983	805
Interest payable	1,041	978	1,428	196
Deferred revenue	7,357	5,066	10,650	853
Current portion of other long-term obligations	1	250	2,543	615
Total Current Liabilities	36,061	18,844	56,384	5,030
Deferred revenue	660	918	-	-
Bonds and notes payable	137,758	79,355	137,173	30,210
Noncurrent portion of other long-term obligations	6,775	5,691	1,535	1,548
Total Liabilities	$ 181,254	$ 104,809	$ 195,092	$ 36,788
NET ASSETS				
Invested in capital assets, net of related debt	$ 192,513	$ 136,932	$ 296,149	$ 50,544
Restricted For:				
Education	-	20,685	15,003	6,939
Construction and debt service	22,934	-	(10,880)	851
Other purposes	15,689	-	-	3,011
Funds Held as Permanent Investments:				
Expendable	-	3,205	16,465	-
Nonexpendable	38,572	11,660	19,329	3,505
Unrestricted	27,671	48,645	71,590	622
Total Net Assets	$ 297,379	$ 221,127	$ 407,656	$ 65,471

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	**TOTALS**
$ 43,483	$ 11,888	$ 32,414	$ 17,164	**$ 191,428**
-	239	-	-	**239**
10,490	19,266	8,417	13,597	**110,618**
1,973	1,230	1,771	1,085	**11,310**
-	144	84	-	**228**
1,234	1,301	252	695	**7,117**
-	-	-	8	**30,248**
14,393	6,516	8,558	3,867	**65,908**
71,573	40,584	51,495	36,417	**417,096**
7,155	-	129	-	**8,262**
60,835	18,713	-	-	**178,797**
-	-	-	-	**38,112**
11,554	7,292	1,741	81	**23,388**
-	26,996	62,992	25,970	**243,703**
12,902	4,795	4,325	2,377	**70,080**
317,960	270,691	358,759	300,441	**2,659,859**
(167,874)	(99,101)	(127,131)	(86,847)	**(989,116)**
28,976	23,960	658	3,036	**121,600**
191,964	200,344	236,611	219,007	**1,862,423**
6,585	1,215	6,674	3,444	**27,167**
$ 349,666	$ 295,145	$ 359,642	$ 284,919	**$ 2,798,948**
$ 14,565	$ 14,299	$ 11,249	$ 11,131	**$ 123,456**
749	115	281	-	**1,920**
280	1,810	2,894	1,380	**18,718**
387	-	285	-	**4,316**
2,489	3,317	4,974	3,471	**38,178**
2,970	1,452	2,354	167	**10,352**
21,441	20,992	22,037	16,149	**196,939**
-	-	1,705	-	**3,284**
48,470	66,090	93,700	72,480	**665,236**
6,259	12,082	2,366	1,920	**38,176**
$ 76,170	$ 99,165	$ 119,809	$ 90,549	**$ 903,635**
$ 169,023	$ 137,635	$ 146,550	$ 145,654	**$ 1,275,001**
55,075	22,674	19,824	5,253	**145,453**
-	-	-	57	**12,963**
-	-	-	-	**18,699**
-	-	7,272	-	**26,942**
39,000	-	10,903	22,794	**145,763**
10,398	35,672	55,284	20,612	**270,493**
$ 273,496	$ 195,980	$ 239,834	$ 194,370	**$ 1,895,313**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2004
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS/ CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Eastern Michigan University	$ 271,973	$ 174,163	$ 19,142	$ 810	$ (77,859)
Ferris State University	172,680	105,338	18,372	-	(48,969)
Grand Valley State University	230,428	145,619	29,298	9,778	(45,732)
Lake Superior State University	44,542	22,286	8,025	10,721	(3,509)
Michigan Technological University	164,204	65,574	30,457	36,807	(31,367)
Northern Michigan University	127,794	62,859	19,929	620	(44,387)
Oakland University	165,498	100,767	24,266	6,820	(33,644)
Saginaw Valley State University	85,297	47,357	12,347	-	(25,593)
Total	$ 1,262,415	$ 723,963	$ 161,835	$ 65,557	$ (311,060)

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR RESTATED	NET ASSETS END OF YEAR
$ 2,045	$ 78,202	$ 3,842	$ 6,230	$ 291,149	$ 297,379
2,872	52,426	7,627	13,956	207,171	221,127
2,783	63,677	4,533	25,260	382,395	407,656
1,092	12,430	-	10,012	55,459	65,471
340	47,591	-	16,564	256,932	273,496
4,120	60,049	-	19,782	176,198	195,980
3,787	47,330	-	17,473	222,361	239,834
3,097	32,510	534	10,549	183,821	194,370
$ 20,135	$ 394,216	$ 16,536	$ 119,827	$ 1,775,487	$ 1,895,313

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Capitol Rotunda

First Floor Corridor in Capitol