State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2010

RICK SNYDER
Governor

JOHN E. NIXON, CPA
State Budget Director

MICHAEL J. MOODY, CPA
Director
Office of Financial Management

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STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

STATE BUDGET OFFICE
LANSING

JOHN E. NIXON, CPA
DIRECTOR

February 18, 2011

The Honorable Richard D. Snyder, 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, 2010.

INTRODUCTION TO THE REPORT

Responsibility: The State Budget Office, 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 four major sections: introductory, financial, statistical, and other information:

- The introductory section includes this letter, the State's organization chart, and the list of principal officials.
- The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules.
- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.
- The other information section includes General Fund and Special Revenue Funds revenue and expenditure schedules and General Fund source and disposition of spending authorization schedules.

Internal Control Structure: The State Budget Office is responsible for the overall operation of the State's central accounting system and for establishing and maintaining the State's internal control structure. The system of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

All financial transactions of the State primary government are recorded in the central accounting system, except for the Michigan Unemployment Compensation Funds, Attorney Discipline System, the State of Michigan Deferred Compensation Funds, the State of Michigan Defined Contribution Retirement Fund, and the Michigan Education Savings Program. Many of the essential control features are decentralized, such as the preparation and entry of expenditure transactions into the central accounting system. Consequently, the State Budget Office relies upon the controls in place at the various State departments and agencies.

Act 431 requires each principal department to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, 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.

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

Internal Auditors: Pursuant to Executive Order 2007-31, the State Budget Office provides internal audit services to executive branch departments and agencies. State Budget Office internal audit staff perform periodic financial, performance, and compliance audits of department and agency programs and organizational units. In addition to periodic audits, State Budget Office internal audit staff also review department and agency management's processes for establishing, monitoring, and reporting on internal controls; advise department and agency management on internal control matters; and assist department and agency management with investigations of alleged fraud or other irregularities.

Independent Auditors: The Office of the Auditor General (OAG) is the principal auditor of the SOMCAFR. The OAG also relies on the opinions of outside public accounting firms, particularly for component unit financial statements (such as the Michigan State Housing Development Authority and 10 of the State's universities), and the Unemployment Compensation funds. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2010 are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2010 are fairly presented in accordance with GAAP and issued unqualified opinions.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial statement and performance audits of the various State departments, agencies, and institutions of higher education. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 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): GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

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

Executive Branch: As of September 30, 2010, the Executive Branch consisted of 15 principal departments. Twelve principal departments are headed by commissions and/or directors appointed by the elected governor. Elected officials head two principal departments, Attorney General and State, and one, Education, is headed by an elected board.

Judicial Branch: The Judicial Branch consists of the Supreme Court, Court of Appeals, Court of Claims, and the State's circuit, district, probate, and municipal courts. In addition to its judicial duties, the Supreme Court is responsible for the general administrative supervision of all courts in the State. The Supreme Court also establishes rules for practice and procedure in all courts.

Legislative Branch: The Legislative Branch consists of the Senate, House of Representatives, and Office of the Auditor General. The Senate, which consists of 38 elected members, and House of Representatives, which consists of 110 elected members, enact the laws of Michigan. The Office of the Auditor General conducts post financial and performance audits of state government operations.

Reporting Entity: The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State's elected officials are financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

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

Compliance with the final updated budget for the annually budgeted operating funds of the State primary government is demonstrated in the budget and actual comparative schedules and notes in the SOMCAFR. In addition, subsequent to the publication of the SOMCAFR, the State releases a Statewide Authorization Dispositions report that provides line item appropriation details, the legal level of budgetary control, for the General Fund and budgeted operating funds.

MAJOR INITIATIVES AND FUTURE PROJECTS

Economic Growth: Creating more and better jobs is the top priority of the Snyder administration. Toward that end, Governor Snyder has created an executive group that is focused on economic strength, consisting of the Michigan Economic Development Corporation, Department of Transportation, Michigan State Housing Development Authority, and Department of Energy, Labor and Economic Growth. The executive group is tasked with bridging the gaps between State government's investments in economic development, transportation, and housing to better position Michigan to help revitalize our communities.

The Snyder administration has also requested that the Legislature approve two major initiatives intended to create jobs and spur economic growth – reforming the Michigan business tax structure and moving forward with planning and construction of a new bridge connecting Detroit and Windsor, Ontario.

Other economic growth initiatives include: improving coordination and reducing redundancy between the Michigan Economic Development Corporation and regional economic development groups; leveraging successful economic development programs and practices to benefit all regions of the State; placing more emphasis on building businesses that are already located in Michigan; promoting collaboration between community colleges and economic development organizations on workforce development efforts; and creating an Office of Urban Initiatives to proactively address issues in urban areas.

Budget Process Reform: Governor Snyder has reformed the State government budget process by presenting a two-year spending plan with recommended fiscal year 2012 appropriations, as well as anticipated appropriations for fiscal year 2013. This new two-year approach to budgeting will allow for more long-term strategic planning, and if enacted by May 31, 2011, as requested by Governor Snyder, it will give schools, municipalities, and other local service providers more time to manage their operations.

In addition, the two Executive Budget Bills presented for Legislative introduction are "omnibus" in nature, with one bill including all departmental operations and the other bill comprehensive to education. The two consolidated bills will allow for greater transparency in government spending, making appropriations easier to monitor across agencies. The bills have also been streamlined to allow for greater flexibility in driving program performance.

Measuring Michigan's Performance: Governor Snyder's commitment to government transparency and accountability includes the creation of MiDashboard, available online at www.michigan.gov/MiDashboard. MiDashboard sets clear, measurable statewide goals in the areas of economic strength, health and education, value for money, quality of life, and public safety that allow the citizens of Michigan to easily gauge the state's progress across a number of key performance indicators.

The spotlight cast by MiDashboard will require that elected officials and state leaders continually evaluate the efficiency and effectiveness of programs to determine if they are delivering the desired results. Further, it will be an honest representation of where Michigan stands relative to national benchmarks, identifying strengths, but also illuminating areas where improvement is needed.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose content satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for 23 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: The preparation of this report requires the collective efforts of the management and staff of the Accounting and Financial Reporting Division, Office of Financial Management; State Budget Office internal audit staff; the chief financial officers, chief accountants, and their staffs from all State agencies; and the management and staff of the Office of the Auditor General. We sincerely appreciate the dedicated efforts of all of these individuals that have allowed Michigan to maintain its position as a national leader in quality and efficiency for financial reporting.

Sincerely,

John E. Nixon, CPA
State Budget Director

Michael J. Moody, 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, 2009

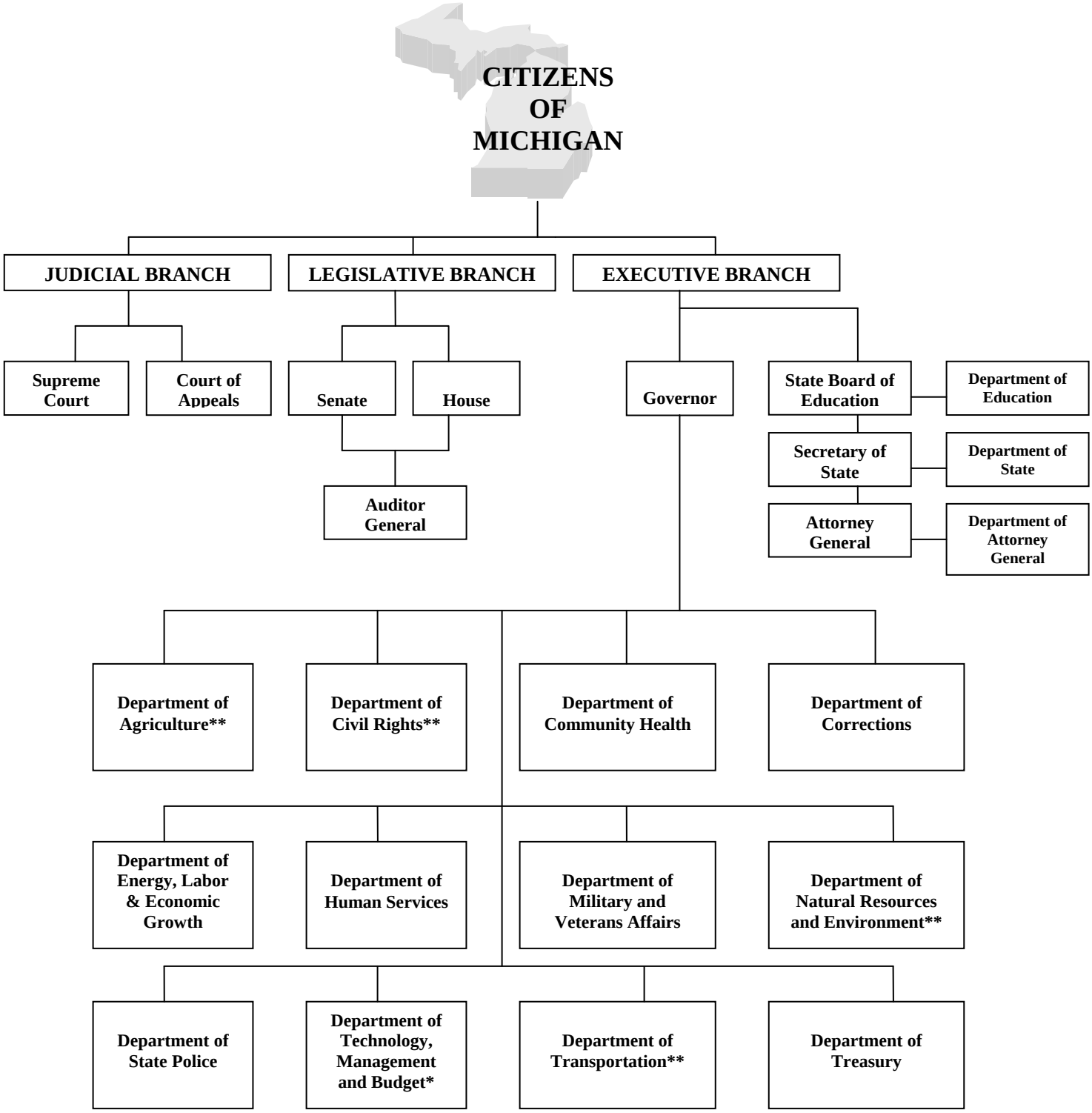
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

STATE OF MICHIGAN
ORGANIZATIONAL STRUCTURE

(As of February 18, 2011)



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

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS
(As of February 18, 2011)

JUDICIAL BRANCH

Supreme Court Justices
Honorable Robert P. Young, Jr, Chief Justice
Honorable Michael F. Cavanagh, Justice
Honorable Diane Marie Hathaway, Justice
Honorable Mary Beth Kelly, Justice
Honorable Stephen J. Markman, Justice
Honorable Marilyn Kelly, Justice
Honorable Brian K. Zahra, Justice

LEGISLATIVE BRANCH

Honorable Randy Richardville
Majority Leader of the Senate

Honorable Jase Bolger
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable Rick Snyder, Governor

Honorable Brian Calley, Lt. Governor

Honorable Bill Schuette, Attorney General

Honorable Ruth Johnson, Secretary of State

State Board of Education
John C. Austin, President
Nancy Danhof
Marianne Yared McGuire
Kathleen N. Straus
Casandra E. Ulbrich
Daniel Varner
Eileen Weiser
Richard Zeile
Honorable Rick Snyder (Ex Officio)
Michael P. Flanagan
Superintendent of Public Instruction

Michigan Commission of Agriculture
Donald Coe, Chair
Jennifer Fike
Velmar Green
Diane Hanson
Bob Kennedy
Keith Creagh, Director, Department of Agriculture

Civil Rights Commission
Matthew Wesaw, Chair
Nabih H. Ayad
Mark Bernstein
Eliya (Louie) Boji
Bertram Marks
Lisa Peeples-Hurst
Jared Rodriguez
J. Michael Zelley
Daniel Krichbaum, Director, Department of Civil Rights

Civil Service Commission
Thomas M. Wardrop, Chair
Andrew P. Abood
Charles Blockett, Jr.
Robert W. Swanson
Jeremy S. Stephens, State Personnel Director

Olga Dazzo, Director
Department of Community Health

Richard McKeon, Acting Director
Department of Corrections

Andrew S. Levin, Acting Director
Department of Energy, Labor & Economic Growth

Maura D. Corrigan, Director
Department of Human Services

Major General Gregory J. Vadnais, Director
Department of Military and Veterans Affairs

Natural Resources Commission
Tim Nichols, Chair
Mary C. Brown
Hurley J. Coleman, Jr.
John Madigan
John Matonich
J. R. Richardson
Franklin C. Wheatlake
Dan Wyant, Director
Department of Natural Resources & Environment

Colonel Kriste Etue, Director
Department of State Police

John E. Nixon, State Budget Director and Director,
Department of Technology, Management & Budget

Transportation Commission
Jerrold M. Jung, Chair
Linda Miller Atkinson
Charles F. Moser
James S. Scalici
Ted B. Wahby
Todd Wyett
Kirk T. Steudle, Director
Department of Transportation

Andy Dillon
State Treasurer

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION

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

Independent Auditor's Report

The Honorable Rick Snyder, Governor
Members of the Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, principally as of and for the year ended September 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these 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, Attorney Discipline System, Michigan Education Savings Program, Michigan State Housing Development 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 or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Total Revenues/Additions
Governmental activities	0.1%	0.4%
Business-type activities	95.6%	91.4%
Aggregate discretely presented component units	45.0%	77.8%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	3.7%	7.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units and funds, are based solely upon the reports of the other auditors.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof 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 adopted Governmental Accounting Standards Board Statements No. 51, *Accounting and Financial Reporting for Intangible Assets,* and No. 53, *Accounting and Financial Reporting for Derivative Instruments.* As also discussed in Note 4, Executive Order No. 2010-2 created the Michigan Finance Authority, a discretely presented component unit, by consolidating several finance authorities, including the Michigan Tobacco Settlement Finance Authority. The Michigan Tobacco Settlement Finance Authority was previously reported as a blended component unit.

As discussed in Notes 6 and 23, the State of Michigan replaced its Single Business Tax with the Michigan Business Tax. The State could not fully estimate the amount of future collections and refunds related to the Michigan Business Tax because the necessary data was not available.

The management's discussion and analysis on pages 17 through 26, budgetary comparison schedules and corresponding notes on pages 114 through 117, and information about infrastructure assets reported using the modified approach on pages 118 and 119 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Michigan's basic financial statements. The combining and individual fund statements and schedules - non-major funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical, and other information sections listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

AUDITOR GENERAL

February 18, 2011

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, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide

- At September 30, 2010, the State's assets exceeded its liabilities by $11.7 billion.

- The State's unrestricted net assets were ($8.0) billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

- Revenues of $54.5 billion, along with beginning net assets, supported expenses of $55.6 billion during fiscal year 2010. As a result, the State's total net assets decreased by $1.0 billion (7.9 percent). The decrease relates mostly to continued high unemployment and the benefits paid to the unemployed reported in the business activities. In addition, the governmental activities long-term obligations, such as the net other post employment benefits, increased during the year.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $3.6 billion. Of this amount, $702.2 million is *unreserved fund balance* in the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds and, therefore, available to fund general-purpose expenditures of those funds in future years. The remaining $2.9 billion is reserved for specific purposes, such as education and transportation.

- The State's three major governmental funds, the General Fund, Counter-Cyclical Budget and Economic Stabilization Fund (BSF), and the School Aid Fund (SAF), closed the fiscal year with a combined total fund balance of $1.3 billion. The General Fund and the Counter-Cyclical Budget and Economic Stabilization Fund ended the year with unreserved fund balances of $187.2 million and $2.2 million, respectively. In addition, another $828.6 million is reserved for specific purposes such as multi-year projects and restrictively financed programs. In the School Aid Fund, the entire fund balance of $259.5 million is reserved for specific purposes.

- The State's proprietary funds reported net assets at year-end of ($3.0 billion). This represents a decrease of $730.4 million (31.9 percent) compared to the prior year-end, mostly resulting from the increase in unemployment benefits paid from the Michigan Unemployment Compensation Funds.

Long-term Debt

- The State's total long-term bonded debt as of September 30, 2010, was $7.1 billion, a decrease of $61.2 million from the prior year. The decrease represents the net difference between new issuances, payments, and refundings of outstanding debt.

More detailed information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 20.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net 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: How has the State's financial position, as a whole, changed as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (pages 28 and 29) 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 declining.

The Statement of Activities (pages 30 and 31) 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 result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

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

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 11 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 35 and 37) that reconcile the amounts reported on the governmental fund financial statements, which are prepared using the modified accrual basis of accounting, with the governmental activities in the government-wide statements, which are prepared using the accrual basis of accounting. The following table summarizes the differences between modified accrual and full accrual accounting:

Description	Reported in Governmental Fund Financial Statements (modified accrual basis)	Reported in Government-Wide Financial Statements (accrual basis)
Capital assets of the general government (e.g. land, buildings, and infrastructure)	No	Yes
Liability for earned but deferred revenue	Yes	No
Assets and liabilities of internal service funds that primarily serve governmental funds	No	Yes
Net pension assets in excess of the annual required contribution	No	Yes
Deferred charges for debt issuance costs	No	Yes
Unmatured long-term debt (e.g. bonds, notes, capital lease obligations) net of unamortized premiums, discounts, and similar items	No	Yes
Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period (i.e. claims and judgments, compensated absences, and net pension obligations)	No	Yes
Accrued interest on long-term debt	No	Yes
Liability for unearned deferred revenue	Yes	Yes
Capital outlay spending	Yes	No
Debt service principal payments and refunding payments	Yes	No
Other financial sources, uses, and expenditures resulting from debt issuance	Yes	No

Description	Reported in Governmental Fund Financial Statements (modified accrual basis)	Reported in Government-Wide Financial Statements (accrual basis)
Sales of capital assets	Yes, in the amount of the proceeds of the sale	Yes, gain or loss on the sale
Revenues earned during the period but not yet available	No	Yes
Expenses incurred during the period, but not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period	No	Yes
Depreciation	No	Yes
Revenues and expenditures related to prior periods	Yes	No
Amortization of issuance costs, premiums, discounts, and similar items	No	Yes
Activities of internal service funds properly included within governmental activities	No	Yes

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 55 of this report.

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

The fund financial statements begin on page 34 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 122 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 (enterprise and internal service) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs - such as risk management and state sponsored group insurance activities. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary funds* - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 46. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information (RSI)

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 accounting principles 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 $1.0 billion (7.9 percent) over the course of this fiscal year's operations. The net assets of the governmental activities decreased $272.0 million (1.8 percent) and business-type activities had a decrease of $730.4 million (31.9 percent).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009 *	2010	2009	2010	2009 *
Current and other non-current assets	$10,261.0	$10,232.5	$ 1,270.3	$ 910.1	$11,531.4	$11,142.6
Capital assets	20,719.6	20,156.8	.6	.7	20,720.2	20,157.5
Total assets	30,980.6	30,389.3	1,271.0	910.8	32,251.5	31,300.1
Current liabilities	5,408.1	5,011.0	235.1	280.2	5,643.2	5,291.2
Long-term liabilities	10,881.9	10,415.7	4,053.7	2,918.1	14,935.6	13,333.7
Total liabilities	16,290.0	15,426.7	4,288.8	3,198.2	20,578.8	18,624.9
Net assets:						
Invested in capital assets, net of related debt	16,859.1	16,313.7	.6	.7	16,859.7	16,314.4
Restricted	2,691.5	2,577.2	145.1	137.1	2,836.5	2,714.3
Unrestricted	(4,860.0)	(3,928.4)	(3,163.5)	(2,425.2)	(8,023.5)	(6,353.6)
Total net assets	$14,690.5	$14,962.6	$ (3,017.8)	$ (2,287.4)	$11,672.7	$12,675.1

* The prior year columns have been restated. More detailed information regarding the restatement can be found on page 65.

The largest component of the State's net assets, at $16.9 billion, reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising $2.8 billion of the total. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation limiting how they can be used. The State's unrestricted net assets were ($8.0) billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

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

Changes in Net Assets
For Fiscal Year Ending September 30
(In Millions)

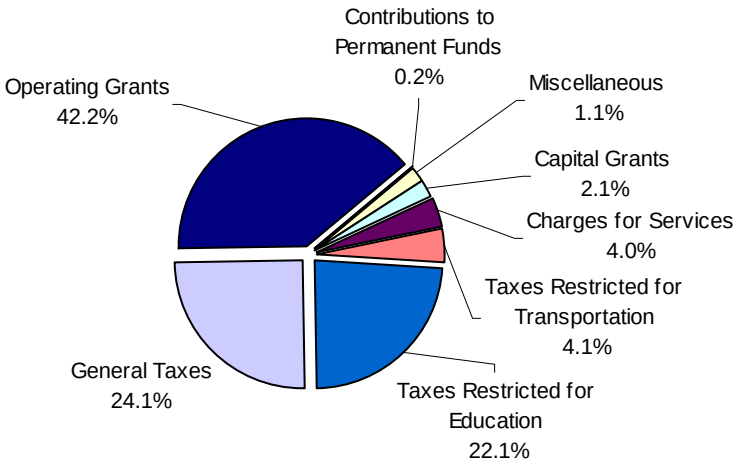
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009 *	2010	2009	2010	2009 *
Revenues						
Program revenues						
Charges for services	$ 1,808.4	$ 1,694.0	$ 9,177.6	$ 7,108.0	$ 10,986.0	$ 8,802.0
Operating grants	19,150.0	16,755.4	80.0	104.2	19,230.0	16,859.6
Capital grants	964.6	921.8	-	-	964.6	921.8
General revenues						
General taxes	10,907.9	10,718.7	14.1	14.1	10,922.0	10,732.8
Taxes restricted for educational purposes	10,020.2	10,149.4	-	-	10,020.2	10,149.4
Taxes restricted for transportation purposes	1,880.8	1,898.9	-	-	1,880.8	1,898.9
Unrestricted investment and interest earnings	1.5	4.9	0.3	0.8	1.7	5.7
Miscellaneous	495.6	568.9	-	3.6	495.6	572.5
Total revenues	45,229.0	42,712.0	9,272.0	7,230.6	54,500.9	49,942.7
Expenses						
General government	1,752.5	1,753.4	-	-	1,752.5	1,753.4
Education	14,990.0	15,251.8	-	-	14,990.0	15,251.8
Human Services	6,136.9	5,410.1	-	-	6,136.9	5,410.1
Public safety and corrections	2,859.3	2,994.5	-	-	2,859.3	2,994.5
Conservation, environment, etc.	578.0	617.8	-	-	578.0	617.8
Labor, commerce, and regulatory	1,261.9	1,187.4	-	-	1,261.9	1,187.4
Health services	13,250.2	12,335.0	-	-	13,250.2	12,335.0
Transportation	2,947.8	3,244.8	-	-	2,947.8	3,244.8
Tax credits	1,351.5	963.5	-	-	1,351.5	963.5
Intergovernmental - revenue sharing	994.2	1,040.0	-	-	994.2	1,040.0
Interest on long-term debt	362.6	350.4	-	-	362.6	350.4
Liquor Purchase Revolving Fund	-	-	634.9	633.1	634.9	633.1
State Lottery Fund	-	-	1,677.0	1,710.7	1,677.0	1,710.7
Attorney Discipline System	-	-	4.7	5.0	4.7	5.0
Michigan Unemployment Compensation Funds	-	-	6,803.4	6,215.4	6,803.4	6,215.4
Total expenses	46,484.9	45,148.6	9,120.0	8,564.2	55,604.9	53,712.9
Excess (deficiency) Before Contributions and Transfers	(1,255.9)	(2,436.6)	151.9	(1,333.6)	(1,104.0)	(3,770.2)
Contributions to permanent fund principal	101.6	30.1	-	-	101.6	30.1
Transfers	882.3	905.5	(882.3)	(905.5)	-	-
Increase (decrease) in net assets	(272.0)	(1,501.0)	(730.4)	(2,239.1)	(1,002.4)	(3,740.1)
Net assets – beginning – restated	14,962.6	16,463.5	(2,287.4)	(48.3)	12,675.1	16,415.3
Net assets – ending	$14,690.5	$14,962.6	$ (3,017.8)	$ (2,287.4)	$ 11,672.7	$ 12,675.1

* Prior year columns have been restated. More detailed information regarding the restatement can be found on page 65.

Governmental Activities

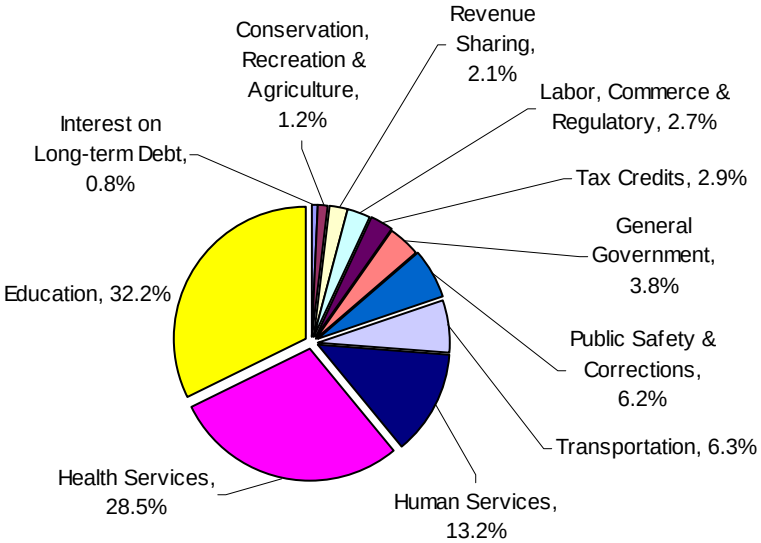
Revenues to fund governmental activities totaled $45.3 billion for fiscal year 2010. Fund balances and other State assets were also used to support governmental activities. As shown in the accompanying chart, 42.2 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 26.2 percent for educational and transportation purposes. Only 24.1 percent of the revenues were available for general use.

Revenues - Governmental Activities for Fiscal Year Ending September 30, 2010
($45.3 billion)



Expenses related to governmental activities totaled $46.5 billion during fiscal year 2010. The expenses include spending appropriated in prior years, such as capital outlay and work project authorization. As evidenced by the accompanying chart, education and health services represent the governmental activities' largest spending categories, accounting for 60.7 percent of the spending.

Expenses - Governmental Activities for Fiscal Year Ending September 30, 2010
($46.5 billion)



Business-type Activities

The business-type activities' net assets decreased $730.4 million (31.9 percent) during the fiscal year. Factors contributing to these results included:

- Continued high unemployment resulted in the Michigan Unemployment Compensation Funds finishing the fiscal year with a decrease in net assets of $737.3 million (32.1 percent). During the year, unemployment benefits paid exceeded unemployment contributions by $805.2 million.

- The State Lottery Fund's net assets increased $6.6 million (86.7 percent). The increase in net assets is attributable to the sale and repurchase of bonds and the changes in the market value of investments that the Lottery holds to fund future payments due on lottery prizes.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of $3.6 billion. Of this total amount, $702.2 million constitutes unreserved fund balance, which is available to appropriate in future years for programs within the General Fund, the special revenue funds, debt service funds, capital projects funds, and permanent funds. The transportation-related funds ($135.1 million) and the other State funds ($159.0 million) comprise a significant portion of the unreserved fund balance. Although reported as unreserved fund balances, these amounts are dedicated to those specific funds and can only be used for specific activities. 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 and other multi-year projects.

General Fund

The General Fund is the chief operating fund of the State. At the end of fiscal year 2010, the General Fund unreserved fund balance was $187.2 million and the reserved fund balance was $828.6 million. Controlled spending and increased federal revenues, including continued American Recovery and Reinvestment Act (ARRA) funding, and transfers from other funds helped the General Fund finish the year with an increase in fund balance of $44.1 million (4.5 percent).

General Fund Budgetary Highlights:

The State was again faced with difficult budget challenges during fiscal year 2010. During the year, the General Fund budget was amended several times. The Legislature passed various supplemental appropriation bills which reduced general fund - general purpose appropriations by $340.2 million. In fiscal year 2010, the state appropriated another $2.6 billion in ARRA funds for General Fund programs, such as Medicaid and other health and human services programs, including Food Assistance, as well as funding for the colleges and universities.

Differences between the final budget ($28.9 billion) and actual spending ($28.8 billion) result from spending authority lapses of $84.4 million and restricted revenue authorized, but not spent, of $42.1 million. At fiscal year-end, excess restricted revenues of $450.6 million were carried forward into fiscal year 2011 and are available upon appropriation.

All agencies finished the year with net lapses. However, Community Health reported line item over-expenditures of $19.5 million.

School Aid Fund

Fund balance at September 30, 2010, totaled $259.5 million, an increase of $8.3 million from the prior year. Revenues and transfers to the fund totaled $13.3 billion, up $137.5 million from the prior year. In fiscal year 2010, the SAF received more federal funding ($291.9 million) to offset the reductions in tax revenue ($83.5 million) and transfers from the State Lottery Fund ($23.1 million) and the General Fund ($48.2 million). Expenditures and transfers to other funds totaled $13.3 billion, an increase of $125.7 million over the previous year. The SAF supported $208.4 million of expenditures for community colleges and decreased its payments to school districts ($98.9 million) during the year. The decrease in expenditures related to the per-pupil rate reduction and lower pupil counts. The School Aid Stabilization Fund ended the year with $255.9 million in reserved fund balance.

Counter-Cyclical Budget and Economic Stabilization Fund

Fund balance at September 30, 2010, totaled $2.2 million. During the year, the BSF received $6 thousand in interest earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2010, the State had invested **$**20.7 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled $208.9 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009*	2010	2009	2010	2009*
Land	$ 3,385.4	$ 3,395.4	$ -	$ -	$ 3,385.4	$ 3,395.4
Land improvements	113.3	104.1	-	-	113.3	104.1
Land rights	44.5	-			44.5	-
Buildings and improvements	2,020.7	2,068.8	-	-	2,020.7	2,068.8
Equipment	153.7	281.4	.6	.7	154.3	282.2
Computer software	198.4	67.9			198.4	67.9
Infrastructure	13,015.1	12,804.9	-	-	13,015.1	12,804.9
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	18,950.9	18,742.2	.6	.7	18,951.5	18,742.9
Construction in progress	1,768.7	1,414.6	-	-	1,768.7	1,414.6
Total	$20,719.6	$20,156.8	$ .6	$ .7	$20,720.2	$20,157.5

* The prior year columns have been restated. More information regarding the restatement can be found on page 65.

> The most significant impact on capital assets during the year resulted from partially completed road and bridge construction and repair projects which are reported within construction in progress.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,432 lane miles of roads and 4,761 bridges (spans in excess of 20 feet).

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to have more than 70% of roads in fair to excellent condition. The most recent condition assessment, completed for calendar year 2009, indicated that 83.0% of roads were considered fair or better.

The State's bridges have assessed conditions that are better than the established benchmarks. The most recent assessment (2009) indicated that the condition of the bridges had improved from the condition reported for 2008. For calendar year 2009, 90.4% of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of $199.7 million for fiscal year 2010. In addition, $212.1 million of unspent capital outlay authorizations that existed at September 30, 2010, are available to spend in fiscal year 2011. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA), a blended component unit of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The State is not legally obligated for the debt issued by SBA. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. More detailed information regarding the State's long-term obligations is presented in Notes 13 and 15 to the financial statements.

Outstanding Bonded Debt as of September 30
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009 *	2010	2009	2010	2009 *
General obligation bonds (backed by the State)	$1,679.5	$1,673.5	$ -	$ -	$1,679.5	$1,673.5
Revenue bonds and notes (backed by specific tax and fee revenues)	5,388.2	5,455.4	-	-	5,388.2	5,455.4
Total	$7,067.7	$7,128.9	$ -	$ -	$7,067.7	$7,128.9

* The prior year columns have been restated. More detailed information regarding the restatement can be found on page 65.

During the year, the State and SBA issued new bonds totaling $177.5 million and refunding bonds totaling $142.2 million. From the refunding bond proceeds, the State paid $150.5 million to bond escrow agents to cover future debt service payments. The proceeds from the new bonds will provide funding for MDOT construction projects and state-owned and university-owned buildings.

Bond Ratings
The State's general obligations are rated AA- stable outlook by Standard & Poors and Aa2 stable outlook by Moody's.

Limitations on Debt
The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. In fiscal year 2010, the State issued and repaid short-term borrowing totaling $1.3 billion.

ECONOMIC CONDITION AND OUTLOOK

The National Bureau of Economic Research announced that the recession that began in late 2007 ended in mid 2009. Lasting eighteen months, the recession represented the longest U.S. economic downturn since the Great Depression. In addition, the percentage decline in overall economic activity during the recession was greater than any other recession since at least 1948. Since the end of the recession, the U.S. economy has grown each quarter. Further, national private employment, which continued to report considerable declines until late 2009, steadily rose throughout 2010. However, economic growth has cooled recently and private sector employment gains have been tepid. In addition, the housing market, a major contributor to the recession, has remained exceptionally weak. The light vehicle sector, which remains a key component of the Michigan economy, also remains historically weak. In 2010, light vehicle sales increased from 2009's 28 year low level, but light vehicle sales were still less than any other year since 1982 and remained well below the annual average light vehicle sales level during the past 28 years (14.9 million units). Exacerbating Michigan's economic situation, Michigan's labor market never recovered from the 2001 recession.

Following Michigan's largest percentage employment decline in 51 years (-6.9 percent) in 2009, employment continued to decline in 2010, but at a substantially slower rate (-1.2 percent). Nonetheless, 2010 marked the tenth consecutive year that Michigan's employment declined. Over the past decade, Michigan has shed an estimated 846,000 jobs – more than one in six jobs the state had in 2000.

In 2010, personal income was up an estimated 1.2 percent while wages and salaries fell 0.3 percent. With overall prices rising 1.7 percent, real (inflation adjusted) personal income fell 0.5 percent. Michigan's unemployment rate is estimated to have risen to 14.1 percent – the state's highest annual rate since 1983.

Following an estimated 3.1 percent increase in real Gross National Product in 2010, the U.S. economy is projected to grow at a slightly slower rate of 2.9 percent in 2011. Light vehicle sales are forecast to rise for the second straight year in 2011 to 13.3 million units. In addition, housing starts are also projected to increase sharply (65.2 percent). Nonetheless, vehicle sales and housing starts will remain at historically low levels. In 2011, Michigan personal income is projected to increase 2.6 percent while wages and salaries are expected to increase 1.8 percent. With 1.6 percent inflation, real personal income is expected to increase 1.0 percent. Overall, Michigan employment is projected to remain unchanged in 2011 while the state's unemployment rate is forecast to fall slightly to 13.7 percent.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Additional copies of this report and other financial information can be obtained by visiting the Office of Financial Management website at www.michigan.gov/ofm. You can also contact the office by phone at (517) 373-1010.

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) 373-1010.

II. FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010
(In Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 8,658	$ 18,886	**$ 27,544**	$ 1,674,257
Equity in common cash (Note 5)	1,312,009	97,459	**1,409,469**	144,058
Taxes, interest, and penalties receivable (Note 6)	3,914,306	-	**3,914,306**	-
Internal balances	1,634	(1,634)	**-**	-
Amounts due from component units	13,548	502	**14,049**	11,651
Amounts due from primary government	-	-	**-**	222,593
Amounts due from federal government	1,472,974	24,636	**1,497,611**	57,385
Amounts due from local units	218,259	64,655	**282,914**	1,493,059
Inventories	45,540	11,228	**56,768**	24,267
Investments (Note 8)	234,957	544,173	**779,129**	1,094,625
Other current assets	741,576	304,002	**1,045,578**	596,847
Total Current Assets	7,963,460	1,063,907	**9,027,367**	5,318,743
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	**-**	34,357
Investments	-	-	**-**	435,679
Mortgages and loans receivable	-	-	**-**	39,510
Taxes, interest, and penalties receivable (Note 6)	230,251	-	**230,251**	-
Advances to primary government	-	-	**-**	667,505
Amounts due from federal government	9,272	-	**9,272**	-
Amounts due from local units	1,083,943	-	**1,083,943**	2,935,185
Mortgages and loans receivable	-	-	**-**	4,134,033
Investments (Note 8)	892,085	174,942	**1,067,027**	3,429,045
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,465,820	-	**3,465,820**	127,704
Buildings, equipment, and other depreciable assets	5,483,281	4,836	**5,488,116**	5,023,156
Less accumulated depreciation	(2,741,399)	(4,233)	**(2,745,632)**	(2,068,096)
Infrastructure	12,743,200	-	**12,743,200**	102,722
Construction in progress	1,768,664	-	**1,768,664**	231,819
Total capital assets	20,719,565	603	**20,720,168**	3,417,305
Interest in joint ventures (Note 7)	31,120	-	**31,120**	-
Other noncurrent assets	50,891	31,500	**82,391**	618,896
Total Noncurrent Assets	23,017,125	207,045	**23,224,171**	15,711,517
Total Assets	$ 30,980,586	$ 1,270,952	**$ 32,251,538**	$ 21,030,260

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 129,424	$ 1,998	**$ 131,422**	$ 530
Accounts payable and other liabilities	3,064,685	229,003	**3,293,688**	410,236
Income tax refunds payable (Note 16)	853,918	-	**853,918**	-
Amounts due to component units	113,316	-	**113,316**	11,648
Amounts due to primary government	-	-	**-**	5,443
Bonds and notes payable (Notes 13 and 14)	422,838	-	**422,838**	1,722,726
Interest payable	120,359	-	**120,359**	136,419
Deferred revenue	161,790	2,372	**164,162**	80,725
Current portion of other long-term obligations (Note 15)	541,812	1,681	**543,494**	156,050
Total Current Liabilities	5,408,143	235,055	**5,643,198**	2,523,777
Noncurrent Liabilities:				
Advances from component units	554,088	-	**554,088**	-
Advances from federal government	-	3,814,146	**3,814,146**	-
Prize awards payable (Note 15)	-	179,884	**179,884**	-
Deferred revenue	15,337	-	**15,337**	4,932
Bonds and notes payable (Notes 13 and 14)	6,848,078	-	**6,848,078**	10,957,381
Noncurrent portion of other long-term obligations (Note 15)	3,464,399	59,666	**3,524,064**	1,753,776
Total Noncurrent Liabilities	10,881,902	4,053,695	**14,935,598**	12,716,089
Total Liabilities	$ 16,290,045	$ 4,288,750	**$ 20,578,795**	$ 15,239,866
NET ASSETS				
Invested in capital assets, net of related debt	$ 16,859,070	$ 603	**$ 16,859,673**	$ 2,004,729
Restricted For:				
Education	469,259	-	**469,259**	181,858
Construction and debt service	-	-	**-**	2,726,296
Public safety and corrections	41,854	-	**41,854**	-
Conservation, environment, recreation, and agriculture	413,340	-	**413,340**	-
Health and human services	45,558	-	**45,558**	-
Transportation	609,056	-	**609,056**	-
Unemployment compensation	-	130,800	**130,800**	-
Labor and economic growth	112,050	-	**112,050**	-
Other purposes	98,189	14,256	**112,444**	76,222
Funds Held as Permanent Investments:				
Expendable	163,742	-	**163,742**	51,667
Nonexpendable	738,430	-	**738,430**	263,974
Unrestricted	(4,860,007)	(3,163,457)	**(8,023,463)**	485,647
Total Net Assets	$ 14,690,540	$ (3,017,798)	**$ 11,672,743**	$ 5,790,394

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2010

(In Thousands)

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	$ 1,752,504	$ 775,018	$ 118,300	$ 14,863
Education	14,989,964	5,320	2,594,510	-
Human services	6,136,852	38,797	5,054,359	-
Public safety and corrections	2,859,301	168,141	213,066	11,541
Conservation, environment, recreation, and agriculture	577,952	360,261	182,343	2,402
Labor, commerce, and regulatory	1,261,908	313,368	862,822	-
Health services	13,250,231	72,036	9,511,268	-
Transportation	2,947,845	75,466	613,376	935,799
Tax credits (Note 16)	1,351,500	-	-	-
Intergovernmental-revenue sharing	994,196	-	-	-
Interest on long-term debt	362,626	-	-	-
Total governmental activities	46,484,880	1,808,408	19,150,043	964,605
Business-type Activities:				
Liquor Purchase Revolving Fund	634,925	780,265	-	-
State Lottery Fund	1,676,994	2,379,975	17,292	-
Attorney Discipline System	4,733	4,977	-	-
Michigan Unemployment Compensation Funds	6,803,393	6,012,375	62,674	-
Total business-type activities	9,120,044	9,177,592	79,966	-
Total primary government	$ 55,604,924	$ 10,986,000	$ 19,230,009	$ 964,605
Total component units	$ 4,300,514	$ 2,177,685	$ 1,273,221	$ 28,733

General Revenues:
- Taxes:
  - General:
    - Sales and use
    - Personal income
    - Single business and Michigan business
    - Tobacco products
    - Beer, wine, and liquor
    - Insurance company
    - Quality assurance assessment
    - Penalties and interest
    - Other
  - Restricted For Educational Purposes:
    - Sales and use
    - Personal income
    - Michigan business
    - Education, property, and real estate transfers
    - Tobacco products
    - Beer, wine, and liquor
    - Casino gaming wagering
    - 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

The accompanying notes are an integral part of the financial statements

NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	**TOTALS**	COMPONENT UNITS
$ (844,323)	$ -	**$ (844,323)**	$ -
(12,390,134)	-	**(12,390,134)**	-
(1,043,696)	-	**(1,043,696)**	-
(2,466,552)	-	**(2,466,552)**	-
(32,947)	-	**(32,947)**	-
(85,718)	-	**(85,718)**	-
(3,666,928)	-	**(3,666,928)**	-
(1,323,205)	-	**(1,323,205)**	-
(1,351,500)	-	**(1,351,500)**	-
(994,196)	-	**(994,196)**	-
(362,626)	-	**(362,626)**	-
(24,561,824)	-	**(24,561,824)**	-
-	145,341	**145,341**	-
-	720,273	**720,273**	-
-	244	**244**	-
-	(728,344)	**(728,344)**	-
-	137,514	**137,514**	-
(24,561,824)	137,514	**(24,424,311)**	-
-	-	**-**	(820,875)
2,651,757	-	**2,651,757**	-
4,931,508	-	**4,931,508**	-
1,107,589	-	**1,107,589**	-
612,414	-	**612,414**	
126,269	14,107	**140,376**	
257,359	-	**257,359**	
845,612	-	**845,612**	
135,939	-	**135,939**	
239,425	-	**239,425**	-
5,006,696	-	**5,006,696**	-
1,756,587	-	**1,756,587**	-
604,395	-	**604,395**	-
2,047,056	-	**2,047,056**	-
392,113	-	**392,113**	-
37,476	-	**37,476**	-
101,816	-	**101,816**	-
74,083	-	**74,083**	-
76,778	-	**76,778**	-
956,999	-	**956,999**	-
841,840	-	**841,840**	-
5,188	-	**5,188**	-
1,464	276	**1,740**	137,368
495,556	16	**495,572**	288,441
101,587	-	**101,587**	-
-	-	**-**	693,514
882,287	(882,287)	**-**	-
24,289,795	(867,889)	**23,421,906**	1,119,323
(272,029)	(730,375)	**(1,002,404)**	298,448
14,962,570	(2,287,423)	**12,675,147**	5,491,946
$ 14,690,540	$ (3,017,798)	**$ 11,672,743**	$ 5,790,394

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 Michigan Compiled Laws Section 18.1351 to assist in stabilizing revenue during periods of economic recession. 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. Michigan Compiled Laws Section 388.1611a, effective October 1, 2003, created the school aid stabilization fund as a separate account within the School Aid Fund. Pursuant to this act, any remaining unreserved fund balance in the School Aid Fund at year-end is transferred to this account.

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 122.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 6,205	$ -	$ -	$ 2,446	**$ 8,651**
Equity in common cash (Note 5)	-	2,185	-	1,108,973	**1,111,158**
Taxes, interest, and penalties receivable (Note 6)	1,939,308	-	1,873,442	101,556	**3,914,306**
Amounts due from other funds (Note 18)	956,552	-	-	400,576	**1,357,128**
Amounts due from component units	4,494	-	-	9,054	**13,548**
Amounts due from federal agencies	1,155,158	-	62,538	255,220	**1,472,916**
Amounts due from local units	90,035	-	71,389	56,835	**218,259**
Inventories	14,559	-	-	17,168	**31,727**
Investments (Note 8)	-	-	-	234,957	**234,957**
Other current assets	525,854	-	2	190,767	**716,623**
Total Current Assets	4,692,165	2,185	2,007,371	2,377,551	**9,079,272**
Noncurrent Assets:					
Taxes, interest, and penalties receivable (Note 6)	175,095	-	51,861	3,295	**230,251**
Advances to other funds (Note 18)	6,392	-	-	-	**6,392**
Amounts due from federal agencies	9,272	-	-	-	**9,272**
Amounts due from local units	1,030,788	-	433	52,721	**1,083,943**
Investments (Note 8)	-	-	-	892,085	**892,085**
Other noncurrent assets	4,099	-	-	5,510	**9,610**
Total Noncurrent Assets	1,225,647	-	52,295	953,611	**2,231,552**
Total Assets	$ 5,917,811	$ 2,185	$ 2,059,666	$ 3,331,162	**$ 11,310,824**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 117,601	$ -	$ 934	$ 10,206	**$ 128,741**
Accounts payable and other liabilities (Note 23)	2,176,016	-	194,342	601,415	**2,971,774**
Income tax refunds payable (Note 16)	853,918	-	-	-	**853,918**
Amounts due to other funds (Note 18)	25,147	-	1,209,461	145,912	**1,380,520**
Amounts due to component units	1,889	-	-	2,971	**4,859**
Bonds and notes payable	-	-	-	81,335	**81,335**
Interest payable	-	-	-	10	**10**
Deferred revenue	753,702	-	343,598	179,565	**1,276,865**
Total Current Liabilities	3,928,272	-	1,748,335	1,021,415	**6,698,022**
Long-Term Liabilities:					
Advances from component units	554,088	-	-	-	**554,088**
Deferred revenue	419,678	-	51,861	8,177	**479,717**
Total Long-Term Liabilities	973,766	-	51,861	8,177	**1,033,805**
Total Liabilities	4,902,038	-	1,800,197	1,029,592	**7,731,826**
Fund Balances:					
Reserved fund balance (Note 22)	828,553	-	259,469	1,788,787	**2,876,809**
Unreserved fund balance reported in:					
General Fund	187,220	-	-	-	**187,220**
Special revenue funds	-	2,185	-	376,955	**379,140**
Debt service funds	-	-	-	222,322	**222,322**
Capital projects funds	-	-	-	(161,980)	**(161,980)**
Permanent funds	-	-	-	75,486	**75,486**
Total Fund Balances	1,015,773	2,185	259,469	2,301,570	**3,578,997**
Total Liabilities and Fund Balances	$ 5,917,811	$ 2,185	$ 2,059,666	$ 3,331,162	**$ 11,310,824**

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010
(In Thousands)

Total fund balances for governmental funds		$ 3,578,997
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 9)		
Land and other non-depreciable assets	3,456,650	
Buildings, equipment, and other depreciable assets	4,660,861	
Infrastructure	12,743,200	
Construction in progress	1,767,917	
Interest in joint ventures	31,120	
Accumulated depreciation	(2,176,227)	20,483,520
Certain tax revenues are earned but not available and therefore are not reported in the funds.		1,257,017
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		399,759
Amounts due to component units for long-term loans.		(108,457)
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.		171,806
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.		38,631
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 15)		
Capital lease obligations	(333,090)	
Compensated absences	(465,118)	
Workers' compensation	(113,681)	
Litigation	(359,613)	
Net pension obligations	(593,374)	
Net other postemployment benefits	(1,750,634)	
Pollution remediation	(166,195)	
Financed infrastructure projects	(39,090)	
Other long-term liabilities	(8)	(3,820,803)
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 13)		
Bonds and notes payable	(7,067,738)	
Unamortized premiums	(234,560)	
Less unamortized discounts	3,491	
Less deferred loss amount on refundings	109,225	
Accrued interest payable	(120,349)	(7,309,931)
Net assets of governmental activities		$ 14,690,540

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	**TOTALS**
REVENUES					
Taxes	$ 11,174,039	$ -	$ 10,114,173	$ 1,886,612	**$ 23,174,824**
From federal agencies	15,724,550	-	2,392,903	1,715,392	**19,832,846**
From local agencies	89,633	-	-	16,540	**106,172**
From services	296,966	-	-	4,025	**300,992**
From licenses and permits	292,279	-	-	166,024	**458,303**
Special Medicaid reimbursements	123,205	-	-	-	**123,205**
Miscellaneous	677,277	6	33,156	865,205	**1,575,643**
Total Revenues	28,377,949	6	12,540,232	4,653,798	**45,571,986**
EXPENDITURES					
Current:					
General government	1,143,058	-	-	321,354	**1,464,412**
Education	1,982,523	-	13,013,073	56,388	**15,051,983**
Human services	6,010,236	-	-	32,751	**6,042,987**
Public safety and corrections	2,570,730	-	-	2,363	**2,573,093**
Conservation, environment, recreation, and agriculture	307,701	-	-	238,809	**546,510**
Labor, commerce, and regulatory	995,104	-	-	228,093	**1,223,197**
Health services	13,095,879	-	-	122,719	**13,218,598**
Transportation	-	-	-	2,279,890	**2,279,890**
Tax credits (Note 16)	1,351,500	-	-	-	**1,351,500**
Capital outlay	31,188	-	-	1,291,116	**1,322,304**
Intergovernmental-revenue sharing	994,196	-	-	-	**994,196**
Debt service:					
Bond principal retirement	-	-	-	247,532	**247,532**
Bond interest and fiscal charges	-	-	-	316,163	**316,163**
Capital lease payments	49,377	-	-	1,606	**50,982**
Total Expenditures	28,531,492	-	13,013,073	5,138,782	**46,683,346**
Excess of Revenues over (under) Expenditures	(153,543)	6	(472,840)	(484,984)	**(1,111,361)**
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	-	177,480	**177,480**
Refunding bonds issued	-	-	-	142,190	**142,190**
Premium on bond issuance	-	-	-	10,569	**10,569**
Payment to refunded bond escrow agent	-	-	-	(150,488)	**(150,488)**
Capital lease acquisitions	39,101	-	-	-	**39,101**
Proceeds from sale of capital assets	1,576	-	-	319	**1,895**
Transfers from other funds (Note 20)	490,783	-	729,590	1,614,345	**2,834,719**
Transfers to other funds (Note 20)	(333,852)	-	(248,400)	(1,366,881)	**(1,949,134)**
Total Other Financing Sources (Uses)	197,608	-	481,190	427,533	**1,106,331**
Net changes in fund balances	44,065	6	8,350	(57,450)	**(5,029)**
Fund Balances - Beginning of fiscal year - restated	971,708	2,179	251,119	2,359,020	**3,584,026**
Fund Balances - End of fiscal year	$ 1,015,773	$ 2,185	$ 259,469	$ 2,301,570	**$ 3,578,997**

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

Net change in fund balance - total governmental funds		$ (5,029)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 9)		
Land and other non-depreciable assets	34,446	
Buildings, equipment, and other depreciable assets	85,657	
Infrastructure	234,960	
Construction in progress	353,512	
Gain on disposal of capital assets	1,895	
Accumulated depreciation	(154,744)	555,726
Certain revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		28,752
Amount due to component units for long-term loans are not reported in the funds as they are not due and payable.		(18,066)
Decrease in equity interest in joint ventures. (Note 7)		(714)
Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		(359,684)
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.		928
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 13)		
Bond proceeds and premiums received	(330,239)	
Repayment of bond principal	247,532	
Payment to refunded bond escrow agent	150,488	
Accrued interest and amortization	(12,362)	
Deferred issue costs	2,688	58,107
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 15)		
Net pension obligation	(50,035)	
Net other postemployment benefit obligation	(552,044)	
Capital lease payments	16,533	
Compensated absences payments	308	
Litigation recoveries, settlements and payments	47,373	
Pollution remediation obligations	8,137	
Workers' compensation	(5,820)	
Financed infrastructure projects	2,750	
Other	748	(532,050)
Change in net assets of governmental activities		$ (272,029)

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

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

STATE LOTTERY FUND

Michigan Compiled Laws (MCL) Section 432.41 established the State Lottery Fund and MCL Section 432.5 created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Technology, Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1991. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net assets balance represents the unrealized cumulative gain or loss on investments, as required by Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

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 Insurance Agency within the Department of Energy, Labor and Economic Growth: 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.

The Michigan Employment Security Act Contingent Fund was created by Michigan Compiled Laws (MCL) Section 421.10 to receive a special temporary unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. MCL Section 421.10 restricts use of solvency taxes for payment of interest on the Michigan Unemployment Compensation borrowings from the federal government.

A portion of the asset "Amounts due from other funds" and the liability "Amounts due to other funds" represent receivables and payables between the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund.

Non-Major Funds

Individual fund statements for the Enterprise Funds, whose combined totals are presented on this statement, begin on page 184.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 188.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENT ACTIVITIES -- INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash	$ 2	$ 17,996	$ 888	**$ 18,886**	$ 7
Equity in common cash (Note 5)	17,876	18,758	60,825	**97,459**	200,851
Amounts due from other funds (Note 18)	-	15,678	-	**15,678**	17,298
Amounts due from component units	-	502	-	**502**	-
Amounts due from federal agencies	-	24,636	-	**24,636**	59
Amounts due from local units	-	64,655	-	**64,655**	-
Inventories	5,289	-	5,940	**11,228**	13,812
Investments (Note 8)	52,594	486,409	5,170	**544,173**	-
Other current assets	63,355	233,592	7,055	**304,002**	23,880
Total Current Assets	139,115	862,226	79,878	**1,081,219**	255,907
Noncurrent Assets:					
Investments (Note 8)	174,942	-	-	**174,942**	-
Capital Assets (Note 9):					
Land and other non depreciable assets	-	-	-	**-**	9,170
Buildings and equipment	4,414	-	422	**4,836**	822,419
Allowance for depreciation	(3,861)	-	(372)	**(4,233)**	(565,173)
Construction in progress	-	-	-	**-**	748
Total capital assets	553	-	50	**603**	267,164
Other noncurrent assets	-	31,500	-	**31,500**	2,650
Total Noncurrent Assets	175,495	31,500	50	**207,045**	269,814
Total Assets	$ 314,610	$ 893,726	$ 79,928	**$ 1,288,264**	$ 525,721
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ 724	$ -	$ 1,274	**$ 1,998**	$ 683
Accounts payable and other liabilities (Note 23)	117,450	40,867	70,517	**228,833**	65,577
Amounts due to other funds (Note 18)	95	17,309	78	**17,482**	18,532
Deferred revenue	-	1,806	566	**2,372**	77,271
Current portion of other long-term obligations (Note 15)	971	-	710	**1,681**	67,483
Total Current Liabilities	119,239	59,982	73,145	**252,367**	229,547
Long-Term Liabilities:					
Advances from other funds (Note 18)	-	-	-	**-**	6,392
Advances from federal government	-	3,814,146	-	**3,814,146**	-
Prize awards payable	179,884	-	-	**179,884**	-
Deferred revenue	-	-	-	**-**	50
Noncurrent portion of other long-term obligations (Note 15)	1,231	57,287	1,147	**59,666**	117,926
Total Long-Term Liabilities	181,115	3,871,433	1,147	**4,053,695**	124,368
Total Liabilities	300,354	3,931,415	74,293	**4,306,062**	353,914
NET ASSETS					
Invested in capital assets, net of related debt	$ 553	$ -	$ 50	**$ 603**	$ 254,801
Restricted For:					
Unemployment compensation	-	130,800	-	**130,800**	-
Other purposes	14,256	-	-	**14,256**	7,954
Unrestricted	(553)	(3,168,489)	5,585	**(3,163,457)**	(90,948)
Total Net Assets	$ 14,256	$ (3,037,689)	$ 5,635	**$ (3,017,798)**	$ 171,806

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTA ACTIVITIES -- INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Operating revenues	$ 2,379,975	$ 6,012,375	$ 785,243	**$ 9,177,592**	$ 1,442,824
Total Operating Revenues	2,379,975	6,012,375	785,243	**9,177,592**	1,442,824
OPERATING EXPENSES					
Salaries, wages, and other administrative	279,901	3	68,619	**348,523**	559,871
Depreciation	238	-	10	**248**	53,916
Purchases for resale	-	-	569,728	**569,728**	75,006
Purchases for prison industries	-	-	-	**-**	15,831
Lottery prize awards	1,381,626	-	-	**1,381,626**	-
Premiums and claims	-	-	25	**25**	696,153
Unemployment benefits	-	2,424,970	-	**2,424,970**	-
Other operating expenses	-	4,378,420	1,276	**4,379,695**	47,950
Total Operating Expenses	1,661,765	6,803,393	639,658	**9,104,816**	1,448,727
Operating Income (Loss)	718,210	(791,018)	145,585	**72,777**	(5,904)
NONOPERATING REVENUES (EXPENSES)					
Specific tax on spirits	-	-	14,107	**14,107**	-
Interest revenue	282	38	276	**595**	450
Investment revenue (expense) - net	17,010	-	-	**17,010**	-
Other nonoperating revenues	-	62,636	16	**62,653**	11,986
Amortization of prize award obligation discount	(15,219)	-	-	**(15,219)**	-
Interest expense	(4)	-	-	**(4)**	(268)
Other nonoperating expense	(5)	-	-	**(5)**	(2,597)
Total Nonoperating Revenues (Expenses)	2,063	62,674	14,399	**79,136**	9,570
Income (Loss) Before Transfers	720,273	(728,344)	159,984	**151,912**	3,666
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	-	-	-	**-**	372
Transfers from other funds	-	7,283	-	**7,283**	-
Transfers To:					
School Aid Fund	(701,328)	-	-	**(701,328)**	-
Other funds	(12,325)	(16,262)	(159,656)	**(188,243)**	(3,110)
Total transfers to other funds	(713,653)	(16,262)	(159,656)	**(889,570)**	(3,110)
Change in net assets	6,620	(737,323)	328	**(730,375)**	928
Total net assets - Beginning of fiscal year	7,636	(2,300,366)	5,307	**(2,287,423)**	170,879
Total net assets - End of fiscal year	$ 14,256	$ (3,037,689)	$ 5,635	**$ (3,017,798)**	$ 171,806

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTA ACTIVITIES -- INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	$ -	$ 4,397,223	$ -	**$ 4,397,223**	$ -
Receipts from customers	2,373,992	1,566,147	780,265	**4,720,404**	1,454,001
Membership dues	-	-	4,727	**4,727**	-
Payments to employees	(17,368)	-	(19,650)	**(37,019)**	(220,262)
Payments to suppliers	(58,563)	-	(613,456)	**(672,019)**	(751,130)
Payments to prize winners	(1,446,944)	-	-	**(1,446,944)**	-
Payments for commissions to retailers	(202,449)	-	-	**(202,449)**	-
Claims paid	-	(6,845,651)	-	**(6,845,651)**	(423,990)
Other receipts	-	39,989	630	**40,618**	1,659
Other payments	-	(3)	(1,678)	**(1,681)**	(7,057)
Net cash provided (used) by operating activities	$ 648,667	$ (842,296)	$ 150,838	**$ (42,790)**	$ 53,221
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances from federal government	$ -	$ 1,232,522	$ -	**$ 1,232,522**	$ -
Loans or loan repayments from other funds	-	-	-	**-**	30,136
Loans or loan repayments to other funds	-	-	-	**-**	(30,714)
Specific tax on spirits	-	-	14,107	**14,107**	-
Transfers to other funds	(713,653)	(5,529)	(159,656)	**(878,838)**	(3,110)
Net cash provided (used) by noncapital financing activities	$ (713,653)	$ 1,226,993	$ (145,549)	**$ 367,791**	$ (3,688)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	$ (70)	$ -	$ (51)	**$ (122)**	$ (38,223)
Interest paid	-	-	-	**-**	(22)
Capital lease payments (including imputed interest expense)	-	-	-	**-**	7,196
Proceeds from sale of capital assets	-	-	-	**-**	94
Net cash provided (used) by capital and related financing activities	$ (70)	$ -	$ (51)	**$ (122)**	$ (30,954)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment securities	$ 60,785	$ -	$ -	**$ 60,785**	$ -
Purchases of investment securities	-	(372,415)	(585)	**(373,000)**	-
Interest and dividends on investments	282	38	276	**595**	450
Expenses from securities lending activities	(4)	-	-	**(4)**	-
Net cash provided (used) by investing activities	$ 61,062	$ (372,377)	$ (309)	**$ (311,624)**	$ 450
Net cash provided (used) - all activities	$ (3,994)	$ 12,320	$ 4,929	**$ 13,255**	$ 19,029
Cash and cash equivalents at beginning of year	21,148	24,434	55,510	**101,092**	181,146
Cash and cash equivalents at end of year	$ 17,154	$ 36,754	$ 60,439	**$ 114,347**	$ 200,175

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

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTA ACTIVITIES -- INTERNAL SERVICE FUNDS
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Assets Classifications:					
Cash	$ 2	$ 17,996	$ 888	**$ 18,886**	$ 7
Equity in common cash	17,876	18,758	60,825	**97,459**	200,851
Warrants outstanding	(724)	-	(1,274)	**(1,998)**	(683)
Cash and cash equivalents at end of year	$ 17,154	$ 36,754	$ 60,439	**$ 114,347**	$ 200,175
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 718,210	$ (791,018)	$ 145,585	**$ 72,777**	$ (5,904)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	238	-	10	**248**	53,916
Amortization of prize award obligation discount	(15,219)	-	-	**(15,219)**	-
Other nonoperating revenues	-	-	16	**16**	-
Other reconciling items	195	-	-	**195**	374
Net Changes in Assets and Liabilities:					
Inventories	(112)	-	1,068	**956**	(39)
Other assets (net)	(5,983)	(18,850)	(470)	**(25,303)**	23,226
Accounts payable and other liabilities	1,438	(34,030)	4,783	**(27,809)**	(18,352)
Prize awards payable	(50,099)	-	-	**(50,099)**	-
Deferred revenue	-	1,603	(154)	**1,448**	-
Net cash provided (used) by operating activities	$ 648,667	$ (842,296)	$ 150,838	**$ (42,790)**	$ 53,221
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Capital contributions	$ -	$ -	$ -	**$ -**	$ 372
Cost of capital assets acquisitions financed by capital leases	-	-	-	**-**	11,016
Capital lease liabilities entered into during the year	-	-	-	**-**	(11,016)
Increase (decrease) in fair value of investments	6,620	-	-	**6,620**	-
Transfers from other funds (accrual)	-	7,283	-	**7,283**	-
Transfers to other funds (accrual)	-	(11,159)	-	**(11,159)**	-
Gain (loss) on disposal of capital assets	-	-	-	**-**	(2,597)
Federal credit reduction	-	62,636	-	**62,636**	-
Payments on federal advances	-	(62,636)	-	**(62,636)**	-
Total noncash investing, capital, and financing activities	$ 6,620	$ (3,875)	$ -	**$ 2,744**	$ (2,226)

FIDUCIARY FUND FINANCIAL STATEMENTS

Individual fund financial statements begin on the following pages:

Pension (and Other Employee Benefit) Trust Funds, page 196.
Private Purpose Trust Funds, page 204.
Agency Funds, page 207.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash	$ 127	$ 1,314	$ 43,223
Equity in common cash (Note 5)	96,350	100,869	8,057
Receivables:			
From participants	217,923	-	-
From employers	417,633	-	-
Other	156,963	-	-
Interest and dividends	7,596	1,590	-
Due from other funds (Note 18)	88,188	-	-
Due from component unit	306	-	-
Due from other governmental	28,895	-	-
Sale of investments	239	-	-
Investments at Fair Value (Note 8):			
Short term investments	505,925	-	-
Fixed income	7,866,990	20,060	-
Domestic equities	16,971,314	-	-
Real estate	4,172,141	-	-
Alternative investments	10,302,691	-	-
International equities	6,461,893	-	-
Absolute return	1,793,989	-	-
Mutual funds	1,700,677	2,125,979	-
Pooled investment funds	1,536,282	-	-
Separate accounts	1,463,626	-	-
Guaranteed funding agreements	-	247,159	-
Securities lending collateral (Note 8)	5,163,480	-	-
Other current assets	-	7,290	5
Other noncurrent assets	-	650	376,694
Total assets	$ 58,953,227	$ 2,504,911	$ 427,978
LIABILITIES			
Warrants outstanding	$ 8,648	$ 2,226	$ -
Accounts payable and other liabilities	132,977	5,795	50,211
Amounts due to other funds (Note 18)	60,684	-	1,073
Obligations under security lending	6,628,368	-	-
Other long-term liabilities	-	-	376,694
Total liabilities	$ 6,830,676	$ 8,021	$ 427,978
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, deferred compensation participants, and other purposes	$ 52,122,551	$ 2,496,890	
Reconciliation of Net Assets Held in Trust:			
Pension benefits (Note 10)	$ 47,653,665	$ -	
Postemployment health-care benefits (Note 11)	1,120,334	-	
Deferred compensation participants (Note 17)	3,348,552	-	
Other purposes	-	2,496,890	
Total net assets held in trust for benefits and other purposes	$ 52,122,551	$ 2,496,890	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
From participants	$ 773,216	$ 819,988
From employers	2,576,573	-
From clients	-	65,571
From gifts, bequests, and endowments	-	34,922
From other plans	5,263	-
From other governmental	67,510	-
Investment Income:		
Net appreciation (depreciation) in fair value of investments	4,058,705	142,418
Interest, dividends, and other	1,124,306	47,943
Securities lending income	116,140	-
Less Investment Expense:		
Investment activity expense	170,997	-
Securities lending expense	30,056	-
Net investment income (loss)	5,098,098	190,361
Escheated property	-	72,391
Miscellaneous income	5,112	53
Total Additions	8,525,772	1,183,286
DEDUCTIONS		
Benefits paid to participants or beneficiaries	4,718,772	643,593
Medical, dental, and life insurance for retirants	1,018,941	-
Refunds and transfers to other systems	194,260	-
Amounts distributed to clients, claimants, or third parties	-	169,390
Administrative expense	112,879	7,152
Transfers to other funds	188	-
Total Deductions	6,045,039	820,135
Net increase (decrease)	2,480,733	363,151
Net assets - Beginning of fiscal year	49,641,818	2,133,739
Net assets - End of fiscal year	$ 52,122,551	$ 2,496,890
Reconciliation of Net Increase in Assets:		
Net increase (decrease) in assets held in trust for pension benefits	$ 1,974,438	$ -
Net increase (decrease) in assets held in trust for postemployment benefits	363,716	-
Net increase (decrease) in assets held in trust for deferred compensation participants	142,579	-
Net increase (decrease) in assets held in trust for other purposes	-	363,151
Total net increase (decrease)	$ 2,480,733	$ 363,151

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.

Michigan Compiled Laws Section 390.1425, the Michigan Education Trust Act, created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the law provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the law. The law and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

MICHIGAN FINANCE AUTHORITY

Executive Order 2010-2 created the Michigan Finance Authority (MFA) to consolidate certain Michigan public finance authorities. Functions related to borrowing money or the issuance of bonds or notes of the Michigan Strategic Fund, Michigan Forest Finance Authority, and Land Bank Fast Track Authority were also consolidated into MFA. A seven-member Board of Trustees consisting of the State Treasurer and six appointees of the Governor with advice and consent of the State Senate governs the Authority.

The following entities, previously reported as discretely presented component units of the State, were transferred to MFA by Executive Order 2010-2: Michigan Municipal Bond Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Public Educational Facilities Authority, and Michigan State Hospital Finance Authority. The Michigan Tobacco Settlement Finance Authority, previously reported as a blended component unit, was also transferred to MFA. The governing bodies of each of these authorities were abolished.

MFA provides sources of funding for loans to governmental units, school districts, and nonpublic nonprofit institutions of higher education, healthcare corporations and facilities. Additionally, MFA assists governmental units in financing and marketing municipal debt and tax-exempt bonds. The Authority also enhances the student loan efforts of Michigan private lenders by making loans to students and their parents, and acquiring loans previously made. MFA may not create debt or liabilities on behalf of the State or pledge the full faith and credit of the State.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Michigan Compiled Laws Section 125.1421 created the Michigan State Housing Development Authority (MSHDA) to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Governor appoints MSHDA's board members.

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

Central Michigan University and Western Michigan University are the two major universities of the ten universities 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 212.

The non-major component unit - State universities are presented beginning on page 218.

STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2010
(In Thousands)

	AUTHORITIES			
	MICHIGAN EDUCATION TRUST	MICHIGAN FINANCE AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	NON-MAJOR
ASSETS				
Current Assets:				
Cash	$ 157,179	$ 656,232	$ 416,415	$ 33,251
Equity in common cash (Note 5)	-	93,503	-	50,555
Amounts due from component units	-	-	-	11,648
Amounts due from primary government	4,879	6,262	-	7,406
Amounts due from federal government	-	676	-	35,802
Amounts due from local units	-	1,492,920	-	-
Inventories	-	-	-	632
Investments (Note 8)	-	796,964	166,815	36,982
Other current assets	21,487	360,146	67,265	43,562
Total Current Assets	183,545	3,406,703	650,495	219,837
Restricted Assets:				
Cash and cash equivalents	-	-	-	17,802
Investments	-	-	-	2,346
Mortgages and loans receivable	-	-	-	-
Advances to primary government	-	666,005	-	1,500
Amounts due from local units	-	2,935,185	-	-
Mortgages and loans receivable	-	1,635,177	2,392,255	66,939
Investments (Note 8)	646,719	1,309,869	631,481	127,711
Capital Assets (Note 9):				
Land and other non-depreciable assets	-	-	-	9,324
Buildings, equipment, and other depreciable assets	-	-	-	46,899
Less accumulated depreciation	-	-	-	(26,491)
Infrastructure	-	-	-	102,722
Construction in progress	-	-	-	789
Total capital assets	-	-	-	133,243
Other noncurrent assets	47,074	119,314	281,413	83,494
Total Assets	$ 877,337	$ 10,072,253	$ 3,955,644	$ 652,871
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ -	$ 530
Accounts payable and other liabilities	-	11,324	40,063	63,426
Amounts due to component units	-	-	-	11,648
Amounts due to primary government	-	110	-	2,896
Bonds and notes payable (Note 14)	-	1,592,791	85,473	80
Interest payable	-	112,175	13,007	1,883
Deferred revenue	-	104	-	6,703
Current portion of other long-term obligations	123,008	9,523	-	3,229
Total Current Liabilities	123,008	1,726,026	138,543	90,394
Deferred revenue	-	-	-	481
Bonds and notes payable (Note 14)	-	6,848,912	2,584,200	84,133
Noncurrent portion of other long-term obligations	853,468	52,473	539,258	6,974
Total Liabilities	$ 976,476	$ 8,627,411	$ 3,262,001	$ 181,981
NET ASSETS				
Invested in capital assets, net of related debt	$ -	$ -	$ -	$ 131,368
Restricted For:				
Education	-	-	-	-
Construction and debt service	-	2,278,902	405,744	3,234
Other purposes	-	-	-	2,972
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Nonexpendable	-	-	-	-
Unrestricted	(99,139)	(834,060)	287,899	333,316
Total Net Assets	$ (99,139)	$ 1,444,842	$ 693,643	$ 470,890

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

STATE UNIVERSITIES			
CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	**TOTALS**
$ 64,996	$ 21,923	$ 324,262	**$ 1,674,257**
-	-	-	**144,058**
-	-	4	**11,651**
54,129	19,930	129,987	**222,593**
703	3,138	17,066	**57,385**
-	87	52	**1,493,059**
7,249	5,605	10,781	**24,267**
-	6,746	87,119	**1,094,625**
22,364	18,557	63,466	**596,847**
149,441	75,986	632,736	**5,318,743**
-	-	16,556	**34,357**
40,107	160,098	233,128	**435,679**
6,909	-	32,602	**39,510**
-	-	-	**667,505**
-	-	-	**2,935,185**
-	9,267	30,395	**4,134,033**
183,541	92,125	437,600	**3,429,045**
12,994	19,265	86,121	**127,704**
676,835	1,042,427	3,256,996	**5,023,156**
(303,915)	(415,082)	(1,322,608)	**(2,068,096)**
-	-	-	**102,722**
30,619	11,086	189,326	**231,819**
416,532	657,696	2,209,835	**3,417,305**
8,436	14,036	65,130	**618,896**
$ 804,967	$ 1,009,208	$ 3,657,980	**$ 21,030,260**
$ -	$ -	$ -	**$ 530**
59,888	49,024	186,511	**410,236**
-	-	-	**11,648**
477	50	1,911	**5,443**
6,762	10,590	27,029	**1,722,726**
1,485	1,968	5,901	**136,419**
11,908	6,807	55,204	**80,725**
477	5,509	14,305	**156,050**
80,997	73,948	290,862	**2,523,777**
-	-	4,451	**4,932**
153,920	262,110	1,024,107	**10,957,381**
24,758	154,926	121,919	**1,753,776**
$ 259,674	$ 490,984	$ 1,441,340	**$ 15,239,866**
$ 255,851	$ 371,110	$ 1,246,401	**$ 2,004,729**
54,090	10,408	117,361	**181,858**
7,044	-	31,372	**2,726,296**
-	50,893	22,357	**76,222**
-	-	51,667	**51,667**
-	60,389	203,585	**263,974**
228,308	25,425	543,898	**485,647**
$ 545,292	$ 518,225	$ 2,216,640	**$ 5,790,394**

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Authorities:					
Michigan Education Trust	$ 121,833	$ 76	$ 52,784	$ -	$ (68,973)
Michigan Finance Authority	514,471	318,405	324,402	-	128,336
Michigan State Housing Development Authority	745,729	194,304	536,464	-	(14,961)
Non-Major	327,230	36,245	137,180	43	(153,763)
State Universities:					
Central Michigan University	380,169	281,948	17,678	4,384	(76,160)
Western Michigan University	517,677	301,983	31,548	2,116	(182,030)
Non-Major	1,693,405	1,044,725	173,165	22,190	(453,325)
Total	$ 4,300,514	$ 2,177,685	$ 1,273,221	$ 28,733	$ (820,875)

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

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
$ -	$ -	$ -	$ (68,973)	$ (30,166)	$ (99,139)
3,528	-	-	131,864	1,312,978	1,444,842
24,138	-	-	9,177	684,466	693,643
8,233	96,433	59,157	10,061	460,829	470,890
18,367	85,294	26,641	54,142	491,150	545,292
35,204	113,047	66,477	32,698	485,527	518,225
47,897	398,740	136,166	129,478	2,087,162	2,216,640
$ 137,368	$ 693,514	$ 288,441	$ 298,448	$ 5,491,946	$ 5,790,394

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. Following is a summary of the significant policies:

Reporting Entity

Michigan was admitted to the Union as the twenty-sixth state in 1837. The State of Michigan is governed under the Constitution of 1963, as amended. The legislative power is vested in a 38-member senate and a 110-member house of representatives; executive power is vested in a governor; and the judicial power is vested exclusively in one court of justice.

For financial reporting purposes, the State of Michigan's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable. Component units can also be legally separate, tax-exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

Financial accountability is defined in GASB Statement No. 14, The Financial Reporting Entity. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB Statement No. 14 requires inclusion in the reporting entity if they are fiscally dependent on the State or if it would be misleading to exclude the authority.

GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14, establishes criteria for legally separate, tax-exempt entities that should be reported as component units if all of the criteria are met. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, most of the university component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

Blended Component Units
The State Building Authority (SBA) is a legally separate organization that has a board appointed by the primary government and provides services primarily to benefit the State. Therefore, SBA is reported as though it was part of the primary government, using the blending method.

Discretely Presented Component Units
These types of component units are reported in separate columns or rows in the government-wide financial statements to emphasize that they are legally separate from the government.

The State has the ability to appoint a voting majority of each governing board and is able to impose its will upon these discretely presented component units:

The Michigan Education Trust offers contracts, which, for actuarially determined amounts, provide plan participants with future tuition at institutions of higher education.

The Michigan State Housing Development Authority finances loans for the construction of single and multi-family housing and home improvement projects.

The Michigan Finance Authority provides sources of funding for loans to governmental units, school districts, and nonpublic nonprofit institutions of higher education, healthcare corporations and facilities. The Authority also makes loans and acquires loans made to students and their parents.

The Farm Produce Insurance Authority provides reimbursements to participating producers for losses suffered in the event of a grain dealer's financial failure.

The Land Bank Fast Track Authority receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

The Mackinac Bridge Authority accounts for the operation of the Mackinac Bridge.

The Michigan Early Childhood Investment Corporation participates with intermediate school districts to establish standards and guidelines for early childhood development activities.

The Michigan Strategic Fund provides business enterprises with additional sources of financing.

The State has the ability to appoint a voting majority of each governing board and there is a financial burden/benefit relationship between these entities and the State:

The Mackinac Island State Park Commission operates the Mackinac Island and Michilimackinac State Parks.

The Michigan Economic Development Corporation manages programs to stimulate, coordinate, and advance economic development in the State.

The following entity's relationship with the State would be misleading if it were omitted from the State's reporting entity:

The State Bar of Michigan is a public body corporate whose membership consists of persons licensed to practice law.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. Their balances and operating results are included with the other discretely presented component units on the government-wide financial statements. The ten universities included in these statements are: Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, Saginaw Valley State University, and Western Michigan University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate. The State provides significant funding to support these institutions; however, under GASB Statement No. 14 criteria, they are considered fiscally independent, special-purpose governments.

Included in the balances and operating results for most of the university component units is financial activity for fund-raising foundations that contribute to these universities. Although the universities do not control the timing or amount of receipts from their foundations, the majority of resources or income thereon that the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the universities and are included in the universities' financial statements.

Significant Transactions
The State's significant transactions with its major discretely presented component units result primarily from providing appropriations to the public universities, including $85.3 million to Central Michigan University and $113.0 million to Western Michigan University.

Availability of Financial Statements
The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the various component units. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management at (517) 373-1010.

Related Organizations
The State's Insurance Commissioner is responsible for appointing the members of the boards of the Michigan Catastrophic Claims Association and the Michigan Property and Casualty Guaranty Association, but the State's accountability for these organizations does not extend beyond making the appointments.

The State's Governor is responsible for appointing the members of the board of the Venture Michigan Fund, a private non-profit corporation. The State's accountability for this organization does not extend beyond the Governor's appointments.

Joint Ventures
As discussed in more detail in Note 7, the State participates in two joint ventures. Their financial activities are not included in the State's fund financial statements, but the State's equity interest is recorded as an asset in the Statement of Net Assets.

Jointly Governed Organizations
The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a non-profit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2010, the State awarded contracts totaling $35.8 million to MPHI.

The City of Detroit, Charter County of Wayne, and the Department of Community Health of the State of Michigan appoint members of the board of the Detroit Wayne County Health Authority (DWCHA), a public agency. The DWCHA was established to plan, promote, and coordinate health services for at-risk population in the City of Detroit and Wayne County. The State does not appoint a majority of the board, has no right to the assets, and is not responsible for debts of DWCHA; therefore, the State's accountability for DWCHA does not extend beyond making the appointments. During fiscal year 2010, the State awarded contracts totaling approximately $.4 million to DWCHA.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements
The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As allowed by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The FASB pronouncements issued after November 30, 1989, are not followed in the preparation of the accompanying financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become *susceptible to accrual*; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. Significant revenues susceptible to accrual include tax revenues and federal grants. Revenues that the State earns by incurring obligations are recognized in the period when all applicable eligibility requirements have been met.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation
The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Counter-Cyclical Budget and Economic Stabilization Fund, commonly referred to as the "Budget Stabilization Fund" or "Rainy Day Fund," was created to assist in stabilizing revenue during periods of economic recession.

The School Aid Fund's purpose is to aid in the support of the public schools and the intermediate school districts.

The State reports the following major enterprise funds:

The State Lottery Fund accounts for the operations of the State's lottery, bingo, and charitable game operations.

The Michigan Unemployment Compensation Funds receive contributions from employers and provide benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:
Special Revenue Funds – include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. Examples include conservation, transportation, regulatory, and other activities.

Debt Service Funds – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – account for the acquisition or construction of major State capital facilities financed by bond proceeds and commercial paper notes.

Permanent Funds – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as veterans, state park preservation, and others.

Proprietary Fund Types:
Enterprise Funds – report the activities for which fees are charged to external users for goods or services, such as the State's liquor sales. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

Internal Service Funds – provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include prisoner-built office furnishings; motor pool services; printing, reproduction and mailing services; information technology; risk management; and health-related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:
Pension (and other employee benefit) Trust Funds – report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Private Purpose Trust Funds – report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the State's Escheats fund, gifts to the State, and others.

Agency Funds – report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Fiscal Year-Ends

All funds and discretely presented component units are reported using fiscal years which end on September 30, except for the Michigan State Housing Development Authority and the ten State universities, which utilize June 30 year-ends and the Farm Produce Insurance Authority which has a December 31 year-end.

Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents
On the Statement of Cash Flows, the amount reported as "Cash and cash equivalents" is equal to the total of the amounts reported on the Statement of Net Assets as "Cash" and "Equity in Common Cash," less the amount of "Warrants outstanding."

Cash
Cash reported on the Statement of Net Assets and the Balance Sheet consists of petty cash, undeposited receipts, deposits in transit to the Common Cash pool, and cash equivalents such as short-term investments with original maturities of less than three months that are used for cash management, rather than investing activities.

Equity in Common Cash
The State Treasurer maintains centralized management of most State cash resources (not including component units). From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the Common Cash pool are described in Note 5.

Taxes Receivable
Taxes receivable represent amounts due to the State at September 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" (i.e., received by the State within approximately 60 days after year-end) is recorded as revenue; the remainder is recorded as deferred revenue. Application of the measurability and availability criteria regarding taxes is described in Note 6.

Amounts Due From Federal Agencies
For most federally funded programs, revenue is accrued in the same period as related obligations are recorded. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities, and expenditures and revenues; however, there is no impact on net assets or fund balance.

Inventories
Inventories are valued at cost, primarily using the first-in, first-out flow method. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Investments
Generally, investments are reported at fair value, consistent with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury obligations are reported at amortized cost. Additional disclosures describing investments are provided in Note 8.

Security Lending Collateral
Securities on loan for cash collateral are reported in the Statement of Net Assets. Liabilities resulting from the security lending transactions are also reported. Additional disclosures describing security lending transactions are provided in Note 8.

Other Assets
Other assets include receivables, amounts held in escrow, and other types of assets not reported on other lines.

Mortgages and Loans Receivable
Mortgages and loans receivable are reported net of unamortized premiums, discounts, deferred loan origination fees, and allowances for possible losses.

Capital Assets
Capital assets, which include land, buildings, equipment, intangibles, and infrastructure assets (i.e., roads, bridges, ramps, and similar items), are reported in the government-wide financial statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide financial statements. Capital assets are reported at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 9 and 12, respectively.

Warrants Outstanding
Warrants outstanding represent drafts issued against the State Treasurer's Common Cash pool, which have not yet cleared. These are similar to outstanding checks; however, the issuing funds' balances in the pool are not reduced until warrants are redeemed.

Income Tax Refunds Payable
The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. Note 16 more fully describes this liability.

Prize Awards Payable
The State Lottery Fund makes long-term prize awards for certain games, most notable the lotto games. At September 30, 2010, long-term prize awards of $260.4 million were reported at a present value of $179.9 million, using discount rates ranging from 4.0% to 8.5%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling $103.1 million, are included with "Accounts payable and other liabilities" on the Statement of Net Assets.

Deferred Revenue
In the government-wide financial statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Long-Term Liabilities
In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Long-term liabilities are more fully described in Notes 13, 14, and 15.

Compensated Absences
In the government-wide financial statements and proprietary fund financial statements, compensated absences are reported as liabilities as required by GASB.

Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 296 to 356 hours. The maximum accumulation that may be paid off is 40 hours less than the total hours that may be accumulated. Employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is recorded at the maximum accumulation amounts in accordance with generally accepted accounting principles, as it is probable that the State will compensate employees through paid time off, for the hours earned in excess of the total that may be paid off. The liability for annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions.

Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation, times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave that increases from 0 to 50%, depending upon the balance of their sick leave hours. Sick leave is valued at 0 to 50% plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2010.

The State instituted a banked leave time program in fiscal year 2004 whereby eligible employees work a regular schedule but receive pay for a reduced number of hours. The banked leave time program was utilized in fiscal years 2005, 2006, and 2010. The unpaid hours worked accrue to a banked leave time account. Upon an employee's separation, death, or retirement from State service, unused banked leave time hours shall be contributed by the State to the employee's account within the State's 401k plans, and if applicable, to the State's 457 plans. The banked leave liability is valued at the pay rates in effect as of September 30, 2010.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end.

Net Assets/Fund Balance
The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund financial statements, and "Fund Balance" on governmental fund financial statements.

Reservations
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either 1) funds legally segregated for a specific use, or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Note 22 provides a disaggregation of reserved fund balances.

Revenues and Expenditures/Expenses

Government-Wide Financial Statements
In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (i.e., general government, education, transportation, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

Interest on Long-Term Debt
Interest charges on the State's general long-term liabilities do not qualify as a direct expense of a function and are reported on this line, unless the borrowing is essential to the creation or continuing existence of a program. During fiscal year 2010, interest charges on general long-term liabilities totaling $18.6 million were reported as functional expenses.

Fund Financial Statements
In the governmental fund financial statements, revenues are reported by sources. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (i.e., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental-revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Tax expenditures, which represent income tax credit programs that are in substance grants, are also reported as current expenditures. These are described in more detail in Note 16.

Capital outlay includes expenditures for capital assets. Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (i.e., salaries, depreciation, and purchases for resale). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources
These additions to governmental fund balances in the fund financial statements include resources and financing provided by bond proceeds, capital leases, and transfers from other funds.

Reimbursements
Reimbursements result when a fund originally making a disbursement receives resources from another fund to which the expenditure/expense is more properly attributable. For example, the State uses this method when the administrative costs of proprietary funds, discretely presented component units, or pension (and other employee benefit) trust funds are appropriated in the General Fund.

Interfund Services Provided and Used
When a sale or purchase of program-related goods and/or services between funds occurs, for a price approximating their external exchange value, the seller reports revenue and the purchaser expenditure or expense, depending upon the fund type.

Transactions between the primary government and a discretely presented component unit are generally classified as revenues and expenses, unless they represent repayments of loans or similar activities.

Other Financing Uses
These reductions of governmental fund resources in fund financial statements normally result from transfers to other funds.

Interfund Activity and Balances

Interfund Activity
As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities (examples include the transfers of profits from the Liquor Purchase Revolving Fund to the General Fund and the State Lottery Fund to the School Aid Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column (examples include activities between the Department of Treasury [general government line] and the Department of Education [education line]). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is gas taxes collected by the Department of Transportation but expended by the Department of Natural Resources and Environment.

Interfund Balances
Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

The following table lists all of the funds and component units whose balances are reflected in this financial report.

Operating funds which are subject to annual appropriation and for which budget and actual schedules are included in this report are identified by an "*". For each fund or component unit listed, the page number of the first financial statement for that fund or component unit is shown in parenthesis.

PRIMARY GOVERNMENT:

MAJOR FUNDS

Governmental:
General Fund * (p. 34)
Counter-Cyclical Budget and Economic Stabilization Fund* (p. 34)
School Aid Fund* (p. 34)

Proprietary:
State Lottery Fund (p. 40)
Michigan Unemployment Compensation Funds (p. 40)

NON-MAJOR FUNDS

Governmental:

Special Revenue Funds:

Transportation Related:
State Aeronautics Fund* (p. 130)
State Trunkline Fund* (p. 130)
Michigan Transportation Fund* (p. 130)
Comprehensive Transportation Fund* (p. 130)
Combined State Trunkline Bond Proceeds Fund (p. 131)
Combined Comprehensive Transportation Bond Proceeds Fund (p. 131)
Transportation Related Trust Funds (p. 131)

Conservation, Environment, and Recreation Related:
Michigan Conservation and Recreation Legacy Fund* (p. 140)
Michigan Game and Fish Protection Trust Fund (p. 140)
Combined Recreation Bond Fund – Local Projects (p. 140)
Combined Environmental Protection Bond Fund (p. 141)
Michigan Nongame Fish and Wildlife Trust Fund* (p. 141)
Michigan Civilian Conservation Corps Endowment Fund* (p. 141)
Forest Development Fund* (p. 141)
Bottle Deposits Fund (p. 141)

Regulatory and Administrative Related:
Michigan Employment Security Act – Administration Fund* (p. 150)
Safety Education and Training Fund* (p. 150)
State Construction Code Fund* (p. 150)
Homeowner Construction Lien Recovery Fund* (p. 150)
State Casino Gaming Fund* (p. 151)
Second Injury Fund (p. 151)
Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 151)
Self-Insurers' Security Fund (p. 151)
Utility Consumer Representation Fund (p. 151)

Other State Funds:
School Bond Loan Fund (p. 160)
21st Century Jobs Trust Fund* (p. 160)
Michigan Merit Award Trust Fund* (p. 160)
Children's Trust Fund* (p. 161)
Assigned Claims Facility and Plan Fund (p. 161)
Military Family Relief Fund* (p. 161)
Miscellaneous Special Revenue Funds (p. 161)

Debt Service Funds:
Combined State Trunkline Bond and Interest Redemption Fund (p. 168)
Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 168)
Recreation and Environmental Protection Bond Redemption Fund (p. 168)
School Loan Bond Redemption Fund (p. 169)
State Building Authority (p. 169)

Capital Project Funds:
Combined Recreation Bond Fund – State Projects (p. 174)
Advance Financing Funds (p. 174)
State Building Authority (p. 174)

Permanent Funds:
Michigan Natural Resources Trust Fund* (p. 178)
Michigan State Parks Endowment Fund* (p. 178)
Michigan Veterans' Trust Fund* (p. 178)

Proprietary:

Enterprise Funds:
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Michigan Technological University (p. 219)
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(1) Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State. The State provides significant funding to support these institutions; however, under GASB Statement No. 14, The Financial Reporting Entity criteria, they are considered fiscally independent special-purpose governments.

NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Major Constitutional and Statutory Provisions

Balanced Budget Requirements
Article 5 of the State Constitution mandates that the executive budget recommend spending limits for operating funds to the Legislature that are within available resources. Compliance with this is demonstrated in the executive budget and budget bills for each fiscal year.

Article 4 of the State Constitution mandates the Legislature to enact appropriations for each operating fund that do not exceed that fund's revenue estimates, including beginning unreserved fund balance.

Compliance with this requirement is demonstrated in schedules included in the annual appropriation acts, usually the "General Government" appropriation act. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is required to recommend spending reductions as necessary to avoid a year-end deficit.

Local Spending Requirements
Article 9, Section 30, of the State Constitution requires that State spending to, or on behalf of, local units of government shall not fall below a specified percentage of total State spending. The percentage, recalculated effective with fiscal year 1993, is 48.97%.

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2010 are not yet complete. For fiscal year 2009, 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 58.53%, reflecting payments that exceeded the minimum required by $2.5 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2010.

Revenue Limits
Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to personal income tax payers and payers of the State's Michigan Business Tax. If the limit is exceeded by an amount less than 1%, the excess may be deposited into the State's Budget Stabilization Fund. The calculations determining the State's compliance with this constitutional provision for fiscal year 2010 are not final. For fiscal year 2009, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by $8.0 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2010.

Budget Stabilization Fund
The Counter-Cyclical Budget and Economic Stabilization Fund ("Budget Stabilization Fund" or "Rainy Day Fund") was created in 1977 to assist in stabilizing revenue during periods of economic recession. This fund currently operates under Sections 18.1351 - 18.1359 of the Michigan Compiled Laws, as amended. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn when the State's unemployment rate exceeds 8% or upon appropriation to finance capital outlay or other projects, or for other purposes designated by the Legislature.

The following table summarizes the transactions for the fund for fiscal year 2010 (in millions):

Beginning unreserved fund balance	$	2.2
Interest income		-
Transfer to General Fund		-
Ending unreserved fund balance	$	2.2

Budgetary Overexpenditures
In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation for the amount overspent, if that amount exceeds their lapses or if they expect to make payments from prior year authorization in the next fiscal year. There were the following line-item overexpenditures of State departments incurred during the year, which represent noncompliance with State budget laws (in millions):

General Fund		
Community Health	$	19.5
General Fund Total	$	19.5

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

Implementation of GASB Statement No. 51
During fiscal year 2010, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets. Retroactive reporting is required for intangible assets except for those considered to have indefinite useful lives and those that would be considered internally generated. As a result, beginning net assets in the government-wide statements were increased by $67.9 million.

Implementation of GASB Statement No. 53
During fiscal year 2010, the State implemented GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments. Note 8 includes disclosure regarding derivative instruments held as investments by the primary government; no other types of derivative instruments were used by the primary government during the fiscal year.

As a result of the implementation by the component units, Oakland University increased its beginning net assets by $2.0 million, and Eastern Michigan University and Grand Valley State University decreased beginning net assets by $15.3 million and $1.0 million, respectively.

Michigan Finance Authority (MFA)
Executive Order 2010-2 created MFA, a discretely presented component unit, by consolidating the following financing authorities, reported in previous years as discretely presented component units: Michigan Municipal Bond Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Public Educational Facilities Authority, and Michigan State Hospital Finance Authority. The Michigan Tobacco Settlement Finance Authority (MTSFA), reported in previous years as a blended component unit, was also transferred to MFA.

Because MTSFA's liabilities exceeded its assets, beginning net assets were increased for the primary government and decreased for the component units by $929.9 million in the government-wide statements.

Michigan Exposition and Fairgrounds Authority (MEFA)
In previous years, MEFA was reported as a discretely presented component unit. Executive Order 2009-4 abolished MEFA and transferred its activities to the Department of Technology, Management and Budget. As a result, MEFA's remaining capital assets, $7.3 million, are now reported in the primary government's portion of the Statement of Net Assets. This change has been reported as a beginning balance restatement.

Grand Valley State University
In addition to the restatement noted above, Grand Valley State University decreased its beginning net assets by $10.3 million to reflect a change in classification of balances related to Federal Perkins loans.

NOTE 5 – TREASURER'S COMMON CASH

General Accounting Policies

The State Treasurer (Treasurer) manages the State's Common Cash pool, which is used by most state funds. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool, and presented in this report as "Equity in common cash." Many funds, including pension (and other employee benefit) trust funds, use their equity in the pool as a short-term investment vehicle.

All negative balances in the pool are reclassified at year-end as interfund liabilities. If the negative balance is considered long-term, the reclassification is recorded as an advance.

Statute or administrative policy determines whether a particular fund receives or pays interest on its balances in the pool. If a fund does not receive or pay interest, the General Fund receives or absorbs such amounts. The Treasurer has placed a "cap," or limit, on the amount of interest that can be earned by some state funds. These "capped" funds are limited to a maximum rate determined by the Treasurer. For the remaining "uncapped" funds, earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter. Accrued earnings of the pool are recorded as assets, with the accrual allocated to the various funds' equity in the pool.

Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/ expenses of each of the participating funds.

Investments and Deposits

The investment authority for the Common Cash pool is found in Sections 21.141 - 21.147 of the Michigan Compiled Laws (MCL). The Treasurer may invest surplus funds belonging to the State in bonds, notes, and other evidences of indebtedness of the United States Government and its agencies and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State.

The Treasurer invests excess cash in short-term investments or cash equivalents. The law does not prohibit the Treasurer from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in fiscal year 2010.

Statutes provide for certain special state investment programs for which the General Fund is credited (charged) for earnings in excess of (under) those achieved by regular pool investments. To date, these programs have not resulted in any principal losses.

Emergency Financial Assistance Loan Program: This program provides for emergency loans to local units of government, and is the most significant of the special investment programs. The Emergency Financial Assistance Loan Board, established by MCL Section 141.932, administers the program. The Treasurer may not loan more than a combined total of $5.0 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Board.

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to $159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2010 was $54.7 million. The interest rate is reset July 1 of each year in accordance with the loan agreement. Effective November 1, 2009, the Wayne County emergency loan was reclassified from an interest-bearing loan to a zero percent loan. The change in interest terms for the loan will be in effect until the debt obligations for the Detroit Regional Convention Facility Authority are retired, or 2039, whichever comes first. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State taxes collected on cigarette sales. There were no principal repayments made on the loan in fiscal year 2010.

Michigan Sugar Beet Loan Program: MCL Section 21.142e provides for a program in which the State may make no-interest loans from the Common Cash pool to sugar beet growers' cooperatives for the purpose of buying the assets of agricultural processors who are in or have recently been in bankruptcy proceedings.

The loans may not exceed $5.0 million in total. MCL Section 21.142e was amended, effective March 22, 2007, to extend the loan periods to a maximum of 10 years. As of September 30, 2010, loans outstanding totaled $.8 million and will mature on October 1, 2011.

The Treasurer, as part of a modification to the loan, is required to subordinate a loan of not more than $5.0 million to the primary loan of a sugar beet growers' cooperative (Michigan Sugar Beet Growers, Inc.) and relinquish any enforcement powers or authority that may exist under the current contract or agreement. However, the amendment to MCL Section 21.142e also provides that if a quarterly payment is missed by the borrower after February 15, 2007, the entire loan is in default and is due and payable immediately, in full.

Assets and equities of the Common Cash pool as of September 30 were as follows (in millions):

Assets	
Cash on hand	$ -
Demand deposits	1,427.6
Time deposits – regular	9.5
Prime commercial paper – at cost	258.0
Interest receivable	.2
Emergency loans to local units – at cost	62.7
Michigan Sugar Beet Loan Program	.8
Total assets	$ 1,758.8
Equities	
Fund equities (net) in common cash (1):	
Governmental activities	$ 1,312.0
Business-type activities	97.5
Fiduciary funds	205.3
Discretely presented component units	144.1
Net fund equities	$ 1,758.8

(1) Negative equity balances in the pool are reclassified at year-end as interfund receivables and liabilities. Current balances are included with "Amounts due from other funds" and "Amounts due to other funds" and long-term amounts are classified as interfund advances. Note 18 summarizes interfund receivables and liabilities.

The following paragraphs provide disclosures about deposits and investments of the Common Cash pool, as required by Governmental Accounting Standards Board (GASB) Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements as amended by GASB Statement No. 40, Deposit and Investment Risk Disclosures. Please see Note 8 for information about deposits and investments that are not part of the Common Cash pool.

Common Cash Deposits

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The Treasurer's policy requires the following criteria to lessen custodial credit risk: all financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State's funds; a bank, savings and loan association, or credit union holding State funds must be organized under the laws of Michigan or federal law and maintain a principal office or branch office in the State of Michigan; no deposit in any financial organization may be in excess of 50 percent of the net worth of the organization.

At September 30, 2010, the carrying amount of deposits, including time and demand deposits, was $1.4 billion. The deposits were reflected in the accounts of the banks at $1.4 billion. Of the bank balance, $8.0 million was covered by federal depository insurance and $1.4 billion was collateralized with securities held by the State's agent in the State's name. There were no demand deposits exposed to custodial credit risk that were uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled $1.1 billion at September 30, 2010.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of deposits.

MCL Section 487.714 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. The State had no Common Cash deposits subject to foreign currency risk at September 30, 2010.

Common Cash Investments

Types of Investments
Common Cash investments include prime commercial paper, corporate notes, and emergency municipal loans.

Risk
In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Custodial credit risk, credit risk, and interest rate risk are discussed in the following paragraphs.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

The counterparty, or

The counterparty's trust department or agent but not in the government's name.

The Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2010, Common Cash investments were not exposed to custodial credit risk.

Credit Risk
Credit risk is the risk that an issuer or another counterparty to an investment will not fulfill its obligations.

Prime commercial paper investments must be rated A-1 or P-1 at the time of purchase as rated by the two major rating services: Standard and Poor's (A-1), and Moody's (P-1). Borrowers must have at least $400.0 million in commercial paper outstanding, and the Treasurer may not invest in more than 10% of a borrower's outstanding debt. The investments are further limited to $200.0 million in any borrower, unless the borrower has an A-1+ rating, in which case the investment is not to exceed $300.0 million. The sugar beet loans are evidenced by unrated zero interest promissory notes.

Emergency municipal loans are evidenced by unrated notes held by the State in the State's name. At September 30, 2010, prime commercial paper investments were rated at A-1 or P-1.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment.

The Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2010, the fair value of cash equivalents was $267.7 million; the weighted average maturity was 25 days.

The Treasurer does not have a policy for controlling interest rate risk regarding the Common Cash special loan programs described earlier. These loan programs are investments created through legislation. Although some interest rate risk exposure exists, this risk is not a consideration when entering into these loan programs.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, for revenues earned in fiscal year 2010, which will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles.

Sales, use, Michigan business, and income taxes are accrued to the extent that the related sales, wage, or activity being taxed occurred prior to October 1. Property taxes are accrued if the levy date occurred prior to October 1.

Local units of government, as agents for the State, assess the state education tax, which is a statewide property tax. The state education tax is levied on July 1 and is due and payable at the same time as local unit taxes levied on July 1. The State accrues state education tax revenue received by the State or the local units, on its behalf, during October and November. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time.

In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting for amounts due to the State at September 30 (as stated above), that are considered "available" (e.g. received by the State within approximately 60 days after that date). Delinquent taxes are recognized to the extent that they are collected within 12 months. The remainder is recorded as deferred revenue.

Effective January 1, 2008, the State replaced the Single Business Tax (SBT) with the Michigan Business Tax (MBT). Because MBT is a new tax and has significant differences from the former SBT, historical data is not available to accurately estimate a potential tax receivable beyond the 60-day period. Therefore, the accrual and related revenue expected to be collected beyond the 60-day period is not measurable and has not been recorded in this fiscal year.

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

Tax	General Fund	Special Revenue Funds	Total
Sales & use	$ 324.5	$ 627.8	$ 952.4
Individual income	1,759.5	202.9	1,962.4
Single business & Michigan business	717.1	-	717.1
State education (property)	-	1,374.0	1,374.0
Telephone & telegraph	28.9	-	28.9
Motor fuel	-	178.6	178.6
Insurance – retaliatory	65.6	-	65.6
Tobacco products	83.8	50.0	133.8
Quality assurance assessment	102.0	-	102.0
Other	27.5	25.7	53.2
Penalties and interest	1,038.1	-	1,038.1
Gross taxes receivable	4,147.0	2,459.0	6,606.0
Less allowance for uncollectibles	2,032.6	428.8	2,461.4
Total taxes receivable (net)	$ 2,114.4	$ 2,030.2	$ 4,144.6
As reported on the financial statements			
Current Taxes Receivable	$ 1,939.3	$ 1,975.0	$ 3,914.3
Noncurrent Taxes Receivable	175.1	55.2	230.3
Total Taxes Receivable (net)	$ 2,114.4	$ 2,030.2	$ 4,144.6

NOTE 7 – JOINT VENTURES

The State participates in two joint ventures as described below. Joint ventures are not reflected as component units within this report because they do not meet the generally accepted accounting principles criteria for inclusion. Their separately issued financial statements may be obtained by directly contacting the applicable organizations. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management, Financial Reporting Section at (517) 373-1010.

Great Lakes Protection Fund
The Great Lakes Protection Fund (GLPF) is a not-for-profit corporation located in Evanston, Illinois. Its purpose is to finance and support research with respect to water quality of the Great Lakes. The eight states bordering the Great Lakes are eligible to become members if they make a required contribution to the endowment of GLPF.

Contribution requirements were established based upon water consumption and usage. Contributions to GLPF are permanently restricted and are not available for disbursement. Michigan is the largest contributor, having made a contribution of $25.0 million, constituting approximately 31% of the total. Michigan made its required contribution by issuing GLPF a general obligation bond authorized as part of the State's environmental protection bond program. No additional contributions from Michigan will be required.

Two members on GLPF's board of directors represent each of the participating seven member states. The states' respective governors select the board members. Directors control GLPF's financing and budgeting operations, within requirements established by the Articles of Incorporation. One-third of the net earnings on total contributions (after operating expenses) is granted to the respective states in proportion to their contributions to GLPF. Two-thirds of the net earnings are available to GLPF to make other grants. The State's equity interest in GLPF of $25.0 million is reflected as an asset in the government-wide financial statements.

Sault Ste. Marie Bridge Authority
The International Bridge in Sault Ste. Marie, Michigan is a joint venture of the State and Canadian governments. Effective September 1, 2009, the Sault Ste. Marie Bridge Authority (SSMBA) replaced the Joint International Bridge Authority (JIBA). SSMBA consists of eight people, four appointed by each government. SSMBA oversees the operations and maintenance of the Bridge. The International Bridge Administration, an administrative entity within the Michigan Department of Transportation, is responsible for the day-to-day operations of the Bridge. SSMBA reimburses the State for costs incurred to provide these services.

For the period ending December 31, 2009 (SSMBA's most recently audited financial statements), its net assets increased by approximately $.2 million. The Bridge and one-half of the ancillary assets on Michigan's side of the Bridge, in addition to one-half of the balance of funds not required to pay liabilities, represent the State's equity interest. The State is obligated to pay one-half of any claims incurred by SSMBA that are not covered by insurance or existing resources. The State's equity interest of $6.1 million is reflected as an asset in the government-wide financial statements.

NOTE 8 – DEPOSITS AND INVESTMENTS

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

Deposits – Primary Government

Custodial Credit Risk

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At present, only the Michigan Unemployment Compensation Funds (MUCF), the Attorney Discipline System (ADS), and the Michigan Education Savings Plan (MESP) maintain these deposits and are potentially exposed to custodial credit risk.

The Unemployment Insurance Agency administers, under the auspices of the federal government, the deposits of the MUCF. Tax collections are deposited in a clearing account as required by the Michigan Employment Security Act. Refunds are paid from that account; after the clearance of vouchers for refunds, all other money remaining in the fund, less amounts needed for refunds and judgments, must be deposited with the Secretary of the Treasury of the United States of America to the credit of the State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act, 42 USC 1104. These deposits are maintained in the Federal Reserve Bank. At year-end, the carrying amount of these deposits, excluding those classified as investments, was negative $13.9 million, which was caused by a net book cash overdraft. The bank balance of the deposits was $18.8 million, of which $.3 million was covered by federal depository insurance and $18.5 million was book-entry securities held by pledging custodial banks at the Federal Reserve Bank in the State's name.

The bank deposits of the ADS were $6.1 million; these deposits were not covered by Federal Deposit Insurance Corporation (FDIC) insurance, but were collateralized. ADS has no policy to address custodial credit risk. It assesses financial institutions' risk levels; only those with acceptable levels of risk are used as depositories.

The deposits of the MESP were reflected in bank accounts at $.2 million; these deposits were covered by depository insurance. The level of risk for each financial institution is evaluated and assessed; only those with an acceptable estimated risk level are used as depositories. MESP has no other policy for controlling this risk.

Investments – Primary Government

The following table shows the carrying amounts and fair values of investments of the primary government by investment type and in total at September 30, 2010:

Primary Government Total Investments (In millions)

Investment Types	Retirement Systems	Deferred Compensation/ Defined Contribution Funds	Other Funds	Total
Commercial paper	$ 1,487.4	$ -	$ -	$ 1,487.4
Money market funds	-	-	235.0	235.0
Other short-term	-	-	5.2	5.2
Separate accounts	-	1,463.6	-	1,463.6
Absolute return	1,775.1	-	-	1,775.1
Government securities	1,807.2	-	796.1	2,603.3
Corporate bonds and notes	5,849.2	-	1,509.7	7,358.9
Mutual funds	83.1	1,609.7	1,446.3	3,139.1
Pooled investment funds	-	1,536.3	-	1,536.3
Equities	16,677.8	-	-	16,677.8
Funding agreements	-	-	247.2	247.2
International	6,085.7	-	-	6,085.7
Real estate	4,134.4	-	-	4,134.4
Alternative	10,172.2	-	-	10,172.2
Accrued income	82.4	-	-	82.4
Unsettled investments	11.5	-	-	11.5
Total	$ 48,165.9	$ 4,609.6	$ 4,239.4	$ 57,014.9

As reported on the Statements of Net Assets

Current investments	$ 779.1
Noncurrent investments	1,067.0
Total Investments	$ 1,846.2

As reported on the Statements of Net Assets and Statement of Fiduciary Net Assets

	Current Investments	Noncurrent Investments	Total
Governmental activities	$ 235.0	$ 892.1	$ 1,127.0
Business-type activities	544.2	174.9	719.1
Fiduciary funds	505.9	54,662.8	55,168.7
Total Investments	$ 1,285.1	$ 55,729.8	$ 57,014.9

The amounts above include losses, both realized and unrealized, that were largely the result of volatility in the financial markets, both nationally and world-wide. Despite decreases in fair value, very few principal losses have been sustained, and it is expected that many unrealized losses will be reversed.

Authority

Investment authority for the State's pension (and other employee benefit) trust funds is found in MCL Section 38.1133. This law allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The law has prudence standards and requires that the assets of a retirement system shall: be invested solely in the interest of the participants and beneficiaries; be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries; and defray reasonable expenses of investing the assets of the State system.

The investment authority for other State funds is found in their enabling statutes and/or their bond resolutions where applicable. Except as noted below, the investments of the non-pension (and other employee benefit) trust funds are comprised mostly of United States government securities.

The State Building Authority makes diverse investments as allowed by State statute and/or bond resolutions.

Investments of MUCF represent their interest in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. MUCF is credited quarterly with trust fund investment earnings, as computed on a daily basis.

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2010, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

Derivatives

The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefit) trust funds in derivatives to provide additional diversification. Derivatives are used in managing the trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 12% of the total trust funds' portfolio has been invested from time to time in future contracts, swap agreements, and option contracts. State investment statutes limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets.

The State Treasurer has entered into swap agreements with investment grade counterparties with maturity dates ranging from October 2010 to April 2012. Approximately one quarter of the notional amount tied to foreign stock market indices is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the swap agreements, interest indexed to the three month London Inter Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At maturity the trust funds will receive either the increase in the value of the equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. U.S. Domestic LIBOR based floating rate notes and other investments earning short-term interest are held to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these dedicated notes and short-term investments.

The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes and short-term investments. The book value represents the cost of the notes and short-term investments. The current value represents the current value of the notes and short-term investments and the change in the value of the underlying indices from the inception of the swap agreements. The current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity.

Other derivative investments include structured notes, bond future contracts, and options. The structured notes are with investment grade counterparties and are fully collateralized and pay cash rates on the underlying collateral, as well as providing enhanced index return. Similar to a swap agreement with the prices changing with the underlying index fluctuations, the notes differ due to their daily put option which allows the structure to end and settle before its final maturity in November 2016. Additional details about derivative investments are included in the table below:

Pension (and Other Employee Benefit) Trust Funds
Derivative Investments (In millions)

Investment and Investment Type	Objective	Notional Value	Investments At Fair Value*	Net Appreciation (Depreciation) In Fair Value**	Fair Value Subject to Credit Risk
Structured notes - Absolute return	Enhanced passive exposure to the Dow Jones UBS Commodity Total Return Index	$ 148.2	$ 153.6	$ 3.6	$ 153.6
U.S. Treasury Bond Futures - Fixed income	Enhance management flexibility, manage duration and yield curve exposure	10.6	-	.3	-
Options - Absolute return	Use on single securities to provide downside protection and enhance current income	-	-	2.5	-
Swap agreements - International equities	Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in twenty-three foreign countries	3,043.4	3,005.3	(250.2)	364.9
Totals		$ 3,202.2	$ 3,158.9	$ (243.9)	$ 518.5

* Located in Statement of Fiduciary Net Assets - Investments at Fair Value
**Located in Net appreciation (depreciation) in fair value of investments - Statement of Changes in Fiduciary Net Assets

Investment Pools
In July 2004, four state retirement systems' (State Employees', State Police, Public School Employees,' and Judges') investments were contributed to an investment pool structure. A pro rata share of the entire pool represents each system's ownership of a portion of the investments in the State's pool.

Repurchase Agreements
As a matter of administrative policy, the State Treasurer makes only limited use of investments in repurchase agreements. No such investments were outstanding at year-end.

Risk
Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, requires certain disclosures regarding policies and practices with respect to the risks associated with investments. The custodial credit risk, the credit risk, the interest rate risk, the foreign currency risk and concentration of credit risk are discussed in the following paragraphs.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the government's name. The State Treasurer does not have a policy for limiting custodial credit risk. As of September 30, 2010, there were no securities exposed to custodial credit risk.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Short-term investments for the pension funds are in prime commercial paper and follow the same policy described in Note 5 for this type of investment. The ratings at September 30 are included in the debt investments table.

All long-term fixed income investments, unless unrated, must be investment-grade at the time of purchase, unless specific requirements are met. Investment grade, as defined in MCL Section 38.1132, includes investments in the top four major grades, as determined by two national rating services. The State Treasurer's policy is to use Standard & Poor's (AAA, AA, A, BBB); and Moody's (Aaa, Aa, A, Baa). The primary government's debt investments as of September 30, 2010, are presented below. Note that securities backed by the full faith and credit of the United States Government are excluded.

Debt Investments (In millions)

Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Pension (and Other Employee Benefit) Trust Funds:				
Retirement Systems:				
Commercial paper	$ 1,473.7	A-1	$ 1,448.7	P-1
	-	A-2	25.0	P-2
Government securities				
U.S. agencies - sponsored	613.3	AAA	613.3	Aaa
Corporate bonds & notes	136.7	AAA	138.2	Aaa
	951.2	AA	728.5	Aa
	2,535.5	A	2,696.8	A
	1,467.5	BBB	1,463.6	Baa
	97.5	BB	65.1	Ba
	20.5	B	17.5	B
	8.5	CCC	13.4	Caa
	-	CC	1.7	Ca
	.8	D	-	D
	264.9	Unrated	358.2	Unrated
International - corporate bonds & notes*	1,058.7	AA	1,432.9	Aa
	1,327.3	A	1,053.2	A
	150.2	BBB	341.2	Baa
	191.0	BB	-	Ba
	100.0	Unrated	-	Unrated
Mutual funds**	28.5	AA	28.5	Aa
Total	$ 10,425.9		$ 10,425.9	
Deferred Compensation/Defined Contribution:				
Common trust funds	251.6	AA	251.6	Unavailable
	1,164.9	A	1,164.9	Unavailable
	44.8	Unrated	44.8	Unavailable
Mutual funds	130.4	AA	130.4	Unavailable
Separate accounts	215.8	A-1+	215.8	Unavailable
Total	$ 1,807.6		$ 1,807.6	
Other Primary Government Funds:				
Government securities				
U. S. agencies - sponsored	51.5	AAA	51.5	Aaa
	163.5	AA	163.5	Aa
Corporate bonds & notes	1.3	AAA	1.3	Aaa
	124.4	AA	109.8	Aa
	442.0	A	474.5	A
	20.2	BBB	-	Baa
	-	Unrated	2.3	Unrated
Mutual funds	921.9	Unrated	921.9	Unrated
Treasury trust fund pool	486.4	Unrated	486.4	Unrated
Total	$ 2,211.1		$ 2,211.1	
Total Primary Government	$ 14,444.5		$ 14,444.5	

*International investment types consist of domestic floating rate notes used as part of a swap strategy.
**Average rating.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments.

The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2010, the fair value of prime commercial paper was $1.5 billion; the weighted average maturity was 8 days.

The State Treasurer does not have a policy regarding interest rate risk for long-term debt investments. However, the pension trust funds are invested with a long-term strategy with no investments with a maturity of less than one year at the time of purchase. The goal is to balance higher returns while accepting minimum risk for the return. Analyzing the yield curve on individual securities as compared to U.S. Treasuries determines, in part, what is an acceptable risk for the return. Therefore, market conditions such as lower interest rates result in shorter duration; higher interest rates result in longer duration.

As of September 30, 2010, the pension trust funds had the following long-term debt securities:

Pension (and Other Employee Benefit) Trust Funds
Debt Securities (In millions)

	Fair Value	Duration In Years
Retirement Systems:		
Government securities		
U.S. Treasury bonds	$ 230.4	5.6
U.S. Agencies - backed	1,447.2	4.4
U.S. Agencies - sponsored	613.3	2.5
Total Governmental	2,290.9	
Corporate bonds & notes	5,483.1	4.7
International - corporate bonds & notes*	2,827.3	.2
Mutual fund - fixed income	28.5	4.7
Total	$ 10,629.8	
Deferred Compensation/Defined Contribution:		
Common trust funds		
Traditional GIC/BICs	$ 44.8	1.4
Synthetic contracts	1,164.9	4.4
SSgA daily bond market index fund	251.6	4.7
Total Common Trust Funds	1,461.3	
Separate accounts	215.8	.1
Mutual funds	130.4	4.8
Total	$ 1,807.6	
Total Pension (and Other Employee Benefit) Trust Funds	$ 12,437.4	

*International debt securities contain domestic government and corporate securities as a part of their derivative strategies. The interest rates reset on a quarterly basis for these securities.

As of September 30, 2010, the primary government, excluding pension trust funds, had the following debt securities:

Other Funds
Debt Securities (In millions)

		Investment Maturities (In years)			
Investment Type	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10
U.S. Treasury bonds	$ 64.0	$ 7.6	$ 36.6	$ 8.4	$ 11.5
Municipal bonds	163.5	45.0	93.5	16.3	8.7
U.S. bonds – backed	30.7	-	.3	1.1	29.4
U.S. agency bonds - sponsored	51.5	-	10.3	41.2	-
Corporate bonds	587.8	1.0	186.6	371.5	28.7
Mutual funds	921.9	153.1	-	768.8	-
Total	$ 1,819.4	$ 206.7	$ 327.2	$ 1,207.3	$ 78.3

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. The pension trust funds invest in various foreign securities. These investments are limited to 20% of the total assets of the system, and are additionally limited to 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in MCL Sections 38.1133 and 38.1140. The types of foreign securities include equities, mutual funds, real estate, and limited partnerships. At September 30, 2010, foreign investments were approximately 11% of total assets of the systems; total foreign investments were $5.3 billion. As of September 30, 2010, the pension (and other employee benefits) trust funds held the following investments subject to foreign currency risk:

Pension (and Other Employee Benefit) Trust Funds
Foreign Currency Risk (In millions)

		Market Value (In U.S. Dollars)			
				Equities - International	
Currency	Country	Alternative Investments*	Equities	Equities	Derivatives**
Retirement Systems:					
Americas					
Dollar	Canada	$ -	$ .6	$ -	$ 6.8
Real	Brazil	-	2.6	-	-
Europe					
Euro	European Union	1,033.3	50.0	4.7	(27.6)
Franc	Switzerland	-	151.1	-	11.5
Guilder (Florin)	Netherlands Antilles	-	.4	-	-
Krona	Sweden	-	-	10.4	22.2
Krone	Denmark	-	1.5	-	2.3
Krone	Norway	-	-	-	5.9
Sterling	United Kingdom	14.6	130.9	-	18.0
Asia/Pacific					
Dollar	Australia	-	.2	-	31.7
Renminbi	China	-	4.8	-	-
Dollar	Hong Kong	-	8.0	-	8.8
Yen	Japan	1.6	.6	-	(1.3)
Dollar	New Zealand	-	-	-	2.1
Dollar	Singapore	-	8.3	5.7	2.8
Won	South Korea	-	-	8.0	14.8
Middle East					
Shekel	Israel	-	3.4	-	-
Africa					
Rand	South Africa	-	.4	-	-
Mutual Funds					
Various	Various	686.6	59.6	2,975.5	-
Total		$ 1,736.2	$ 422.5	$ 3,004.3	$ 98.0
Deferred Compensation/Defined Contribution:					
Mutual Funds					
Various	Various	$ -	$ 587.7	$ -	$ -
Total		$ 1,736.2	$ 1,010.2	$ 3,004.3	$ 98.0

*$686.6 million disclosed in this column consists of international real estate investments held by the pension trust funds.
**International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2010 through April 2012, with an average maturity of .8 years. For more information, see the derivatives section of this note.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer.

Other than obligations issued that are assumed or guaranteed by the United States, its agencies, or United States government-sponsored enterprises, the pension systems are prohibited by MCL 38.1137 from investing in more than 5% of the outstanding obligations of any one issuer or investing more than 5% of a system's assets in the obligations of any one issuer.

At September 30, 2010, there were no investments in any single issuer more than 5% of the system's assets, nor were there any investments totaling more than 5% of the obligations of any one issuer, other than U.S. Government Securities as described above.

Pension trust fund investments represent 92.6% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund (SLF), MESP, and the Michigan Natural Resources Trust Fund.

SLF investments, $227.5 million, are all in the form of zero coupon U.S. Treasury bonds and State of Michigan Municipal bonds. These investments are held to provide funding for deferred prize awards.

Securities Lending Transactions
Under the authority of MCL Section 38.1133, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. State statutes allow the State to participate in securities lending transactions and the State has, by way of an Agreement, authorized Credit Suisse, the agent bank, to lend the State's securities to broker-dealers and banks pursuant to a form of loan agreement. During the fiscal year, the agent bank lent, at the direction of the State Treasurer, the State's securities and received cash (United States) as collateral. Borrowers were required to deliver collateral for each loan equal to (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the Unites States or sovereign debt issues by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. The agent bank indemnified the State by agreeing to purchase replacement securities, or return cash collateral in the event the borrower failed to return the loaned securities or pay distributions thereon, due to the borrower's insolvency.

Under Master Securities Lending Agreements between the State and each borrower, the State Treasurer and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account. As of September 30, 2010, the investments had an average weighted maturity to next reset of 3.8 years and an average weighted maturity of 12.6 years. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2010, the retirement systems had no credit risk exposure to borrowers. The cash received for securities on loan for the State as of September 30, 2010, was $6.6 billion. The fair market value of assets held in the dedicated collateral account managed by Credit Suisse and held by the custodian for the State as of September 30, 2010, was $5.2 billion. The carrying amount, which is the fair market value, of securities on loan for the State as of September 30, 2010, was $6.5 billion.

At September 30, 2010, the pension trust funds had the following debt investments made from cash received as collateral for securities lent:

Debt Investments (In millions)

	Fair Value	Rating S & P	Fair Value	Rating Moody's
Securities Lending Collateral	$ 45.0	A-1	$ 45.0	P-1
	1,438.2	AAA	1,388.5	Aaa
	654.4	AA	2,211.0	Aa
	613.6	A	775.5	A
	1,818.0	BBB	40.6	Baa
	-	BB	28.3	Ba
	255.2	B	11.0	B
	66.6	CCC	350.3	Caa
	-	CC	40.9	Ca
	253.4	Unrated	253.4	Unrated
Total	$ 5,144.6		$ 5,144.6	

Deposits and Investments – Discretely Presented Component Units

Deposits
At year-end, the carrying amount of discretely presented component unit deposits, excluding those classified as investments, was $427.1 million. The deposits were reflected in the accounts of the banks at $383.9 million. Of the bank balance, $279.5 million was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Investments
The investment authority for most discretely presented component units is typically found in their enabling statutes and/or their bond resolutions where applicable. Those component units that are financing authorities generally may invest in government or government-backed securities and deposits. The Michigan Education Trust's investments are subject to an investment agreement with the State Treasurer that allows the Treasurer, acting as agent, to make diverse investments including stocks, bonds, notes, and other investments. Investment policies for the State universities are typically set forth by their governing boards and include a broad range of investment types.

Restricted Assets
Restricted investments on the government-wide Statement of Net Assets, totaling $435.7 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.

The following table summarizes the investment maturities reported by the discretely presented component units (in millions):

		Investment Maturities (In years)				
	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10	N/A
Time deposits	$ 82.3	$ 71.8	$ 10.5	$ -	$ -	$ -
Money market funds	1,593.9	1,593.7	-	-	-	.2
Commercial paper	292.1	292.1	-	-	-	-
Repurchase agreements	1,162.8	-	22.0	52.9	1,087.9	-
Government securities	795.2	483.2	128.9	154.9	28.2	-
Insured mortgage backed securities	484.0	.3	1.3	2.2	480.3	-
Government-backed securities	90.9	9.0	9.0	2.3	70.7	-
Investment agreements	11.5	4.6	-	-	6.9	-
Corporate bonds and notes	302.6	56.5	153.4	89.4	3.3	-
Equities	102.7	23.7	.2	17.8	.9	60.0
Real estate	6.4	.7	-	-	4.0	1.7
Venture capital & leveraged buyouts	54.9	-	-	48.0	6.9	-
Mutual bond/equity funds	1,299.3	196.5	301.6	131.8	198.0	471.4
Pooled investment funds	52.5	52.5	-	-	-	-
Other investments	112.4	5.5	5.4	23.0	72.8	5.8
Total Investments	$ 6,443.7	$ 2,789.9	$ 632.3	$ 522.4	$ 1,959.9	$ 539.1
Less Investments Reported as "Cash" on Statement of Net Assets	1,484.3					
Total Investments	$ 4,959.3					

As Reported on Statement of Net Assets

Current investments	$ 1,094.6
Noncurrent restricted investments	435.7
Noncurrent investments	3,429.0
Total Investments	$ 4,959.3

NOTE 9 – CAPITAL ASSETS

Primary Government

Summary of Significant Accounting Policies

Methods used to value capital assets
Capital assets, which include property, plant, equipment, intangible items (mineral rights, land rights, and computer software) and infrastructure items (e.g. roads, bridges, ramps, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Capitalization policies
All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment is capitalized when the cost of individual items exceeds $5 thousand, computer software is capitalized when the cost exceeds $5 million, and all other capital assets are capitalized when the cost of individual items or projects exceed $100 thousand.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Items not capitalized and depreciated
The State possesses certain capital assets that have not been capitalized and depreciated, because the assets are held for public exhibition, education, or research in furtherance of public service, rather than financial gain. These assets include works of art and historical treasures such as statues, monuments, historical documents, paintings, forts, and lighthouses, rare library books, miscellaneous capitol-related artifacts and furnishings, and the like.

Depreciation and useful lives
Applicable capital assets are depreciated using the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Agencies assigned useful lives that were most suitable for the particular assets. Estimated useful lives generally were assigned as follows:

Asset	Years
Equipment	2-25
Buildings	5-50
Infrastructure	3-40
Land Improvements	5-40
Intangibles	9-10

Modified approach for infrastructure
The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Capital asset activities for the fiscal year ended September 30, 2010, were as follows (in millions):

Governmental Activities	Beginning Balance (Restated)*	Additions	Deletions	Adjustments and Reclass-ifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 3,395.4	$ 22.9	$ (1.4)	$ (31.6)	$ 3,385.4
Land improvements	16.2	-	-	-	16.2
Land rights	-	7.3	-	37.2	44.5
Mineral rights	19.8	-	-	-	19.8
Construction in progress (buildings)	36.5	24.4	(22.0)	-	38.9
Construction in progress (infrastructure)	1,378.1	606.3	(261.1)	6.5	1,729.8
Infrastructure	12,508.2	491.0	(256.1)	-	12,743.2
Total capital assets, not being depreciated	17,354.2	1,151.9	(540.5)	12.1	17,977.7
Capital assets, being depreciated:					
Land improvements	140.7	13.4	-	(.9)	153.1
Equipment and vehicles	965.9	11.6	(12.6)	(176.3)	788.5
Computer software (includes projects in progress)	71.4	25.5	-	187.6	284.5
Buildings	3,461.9	60.3	(39.3)	(2.6)	3,480.3
Infrastructure	773.8	4.0	(1.3)	.2	776.8
Total capital assets, being depreciated	5,413.7	114.7	(53.1)	8.0	5,483.3
Less accumulated depreciation for:					
Land improvements	(52.8)	(4.7)	-	1.5	(56.0)
Equipment and vehicles	(684.5)	(40.6)	11.3	79.0	(634.8)
Computer software	(3.6)	(32.3)	-	(50.2)	(86.1)
Buildings	(1,393.1)	(102.3)	23.2	12.7	(1,459.6)
Infrastructure	(477.2)	(28.8)	1.1	-	(504.9)
Total accumulated depreciation	(2,611.1)	(208.7)	35.6	42.9	(2,741.4)
Total capital assets, being depreciated, net	2,802.6	(94.0)	(17.6)	50.9	2,741.9
Governmental activity capital assets, net	$ 20,156.8	$ 1,057.9	$ (558.0)	$ 62.9	$20,719.6

*Beginning balances were restated to add computer software as a result of the implementation of GASB Statement No. 51 and to reflect the transfer of the Michigan Exposition and Fairgrounds Authority's net assets to the Department of Technology, Management and Budget. See Note 4 for additional information on these restatements.

The Department of Community Health closed one of its health centers during fiscal year 2010. The total impairment loss was $1.1 million. The impairments pertained to buildings, depreciable land improvements, and equipment. The Department does not plan to reopen the center. Public Act 208 of 2010 has authorized the State to sell the property. The historical cost of the buildings and equipment has been adjusted to the lower of carrying value or fair value in the above table.

The Department of Transportation has temporarily idled one rest area during fiscal year 2010. The impairment pertained to a building reported under infrastructure. No impairment loss was reported because the impairment is temporary in nature. The Department plans to reopen the rest area at a future date. The historical cost of the rest area building was unchanged in the above table.

Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclass-ifications	Ending Balance
Capital assets, being depreciated:					
Equipment	$ 4.7	$ .1	$ -	$ -	$ 4.8
Total capital assets, being depreciated	4.7	.1	-	-	4.8
Less accumulated depreciation for:					
Equipment	(4.0)	(.2)	-	-	(4.2)
Total accumulated depreciation	(4.0)	(.2)	-	-	(4.2)
Total capital assets, being depreciated, net	.7	(.1)	-	-	.6
Business-type activity capital assets, net	$ .7	$ (.1)	$ -	$ -	$ .6

During fiscal year 2010, the Department of Corrections closed one of the buildings at one prison facility due to physical damage. The impairments pertained to a building and equipment and the total impairment was $2.1 million and $.1 million respectively. The Department plans to reconstruct the facility when funding is available. The historical cost of the buildings and equipment has been adjusted to the lower of carrying value or fair value in the above table.

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

	Amount
Governmental Activities:	
General government	$ 26.7
Education	.7
Human services	8.3
Public safety and corrections	48.9
Conservation, environment, recreation, and agriculture	11.8
Labor, commerce, and regulatory	2.9
Health services	15.1
Transportation	40.2
Depreciation on capital assets held by the State's internal service funds charged to the various functions based on their use of the assets	53.9
Total Depreciation Expenses – Governmental Activities	$ 208.7
Business-type Activities:	
Enterprise	.2
Total Depreciation Expenses – Business-type Activities	$ .2

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in millions):

	Amount
State Universities:	
Land and other non-depreciable assets	$ 118.4
Buildings, equipment, and other depreciable assets	4,976.3
Construction in progress	231.0
Total	5,325.7
Less accumulated depreciation	(2,041.6)
Capital Assets, net – State Universities	3,284.1
Capital Assets, net – Authorities	133.2
Capital Assets, Total – Discretely Presented Component Units	$ 3,417.3

NOTE 10 – PENSION BENEFITS

Defined Benefit Pension Plans

PLAN DESCRIPTION

The State of Michigan administers the following defined benefit pension plans:

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single employer	1
State Police Retirement System (SPRS)	Single employer	1
State Employees' Retirement System (SERS)	Single employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	724
Judges' Retirement System (JRS)	Cost sharing multi-employer	119
Military Retirement Plan (MRP)	Single employer	1

Each plan, except MRP, is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

As mandated by legislation, all new State of Michigan employees (except Michigan State Police officers) hired on or after March 31, 1997, are members of the State of Michigan Defined Contribution Retirement Plan (Plan) as opposed to the LRS, SERS, and JRS defined benefit plans. Employees hired before that date were given the option of remaining in the defined benefit plan or transferring to the defined contribution plan. The decision is irrevocable and transfers were completed by September 30, 1998. This was a one-time opportunity. With the passage of the legislation permitting the transfer, the LRS, SERS, and JRS defined benefit plans became closed systems.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting
The financial statements are prepared using the accrual basis of accounting. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments
Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments not having an established market are recorded at estimated fair value.

Description of Benefits
State statutes require that the State plans provide certain retirement, disability, death benefits, and annual cost-of-living adjustments to plan members. LRS life insurance benefits are provided through the defined benefit pension plan and are accounted for as pension benefits. The LRS life insurance benefits are paid on an advance-funded basis. The actuarial cost method and actuarial assumptions are the same as for the pension plan.

Contributions and Reserves
SERS members are allowed to purchase service credits by entering into a contract with duration of up to 20 years. At September 30, 2010, the short-term receivable was $8.5 million and the discounted long-term receivable was $40.0 million.

Significant Investments
No investment of any of the pension plans comprises 5% or more of the net assets available for benefits. There are no significant investments made in securities issued by the State, nor are there any loans made from the pension plans to the State. Additional disclosures concerning investments are provided in Note 8 and, concerning State Treasurer's Common Cash, in Note 5.

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan.

Plan members for SPRS, SERS, and MRP are not required to contribute to the plans. Plan members for LRS are required to contribute based on the following: for participants prior to January 1, 1995, the required contribution rate is 9%; for participants after January 1, 1995, the required contribution rate is 7%. Plan members for JRS are required to contribute 5.83% (weighted average) of annual covered salary.

For MRP, there is no underlying payroll of participants. Except for five special duty members, retirants receive $600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll. For fiscal year ending September 30, 2010, this amount was $3.9 million.

For LRS, SERS, and SPRS, statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the system's actuary and are based upon level-dollar value funding or a level-percent-of-payroll principles so the contribution rates do not have to increase over time. The following are the required contribution rates for the fiscal year ending September 30, 2010: SPRS, 32.62% of annual active payroll; SERS, $418.4 million; LRS, $.8 million.

For JRS, the State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded accrued liabilities minus the revenues from court filing fees and member contributions. The following table provides a schedule of annual required employer contributions for JRS.

Year Ended September 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	$ -	- %
2009	-	-
2008	-	-

ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Annual pension cost and related information for the current year for the State's single employer defined benefit plans is as follows (amounts in millions):

	LRS	SPRS	SERS	MRP*
Annual Pension Cost and Net Pension Obligation:				
Annual required contribution	$ .77	$ 41.61	$ 418.43	$ 3.89
Interest on net pension (asset) obligation	(.06)	3.51	39.09	.93
Adjustment to annual required contribution	.11	(2.78)	(42.99)	(1.02)
Annual pension cost	.83	42.34	414.53	3.80
Contributions made	-	37.90	369.95	3.61
Change in net pension asset/obligation	.83	4.44	44.58	.19
Net pension (asset) obligation at beginning of fiscal year	(.82)	43.92	488.64	11.60
Net pension (asset) obligation at end of fiscal year	$ .01	$ 48.36	$ 533.22	$ 11.78

*For MRP, information provided is based on most recent biennial actuarial valuation.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets for the pension plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

	LRS	SPRS	SERS	MRP
Latest actuarial valuation date	9/30/2010	9/30/2009	9/30/2009	9/30/2009
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level dollar open	Level percent of payroll closed	Level dollar closed	Level dollar closed
Remaining amortization period	10 years	27 years	27 years	27 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	Market value
Actuarial assumption:				
Investment rate of return	7%	8%	8%	8%
Projected salary increases	4%	3.5-93.5%	3.5-14.4%	3.5%
Includes inflation at	4%	3.5%	3.5%	3.5%
Cost-of-living adjustments	4% annual compounded (non-compounded for legislators who first became members after 1/1/95)	2% annual non-compounded with maximum annual increase $500	3% annual non-compounded with maximum annual increase $300	3.5% for special duty retirants

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's single employer defined benefit plans (amounts in millions):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS	9/30/10	$ 159.0	$ 172.7	$ 13.7	92.0%	$ 1.2	1,141.7%
	9/30/09	165.8	171.4	5.6	96.7	1.2	466.7
	9/30/08	170.0	169.4	(.6)	100.3	1.3	(44.3)
SPRS**	9/30/09	1,238.1	1,534.0	295.9	80.7	123.2	240.1
	9/30/08	1,265.7	1,496.3	230.6	84.6	120.7	191.0
	9/30/07	1,259.1	1,451.9	192.7	86.7	118.2	163.0
SERS**	9/30/09	11,107.0	14,233.7	3,126.7	78.0	1,734.3	180.3
	9/30/08	11,402.9	13,765.6	2,362.8	82.8	1,763.7	134.0
	9/30/07	11,343.5	13,161.7	1,818.1	86.2	1,825.9	99.6
MRP*	9/30/09	-	42.3	42.3	-	.4	10,575.0
	9/30/07	-	41.9	41.9	-	.6	6,983.3
	9/30/05	-	40.6	40.6	-	.5	8,120.0

*Actuarial valuation performed biennially.
**The most recent actuarial valuation was performed as of September 30, 2009.

The following table provides a schedule of annual pension cost and net pension obligation for the State's single employer defined benefit plans (amounts in millions):

	Year Ended September 30	Annual Cost	Percentage Contributed	Net Pension Obligation (Asset)
LRS	2010	$ .8	- %	$ 0.0
	2009	.4	61.0	(0.8)
	2008	.2	-	(1.0)
SPRS	2010	42.3	89.5	48.4
	2009	37.4	94.6	43.9
	2008	34.5	99.7	41.9
SERS	2010	414.5	89.2	533.2
	2009	348.2	98.7	488.6
	2008	304.7	116.7	484.2
MRP	2010	3.8	95.1	11.8
	2009	3.7	90.6	11.6
	2008	3.7	85.4	11.2

Defined Contribution Pension Plans

State of Michigan Defined Contribution Retirement Plan
The Plan was established to provide benefits at retirement to employees of the State (except Michigan State Police officers) who were hired after March 31, 1997, and to those members of the SERS (defined benefit), JRS, and LRS who elected to transfer to this Plan. The Plan is administered by the Department of Technology, Management and Budget. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. Employer contributions to the plan for the year totaled $95.9 million. Participant contributions to the Plan were $74.1 million. The reports may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-5103.

The following investments represent 5% or more of net plan assets at September 30, 2010: Common Trust Funds: Global Wrap Synthetic Contracts, $443.2 million; SSGA Daily Bond Market Index Fund, $174.1 million; YES STIF Fund, $191.5 million; PIMCO Total Return Fund, $87.7 million.

Component Units
In addition to the PSERS, the State university component units participate in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was $81.5 million for the year ending June 30, 2010.

Additional plan information may be found in the separately issued financial reports of the State university component units.

Effective January 1, 2004, the State Bar of Michigan assumed responsibility for the retirement plans of State Bar employees who participated in the Plan. All monies held in the Plan on behalf of participating State Bar employees were subsequently transferred to the newly established State Bar 401(a) retirement plan and the 457(b) retirement plan. The State Bar of Michigan is required to make minimum contributions and may establish other benefit provisions for their retirement plans. The State Bar of Michigan's contribution to the new plans was $.3 million for the year ending September 30, 2010.

Additional information for the retirement plan can be obtained by contacting the State Bar at (517) 372-9030.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefit Plans

PLAN DESCRIPTION

The State of Michigan administers the following Other Postemployment Benefit (OPEB) plans:

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single employer	1
State Police Retirement System (SPRS)	Single employer	1
State Employees' Retirement System (SERS)	Single employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	724
Judges' Retirement System (JRS)	Cost sharing multi-employer	119
Life Insurance	Single employer	1

Each plan, except for Life Insurance, is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting
The financial statements are prepared using the accrual basis of accounting. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments
Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments not having an established market are recorded at estimated fair value.

Description of Benefits
State statutes require that the State provide certain other OPEB benefits to many of its retired employees. Health, dental, and vision benefits as well as life insurance coverage are provided to retirees. These benefits are funded on a pay-as-you-go basis. The net assets available for benefits relate to residual balances from funding provided in prior fiscal years.

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan. The State is not required to fund the plans other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended September 30, 2010, the State paid the following amounts (in millions) on the behalf of the following plans: $387.2, SERS; $33.2, SPRS; $4.7, LRS; $25.1, Life Insurance.

Plan members for SPRS are required to contribute 5% of the monthly premium amount for health coverage and 10% for dental and vision coverage. Plan members for SERS are required to contribute 10% of the monthly premium for health, dental, and vision. Plan members for JRS are required to contribute 5% of health care premiums. JRS plan members can also enroll in the vision and dental plans of which they are required to contribute 100% of the premium. Plan members for LRS that are part of the defined benefit plan are not required to contribute and the members of the defined contribution plan are required to contribute 10% of the premiums. Life insurance is provided to retirees with the employer required to contribute 100% of the premiums.

ANNUAL OPEB COST AND OTHER RELATED INFORMATION

Annual OPEB cost and related information for the current year for the State's single employer OPEB plans is as follows (amounts in millions):

	LRS	SPRS	SERS	Life Insurance
Annual OPEB Cost and Net OPEB Obligation:				
Annual required contribution	$ 10.84	$ 60.00	$ 870.01	$ 61.42
Interest on net OPEB (asset) obligation	.27	2.53	42.12	3.02
Adjustment to annual required contribution	(.24)	(2.55)	(42.31)	(2.93)
Annual OPEB cost	10.87	59.99	869.82	61.51
Contributions made	4.66	33.21	387.18	25.09
Change in net OPEB asset/obligation	6.20	26.78	482.64	36.43
Net OPEB (asset) obligation at beginning of fiscal year	6.71	63.37	1,053.06	75.45
Net OPEB (asset) obligation at end of fiscal year	$ 12.91	$ 90.15	$ 1,535.70	$ 111.87

Actuarial Valuations and Assumptions

Actuarial valuations for the OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets for the OPEB plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

	LRS	SPRS	SERS	Life Insurance
Latest actuarial valuation date	9/30/2010	9/30/2009	9/30/2009	9/30/2009
Actuarial cost method	Projected Unit Credit	Entry Age	Entry Age	Entry Age
Amortization method	Level percent open	Level percent of payroll closed	Level percent of payroll closed	Level percent of payroll closed
Remaining amortization period	30 years	27 years	27 years	28 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumption:				
Investment rate of return	4.5%	4%	4%	4%
Includes inflation at	4%	3.5%	3.5%	3.5%
Healthcare cost trend rate	8.75% in 2011 grading to 4% in 2020	9% Year 1 graded to 3.5% Year 12	9% Year 1 graded to 3.5% Year 12	N/A

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's single employer OPEB plans (amounts in millions):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS	9/30/10	$ 15.9	$ 155.3	$ 139.4	10.2%	$ 11.6	1,201.7%
	9/30/09	14.6	136.9	122.3	10.7	11.7	1,044.3
	9/30/08	14.3	132.6	118.3	10.8	11.9	994.1
SPRS	9/30/09	-	882.3	882.3	-	123.2	715.9
	9/30/08	-	963.0	963.0	-	120.7	797.7
	9/30/07	-	918.1	918.1	-	118.2	776.7
SERS	9/30/09	-	12,618.4	12,618.4	-	2,972.1	424.6
	9/30/08	-	13,541.6	13,541.6	-	2,821.5	479.9
	9/30/07	-	12,965.5	12,965.5	-	2,949.1	439.6
Life Insurance*	9/30/09	-	964.4	964.4	-	3,182.3	30.3
	9/30/07	-	912.5	912.5	-	3,131.9	29.1

*The most recent actuarial valuation was performed as of September 30, 2009 and will be performed biennially.

The following table provides a schedule of annual OPEB cost and net OPEB obligation for the State's single employer OPEB plans (amounts in millions):

	Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
LRS	2010	$ 10.9	42.9%	$ 12.9
	2009	8.0	55.8	6.7
	2008	8.0	60.2	3.3
SPRS	2010	60.0	55.4	90.1
	2009	64.0	47.2	63.4
	2008	59.0	49.8	29.9
SERS	2010	869.8	44.5	1,535.7
	2009	923.4	41.6	1,053.1
	2008	879.2	41.5	537.1
Life Insurance	2010	61.5	40.8	111.9
	2009	57.5	36.9	75.5
	2008	57.4	31.7	39.2

NOTE 12 – LEASES

Accounting Policy

The State leases various assets under non-cancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures. For budgetary purposes, lease payments are only reported as expenditures when paid.

Most leases have cancellation clauses with one to six month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable, because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

The State has entered into a few installment purchase agreements. Because the amounts involved are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

Leases that exist between the State and the State Building Authority (SBA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, SBA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide financial statements for the bonds issued by SBA to construct the assets associated with the leases. Future payments to SBA are, therefore, not included in the schedules of lease commitments below. Note 13 provides information on the amount of SBA's bonds outstanding and a schedule of debt service requirements.

During fiscal year 2008, the State entered into a building lease agreement with the Michigan Strategic Fund (MSF), a discretely presented component unit. The lease was classified as a capital lease and is included in the capital lease disclosures below.

Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled $66.6 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled $20.1 million, $34.7 million, and $27.9 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling $.3 million, $3.7 million, and $.4 million, respectively.

A summary of the operating and noncancelable capital lease commitments to maturity follows (in millions):

		Capital Leases			
Year Ended September 30	Operating Leases	Principal	Interest	Executory Costs	Total
2011	$ 33.6	$ 23.0	$ 33.6	$ 27.0	$ 83.7
2012	24.8	20.1	31.9	26.0	78.0
2013	19.3	18.8	30.4	25.1	74.2
2014	16.4	19.3	28.8	24.5	72.6
2015	13.3	18.8	27.1	24.0	69.9
2016-2020	26.4	97.3	107.2	108.8	313.2
2021-2025	2.0	77.7	63.7	90.6	232.0
2026-2030	.1	58.0	23.6	75.0	156.6
2031-2035	-	11.8	1.3	12.8	25.8
Thereafter	-	.7	.1	1.8	2.5
Total	$ 136.0	$ 345.5	$ 347.8	$ 415.3	$ 1,108.5

The above capital leases relate to governmental activities which include the General Fund, special revenue funds, and the internal service funds. A liability of $345.5 million has been recorded in the government-wide financial statements for the capital lease principal. Included in this liability is the capital lease between the State and MSF totaling $83.7 million.

The historical cost of assets acquired under capital leases are included in capital assets on the government-wide financial statements at September 30 follows (in millions):

Buildings	$ 404.9
Equipment	83.6
Total	488.4
Accumulated Depreciation	(198.7)
Net Buildings and Equipment	$ 289.8

Included in the table above is the historical cost and accumulated depreciation for the capital lease between the State and MSF of $85.0 million and $13.3 million, respectively.

Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled $.6 million during the fiscal year. There were no capital lease obligations.

A summary of operating lease commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases
2011	$ .5
2012	.3
2013	.3
2014	.3
2015	.3
2016-2020	.5
Total	$ 2.1

Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled $44.2 million. Total capital lease obligations were $7.3 million, $1.0 million, and $0 for principal, interest, and executory costs, respectively, during the fiscal year.

NOTE 13 – BONDS AND NOTES PAYABLE – PRIMARY GOVERNMENT

General Information

General Obligation Bonds and Notes
Article 9, Section 15, of the State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General obligation notes to provide temporary financing for such loans are recorded as liabilities in the School Bond Loan Fund, a special revenue fund. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues. General obligation bonds are backed by the full faith and credit of the State.

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. In fiscal year 2010, the State issued general obligation notes to meet cash flow requirements of the General Fund.

Short-term debt activity for the fiscal year ended September 30, 2010, was as follows (in billions):

	Beginning Balance	Draws	Repayments	Ending Balance
General Obligation Notes	$ -	$1.3	$1.3	$ -

Revenue Dedicated Bonds and Notes
Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The transportation related debt is payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution. The State's general credit does not support such issues.

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. In addition, SBA issues commercial paper notes to fund capital projects prior to bonding. Short-term debt activity for the fiscal year ended September 30, 2010, follows (in millions):

	Beginning Balance	Draws	Repayments	Ending Balance
Commercial Paper Notes	$161.2	$25.6	$105.4	$81.3

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

Bonds Issued and Outstanding

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

			Fiscal Year Maturities		Average Interest
General Obligation Bonded Debt	Amounts Issued	Outstanding 9/30/2010	First Year	Last Year	Rate Percentage
General Obligation Refunding Debt:					
Series 2001 (Refunding)	$ 183.3	$ 121.3	2002	2016	4.76%
Series 2002 (Refunding)	300.7	227.3	2004	2017	4.41
Series 2005 A (Refunding) (3)	86.8	86.8	2017	2021	5.00
Series 2005 B (Refunding) (3)	82.8	82.8	2013	2021	5.00
Series 2005 C (Refunding) (3)	21.1	9.5	2008	2013	4.17
Series 2008 A (Refunding)	200.8	200.8	2011	2019	4.94
Series 2008 B (Refunding)	19.4	19.4	2011	2019	4.33
Series 2008 C (Refunding)	12.2	12.2	2011	2012	5.00
Series 2008 D (Refunding)	1.4	1.4	2011	2011	3.96
Series 2009 A (Refunding) (3)	64.1	64.1	2022	2026	5.65
Series 2009 B (Refunding) (3)	33.7	33.7	2012	2012	4.60
Recreation and Environmental Protection:					
Series 1989 (1)	75.0	6.5	1991	2012	6.81
Series 1992 (1)	246.3	59.2	1994	2013	5.86
College Savings Bonds – Series 1992 Mini-bonds (1)	.5	1.5	2012	2012	6.50
Series 1992 A (1)(2)	13.9	2.6	1995	2013	6.17
Series 1993 (1)(2)	16.7	4.3	1996	2014	5.00
Series 2000 (1)	60.0	2.8	2002	2011	5.24
Series 2001 (3)	56.8	13.1	2004	2012	4.82
Series 2003 (5)	10.0	6.0	2054	2054	0.00
Series 2003 A (1)(3)	200.0	71.5	2007	2021	5.00
Series 2006 A (1)(3)	105.0	105.0	2014	2026	4.58
School Loan Bonds (4):					
Series 2008 A (Refunding)	143.0	125.4	2010	2023	4.54
Series 2009 A (Refunding)	204.1	204.1	2016	2021	6.53
Series 2009 B (Refunding)	193.7	158.3	2010	2030	5.58
Series 2010 A	60.0	60.0	2012	2012	2.00
Total General Obligation Bonded Debt	2,391.1	1,679.5			

Revenue Dedicated Bonded Debt	Amounts Issued	Outstanding 9/30/2010	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Average Interest Rate Percentage
State Park Related:					
2002 – Gross Revenue Bonds	15.5	11.6	2004	2023	3.58%
Total Revenue Dedicated Bonded Debt – State Park Related	15.5	11.6			
Transportation Related:					
Tax Dedicated Bonds:					
Comprehensive Transportation Fund Bonds:					
Series 2001 (Series A Refunding)	27.8	23.8	2008	2022	5.01
Series 2002 (Series A Refunding)	89.6	7.0	2003	2011	5.07
Series 2002 (Series B)	82.3	4.5	2004	2012	5.13
Series 2003	35.0	14.9	2004	2023	3.61
Series 2005 (Refunding)	62.2	62.2	2009	2023	5.15
Series 2006 (Revenue and Refunding)	53.7	51.6	2007	2031	4.54
Series 2009 (Refunding)	42.3	42.3	2012	2019	4.11
State Trunkline Fund Bonds:					
Series 1992 (Series A)	253.6	34.1	2000	2013	5.76
Series 1992 (Series B Refunding)	99.6	4.5	2000	2013	5.68
Series 1998 (Series A Refunding)	377.9	206.3	2006	2019	5.03
Series 2001 (Series A)	308.2	14.1	2003	2012	4.96
Series 2002 (Refunding)	97.9	59.3	2004	2022	4.71
Series 2004 (Refunding)	103.5	98.3	2006	2022	4.13
Series 2004	185.7	63.2	2008	2019	4.36
Series 2005 (Refunding)	223.0	223.0	2010	2023	5.10
Series 2005 (Series B Refunding)	378.3	348.1	2010	2019	4.81
Series 2006	244.5	208.7	2008	2022	4.74
Series 2009 (Refunding)	146.2	146.2	2018	2027	4.76
Grant Anticipation Bonds:					
Series 2007	485.1	474.6	2009	2027	4.87
Series 2009 (Series B)	281.9	281.9	2012	2027	7.63
Total Revenue Dedicated Bonded Debt – Transportation Related	3,578.3	2,368.6			
State Building Authority:					
2001 Series I Bonds (Refunding)	419.7	304.2	2003	2026	5.26
2003 Series I (Refunding)	659.4	394.6	2004	2018	3.64
2003 Series II (Refunding)	392.6	174.5	2005	2030	4.42
2004 Series I	155.4	98.0	2005	2020	4.08
2005 Series I (Refunding)	293.4	264.2	2006	2034	4.84
2005 Series II (Refunding)	242.8	236.9	2007	2037	4.66
2006 Series I A Serial	438.3	438.3	2014	2037	4.80
2006 Series I A Capital Appreciation	395.3	478.8	2014	2037	4.80
2006 Series I B	13.7	8.7	2009	2014	4.80
2007 Series I Multi-modal (6)	96.5	94.7	2009	2032	0.24
2008 Series I (Revenue and Refunding)	192.3	192.3	2010	2039	6.05
2009 Series I (Refunding)	222.1	209.4	2010	2027	4.85
2009 Series II	113.5	113.5	2011	2034	4.90
Total State Building Authority Bonded Debt	3,635.0	3,008.0			
Total Revenue Dedicated Bonded Debt	7,228.7	5,388.2			
Total General Obligation and Revenue Dedicated Bonded Debt	$9,619.9	$ 7,067.7			

(1) Sections 324.19301 and 324.71301 of the Michigan Compiled Laws (MCL) authorized the issuance of bonds totaling $800.0 million. As of September 30, 2010, $791.5 million of such bond proceeds had been received, leaving remaining authorization of $8.5 million. The sum of the amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.

(2) The $13.9 million Series 1992A and the $16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Finance Authority (MFA) Municipal Fund, a discretely presented component unit. An outside trustee for MFA is holding the bonds as an investment of MFA; no immediate cash proceeds were provided. The trustee receives the debt service payments on the bonds, which are negotiable instruments held to subsidize water pollution control financing provided by MFA.

(3) MCL Section 324.95102 authorized the issuance of bonds totaling $675.0 million. As of September 30, 2010, $569.4 million of such bond proceeds had been received, leaving remaining authorization of $105.6 million. The sum of amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.

(4) The Multi-Modal School Loan Bond Series bear interest at a commercial paper rate and are remarketed at each maturity. For the future debt service requirements, interest is estimated at the interest rate in effect at year-end. There were no Multi-Modal School Loan Bonds outstanding at September 30, 2010.

(5) November 2002, voters approved a ballot proposal in which the State would issue $1.0 billion in general obligations bonds to provide capital, which is then loaned to local units of government for water quality improvement projects. As of September 30, 2010, $145.6 million of such bond proceeds had been recognized as received, leaving remaining authorization of $854.4 million. Included in the amount recognized as received is $100.0 million in bonds issued to a discretely presented component unit, MFA. Although no cash traded hands, MFA (the registered owner of the bonds) is holding the bond document as collateral and issuing their own revenue bonds to generate the capital. This transaction allows the State's General Fund to defer principal and interest costs until future years when the bond is repurchased/redeemed. MFA will fund the principal and interest costs of the revenue bonds until such time that they request the State to honor the general obligation bond document.

On December 18, 2003, the State issued $100.0 million in bonds ($10.0 million relating to Strategic Water Quality and $90.0 million relating to the previously existing State Water Quality Revolving Fund). The $10.0 million bond relating to Strategic Water Quality includes a repurchase provision that requires the State to repurchase all or any portion of this bond upon 10 days prior written notice from the registered owner, MFA. The State anticipates at this time that if the bond repurchase was acted on, the State would issue long-term debt to finance the repurchase. This bond is being used as collateral by MFA for the Strategic Water Quality bonds being issued by MFA to local governments. The $10.0 million bond was reduced to a net obligation of $6.0 million when $4.0 million of the proceeds from General Obligation Recreation and Environmental Protection Series 2006B were used to refund a portion of the original obligation. For these reasons, the State has recognized the $6.0 million bond related to Strategic Water Quality as a liability in the entity-wide statements. The $90.0 million "bond" document issued for the State Water Quality Revolving Fund does not contain the 10 day repurchase provision that the $6.0 million bond does. Nor is the $90.0 million "bond" document being used as collateral by MFA. For these reasons, the State has not recognized a liability for the $90.0 million "bond" document related to the existing State Water Quality Revolving Fund.

(6) SBA Multi-Modal bears interest at a remarketed weekly rate. Estimated interest was computed using the weekly rates as of September 30, 2010.

Capital Appreciation Bonds

Capital appreciation and convertible capital appreciation bonds are recorded in the Bonds Issued and Outstanding table and the Changes In Bonds and Notes Payable table at their accreted year-end book value. The table that follows summarizes capital appreciation bonds (in millions):

	Accreted Book Value	Ultimate Maturity Value	Fiscal Year Maturities	
			First Year	Last Year
General Obligation Bonds:				
Series 1989	$ 6.5	$ 6.8	1999	2012
Series 1992	5.1	5.6	2000	2012
College Savings Bonds – Series 1992 Mini-bonds	1.5	1.7	2012	2012
Series 2009 B	158.3	204.2	2010	2030
Revenue Dedicated – Transportation Related:				
State Trunkline – Series 1992 A	34.1	36.3	2006	2013
State Trunkline – Series 1992 B	4.5	4.8	2006	2013
Revenue Dedicated – State Building Authority:				
2006 Series I A	478.7	891.8	2017	2031

Advance Refundings and Defeasances

The State has defeased certain bonds through advance refunds by placing the proceeds of new bonds (i.e., the “refunding” bonds in the table of bonds issued and outstanding) in irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in these statements and are not included in the other debt tables in this note.

The State has defeased certain bonds through current refundings in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded.

The State has defeased certain bonds by placing cash with an escrow agent in a trust to be used for future payment on the debt.

Revenue Dedicated

During the year, the State issued fixed rate State Trunkline Funding and Refunding Bonds Series 2009 for $146.2 million, maturing in years 2018 through 2027. The bonds were issued for the purpose of refunding certain maturities, interest payments, and transportation projects. From the debt proceeds, $150.5 million was used to refund State Trunkline Refunding Bonds Series 1998A and $4.0 million was deposited to the Combined State Trunkline Bond Proceeds Fund. This refunding resulted in an economic gain of $5.9 million.

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

	Amounts Outstanding
General Obligation Refunding:	
Series 2001 (Refunding)	$ 10.8
Series 2002 (Refunding)	.2
Total General Obligation Refunding	$ 11.0
Recreation and Environmental Protection:	
Series 2000 (partial)	$ 37.4
Series 2001	22.3
Series 2003 A	88.5
Total Recreation and Environmental	$ 148.2
School Loan Bonds:	
Series 2008 A	$ 8.9
Total School Loan Bonds	$ 8.9
Comprehensive Transportation Fund Bonds:	
Series 2002 B (partial)	$ 56.2
Series 2003	10.4
	66.6
State Trunkline Fund Bonds:	
Series 2001 A (partial)	245.8
Series 2004 (partial)	85.2
	331.1
Total Transportation Related	$ 397.7
State Building Authority:	
1997 Series II	$ 22.1
2000 Series I	94.4
2000 (MSP Phase II)	7.8
2001 (MSP Phase III)	17.7
2002 (MSP Phase IV)	14.2
2001 Series I	67.0
2001 Series I (Refunding)	17.0
2001 Series II	105.4
2002 Series III (Refunding)	171.3
2003 Series II (Refunding)	166.2
Total State Building Authority	$ 683.1

Debt Service Requirements

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

Fiscal Years Ending	General Obligation		State Park and Transportation Related		State Building Authority		Total Principal And Interest
	Principal	Fixed Interest	Principal	Fixed Interest	Principal	Interest	
2011	$128.4	$49.8	$110.1	$124.7	$103.0	$122.6	$638.6
2012	241.3	71.3	118.3	119.9	106.0	117.4	774.2
2013	151.9	63.4	123.4	114.7	109.5	111.9	674.8
2014	131.0	57.1	129.2	108.9	115.4	106.3	647.9
2015	121.2	51.4	136.1	102.0	121.6	100.3	632.6
2016-2020	605.2	163.3	782.6	400.0	650.6	416.5	3,017.8
2021-2025	297.3	32.6	679.3	206.5	691.8	322.6	2,230.1
2026-2030	41.8	.9	301.7	31.1	607.7	232.0	1,215.1
2031-2035	-	-	2.0	-	562.4	140.1	704.5
2036-2040	-	-	-	-	306.8	30.0	336.8
2041-2045	-	-	-	-	46.3	-	46.4
2046-2050	-	-	-	-	-	-	-
2051-2055	6.0	-	-	-	-	-	6.0
Total	$1,724.1	$489.7	$2,382.7	$1,207.4	$3,421.1	$1,699.7	$10,924.6

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

Changes in Bonds and Notes Payable

Changes in bonds and notes payable for the year ended September 30, 2010, was as follows (in millions):

Governmental Activities	Beginning Balance*	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
General obligation debt	$ 1,673.5	$ 60.0	$ (54.0)	$ 1,679.5	$ 128.4	$ 1,551.1
Revenue bonds	2,486.7	146.2	(252.7)	2,380.2	110.1	2,270.1
State Building Authority	2,968.7	135.5	(96.2)	3,008.0	103.0	2,905.0
Deferred Loss on Refundings:						
General obligation debt	(87.1)	-	9.6	(77.5)	-	(77.5)
Revenue dedicated debt	(15.9)	(1.4)	1.7	(15.6)	-	(15.6)
State Building Authority	(21.7)	-	5.5	(16.2)	-	(16.2)
Unamortized Discounts:						
General obligation debt	(1.0)	-	-	(1.0)	-	(1.0)
Revenue dedicated debt	(1.9)	-	.1	(1.8)	-	(1.8)
State Building Authority	(.8)	-	-	(.8)	-	(.8)
Unamortized Premiums:						
General obligation debt	54.3	.6	(6.3)	48.6	-	48.6
Revenue dedicated debt	91.0	9.3	(7.9)	92.4	-	92.4
State Building Authority	100.5	.7	(7.7)	93.5	-	93.5
Total bonds and notes payable	$ 7,246.4	$ 350.9	$ (407.7)	$ 7,189.6	$ 341.5	$ 6,848.1
Plus State Building Authority commercial paper notes reported as "Current Liabilities: Bonds and Notes Payable" on the Statement of Net Assets				81.3	81.3	-
As reported on the Statement of Net Assets				$ 7,270.9	$ 422.8	$ 6,848.1

*Beginning balance has been restated due to the reclassification of the Tobacco Settlement Finance Authority as a discretely presented component unit.

NOTE 14 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

Bonds and Notes Payable

Bonds Payable
Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority (MSHDA) utilize June 30 fiscal year-ends. The Farm Produce Insurance Authority utilizes a December 31 fiscal year-end, and the remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

Fiscal Years Ending In	Principal	Fixed Interest	Estimated Interest	Total
2011	$ 356.2	$ 431.5	$ 14.5	$ 802.2
2012	377.9	406.7	14.3	798.9
2013	374.5	390.5	14.1	779.1
2014	453.0	370.5	13.8	837.3
2015	373.0	352.3	13.5	738.8
Total five years	1,934.7	1,951.6	70.2	3,956.4
2016-2020	1,772.0	1,491.8	57.7	3,321.5
2021-2025	1,545.4	1,047.9	56.3	2,649.5
2026-2030	1,341.8	701.3	47.6	2,090.8
2031-2035	953.5	445.9	37.2	1,436.6
2036-2040	1,183.1	284.1	32.0	1,499.2
2041-2045	649.9	182.7	20.6	853.2
Thereafter	6,800.6	86.6	6.1	6,893.3
2016 – Thereafter:	14,246.2	4,240.3	257.5	18,744.0
Total	16,180.8	$ 6,191.9	$ 327.7	$ 22,700.5
Deferred amount on refunding	7.3			
Unamortized discount	(32.1)			
Unamortized premium	138.3			
Off market borrowings	24.4			
Interest rate swaps	143.4			
Deferred charges – swap reassignment	(24.4)			
Unpaid accretion for Capital Appreciation Bonds	(5,997.1)			
Total principal	$ 10,440.7			

Included in the table above is $1.7 billion of demand bonds comprised of $1.4 billion issued by MSHDA and $265 million issued by the State universities. Defeased bonds outstanding of the Michigan Finance Authority (MFA) and MSHDA are not reflected in the table above.

Notes Payable
As of September 30, 2010, MFA has short-term notes outstanding of $1.4 billion and long-term notes outstanding of $856.7 million.

State universities have short-term notes outstanding of $.8 million and long-term notes outstanding of $16.0 million as of June 30, 2010.

Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

MFA issues limited obligations bonds to finance loans to private nonprofit institutions of higher education, qualified public educational facilities and hospitals for capital improvements. As of September 30, 2010, MFA had bonds outstanding of $7.1 billion. Of this amount, $545.9 million of the bonds have been defeased in substance, leaving a remaining undefeased balance of $6.6 billion.

The Michigan Strategic Fund (MSF) issues taxable and tax exempt private activity bonds (PABs), formerly known as industrial development revenue bonds (IDRBs), which are not recorded as liabilities. The total amount of PABs issued by MSF and its predecessor entity for the period January 1, 1979 through September 30, 2010, was $8.8 billion. The amount of tax-exempt bonds issued during fiscal year 2010 was $143.9 million. In fiscal year 2010, there were no bonds issued by MSF under the Taxable Bond Program. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

MSHDA has been authorized to issue up to $800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2010, limited obligation bonds had been issued totaling $787.3 million, of which 29 issues totaling $328.3 million had been retired.

MSHDA entered into several interest rate exchange agreements for a total of $1.3 billion as of June 30, 2010, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.4% to 5.4%.

NOTE 15 – OTHER LONG-TERM OBLIGATIONS

Primary Government

Other Long-Term Obligations
In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until claims, judgments, or amounts owed are “due and payable” at September 30. Expenses and liabilities for material claims and judgment losses are recorded in the government-wide and proprietary fund financial statements when the loss is considered probable.

Capital Leases
This liability is described in more detail in Note 12.

Compensated Absences
This liability is described in more detail in Note 1.

Workers’ Compensation
The gross amount of workers’ compensation liability, $169.2 million at September 30, 2010, has been recorded at its discounted present value of $113.7 million, using a discount rate of approximately 8%. The present value of the current portion of this liability is $25.3 million. In fiscal year 2010, State agencies paid reimbursement for actual workers’ compensation claims and administrative fees totaling $38.5 million.

Net Pension Obligation
This liability is described in more detail in Note 10.

Net Other Postemployment Benefits (OPEB) Obligation
This liability is described in more detail in Note 11.

Pollution Remediation
This liability is measured in accordance with the obligating event criteria defined in Governmental Accounting Standards Boards (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The State’s pollution remediation obligation at September 30, 2010, is $166.2 million ($13.1 million of which is the current portion). This estimate is based on professional judgment, experience, and historical cost data. Recoveries from other responsible parties, which would reduce the State’s remediation liability, are not anticipated. Remediation obligation estimates may change over time due to changes in technology, prices, and regulations.

Superfund sites account for approximately $142.0 million of this total. The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government’s program to clean up these hazardous waste sites. Under this program, the State is required to pay or ensure payment of 10% of the cost of remediation action and 100% of the cost of operations and maintenance.

Other pollution obligations include funds committed for remediation activities for publicly-funded response activities and state-liable sites. Not included in the liability is approximately $37.9 million for state-owned sites where a legal obligation exists but the GASB Statement No. 49 criteria for accruing a liability has not been met.

Financed Infrastructure Projects
This liability represents contracts entered into by the Department of Transportation for the design, building, and financing of construction projects. The liability of $39.1 million at September 30, 2010, represents the amount of work completed at year-end.

Other Claims & Judgments
The governmental activities estimated liability for other claims and litigation losses, $332.5 million at September 30, 2010, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that costs will be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities includes overpayments by employers to the Michigan Unemployment Compensation Funds totaling $57.3 million. Also included is the OPEB obligation for Attorney Discipline System totaling $.6 million.

Durant Settlement
The reported estimated liability for litigation losses includes the Durant, et al v State of Michigan, et al consolidated cases, which totaled $171.8 million at September 30, 2010. This amount will, over time, be paid to each “non-Durant” school district for its underfunded State mandated program costs if certain requirements are met. See Note 24 for additional disclosure regarding the Durant case and other contingencies.

Federal Advances
During fiscal year 2010, the Michigan Unemployment Compensation Funds obtained repayable federal advances in the amount of $1.2 billion from the U.S. Department of Labor in accordance with provisions of Section 1201 of the Social Security Act (also referred to as Title XII Advances). Federal advances of $3.8 billion were outstanding at September 30, 2010.

Changes in Other Long-Term Obligations
Changes in long-term liabilities for the year ended September 30, 2010, are summarized as follows (in millions):

Governmental Activities	Beginning Balance*	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Other Long-term Obligations:						
Capital lease obligations:						
Component units	$ 84.0	$ -	$ .3	$ 83.7	$ 2.7	$ 81.0
Others	245.6	50.1	34.0	261.8	20.4	241.4
Compensated absences	493.3	384.6	384.4	493.5	342.3	151.2
Workers' compensation	107.9	29.8	24.0	113.7	25.3	88.4
Net pension obligations	544.2	49.2	-	593.4	-	593.4
Net OPEB obligations	1,198.6	552.0	-	1,750.6	-	1,750.6
Pollution remediation	174.3	8.2	16.3	166.2	13.1	153.1
Financed infrastructure projects	41.8	-	2.8	39.1	2.8	36.3
Other claims & judgments	348.0	128.9	144.4	332.5	96.6	235.9
Durant settlement	201.8	-	30.0	171.8	38.8	133.0
Total Governmental Activities	$ 3,439.5	$ 1,202.9	$ 636.2	$ 4,006.2	$ 541.8	$ 3,464.4
Business-type Activities						
Other Long-term Obligations:						
Advances from Federal government	$ 2,644.3	$ 1,169.9	$ -	$ 3,814.1	$ -	$ 3,814.1
Lottery prize awards*	272.9	18.1	59.7	231.3	51.4	179.9
Compensated absences	3.3	1.9	1.9	3.4	1.7	1.7
Other claims & judgments	56.6	1.3	-	57.9	-	57.9
Total Business-type Activities	$ 2,977.1	$ 1,191.3	$ 61.6	$ 4,106.8	$ 53.1	$ 4,053.7

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

The General Fund, special revenue, and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence and workers' compensation liabilities will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations and net OPEB obligations will be liquidated by the State's governmental and internal service funds that contribute toward the pension funds, based on the statutorily required contribution rates. The pollution remediation obligation will be liquidated by the General Fund. The financed infrastructure projects will be liquidated by the transportation related special revenue funds. The School Aid Fund will liquidate the Durant settlement. Other claims and judgments attributable to governmental activities will generally be liquidated by the General Fund and transportation related special revenue funds.

Discretely Presented Component Units

Michigan Education Trust
Michigan Education Trust (MET) offers contracts, which for actuarially determined amounts, provide future tuition at State institutions of higher education. Contract provisions also allow the benefits to be used at private or out-of-state institutions, with the amount provided being based upon rates charged by the State's public institutions of higher education. The tuition payments are made by MET as a separate legal entity and these contracts are not considered obligations of the State. The Legislature is not obligated to provide appropriations should losses occur. The statutes and contracts provide for refunds to the participants if MET becomes actuarially unsound. Liabilities have been recorded on the Statement of Net Assets for the actuarial present value of future tuition benefit obligations.

The 1988, 1989, and 1990 enrollments are known as Plans B and C. Enrollments after November 1995 are known as Plan D.

The actuarial report on the status of MET Plans B and C, as of September 30, 2010, shows the actuarial present value of future tuition obligations to be $213.7 million, as compared to the actuarially determined market value of assets available of $242.2 million. The actuarial assumptions used include: a projected tuition increase rate of 6.5% for all future years; and a discount rate of 2.2%.

The actuarial report on the status of MET Plan D, as of September 30, 2010, shows the actuarial present value of future tuition obligations to be $762.6 million, as compared to the actuarially determined market value of assets available of $635.0 million. The actuarial assumptions used include: a projected tuition increase rate of 6.5% for all future years; and a discount rate of $7.4%.

On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is an integral part of the State of Michigan and, thus, the investment income realized by MET is not currently subject to federal income tax. On August 20, 1996, the Small Business Job Protection Act of 1996 (the "1996 Tax Act") was signed into law which included a provision adding a new section to the Internal Revenue Code of 1986 defining "qualified state tuition programs." A qualified State tuition program is generally exempt from income tax, but is subject to unrelated business income tax. MET has no unrelated business income. Distributions made in excess of qualified higher education expenses (whether to the refund designee, beneficiary, or to a college on behalf of the beneficiary) are taxable income to the beneficiary or the refund designee. In May 1997, MET submitted a request for ruling to the Internal Revenue Service (IRS) for verification that MET is in compliance with the 1996 Tax Act. On December 23, 1997, the IRS issued a favorable ruling which confirms that MET is in compliance with the Act.

NOTE 16 – INCOME TAX CREDITS AND REFUNDS

Income Tax Credits

The Michigan Income Tax Act provides for several types of tax credits. Some credits are accounted for as revenue reductions for financial reporting purposes while others are reported as expenditures. Revenue reductions are reported for those income tax credits that are limited by the amount of an individual's tax liability before considering such credits. To the extent these nonrefundable credits will generate future year payments, they are accrued as income tax refund liabilities together with estimated overwithholdings.

Expenditures are reported for those credits which can be received even if they exceed the individual's tax liability. For these refundable credits, the substance of the transaction is that the State is making a grant payment using the income tax system as a filing and payment mechanism. The amount of credit received is not a part of the determination of tax liability. The State's property tax is the primary credit that falls into this category. Expenditures for this credit are recognized in the year the tax returns are filed and recipients claim the credit.

The following table summarizes the various credits, reported on the "Tax credits" line as an expense in the government-wide financial statements and as an expenditure in the fund financial statements (in millions):

Property tax credits:	
General homestead	$ 521.3
Senior citizens	375.8
Blind and disabled	55.3
Farmland preservation	39.8
Veterans	1.2
Subtotal – property tax credits	993.4
Earned income tax credit	341.7
Energy efficient home improvement credit	15.3
Adoption credit	.7
Home heating credit	.2
Historic preservation credit	.1
Total tax credits	$1,351.5

Income Tax Refunds Payable

The $853.9 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

NOTE 17 – DEFERRED COMPENSATION PLANS

The State offers its employees (excluding university employees) two deferred compensation plans to allow a portion of their salary to be deferred until future years. Executive Order 1999-7 transferred administrative oversight of the plans, labeled 457 and 401k after sections of the Internal Revenue Code, to the Department of Technology, Management and Budget. Day-to-day operations of the plans have been contracted to a third-party; however, the State Treasurer oversees investment options. The 457 plan and the 401k plan are combined for reporting purposes under the heading of "State of Michigan Deferred Compensation Funds."

The State makes no contribution to the 457 plan. Generally, the State does not make matching contributions to the 401k plan; however, the State has occasionally made matching contributions to the 401k plan as part of certain employees' compensation packages. To expand investment options, three investment tiers were developed and made available to participants on July 1, 1997. Participants invest their contributions and accumulated earnings by selecting mutual funds in one or more of the investment tiers. Employees may, at any time, transfer accumulated balances and future contributions among mutual funds in the investment tiers. Investment earnings, net of administrative charges, are credited to the participants proportionally, based upon their balances in the plan.

The 401k plan includes loan provisions. Loans to participants are recorded as assets. The 457 plan does not include loan provisions.

Net assets available for plan benefits for the 457 plan and the 401k plan at September 30, 2010, were $1.8 and $1.6 billion, respectively.

NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES

Primary Government

The balances of current interfund receivables and payables as of September 30 were (in millions):

	Due To					
Due From	General Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ -	$ 2.2	$ -	$ 23.0	$ 25.1
School Aid Fund	889.8	319.7	-	-	-	1,209.5
Non-major Governmental Funds	64.7	78.0	.1	-	3.1	145.9
State Lottery Fund	-	-	-	-	.1	.1
Unemployment Compensation Funds	1.0	2.9	13.4	-	-	17.3
Non-major Enterprise Funds	-	-	-	-	.1	.1
Internal Service Funds	-	-	-	17.3	1.2	18.5
Fiduciary Funds	1.1	-	-	-	60.7	61.8
Total	$ 956.6	$ 400.6	$ 15.7	$ 17.3	$ 88.2	$1,478.3

Interfund receivables and payables are recorded for borrowings to eliminate negative balances in the Common Cash pool, as described in Note 5, payroll liabilities for group insurance and retirement, and tax accrual distributions for taxes collected in the following fiscal year.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $6.4 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction.

Discretely Presented Component Units

Receivables and related liabilities between the primary government and the discretely presented component units, do not agree because the Michigan State Housing Development Authority and the ten State universities have a June 30 fiscal year-end.

NOTE 19 – INTERFUND COMMITMENTS

Mackinac Bridge Authority
Mackinac Bridge Authority (MBA), a discretely presented component unit, has over the years received $75.3 million of subsidies, including $12.3 million for operations and $63.0 million for debt service. These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively, both of which are special revenue funds.

State statutes require that MBA continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments are to continue until such time as the subsidies have been completely returned. MBA has not recorded a liability and the State funds have not recorded receivables for these subsidies because: the reimbursements are contingent upon future net revenues, there is no repayment schedule, and the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by MBA, after consideration of MBA's annual needs for its operations and planned repairs and improvements.

As of September 30, 2010, MBA has repaid a total of $11.8 million of the advance from the Michigan Transportation Fund, leaving a balance of $51.3 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 20 – TRANSFERS

Interfund transfers for the year ended September 30, 2010, consisted of the following (in millions):

	Transferred To				
Transferred From	General Fund	School Aid Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Total
General Fund	$ -	$ 28.3	$ 305.6	$ -	$ 333.9
School Aid Fund	208.4	-	40.0	-	248.4
Non-major Governmental Funds	102.7	-	1,264.2	-	1,366.9
State Lottery Fund	12.3	701.3	-	-	713.7
Unemployment Compensation Funds	4.7	-	4.3	7.3	16.3
Non-major Enterprise Funds	159.7	-	-	-	159.7
Internal Service Funds	2.8	-	.3	-	3.1
Fiduciary Funds	.2	-	-	-	.2
Total	$ 490.8	$ 729.6	$ 1,614.3	$ 7.3	$ 2,842.0

Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Liquor Purchase Revolving Fund and the State Lottery Fund as required by law, 5) transfer budgetary surpluses from the General Fund to the Counter-Cyclical Budget and Economic Stabilization Fund or transfer accumulated surpluses from the Counter-Cyclical Budget and Economic Stabilization Fund to other funds when necessary, and 6) transfer accumulated surpluses from other funds to the General Fund when authorized by statute. During fiscal year 2010, the School Aid Fund transferred $208.4 million to the General Fund to support expenditures for community colleges.

NOTE 21 – FUND DEFICITS

Primary Government

Governmental Funds
The Advance Financing Funds, a capital projects fund, had a fund balance deficit of $74.2 million. The fund deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of $89.7 million. The fund deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

Proprietary Funds
The Office Services Revolving Fund, an internal service fund, had a net asset deficit of $1.0 million. The fund deficit is expected to be eliminated over the next several fiscal years with rate increases as well as various cost saving initiatives.

The Michigan Unemployment Compensation Funds, an enterprise fund, had a net asset deficit of $3.0 billion. The fund deficit was the result of unemployment benefits paid to individuals continuing to exceed unemployment contributions collected from employers.

Discretely Presented Component Units

All discretely presented component units have positive net asset balances as of September 30, 2010, with the exception of the Michigan Education Trust (MET). MET's net asset deficit of $99.1 million was caused primarily by changes in actuarial assumptions applied to the present value of the tuition benefits obligation as well as a decrease in the investment yield applied to future cash flows used to determine present value.

NOTE 22 – FUND BALANCES AND NET ASSETS

Reservations – Primary Government

The line entitled "Reserved fund balance" on the Governmental Funds Balance Sheet at September 30 consists of the following (in millions):

	General Fund	School Aid Fund	Other Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
Budgetary carry-forwards:						
Encumbrances	$ 47.6	$ 1.2	$ 88.5	$ -	$ 35.2	$ 172.5
Restricted revenues	450.6	255.9	262.5	-	.2	969.2
Multi-year projects (capital outlay and work projects)	45.8	1.9	159.0	-	52.9	259.6
Construction and debt service	-	-	145.5	-	-	145.5
Revolving loan programs	21.9	-	64.5	-	-	86.5
Funds held as permanent investments	-	-	221.2	-	736.6	957.8
Noncurrent assets	262.6	.4	22.3	-	-	285.4
Other purposes	-	-	-	.3	-	.3
Total Reserved Fund Balances	$ 828.6	$ 259.5	$ 963.6	$ .3	$ 824.9	$ 2,876.8

Budgetary carry-forwards represent unused spending authorization that continues to be available in the new year. Restricted revenue carry-forwards include revenues restricted by law for specified purposes. The largest restricted revenue carry-forward in the General Fund is related to the Refined Petroleum Fund in the amount of $33.6 million. The $45.8 million of multi-year projects in the General Fund includes $192 thousand of capital outlay and $45.6 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

Reserves for revolving loan programs represent fund balance, which has been appropriated for the purpose of making loans that will encourage economic development, pollution prevention, and energy efficiency in the State. Repayments on such loans are authorized to be used to make new loans.

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. These investments can include either specific investments held for the fund or portions of the fund's share of the Common Cash pool.

Reserves are recorded for noncurrent assets if they do not represent current financial resources available for appropriation. No reservation is recorded for noncurrent assets if doing so would result in a duplicate reduction of unreserved fund balance. This occurs if the noncurrent assets have already been reserved for some other reason or if they are related to revenues that have been deferred because of not being "available."

Reserved fund balance for other purposes represents a reserve account required by the State Park Gross Revenue Bonds document. This reserved amount is used to pay principal and interest in the event of default.

Also, no reservations of fund balances are recorded in single purpose special revenue funds. From the overall State perspective, the unreserved fund balances of funds other than the General Fund are restricted by the nature of the fund type and they are not available for general State purposes.

Net Asset Designations – Primary Government

The line "Unrestricted net assets" on the government-wide Statement of Net Assets contains designations as follows:

The State Sponsored Group Insurance Fund, an internal service fund described in Note 25, designated $47.6 million for future catastrophic losses.

Restricted Net Assets – Primary Government

The following table provides additional detail regarding the restricted net assets reported for the primary government on the government-wide Statement of Net Assets (in millions):

	Restricted by Enabling Legislation	External or Constitutional Restrictions	Total
Governmental Activities:			
Restricted For:			
Education	$ 1.3	$ 468.0	$ 469.3
Public safety and corrections	9.2	32.6	41.9
Conservation, environment, recreation, and agriculture	156.5	256.8	413.3
Health and human services	17.1	28.4	45.6
Transportation	-	609.1	609.1
Labor and economic growth	99.4	12.6	112.0
Other purposes	86.7	11.5	98.2
Funds Held as Permanent Investments:			
Expendable	-	163.7	163.7
Nonexpendable	1.8	736.6	738.4
Total Restricted Net Assets - Governmental	$ 372.1	$ 2,319.4	$ 2,691.5
Business-Type Activities:			
Restricted For:			
Unemployment compensation	$ 130.8	$ -	$ 130.8
Other purposes	14.3	-	14.3
Total Restricted Net Assets – Business – Type	$ 145.1	$ -	$ 145.1
Total Primary Government:			
Restricted For:			
Education	$ 1.3	$ 468.0	$ 469.3
Public safety and corrections	9.2	32.6	41.9
Conservation, environment, recreation, and agriculture	156.5	256.8	413.3
Health and human services	17.1	28.4	45.6
Transportation	-	609.1	609.1
Unemployment compensation	130.8	-	130.8
Labor and economic growth	99.4	12.6	112.0
Other purposes	101.0	11.5	112.4
Funds Held as Permanent Investments:			
Expendable	-	163.7	163.7
Nonexpendable	1.8	736.6	738.4
Total Restricted Net Assets – Primary Government	$ 517.2	$ 2,319.4	$ 2,836.5

NOTE 23 – DISAGGREGATION OF PAYABLES

The line "Current Liabilities: Accounts payable and other liabilities," as presented on the government-wide Statement of Net Assets as of September 30, 2010, consisted of the following (in millions):

	General Fund	School Aid Fund	Non-major Govern-mental Funds	Other Funds	State Lottery Fund	Michigan Unemployment Compensation Funds	Non-major Enterprise Funds	Total
Medicaid programs	$ 853.5	$ -	$ -	$ -	$ -	$ -	$ -	$ 853.5
Non-Medicaid health programs	162.7	-	-	-	-	-	-	162.7
Human Services programs	210.4	-	.3	-	-	-	-	210.7
Transportation programs	-	-	469.4	-	-	-	-	469.4
School Aid programs	-	188.2	-	-	-	-	-	188.2
Other state programs	316.2	-	31.9	-	-	-	-	348.1
Merit Award scholarships	-	-	.7	-	-	-	-	.7
Payroll and withholdings	102.0	-	14.0	-	.4	-	.3	116.8
Tax refunds other than income tax	422.0	4.0	5.6	-	-	-	-	431.6
Unearned receipts	74.1	2.1	6.0	-	-	-	-	82.2
Amounts held for others	35.1	-	37.8	-	2.0	-	-	74.9
Capital project related	-	-	35.6	-	-	-	-	35.6
Prize awards	-	-	-	-	103.1	-	-	103.1
Liquor purchase	-	-	-	-	-	-	69.9	69.9
Unemployment payments	-	-	-	-	-	40.9	-	40.9
Internal Service Fund liabilities	-	-	-	65.6	-	-	-	65.6
Due to fiduciary funds*	-	-	-	27.5	-	-	-	27.5
Miscellaneous	-	-	-	-	11.8	-	.3	12.2
Total	$2,176.0	$194.3	$ 601.4	$ 93.1	$117.4	$ 40.9	$ 70.5	$3,293.7

*This amount represents amounts due to fiduciary funds that are reclassified as external payables on the government-wide Statement of Net Assets.

Effective January 1, 2008, the State replaced the Single Business Tax with the Michigan Business Tax (MBT). However, at the end of fiscal year 2008, the State did not estimate an accrual due to the lack of information. The State is still unable to estimate an accrual because the data needed to compare tax payments received to the total tax liability is not available. Therefore, any potential tax refunded (payable) is not measurable and has not been recorded in this fiscal year.

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Primary Government

Litigation

In the government-wide and proprietary fund financial statements, the State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the governmental fund financial statements, liabilities are accrued when cases are settled and the amount is due and payable.

The State is a party to various legal proceedings seeking damages, injunctive, or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of corrections; tax collection; commerce and budgetary reductions to school districts and governmental units; and court funding. Relief sought generally includes damages in tort cases; improvement of prison medical and mental health care and refund claims for State taxes. The State is also a party to various legal proceedings that, if resolved in the State's favor, would result in contingency gains to the State, but without material effect upon fund balance/net assets. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of any single proceeding or all legal proceedings collectively should not themselves, except as listed below, in the opinion of the Attorney General of the State and the State Budget Office, have a material adverse effect on the State's financial position. Those lawsuits pending which may have a significant impact or substantial effect on State programs or finances, if resolved in a manner unfavorable to the State, include the following:

Durant et al v State of Michigan: On November 15, 2000, more than 365 Michigan school districts and individuals filed two suits in the Michigan Court of Appeals. The first suit, Durant et al v State et al ("Durant III"), asserts that the State School Aid appropriation act, P.A. 297 of 2000, violates the State Constitution, Article 9, Sections 25-34 (the "Headlee Amendment"), because it allegedly transfers per pupil revenue guaranteed to school districts under the Constitution of 1963, Article 9, Section 11, for unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, Section 29. The State won this case in the Court of Appeals, and the Supreme Court denied the plaintiffs' application for leave to appeal.

The second suit, Adair et al v State et al ("Adair"), was filed on November 15, 2000, by more than 400 school districts and asserts that the State has, by operation of law, increased the level of various specified activities and services beyond that which was required by State law as of December 23, 1978 and, subsequent to December 23, 1978, added various specified new activities or services by State law, including mandatory increases in student instruction time, without providing funding for these new activities and services, all in violation of the Headlee Amendment. The Adair plaintiffs sought an unspecified money judgment equal to the reduction in the State financed proportion of necessary costs incurred by the plaintiff school districts for each school year from 1997-1998 through the date of any judgment and for attorneys' fees and litigation costs. The Adair plaintiffs also sought a declaratory judgment that the State has failed to meet its funding responsibility under the Headlee Amendment to provide the plaintiff school districts with revenues sufficient to pay for the necessary increased costs for activities and services first required by State law after December 23, 1978, and to pay for increases in the level of required activities and services beyond that which was required by State law as of December 23, 1978.

On January 2, 2001, plaintiffs filed a first amended complaint in both Durant III and Adair increasing the number of school district plaintiffs to 443. On February 22, 2001, plaintiffs filed a second amended complaint in Durant III increasing the number of school district plaintiffs to 457. On April 16, 2001, plaintiffs filed a second amended complaint in Adair increasing the number of school district plaintiffs to 463. The second amended complaint includes a request for declaratory relief, attorneys' fees and litigation costs but does not include a request for money judgment.

On April 23, 2002, the Court of Appeals dismissed the complaint in its entirety and with prejudice. Plaintiffs filed an application for leave to appeal in the Michigan Supreme Court on May 14, 2002, which was granted on December 18, 2002.

On June 9, 2004, the Michigan Supreme Court issued its opinion in Adair. The court held that, with three exceptions, all of the plaintiffs' claims were barred by the doctrines of *res judicata* and release. The court ruled that all but three of the claims that plaintiffs alleged were new or increased activities could have been included in the Durant I litigation because the activities existed during the time that the Durant I litigation was pending.

The other three claims involve statutes that were enacted after the court's 1997 Durant I decision. The court ruled that two of these post-Durant I statutes are not new mandates because the activities are either not new or are merely permissive. The third claim involves the record keeping activities and the operation of the Center for Educational Performance and Information (CEPI), which was created by executive order in 2000 (Michigan Compiled Laws (MCL) Section 388.1752; Executive Order (EO) 2000-9). Plaintiffs alleged that the statute and executive order require districts to create and maintain student data following State-specified data-gathering procedures and transmit the data electronically to the State. The Supreme Court ruled that the plaintiffs' allegation that districts had to now actively participate in maintaining data that the State requires for its own purposes presents a colorable claim under the Headlee Amendment. The court reversed the Court of Appeals' dismissal of the claim and remanded the issue to the Court of Appeals to determine whether this claim constitutes a new State-mandated activity in violation of the Headlee Amendment.

On August 4, 2005, the Court of Appeals held that the school districts failed to present documentary support from which it can be inferred that either MCL Section 388.1752 or EO 2000-9 mandates the school districts to actively participate in the maintenance of data that the State requires for its purposes. Further, the record keeping claim cannot survive summary disposition in the absence of any factual support, either expressed or implied, demonstrating that a genuine issue of material fact exists with regard to whether the dictates of the statute and the EO impermissibly shift a State obligation to the school districts to avoid the costs of obligation. The Court of Appeals granted summary disposition in the State's favor. Plaintiffs estimated their claim to be $30 million plus ongoing costs. The plaintiff school districts filed an application for leave to appeal with the Michigan Supreme Court. A brief in opposition was filed on October 11, 2005.

On March 8, 2006, the Supreme Court issued an order vacating the August 4, 2005, Court of Appeals decision and remanded the issue to the Court of Appeals for reevaluation of the record keeping claim. The Court of Appeals appointed a Special Master to oversee discovery and make proposed findings to the Court of Appeals. An evidentiary hearing before the Special Master was held in the summer of 2007.

On January 27, 2008, the Special Master issued her opinion. She found that the increased recordkeeping and reporting requirements imposed upon the school districts by the State was an attempt to shift the burden to comply with additional requirements to the districts without appropriating the necessary costs to comply. She concluded that this was a shifting of the recordkeeping and reporting requirement burden from the State to the local units of government in violation of the Headlee Amendment.

The State filed objections to the Special Master's Opinion in the Court of Appeals. The school districts sought attorney fees in the Court of Appeals.

On July 3, 2008, the Court of Appeals issued its Opinion on Second Remand, essentially adopting the conclusions of law and factual findings of the Special Master. The court entered a declaratory judgment in favor of the plaintiff school districts, requiring the State to fund the "necessary costs associated with the data collection reporting mandates" associated with CEPI. The court denied plaintiff's request for attorney fees.

Both parties filed applications for leave to appeals in the Michigan Supreme Court. On April 3, 2009, the Michigan Supreme Court granted leave on two issues: (1) whether the prohibition of unfunded mandates in Article 9, Section 29 of the State Constitution, requires plaintiffs to prove specific costs, either through reallocation of funds or out-of-pocket expenses in order to establish their entitlement to a declaratory judgment; and (2) whether plaintiffs are entitled to recover the "costs incurred in maintaining" this suit pursuant to Article 9, Section 32, of the State Constitution.

Following the submission of briefs, the Michigan Supreme Court heard oral arguments on October 6, 2009.

On July 14, 2010, the Michigan Supreme Court issued a 4-3 decision in favor of the plaintiffs on both issues. The court held that the school district record keeping requirements was an increase in the level of activities or services mandated by the State and therefore, subject to Headlee. The court also held that in a declaratory judgment action under Headlee, where no legislative appropriation is made, a plaintiff is not required to show a quantified dollar amount increase in necessary costs, and the State has the burden to demonstrate that the school district's costs were not necessary under one or more of the exceptions in MCL 21.233(6) (a) through (d). In evaluating whether the costs from an increased level of activity were necessary, the question is what would be the cost to the State if it performed the mandated activity. The court also held that plaintiffs are entitled to attorney fees sustained in maintaining this action.

The case was remanded to the Court of Appeals to determine costs and attorney fees. Based on information provided by the plaintiffs' attorney, the state estimates that he will be seeking between $1.8 million to $3.6 million in attorney fees, which will be paid from fiscal year 2011's budget. The Legislature has only appropriated $1.0 million in section 22b(7) of the State School Aid Act, MCL 388.1622b(7) for this anticipated expense. Subsequent to September 30, the Legislature appropriated $25.6 million to satisfy the Adair record-keeping funding requirement for fiscal year 2011.

<u>County Road Association of Michigan et al</u> v <u>John M. Engler et al</u>: On March 6, 2002, the County Road Association of Michigan and the Chippewa County Road Commission filed a complaint in Ingham County Circuit Court challenging various provisions of Executive Order (EO) 2001-9. The EO was proposed by the Governor and approved by the appropriations committees of both houses of the Legislature on November 6, 2001, for the purpose of reducing appropriated expenditures, to balance the State budget. The complaint consists of five counts, alleging that Defendant State agencies: (1) violated Article 9, Section 9, of the State Constitution, by unlawfully allowing the Department of State to bill the Department of Transportation for expenses in excess of those necessary to collect motor vehicle taxes and fees; (2) violated Article 9, Section 9, of the State Constitution, by utilizing, for non-transportation purposes, revenues from the sale of information, or products, the creation of which was funded by constitutionally restricted transportation funds; (3) violated Article 5, Section 20 and Article 9, Section 17, of the State Constitution, and MCL Section 247.661 *et seq* by allowing the Department of Treasury to bill the Department of Transportation for expenses in excess of those necessary to collect motor vehicle taxes and fees; (4) violated Article 9, Section 17, of the State Constitution, by transferring funds from the Comprehensive Transportation Fund (CTF) to the General Fund; and (5) violated Article 9, Section 17, of the State Constitution, by transferring funds from the Transportation Economic Development Fund to the General Fund.

The plaintiffs obtained two injunctions from the Ingham County Circuit Court. One injunction barred the State from transferring $20 million to the General Fund from the Michigan Transportation Fund (MTF) and the other barred the State from transferring $12.8 million to the General Fund from the CTF. On January 13, 2004, the Court of Appeals vacated the CTF injunction, holding that EO 2001-9 legitimately diverted $12.8 million from the CTF to the General Fund. On the same day, in a separate unpublished opinion, the Court of Appeals reversed in part and affirmed in part the MTF injunction, holding that $12.5 million was legitimately reduced from the MTF to the General Fund but that the remainder was not.

On November 8, 2005, the Michigan Supreme Court affirmed the Court of Appeals' decision that the State legitimately reduced $12.8 million from the CTF to the General Fund, resolving the CTF litigation.

On January 30, 2006, the Supreme Court denied the Defendants' application for leave to appeal in the MTF case. Therefore, the Court of Appeals' decision that $12.5 million was legitimately reduced from the MTF to the General Fund, but that $7.5 million was not, stands.

The remaining issues in the case, involving approximately $45 million, were tried in the Ingham County Circuit Court in July 2007. On August 28, 2008, the Ingham County Circuit Judge issued an Opinion requiring the Department of State to transfer $7.3 million from fiscal year 2001 and $6.5 million from fiscal year 2002 back to the MTF, and ordering that "an appropriate cost allocation study be done for use in the future to reflect the current costs associated with the sales tax collection." No relief was granted on any other of the plaintiffs' claims. The State filed an appeal to seek reversal of the Order and plaintiffs have cross-appealed to reverse the portions of the Order that denied them relief.

The Court of Appeals dismissed this action on January 12, 2010. Plaintiff then sought leave to appeal the decision to the Michigan Supreme Court that was denied on September 29, 2010. Plaintiff filed a motion for reconsideration of the Supreme Court's denial of their application for leave. A response in opposition to their motion was filed on November 1, 2010. The Supreme Court denied appeal for reconsideration on December 29, 2010.

Federal Grants
The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. As of September 30, 2010, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

Gain Contingencies
Certain contingent receivables related to the Department of Human Services (DHS) are not recorded as assets in these statements. Amounts recoverable from DHS grant recipients for grant overpayments or from responsible third parties are recorded as receivables only if the amount is reasonably measurable, expected to be received within 12 months, and not contingent upon future grants or the completion of major collection efforts by the State. If recoveries are accrued and the program involves federal participation, a liability for the federal share of the recovery is also accrued. The unrecorded amount of potential recoveries, which are ultimately collectible, cannot be reasonably determined.

In November 1998, the Attorney General joined 45 other states and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek restitution for monies spent by the states under Medicaid and other health care programs for treatment of smoking-related diseases and conditions. Michigan's share of the settlement is expected to be $8.5 billion over a 25-year period starting in 1998, and then $350.0 million per year, adjusted for inflation and other factors, in perpetuity. While Michigan's percentage share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in the payments. As the market share of the participating manufacturers shifts to companies that are not participating in the settlement, the participating companies are entitled to an adjustment. A state, however, may negate the effects of the market share adjustment by demonstrating that it diligently enforced the escrow requirements, tax laws, and other statutes against the non-participating tobacco manufacturers. The states are currently in litigation over the application and interpretation of the market share adjustment and diligent enforcement provisions of the master settlement agreement. At best, Michigan will avoid any reduction of its tobacco payments, and will recover funds withheld in past years and placed in an escrow account. At present, the escrowed amount is approximately $100 million. At worst, an entire year's payment can be eliminated for years into the future through application of the market share adjustment. The net effect of these adjustments on future payments is unclear, therefore only receivables and deferred revenues which can be reasonably estimated have been recorded for future payments. The matter is being decided by a three-person arbitration panel. It is currently in the discovery phase. A determination on the State's arbitration case is expected in the summer of 2011.

Construction Projects
The Department of Transportation has entered into construction contracts that will be paid with transportation-related funds. As of September 30, 2010, the balances remaining in these contracts equaled $795.9 million.

Contingent Liability for Local School District Bonds
Article 9, Section 16, of the Michigan Constitution resulted in a contingent liability for the bonds of any school district which are "qualified" by the State Treasurer. If, for any reason, a qualified school district will be, or is unable, to pay the principal and interest on its qualified bonds when due, the school district shall borrow, and the State shall lend to it, any amount necessary for the school district to avoid a default on its qualified bonds. In the event that adequate funds are not available in the School Loan Revolving Fund to make such a loan, the State is required to make loans from the General Fund. As of September 30, 2010, the principal amount of qualified bonds outstanding was $14.1 billion. Total debt service requirements on these bonds including interest will approximate $1.6 billion in 2011. The amount of loans by the State (related to local school district bonds qualified under this program), outstanding to local school districts as of September 30, 2010, is $798.5 million. Interest due on these loans as of September 30, 2010, is $229.4 million.

Discretely Presented Component Units

Student Loan Guarantees
The Michigan Guaranty Agency (MGA), a fiduciary fund of the Michigan Finance Authority, is contingently liable for student loans made by financial institutions that qualify for guaranty. The State, other than MGA, is not liable for these loans. The default ratio for loans guaranteed by MGA is below 5% for the fiscal year ended September 30, 2010. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2008, is 100% for loans made prior to October 1, 1993, 98% for loans made from October 1, 1993 to September 30, 1998, and 95% for loans made on or after October 1, 1998. In the event of future adverse default experience, MGA could be liable for up to 25% of defaulted loans, While management believes the MGA expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% is $956.2 million as of September 30, 2010. Management does not expect that all guaranteed loans could default in one year.

The MGA has entered into commitment agreements with all lenders that provide, among other things, that the MGA will maintain cash and marketable securities at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended. The MGA was in compliance with this requirement as of September 30, 2010.

Multi-Family Mortgage Loans
As of June 30, 2010, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of $126.1 million and single-family mortgage loans in the amount of $15.3 million.

The MSHDA has committed up to approximately $1.1 million per year for up to 30 years from the date of completion of the respective developments (subject to three years advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under MSHDA's multi-family program.

NOTE 25 – RISK MANAGEMENT

Primary Government

General
The State has elected not to purchase commercial insurance for many of the risks of losses to which it is exposed. The State is self-insured for most general liability and property losses, portions of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment compensation claims. Areas of risk where some level of insurance coverage is purchased include: aircraft liability, property and loss rental insurance that may be required by bond or lease agreements, portions of the State employee insurance benefits program, certain State artifacts, builder's risk coverage, boiler and machinery coverage, and employee bonding. Settled claims have not exceeded commercial coverage in any of the past ten fiscal years.

The State has established two internal service funds, which are described below, to account for certain aspects of the risk management program. Fund expenditures (expenses) are recognized in the paying funds in a manner similar to purchased commercial insurance. For other uninsured losses not covered by an internal service fund program, such as general liability and property losses, the State recognizes fund liabilities in the fund incurring the loss as follows: governmental funds record an expenditure when a loss is due and payable; proprietary funds record an expense when it is probable that a loss has occurred and the amount can be reasonably estimated. As explained more fully in Note 15, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the government-wide financial statements.

For unemployment claims, the Unemployment Insurance Agency (UIA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UIA through September 30. During fiscal year 2010, expenditures for payments to former State employees (not including university employees) totaled $22.7 million. The potential liability for future payments cannot be estimated.

The State's two internal service funds, which account for certain areas of risk management, such as portions of its employee insurance benefits, employee bonding, and automobile liability, follow accounting standards established by the Governmental Accounting Standards Board (GASB). This results in a reporting which is very similar to that used in the private insurance industry. The various component programs within the two funds may incur deficits during a given year, but each program's surplus and unrestricted net asset balance is considered in calculating future charges or benefit levels.

Risk Management Fund
This fund was established during fiscal year 1990 to account for insurance management activities implemented within the Department of Technology, Management and Budget. The automobile liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of $5.7 million. This includes a long-term portion, which is recorded at $4.2 million. During fiscal year 2010, the required reserve declined due to lower claims in prior fiscal years. This resulted in a negative change in the current year claims and changes in estimates.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2010 and 2009 are as follows (in millions):

	2010	2009
Balance - beginning	$ 7.1	$ 5.1
Current year claims and changes in estimates	(.8)	3.4
Claim payments	(.6)	(1.4)
Balance - ending	$ 5.7	$ 7.1

Workers' compensation payments for State agencies are processed centrally through the Risk Management Fund. Changes in Workers' compensation claims for the fiscal years ending September 30, 2010 and 2009 are as follows (in millions):

	2010	2009
Balance - beginning	$ 107.9	$ 111.5
Current year claims and changes in estimates	29.8	21.1
Claim payments	(24.0)	(24.8)
Balance - ending	$ 113.7	$ 107.9

Workers' compensation is further described in Note 15.

State Sponsored Group Insurance Fund
The Department of Technology, Management and Budget and the Civil Service Commission use this fund to account for employee benefit programs, which are largely self-funded. In compliance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the retiree insurance benefits programs are no longer reported in this fund. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $139.0 million. This includes a long-term portion, which is recorded at a discounted present value of $88.7 million. For all claims incurred prior to October 1, 2010, the discounted present value of the long-term disability liability was calculated over a 20-year period using a discount rate of approximately 1.25%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net assets has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was $47.6 million at September 30, 2010. Unrestricted net assets totaled $67.6 million at September 30, 2010.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2010 and 2009 are as follows (in millions):

	2010	2009
Balance - beginning	$ 135.0	$ 132.9
Current year claims and changes in estimates	681.5	665.6
Claim payments	(677.5)	(663.5)
Balance - ending	$ 139.0	$ 135.0

Discretely Presented Component Units

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

NOTE 26 – SUBSEQUENT EVENTS

Long-Term Borrowing

On October 20, 2010, the State issued its State of Michigan General Obligation School Loan and Refunding Bonds, Series 2010 B in the aggregated amount of $83.8 million as fully registered bonds bearing interest which is payable semi-annually commencing May 1, 2011. Proceeds of this issuance were used to refund $43.1 million of School Loan and Refunding Capital Appreciation Bonds 2009 B. $40.1 million was also deposited in the Michigan Finance Authority's School Loan Revolving Fund.

On October 20, 2010, the State issued its State of Michigan General Obligation Environmental Program Refunding Bonds, Series 2010 A and 2010 B, in the aggregated amounts of $46.6 million and $89.0 million, respectively, as fully registered bonds bearing interest which is payable semi-annually commencing May 1, 2011. Proceeds of these issuances were used to refund various General Obligation Bonds in the total amount of $115.8 million. $20.0 million was also deposited in the Combined Environmental Protection Bond Fund's Clean Michigan Initiative Fund ($10.0 million) and Great Lakes Water Quality Fund ($10.0 million).

Short-Term Borrowing

On November 4, 2010, the State issued its $1.1 billion State of Michigan Full Faith and Credit General Obligation Notes, Fiscal Year 2011 Series A, bearing an interest rate of 2.0%. The notes will mature on September 30, 2011.

On October 21, 2010, the State Building Authority (SBA) issued $83.6 million of commercial paper notes bearing an interest rate of .32%. The notes matured on November 18, 2010.

On November 18, 2010, SBA issued $92.2 million of commercial paper notes bearing an interest rate of .30%. The notes matured on January 6, 2011.

On January 6, 2011 and January 7, 2011, SBA issued $98.8 million and $51.2 million, respectively, of commercial paper notes bearing an interest rate of .30%. The notes will mature on March 10, 2011.

Long-Term Borrowing – Discretely Presented Component Units

Subsequent to their respective year-ends, the following discretely presented component units issued long-term debt (in millions):

	Bonds Issued
Michigan Finance Authority	$ 635.0
Michigan State Housing Development Authority	253.6
Michigan Technological University	11.0
Total	$ 881.5

Short-Term Borrowing - Discretely Presented Component Units

On December 22, 2010, the Michigan Finance Authority issued its $11.0 million State Aid Revenue Notes, Series 2010 F, bearing an interest rate of 1.36%. The notes will mature on August 22, 2011.

Executive Reorganization

Under Executive Order 2011-1, effective March 13, 2011, the Department of Natural Resources and Environment will be abolished. The authority, duties, and responsibilities of the department will be transferred to two new principal departments, the Department of Natural Resources and the Department of Environmental Quality.

II. FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning Budgetary Fund Balance	$ 665,905	$ 665,905	$ 665,905	$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	7,474,200	7,279,196	7,279,196	-
Federal	17,000	20,827	20,827	-
Local	500	412	412	-
Licenses and permits	37,500	27,984	27,984	-
Services	13,000	9,455	9,455	-
Miscellaneous	155,000	173,161	173,161	-
Transfers in	349,300	207,643	207,643	-
Restricted Revenues:				
Taxes	180,260	3,894,843	3,894,843	-
Federal	1,187,233	15,703,724	15,703,724	-
Local	27,491	212,426	212,426	-
Licenses and permits	-	264,295	264,295	-
Services	-	287,512	287,512	-
Miscellaneous	335,170	504,116	504,116	-
Proceeds from sale of capital assets	-	1,576	1,576	-
Transfers in	-	283,141	283,141	-
Total Revenue Inflows	9,776,654	28,870,308	28,870,308	-
Amounts Available for Appropriation	10,442,558	29,536,213	29,536,213	-
Charges to Appropriations (outflows):				
Legislative Branch	24,771	123,077	122,940	136
Judicial Branch	21,310	237,732	237,493	239
Executive Branch:				
Agriculture	8,382	64,351	64,308	43
Attorney General	6,086	65,365	65,139	225
Civil Rights	1,109	13,771	12,178	1,593
Colleges and Universities Grants	166,391	1,905,049	1,904,643	406
Community Health	1,065,002	13,437,103	13,425,264	11,839
Corrections	158,436	1,962,681	1,960,961	1,719
Education	9,795	113,452	110,985	2,467
Energy, Labor and Economic Growth	115,836	1,021,095	1,001,702	19,393
Executive Office	402	4,785	4,676	108
Human Services	437,352	6,043,674	6,009,938	33,736
Technology, Management and Budget	61,886	524,747	517,878	6,870
Military and Veterans Affairs	16,948	142,729	141,803	926
Natural Resources and Environment	54,033	253,894	253,868	26
State	25,575	189,146	186,523	2,623
State Police	42,960	500,306	500,026	280
Transportation	-	-	-	-
Treasury	238,742	2,859,451	2,835,039	24,412
Intrafund expenditure reimbursements	-	(529,250)	(529,250)	-
Total Charges to Appropriations	2,455,016	28,933,158	28,826,116	107,042
Reconciling Items:				
Change in noncurrent assets	-	(4,551)	(4,551)	-
Net Reconciling Items	-	(4,551)	(4,551)	-
Ending Budgetary Fund Balance	$ 7,987,543	$ 598,504	$ 705,545	$ 107,042

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND				SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
$ 2,179	$ 2,179	$ 2,179	$ -	$ 246,298	$ 246,298	$ 246,298	$ -
-	-	-	-	10,064,605	10,114,173	10,114,173	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
100	6	6	-	-	25,445	25,445	-
-	-	-	-	707,206	682,657	682,657	-
-	-	-	-	-	-	-	-
-	-	-	-	2,051,759	2,392,903	2,392,903	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	7,710	7,710	-
-	-	-	-	-	-	-	-
-	-	-	-	-	46,933	46,933	-
100	6	6	-	12,823,571	13,269,822	13,269,822	-
2,279	2,185	2,185	-	13,069,869	13,516,120	13,516,120	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	12,823,571	13,304,145	13,259,497	44,648
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	12,823,571	13,304,145	13,259,497	44,648
-	-	-	-	-	1,216	1,216	-
-	-	-	-	-	1,216	1,216	-
$ 2,279	$ 2,185	$ 2,185	$ -	$ 246,298	$ 213,191	$ 257,840	$ 44,648

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
SEPTEMBER 30, 2010
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	$ 29,536,213	$ 2,185	$ 13,516,120
Differences - budget to GAAP:			
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(665,905)	(2,179)	(246,298)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,576)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(490,783)	-	(729,590)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 28,377,949	$ 6	$ 12,540,232
Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	$ 28,826,116	$ -	$ 13,259,497
Differences - budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	126	-	1,976
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(333,852)	-	(248,400)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP.	39,101	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 28,531,492	$ -	$ 13,013,073

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Statutory/Budgetary Presentation

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

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

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

The budgetary comparison schedule presented for the General Fund, the Budget Stabilization Fund, and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2010, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2009, and includes multi-year projects budgetary carry-forwards from the prior fiscal year. On October 1, 2009, the Governor signed a 30-day continuation budget to provide for the uninterrupted continuous operations of state government. This allowed the Legislature more time to pass individual budgets for each state agency for fiscal year 2010. As a result, the General Fund original budget was only $2.5 billion. Later in the fiscal year, the Legislature passed full budgets for each state agency.

The budgetary fund balance represents total fund balance, net of reserves for noncurrent assets and prior year encumbrances. Reserves for noncurrent assets do not represent current financial resources available for appropriation and are removed for budgetary purposes. Prior year encumbrances are considered uses of spending authority in the year the State incurs an obligation and are also removed.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the "final budget" column, therefore updated revenue estimates available for appropriations as of November 30, rather than the amounts shown in the original budget, are reported. The November 30 date is used because P.A. 431 of 1984, as amended, permits budget adjustments by the Legislature through 60 days after year-end.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, carry-backs (i.e., current year appropriations for prior year overdrafts), approved transfers, executive order reductions, and timing differences. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by department rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budget process. Appropriations include interagency expenditure reimbursement, in which one agency provides funding to another agency within the same fund. The final budget and actual amounts are adjusted to eliminate the duplication.

The timing differences result from unspent authorizations for multi-year projects, such as capital outlay and work projects, and from restricted revenues that had not been appropriated for expenditure in the current year. Such authorization balances remaining at year-end are removed from the final budget column to provide an "annualized" budget.

Positive "variances" reflect restricted revenues that were appropriated and available for expenditure in the current year and unused general purpose spending authority (lapses); negative "variances" reflect budgetary overdrafts. If both positive and negative variances exist for a particular line, the amount shown is the net variance.

Statutory/Budgetary Reconciliation

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance.

For budgetary reporting purposes, expenditures and transfers out in the "Actual" column include recorded encumbrances, because they are considered uses of spending authority in the year the State incurs an obligation. Therefore, the "Original" and "Final Budget" columns do not include encumbrance authorization balances carried over from the prior fiscal year. In the GAAP basis statements, expenditures do not include encumbrances. The effect of this difference is reflected as a reconciling item on the Budgetary Comparison Schedule for the major funds and the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the non-major special revenue funds and permanent funds.

For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

Statewide Authorization Dispositions

Subsequent to the release of this report, the State publishes "Statewide Authorization Dispositions" to demonstrate its compliance with the legal level of budgetary control. The report includes line-item appropriation details for the General Fund and budgeted operating funds, and is available by contacting the Office of Financial Management at (517) 373-1010.

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,432 lane miles of roads and 4,761 bridges (spans in excess of 20 feet).

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Roads

Measurement Scale

The Michigan Department of Transportation (MDOT) uses numerous methods to determine the condition of roadway pavements; however, the Sufficiency Rating serves as the State's primary method to measure and monitor pavement conditions. In use since 1961, the Sufficiency Rating is a visual analysis conducted by an engineer and includes a 5-point scale, as follows:

Rating	Bituminous Surface	Concrete Surface
1.0 = Excellent	Pavement shows no visible deterioration. Distresses are non-existent.	Same
2.0 = Good	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items include the start of small transverse and/or longitudinal cracks. Slight rutting may be apparent in the wheel path.	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items may include the start of small transverse and/or longitudinal cracks, or slight seam and joint separation. Joints may show very small amounts of deterioration.
3.0 = Fair	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Rutting may be a little more severe and hold small amounts of water.	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Through-lanes and shoulders may begin to show separation from failing tie bars.
4.0 = Poor	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. Severe "shallow cracking" could be evident if the pavement is composite. If the segment has been patched, the cracks may be showing through. Rutting is severe and may effect driving.	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. If the segment has been patched, cracks may be showing through. Joint repairs could begin to fail. Shoulder and/or through-lane separation may be apparent. Popouts or spalling could also be present in the section.
5.0 = Very Poor/ Failed	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking or severe alligator cracking. Shadow cracking in composite pavement is wider than one inch. Rutting in wheel path may be severe and patching is no longer beneficial to pavement condition.	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking, joints failing, and the patching is no longer beneficial to pavement condition. Spalling and edge cracking could also be severe.

Established Condition Level

No more than 30% of the pavements shall be rated as "Poor" or "Very Poor."

Assessed Conditions

The State assesses condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Good" or "Poor," for the past three years. "Good" represents ratings of 1.0 through 3.0 above and "Poor" represents ratings of 4.0 and 5.0.

Rating	2009	2008	2007
Good	83.0%	82.7%	83.6%
Poor	17.0%	17.3%	16.4%

Bridges

Measurement Scale
MDOT utilizes the National Bridge Inventory (NBI) to monitor the condition of bridges (spans in excess of 20 feet) under its jurisdiction. The inventory rates bridges, including the deck, superstructure and substructure, using a 10-point scale:

Rating	Description
9	Excellent (no specific definition).
8	Very good. No problems noted.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action.

Established Condition Level
No more than 35% of the highway bridges shall be rated as “structurally deficient.”

Assessed Conditions
A highway bridge is classified as structurally deficient if the deck, superstructure, substructure, or culvert is rated in “poor” condition (0 to 4 on the NBI rating scale). A bridge can also be classified as structurally deficient if its load carrying capacity is significantly below current design standards or if a waterway below frequently overtops the bridge during floods. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient,” in the stated year:

Fiscal Year	Structurally Deficient
2010	9.6%
2009	9.9%
2008	11.4%

Bridges that are not intended to carry highway traffic are not included in MDOT’s condition assessment. As a result, the number of bridges that were evaluated (4,419) in fiscal year 2010 is less than the total (4,761) maintained by the department.

Estimated and Actual Costs to Maintain
The following table presents the State’s estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the “Established Condition Levels” cited above, and the actual amount spent during the past five fiscal years (in millions):

Fiscal Year	Estimated Spending	Actual Spending
2011	$ 766.0	$ -
2010	$1,162.0	$ 829.2
2009	$1,081.7	$1,028.7
2008	$ 829.0	$1,003.7
2007	$1,013.0	$1,139.0
2006	$1,109.0	$1,131.4

Amounts for fiscal year 2010 actual spending and fiscal year 2011 estimated spending do not include certain types of projects that were capitalized beginning in fiscal year 2010 but expensed as maintenance in previous years. Amounts for prior years are not available.

II. FINANCIAL SECTION

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

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
SEPTEMBER 30, 2010
(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 2,446	$ -	$ -	$ -	**$ 2,446**
Equity in common cash	904,788	1,348	1,886	200,951	**1,108,973**
Taxes, interest, and penalties receivable	101,556	-	-	-	**101,556**
Amounts due from other funds	379,073	-	21,502	-	**400,576**
Amounts due from component units	1,960	-	7,094	-	**9,054**
Amounts due from federal agencies	255,220	-	-	-	**255,220**
Amounts due from local units	53,792	-	2,988	55	**56,835**
Inventories	17,168	-	-	-	**17,168**
Investments	-	221,573	13,384	-	**234,957**
Other current assets	175,319	1	-	15,447	**190,767**
Total Current Assets	1,891,322	222,922	46,855	216,452	**2,377,551**
Taxes, interest, and penalties receivable	3,295	-	-	-	**3,295**
Amounts due from local units	52,721	-	-	-	**52,721**
Investments	200,547	-	-	691,538	**892,085**
Other noncurrent assets	5,510	-	-	-	**5,510**
Total Assets	$ 2,153,395	$ 222,922	$ 46,855	$ 907,990	**$ 3,331,162**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 9,860	$ -	$ -	$ 347	**$ 10,206**
Accounts payable and other liabilities	552,550	300	41,306	7,260	**601,415**
Amounts due to other funds	59,682	-	86,184	47	**145,912**
Amounts due to component units	2,971	-	-	-	**2,971**
Bonds and notes payable	-	-	81,335	-	**81,335**
Interest payable	-	-	10	-	**10**
Deferred revenue	179,565	-	-	-	**179,565**
Total Current Liabilities	804,627	300	208,835	7,653	**1,021,415**
Long-Term Liabilities:					
Deferred revenue	8,177	-	-	-	**8,177**
Total Liabilities	812,805	300	208,835	7,653	**1,029,592**
Fund Balances:					
Reserved fund balance	963,635	300	-	824,851	**1,788,787**
Unreserved fund balance (deficit)	376,955	222,322	(161,980)	75,486	**512,783**
Total Fund Balances	1,340,590	222,622	(161,980)	900,337	**2,301,570**
Total Liabilities and Fund Balances	$ 2,153,395	$ 222,922	$ 46,855	$ 907,990	**$ 3,331,162**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	**TOTALS**
REVENUES					
Taxes	$ 1,886,612	$ -	$ -	$ -	**$ 1,886,612**
From federal agencies	1,715,392	-	-	-	**1,715,392**
From local agencies	16,540	-	-	-	**16,540**
From services	4,025	-	-	-	**4,025**
From licenses and permits	166,024	-	-	-	**166,024**
Miscellaneous	645,597	7	772	218,828	**865,205**
Total Revenues	4,434,191	7	772	218,828	**4,653,798**
EXPENDITURES					
Current:					
General government	320,868	-	-	486	**321,354**
Education	-	1,607	54,781	-	**56,388**
Human services	32,751	-	-	-	**32,751**
Public safety and corrections	659	-	-	1,703	**2,363**
Conservation, environment, recreation, and agriculture	220,703	-	1	18,105	**238,809**
Labor, commerce, and regulatory	228,093	-	-	-	**228,093**
Health services	122,719	-	-	-	**122,719**
Transportation	2,278,867	1,023	-	-	**2,279,890**
Capital outlay	1,224,420	-	37,527	29,169	**1,291,116**
Debt Service:					
Bond principal retirement	-	247,532	-	-	**247,532**
Bond interest and fiscal charges	-	316,163	-	-	**316,163**
Capital lease payments	1,606	-	-	-	**1,606**
Total Expenditures	4,430,686	566,325	92,308	49,463	**5,138,782**
Excess of Revenues over (under) Expenditures	3,505	(566,317)	(91,536)	169,364	**(484,984)**
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	64,000	-	113,480	-	**177,480**
Refunding bonds issued	-	142,190	-	-	**142,190**
Premium on bond issuance	583	9,321	665	-	**10,569**
Payment to refunded bond escrow agent	-	(150,488)	-	-	**(150,488)**
Proceeds from sale of capital assets	308	-	-	11	**319**
Transfers from other funds	1,022,961	579,702	1,683	10,000	**1,614,345**
Transfers to other funds	(1,353,226)	-	(3,486)	(10,169)	**(1,366,881)**
Total Other Financing Sources (Uses)	(265,375)	580,724	112,342	(158)	**427,533**
Excess of Revenues and Other Sources over (under) Expenditures Other Uses	(261,869)	14,407	20,806	169,206	**(57,450)**
Fund Balances - Beginning of fiscal year - restated	1,602,460	208,216	(182,786)	731,131	**2,359,020**
Fund Balances - End of fiscal year	$ 1,340,590	$ 222,622	$ (161,980)	$ 900,337	**$ 2,301,570**

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 2010
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 2,344	$ 97	$ 1	$ 4	**$ 2,446**
Equity in common cash	508,243	184,791	49,840	161,913	**904,788**
Taxes, interest, and penalties receivable	101,376	181	-	-	**101,556**
Amounts due from other funds	359,575	1,405	18,093	-	**379,073**
Amounts due from component units	1,950	9	-	-	**1,960**
Amounts due from federal agencies	236,528	1,347	17,345	-	**255,220**
Amounts due from local units	52,838	954	-	-	**53,792**
Inventories	16,810	358	-	-	**17,168**
Other current assets	3,123	9,576	2,286	160,333	**175,319**
Total Current Assets	1,282,788	198,718	87,566	322,250	**1,891,322**
Taxes, interest, and penalties receivable	3,293	2	-	-	**3,295**
Amounts due from local units	35,059	17,662	-	-	**52,721**
Investments	-	178,082	-	22,465	**200,547**
Other noncurrent assets	1,098	1,384	-	3,028	**5,510**
Total Assets	$ 1,322,239	$ 395,848	$ 87,566	$ 347,742	**$ 2,153,395**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 6,980	$ 2,010	$ 851	$ 18	**$ 9,860**
Accounts payable and other liabilities	505,990	24,154	21,272	1,134	**552,550**
Amounts due to other funds	42,916	769	15,977	20	**59,682**
Amounts due to component units	-	-	-	2,971	**2,971**
Deferred revenue	13,623	1,193	5,428	159,320	**179,565**
Total Current Liabilities	569,510	28,126	43,528	163,463	**804,627**
Long-Term Liabilities:					
Deferred revenue	4,391	1,386	-	2,400	**8,177**
Total Liabilities	573,901	29,512	43,528	165,863	**812,805**
Fund Balances:					
Reserves For:					
Budgetary Carry-Forwards:					
Encumbrances	76,896	11,622	5	13	**88,536**
Restricted revenues	192,528	64,766	5,235	-	**262,530**
Multi-year projects	144,169	14,865	-	-	**159,033**
Construction and debt service	145,498	-	-	-	**145,498**
Revolving loan programs	32,459	32,048	-	-	**64,507**
Funds held as permanent investments	-	198,966	-	22,231	**221,197**
Noncurrent assets	21,707	-	-	628	**22,335**
Total Reserved	613,256	322,268	5,240	22,871	**963,635**
Unreserved	135,081	44,068	38,797	159,008	**376,955**
Total Fund Balances	748,337	366,336	44,038	181,879	**1,340,590**
Total Liabilities and Fund Balances	$ 1,322,239	$ 395,848	$ 87,566	$ 347,742	**$ 2,153,395**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	**TOTALS**
REVENUES					
Taxes	$ 1,886,372	$ 241	$ -	$ -	**$ 1,886,612**
From federal agencies	1,531,103	3,745	179,580	964	**1,715,392**
From local agencies	16,540	-	-	-	**16,540**
From services	4,025	-	-	-	**4,025**
From licenses and permits	36,412	115,587	14,025	-	**166,024**
Miscellaneous	65,186	144,622	66,440	369,349	**645,597**
Total Revenues	3,539,638	264,195	260,045	370,313	**4,434,191**
EXPENDITURES					
Current:					
General government	-	1,462	22,372	297,034	**320,868**
Human services	-	-	-	32,751	**32,751**
Public safety and corrections	-	-	-	659	**659**
Conservation, environment, recreation, and agriculture	-	220,703	-	-	**220,703**
Labor, commerce, and regulatory	-	-	228,093	-	**228,093**
Health services	-	-	-	122,719	**122,719**
Transportation	2,278,867	-	-	-	**2,278,867**
Capital outlay	1,217,473	6,948	-	-	**1,224,420**
Debt Service:					
Capital lease payments	171	-	1,435	-	**1,606**
Total Expenditures	3,496,510	229,113	251,899	453,163	**4,430,686**
Excess of Revenues over (under) Expenditures	43,127	35,082	8,146	(82,850)	**3,505**
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	4,000	-	-	60,000	**64,000**
Premium on bond issuance	-	-	-	583	**583**
Proceeds from sale of capital assets	308	-	-	-	**308**
Transfers from other funds	986,888	29,872	6,202	-	**1,022,961**
Transfers to other funds	(1,261,089)	(26,567)	(18,923)	(46,646)	**(1,353,226)**
Total Other Financing Sources (Uses)	(269,894)	3,304	(12,722)	13,936	**(265,375)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(226,767)	38,386	(4,575)	(68,914)	**(261,869)**
Fund Balances - Beginning of fiscal year - restated	975,104	327,950	48,613	250,793	**1,602,460**
Fund Balances - End of fiscal year	$ 748,337	$ 366,336	$ 44,038	$ 181,879	**$ 1,340,590**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 2010

(In Thousands)

	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 1,886,372	$ 1,886,372	$ -	$ 241	$ 241	$ -
From federal agencies	1,103,589	1,103,589	-	3,461	3,461	-
From local agencies	16,130	16,130	-	-	-	-
From services	4,025	4,025	-	-	-	-
From licenses and permits	36,412	36,412	-	115,587	115,587	-
Miscellaneous	62,141	62,141	-	39,426	39,426	-
Proceeds from sale of capital assets	308	308	-	-	-	-
Transfers in	974,129	974,129	-	29,872	29,872	-
Total Revenues and Other Sources	4,083,105	4,083,105	-	188,587	188,587	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Energy, Labor and Economic Growth	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Natural Resources and Environment	-	-	-	207,894	197,632	10,262
Transportation	4,343,346	4,244,149	99,196	-	-	-
Treasury	-	-	-	1,929	1,460	469
Total Expenditures, Transfers Out, and Encumbrances	4,343,346	4,244,149	99,196	209,823	199,092	10,731
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (260,240)	(161,044)	$ 99,196	$ (21,236)	(10,506)	$ 10,731
Reconciling Items:						
Encumbrances at September 30		76,896			11,622	
Funds not annually budgeted		(142,619)			37,270	
Net Reconciling Items		(65,722)			48,892	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(226,767)			38,386	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		975,104			327,950	
Ending balances (GAAP Basis)		$ 748,337			$ 366,336	

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,886,612	$ 1,886,612	$ -
179,580	179,580	-	964	964	-	1,287,594	1,287,594	-
-	-	-	-	-	-	16,130	16,130	-
-	-	-	-	-	-	4,025	4,025	-
14,025	14,025	-	-	-	-	166,024	166,024	-
43,051	43,051	-	203,026	203,026	-	347,644	347,644	-
-	-	-	-	-	-	308	308	-
6,202	6,202	-	-	-	-	1,010,202	1,010,202	-
242,858	242,858	-	203,989	203,989	-	4,718,539	4,718,539	-
-	-	-	407	398	9	407	398	9
-	-	-	124,713	122,719	1,995	124,713	122,719	1,995
-	-	-	34,886	32,770	2,116	34,886	32,770	2,116
211,974	203,501	8,474	-	-	-	211,974	203,501	8,474
-	-	-	1,000	137	863	1,000	137	863
-	-	-	610	533	77	610	533	77
-	-	-	-	-	-	207,894	197,632	10,262
-	-	-	-	-	-	4,343,346	4,244,149	99,196
38,724	38,724	-	269,090	117,637	151,452	309,743	157,822	151,921
250,698	242,225	8,474	430,706	274,194	156,512	5,234,573	4,959,660	274,912
$ (7,840)	633	$ 8,474	$ (226,716)	(70,204)	$ 156,512	$ (516,033)	(241,121)	$ 274,912
	5			13			88,536	
	(5,213)			1,278			(109,284)	
	(5,209)			1,291			(20,749)	
	(4,575)			(68,914)			(261,869)	
	48,613			250,793			1,602,460	
	$ 44,038			$ 181,879			$ 1,340,590	

SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

STATE AERONAUTICS FUND

Established pursuant to Michigan Compiled Laws Section 259.34, this fund accounts for airport improvement projects. Financing consists primarily of aviation fuel taxes and federal contributions. Although subject to change in the future, annual appropriation acts have allowed any unobligated and unexpended balance at fiscal year-end to lapse and revert to the fund for appropriation in the following year.

STATE TRUNKLINE FUND

Established pursuant to Michigan Compiled Laws Section 247.661, this fund accounts for highway construction and maintenance. Its annual budget is subject to legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of federal aid, local participation, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. Although subject to change in the future, annual appropriation acts have allowed for any fund balance not otherwise reserved at fiscal year-end to be reserved for road and bridge construction.

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund.

MICHIGAN TRANSPORTATION FUND

Established pursuant to Michigan Compiled Laws Section 247.660, this fund accounts for the receipt and distribution of several tax revenues dedicated for highway purposes. Transfers are made to the General Fund, State Trunkline Fund, and the Comprehensive Transportation Fund. Expenditures include grants to counties, cities, and villages for highway purposes.

COMPREHENSIVE TRANSPORTATION FUND

Established pursuant to Michigan Compiled Laws Section 247.660, this fund accounts for the planning and development of public transportation systems within the State. Federal revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund provide financing for expenditures. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the fund for appropriation in the following year.

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668, this fund accounts for the proceeds of State trunkline revenue dedicated bonds. These bonds are used in part to finance the costs of road and bridge construction.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668, this fund accounts for the proceeds of comprehensive transportation revenue dedicated bonds. These bonds are used in part to finance the costs of comprehensive transportation projects.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds reflects the activities of five sub-funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, the Highway Topics and Safety Program Fund, and the Metropolitan Planning Fund. The Michigan Department of Transportation is recognized as the legal representative of the State, including all governmental subdivisions, in the administration of these programs. The financing accounted for in these funds consists primarily of federal matching funds with very little State funds.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 2010
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
ASSETS				
Current Assets:				
Cash	$ -	$ 201	$ -	$ -
Equity in common cash	18,590	190,476	133,747	44,618
Taxes, interest, and penalties receivable	710	-	100,665	-
Amounts due from other funds	-	341,676	-	17,899
Amounts due from component units	-	1,950	-	-
Amounts due from federal agencies	28,558	135,516	-	17,982
Amounts due from local units	8,953	18,251	-	1,209
Inventories	-	16,810	-	-
Other current assets	45	3,020	12	47
Total Current Assets	56,857	707,900	234,423	81,756
Taxes, interest, and penalties receivable	-	-	3,293	-
Amounts due from local units	250	30,400	-	4,410
Other noncurrent assets	-	445	-	653
Total Assets	$ 57,107	$ 738,746	$ 237,716	$ 86,819
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 28	$ 5,741	$ 301	$ 91
Accounts payable and other liabilities	34,875	173,067	196,361	23,606
Amounts due to other funds	37	1,528	28,261	48
Deferred revenue	6	3,481	9,500	2
Total Current Liabilities	34,946	183,818	234,423	23,746
Long-Term Liabilities:				
Deferred revenue	-	445	3,293	653
Total Liabilities	34,946	184,263	237,716	24,399
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	4,422	38,751	-	33,722
Restricted revenues	788	189,746	-	1,994
Multi-year projects	7,878	136,291	-	-
Construction and debt service	-	145,498	-	-
Revolving loan programs	2,200	22,490	-	7,769
Noncurrent assets	-	21,707	-	-
Total Reserved	15,288	554,483	-	43,486
Unreserved	6,873	-	-	18,935
Total Fund Balances	22,161	554,483	-	62,420
Total Liabilities and Fund Balances	$ 57,107	$ 738,746	$ 237,716	$ 86,819

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	**TOTALS**
$ -	$ -	$ 2,142	**$ 2,344**
66,560	54,252	-	**508,243**
-	-	-	**101,376**
-	-	-	**359,575**
-	-	-	**1,950**
237	-	54,235	**236,528**
510	-	23,915	**52,838**
-	-	-	**16,810**
-	-	-	**3,123**
67,307	54,252	80,292	**1,282,788**
-	-	-	**3,293**
-	-	-	**35,059**
-	-	-	**1,098**
$ 67,307	$ 54,252	$ 80,292	**$ 1,322,239**
$ 44	$ -	$ 775	**$ 6,980**
9,624	1,983	66,474	**505,990**
-	-	13,043	**42,916**
635	-	-	**13,623**
10,302	1,983	80,292	**569,510**
-	-	-	**4,391**
10,302	1,983	80,292	**573,901**
-	-	-	**76,896**
-	-	-	**192,528**
-	-	-	**144,169**
-	-	-	**145,498**
-	-	-	**32,459**
-	-	-	**21,707**
-	-	-	**613,256**
57,004	52,269	-	**135,081**
57,004	52,269	-	**748,337**
$ 67,307	$ 54,252	$ 80,292	**$ 1,322,239**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	$ 5,422	$ -	$ 1,804,172	$ 76,778
From federal agencies	118,528	934,843	-	50,217
From local agencies	15	16,115	-	-
From services	575	54	3,396	-
From licenses and permits	325	5,357	30,366	363
Miscellaneous	10,172	49,041	1,088	1,840
Total Revenues	135,038	1,005,410	1,839,023	129,198
EXPENDITURES				
Current:				
Transportation	137,539	591,792	894,612	260,046
Capital outlay	139	1,079,986	-	-
Debt service:				
Capital lease payments	-	171	-	-
Total Expenditures	137,679	1,671,949	894,612	260,046
Excess of Revenues over (under) Expenditures	(2,641)	(666,539)	944,410	(130,848)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	-
Proceeds from sale of capital assets	-	308	-	-
Transfers from other funds	6,000	810,026	1,155	156,948
Transfers to other funds	(3,568)	(223,854)	(945,566)	(29,979)
Total Other Financing Sources (Uses)	2,432	586,480	(944,410)	126,969
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(209)	(80,059)	-	(3,880)
Fund Balances - Beginning of fiscal year	22,370	634,542	-	66,300
Fund Balances - End of fiscal year	$ 22,161	$ 554,483	$ -	$ 62,420

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	**TOTALS**
$ -	$ -	$ -	**$ 1,886,372**
58,534	-	368,980	**1,531,103**
410	-	-	**16,540**
-	-	-	**4,025**
-	-	-	**36,412**
837	271	1,937	**65,186**
59,781	271	370,918	**3,539,638**
2,533	21,426	370,918	**2,278,867**
137,110	237	-	**1,217,473**
-	-	-	**171**
139,643	21,663	370,918	**3,496,510**
(79,862)	(21,393)	-	**43,127**
4,000	-	-	**4,000**
-	-	-	**308**
-	12,758	-	**986,888**
(58,122)	-	-	**(1,261,089)**
(54,122)	12,758	-	**(269,894)**
(133,984)	(8,634)	-	**(226,767)**
190,989	60,903	-	**975,104**
$ 57,004	$ 52,269	$ -	**$ 748,337**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 5,422	$ 5,422	$ -
From federal agencies	118,528	118,528	-
From local agencies	15	15	-
From services	575	575	-
From licenses and permits	325	325	-
Miscellaneous	10,172	10,172	-
Proceeds from sale of capital assets	-	-	-
Transfers in	6,000	6,000	-
Total Revenues and Other Sources	141,038	141,038	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	148,218	145,669	2,549
Total Expenditures, Transfers Out, and Encumbrances	148,218	145,669	2,549
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (7,180)	(4,631)	$ 2,549
Reconciling Items:			
Encumbrances at September 30		4,422	
Funds not annually budgeted		-	
Net Reconciling Items		4,422	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(209)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		22,370	
Ending balances (GAAP Basis)		$ 22,161	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 1,804,172	$ 1,804,172	$ -
934,843	934,843	-	-	-	-
16,115	16,115	-	-	-	-
54	54	-	3,396	3,396	-
5,357	5,357	-	30,366	30,366	-
49,041	49,041	-	1,088	1,088	-
308	308	-	-	-	-
810,026	810,026	-	1,155	1,155	-
1,815,744	1,815,744	-	1,840,178	1,840,178	-
2,004,702	1,934,555	70,147	1,850,937	1,840,178	10,759
2,004,702	1,934,555	70,147	1,850,937	1,840,178	10,759
$ (188,958)	(118,811)	$ 70,147	$ (10,759)	-	$ 10,759
	38,751			-	
	-			-	
	38,751			-	
	(80,059)			-	
	634,542			-	
	$ 554,483			$ -	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2010

(In Thousands)

	COMPREHENSIVE TRANSPORTATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 76,778	$ 76,778	$ -
From federal agencies	50,217	50,217	-
From local agencies	-	-	-
From services	-	-	-
From licenses and permits	363	363	-
Miscellaneous	1,840	1,840	-
Proceeds from sale of capital assets	-	-	-
Transfers in	156,948	156,948	-
Total Revenues and Other Sources	286,146	286,146	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	339,489	323,748	15,741
Total Expenditures, Transfers Out, and Encumbrances	339,489	323,748	15,741
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (53,343)	(37,602)	$ 15,741
Reconciling Items:			
Encumbrances at September 30		33,722	
Funds not annually budgeted		-	
Net Reconciling Items		33,722	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(3,880)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		66,300	
Ending balances (GAAP Basis)		$ 62,420	

FUNDS NOT ANNUALLY BUDGETED			TOTALS		
COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS			
ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 1,886,372	$ 1,886,372	$ -
-	-	-	1,103,589	1,103,589	-
-	-	-	16,130	16,130	-
-	-	-	4,025	4,025	-
-	-	-	36,412	36,412	-
-	-	-	62,141	62,141	-
-	-	-	308	308	-
-	-	-	974,129	974,129	-
-	-	-	4,083,105	4,083,105	-
-	-	-	4,343,346	4,244,149	99,196
-	-	-	4,343,346	4,244,149	99,196
-	-	-	$ (260,240)	(161,044)	$ 99,196
-	-	-		76,896	
(133,984)	(8,634)	-		(142,619)	
(133,984)	(8,634)	-		(65,722)	
(133,984)	(8,634)	-		(226,767)	
190,989	60,903	-		975,104	
$ 57,004	$ 52,269	$ -		$ 748,337	

SPECIAL REVENUE FUNDS – CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

MICHIGAN CONSERVATION AND RECREATION LEGACY FUND

This fund ("Legacy Fund") was created by Article 9, Section 40, of the State Constitution, an amendment approved by voters in November 2006. The purpose of the amendment was to constitutionally prevent the diversion of certain funds and revenues for purposes other than those for which they were created. Section 40 created the following accounts within the Legacy Fund: Forest Recreation, Game and Fish Protection, Off-Road Vehicle, Recreation Improvement, Snowmobile, State Park Improvement, and Waterways.

The implementing legislation related to this amendment, found in Sections 324.2002 – 324.2035 of the Michigan Compiled Laws, transferred a number of special revenue funds and certain restrictively financed activities within the General Fund to the Legacy Fund. The following special revenue funds were transferred into the fund: Game and Fish Protection Fund, Michigan State Waterways Fund, Marine Safety Fund, and State Park Improvement Fund. The restrictively financed activities transferred into the fund from the General Fund were related to various outdoor recreation activities including snowmobiles, off-road vehicles, recreation trails, and State forest recreation.

Financing consists primarily of hunting and fishing licenses; camping and park entrance fees; 2% of gasoline taxes dedicated for boating, snowmobiling, off-road vehicles and other trails; watercraft and snowmobile registration fees; and trail use permits. The fund also receives funding from the Michigan Game and Fish Protection Trust Fund. Expenditures are limited to those activities specified in Section 40 and include forest recreation activities, wildlife and fisheries programs, off-road vehicle and snowmobile trails and facilities, State parks and recreation areas, improvement of lake harbors and inland waterways, and water safety education programs.

MICHIGAN GAME AND FISH PROTECTION TRUST FUND

The former Game and Fish Protection Trust Fund was established in 1986 to restrict certain assets for the purpose of generating interest and earnings for transfer to the former Game and Fish Protection Fund (now accounted for within the Michigan Conservation and Recreation Legacy Fund). Article 9, Section 41, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Game and Fish Protection Trust Fund.

The fund operates under Sections 324.43702 – 324.43704 of the Michigan Compiled Laws. The Legislature may appropriate up to $6 million annually for use by the Game and Fish Protection Account of the Michigan Conservation and Recreation Legacy Fund. Mineral royalties from lands acquired by the Game and Fish Protection Account; direct sale proceeds; and other revenues, which, by statute, are retained for permanent investment, provide additional investment funding.

COMBINED RECREATION BOND FUND - LOCAL PROJECTS

Established in 1988, this fund operates under Sections 324.19606 - 324.19612, 324.19615, 324.71303, and 324.71506 - 324.71508 of the Michigan Compiled Laws (MCL). The residual balances in this fund reflect proceeds and investment earnings remaining from two 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, and $50 million of general obligation bonds approved by voters in November of 1998, as part of a $675 million bond package known as the "Clean Michigan Initiative." Proceeds from the 1988 bond package provided grants and loans to local units of government in the amounts of $65 million for local recreation projects and $5 million to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package also provided grants to local units of government for local recreation projects pursuant to MCL Section 324.71602.

COMBINED ENVIRONMENTAL PROTECTION BOND FUND

This fund, which is administered by the Department of Natural Resources and Environment (DNRE), was established by Michigan Compiled Laws (MCL) Section 324.19506 to account for the proceeds of $660 million of Environmental Protection general obligation bonds approved by Michigan voters in November 1988. The statute specifies that the proceeds of these bonds be available to clean up sites of toxic and other environmental contamination, for solid waste projects, to capitalize the State Water Pollution Control Loan Fund, and to fund Michigan's participation in a regional Great Lakes Protection Fund.

Sections 324.95101 – 324.95108 of the MCL expanded this fund to account for the proceeds of $570 million of Clean Michigan Initiative general obligation bonds approved by Michigan voters in November 1998. The statute directs that bond proceeds be used for environmental response activities at facilities, waterfront improvements, remediation of contaminated lake and river sediments, nonpoint source pollution prevention and control projects or wellhead protection projects, water quality monitoring and water resources protection, pollution control activities, and pollution prevention programs.

Sections 324.5201 – 324.5304 and 324.19701 – 324.19708 of the MCL, expanded this fund to account for the proceeds of $1 billion of Great Lakes Water Quality general obligation bonds approved by Michigan voters in November 2002. The law directs that bond proceeds be used to finance sewage treatment works projects, storm water projects, and nonpoint source projects that improve the quality of the waters of the State. This fund records the bond proceeds and the administrative costs of DNRE. All programmatic loan and grant payments are reported in the financial statements of the Michigan Finance Authority, a discretely presented component unit.

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND

The former Michigan Nongame Fish and Wildlife Fund was established in 1983 to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. Article 9, Section 42, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Nongame Fish and Wildlife Trust Fund.

The fund operates under Sections 324.43902 – 324.43907 of the Michigan Compiled Laws. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales.

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

Michigan Compiled Laws Section 409.312a 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.

FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and operates under Michigan Compiled Laws Section 324.50507. The primary revenue source of the fund is timber revenue from State forest lands. Expenditures from the fund are for forest management activities and forest fire protection. The Authority is authorized to, but thus far has not, issued bonds.

BOTTLE DEPOSITS FUND

Michigan Compiled Laws (MCL) Section 445.573c created the Bottle Deposits Fund to provide for the disposition of unredeemed bottle deposits. The Department of Treasury and the Department of Natural Resources and Environment (DNRE) jointly administer the fund. The law mandates that an annual distribution of the funds be made as follows: 25% returned to the dealers and 75% to fund several sub-funds.

The 75% distribution to DNRE is initially deposited into the Cleanup and Redevelopment Trust Sub-Fund (CRTF), and if not further distributed, remains there until the principal amount reaches $200 million. Of funds received annually by the CRTF, 80% is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10% to the Community Pollution Prevention Sub-Fund.

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

Several DNRE sub-funds are administratively housed within the Bottle Deposits Fund, although they receive no bottle deposits revenue. Included is the State Sites Cleanup Sub-Fund, established in accordance with MCL Section 324.20108c to provide for response activities at facilities where the State is liable as an owner or operator. The following loan programs administered by DNRE are also included: the Brownfield Revolving Loan Fund created by MCL Section 324.19608a, the Revitalization Revolving Loan Fund created by MCL Section 324.20108a, and the Federal Brownfield Cleanup and Revolving Loan Fund.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND-LOCAL PROJECTS
ASSETS			
Current Assets:			
Cash	$ 96	$ -	$ -
Equity in common cash	63,979	20,147	2,135
Taxes, interest, and penalties receivable	181	-	-
Amounts due from other funds	1,397	-	-
Amounts due from component units	-	-	-
Amounts due from federal agencies	1,198	-	-
Amounts due from local units	-	-	-
Inventories	358	-	-
Other current assets	4,211	4,657	-
Total Current Assets	71,420	24,804	2,135
Taxes, interest, and penalties receivable	2	-	-
Amounts due from local units	-	-	-
Investments	1,763	169,964	-
Other noncurrent assets	-	-	-
Total Assets	$ 73,184	$ 194,768	$ 2,135
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 553	$ 46	$ -
Accounts payable and other liabilities	11,641	-	-
Amounts due to other funds	563	-	-
Deferred revenue	837	-	-
Total Current Liabilities	13,595	46	1
Long-Term Liabilities:			
Deferred revenue	2	-	-
Total Liabilities	13,596	46	1
Fund Balances:			
Reserves for:			
Budgetary Carry-Forwards:			
Encumbrances	11,376	-	-
Restricted revenues	19,024	-	-
Multi-year projects	14,764	-	-
Revolving loan programs	-	-	-
Funds held as permanent investments	1,801	188,722	-
Total Reserved	46,966	188,722	-
Unreserved	12,622	6,000	2,135
Total Fund Balances	59,588	194,722	2,135
Total Liabilities and Fund Balances	$ 73,184	$ 194,768	$ 2,135

COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	$ 1	$ 1	**$ 97**
25,814	522	5	10,175	62,014	**184,791**
-	-	-	-	-	**181**
8	-	-	-	-	**1,405**
9	-	-	-	-	**9**
-	-	-	149	-	**1,347**
-	-	-	-	954	**954**
-	-	-	-	-	**358**
-	58	-	74	577	**9,576**
25,831	580	5	10,398	63,545	**198,718**
-	-	-	-	-	**2**
-	-	-	-	17,662	**17,662**
-	6,355	-	-	-	**178,082**
-	-	-	-	1,384	**1,384**
$ 25,831	$ 6,936	$ 5	$ 10,398	$ 82,591	**$ 395,848**
$ 1,251	$ -	$ -	$ 23	$ 137	**$ 2,010**
9,792	43	4	1,669	1,004	**24,154**
8	1	1	110	85	**769**
-	-	-	-	356	**1,193**
11,051	44	5	1,802	1,582	**28,126**
-	-	-	-	1,384	**1,386**
11,051	44	5	1,802	2,967	**29,512**
-	12	-	234	-	**11,622**
-	-	-	-	45,742	**64,766**
-	-	-	100	-	**14,865**
-	-	-	-	32,048	**32,048**
-	6,609	-	-	1,834	**198,966**
-	6,621	-	335	79,625	**322,268**
14,780	270	-	8,261	-	**44,068**
14,780	6,891	-	8,596	79,625	**366,336**
$ 25,831	$ 6,936	$ 5	$ 10,398	$ 82,591	**$ 395,848**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND-LOCAL PROJECTS
REVENUES			
Taxes	$ 241	$ -	$ -
From federal agencies	3,444	-	-
From licenses and permits	115,586	-	-
Miscellaneous	5,240	86,292	6
Total Revenues	124,510	86,292	6
EXPENDITURES			
Current:			
General government	1,460	2	-
Conservation, environment, recreation, and agriculture	146,004	69	17
Capital outlay	6,753	-	-
Total Expenditures	154,217	71	17
Excess of Revenues over (under) Expenditures	(29,707)	86,221	(11)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	29,872	-	-
Transfers to other funds	(2,692)	(13,157)	-
Total Other Financing Sources (Uses)	27,180	(13,157)	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,528)	73,063	(11)
Fund Balances - Beginning of fiscal year	62,115	121,659	2,146
Fund Balances - End of fiscal year	$ 59,588	$ 194,722	$ 2,135

COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	$ -	$ -	**$ 241**
-	-	-	17	284	**3,745**
-	-	-	2	-	**115,587**
1,780	924	7	33,255	17,118	**144,622**
1,780	924	7	33,273	17,402	**264,195**
-	-	-	-	-	**1,462**
27,145	544	289	29,140	17,496	**220,703**
-	-	-	194	-	**6,948**
27,145	544	289	29,334	17,496	**229,113**
(25,365)	381	(282)	3,939	(94)	**35,082**
-	-	-	-	-	**29,872**
(1)	(5)	(3)	(386)	(10,323)	**(26,567)**
(1)	(5)	(3)	(386)	(10,323)	**3,304**
(25,365)	376	(285)	3,553	(10,417)	**38,386**
40,145	6,516	285	5,042	90,042	**327,950**
$ 14,780	$ 6,891	$ -	$ 8,596	$ 79,625	**$ 366,336**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND			MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 241	$ 241	$ -	$ -	$ -	$ -
From federal agencies	3,444	3,444	-	-	-	-
From licenses and permits	115,586	115,586	-	-	-	-
Miscellaneous	5,240	5,240	-	924	924	-
Transfers in	29,872	29,872	-	-	-	-
Total Revenues and Other Sources	154,382	154,382	-	924	924	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources and Environment	171,535	166,825	4,711	733	561	173
Treasury	1,929	1,460	469	-	-	-
Total Expenditures, Transfers Out and Encumbrances	173,464	168,285	5,179	734	561	173
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (19,082)	(13,903)	$ 5,179	$ 191	364	$ 173
Reconciling Items:						
Encumbrances at September 30		11,376			12	
Funds not annually budgeted		-			-	
Net Reconciling Items		11,376			12	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(2,528)			376	
FUND BALANCES (GAAP BASIS)						
Beginning balances		62,115			6,516	
Ending balances (GAAP Basis)		$ 59,588			$ 6,891	

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			FOREST DEVELOPMENT FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	17	17	-
-	-	-	2	2	-
7	7	-	33,255	33,255	-
-	-	-	-	-	-
7	7	-	33,273	33,273	-
304	292	12	35,321	29,954	5,367
-	-	-	-	-	-
304	292	12	35,321	29,954	5,367
$ (297)	(285)	$ 12	$ (2,048)	3,319	$ 5,367
	-			234	
	-			-	
	-			234	
	(285)			3,553	
	285			5,042	
	$ -			$ 8,596	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			
	MICHIGAN GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND-LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	BOTTLE DEPOSITS FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES				
Taxes	$ -	$ -	$ -	$ -
From federal agencies	-	-	-	-
From licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Transfers in	-	-	-	-
Total Revenues and Other Sources	-	-	-	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY				
Natural Resources and Environment	-	-	-	-
Treasury	-	-	-	-
Total Expenditures, Transfers Out and Encumbrances	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	-
Reconciling Items:				
Encumbrances at September 30	-	-	-	-
Funds not annually budgeted	73,063	(11)	(25,365)	(10,417)
Net Reconciling Items	73,063	(11)	(25,365)	(10,417)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	73,063	(11)	(25,365)	(10,417)
FUND BALANCES (GAAP BASIS)				
Beginning balances	121,659	2,146	40,145	90,042
Ending balances (GAAP Basis)	$ 194,722	$ 2,135	$ 14,780	$ 79,625

TOTALS		
BUDGET	ACTUAL	VARIANCE
$ 241	$ 241	$ -
3,461	3,461	-
115,587	115,587	-
39,426	39,426	-
29,872	29,872	-
188,587	188,587	-
207,894	197,632	10,262
1,929	1,460	469
209,823	199,092	10,731
$ (21,236)	(10,506)	$ 10,731
	11,622	
	37,270	
	48,892	
	38,386	
	327,950	
	$ 366,336	

SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

Michigan Compiled Laws Section 421.10 created this fund to account for administrative costs of the Unemployment Insurance Agency, which is administered by the Department of Energy, Labor and Economic Growth. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (reported as part of the Michigan Unemployment Compensation Funds, an enterprise fund). Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from funds accumulated from employer premiums. These activities are reported in the Michigan Unemployment Compensation Funds.

SAFETY EDUCATION AND TRAINING FUND

Michigan Compiled Laws Section 408.1055 imposes an annual levy on each insurance carrier licensed to write workers' disability compensation business in the State and on each self-insured employer. The Safety Education and Training Fund was established to receive these assessments for support of the Department of Energy, Labor and Economic Growth's Consultation Education and Training Division.

STATE CONSTRUCTION CODE FUND

Michigan Compiled Laws Section 125.1522 created the State Construction Code Fund. Fees received for building permit applications and other funds collected under this legislation are appropriated by the Legislature for the operation of the Department of Energy, Labor and Economic Growth's Bureau of Construction Codes and related indirect overhead expenditures.

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Michigan Compiled Laws (MCL) Section 570.1201 created the Homeowner Construction Lien Recovery Fund to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. MCL 570.1201 was repealed effective August 23, 2010 and as of September 30, 2010, final disposition of the remaining fund balance had not occurred.

STATE CASINO GAMING FUND

Created by Michigan Compiled Laws Section 432.212, this fund provides the licensing, regulation, and control of casino gaming activities in Michigan. The five-member gaming control board is vested with the authority for licensing, regulating, and controlling casino gaming operations; manufacturers and distributors of gaming equipment and supplies; and persons who participate in gaming activities financed by casino gaming revenue are legally restricted for specific purposes.

SECOND INJURY FUND

Michigan Compiled Laws Section 418.501, created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The administrator, appointed by the fund's Board of Trustees, supervises the fund. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers licensed or authorized in Michigan.

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

Established by Michigan Compiled Laws Section 418.501, the Silicosis, Dust Disease, and Logging Industry Compensation Fund reimburses insurance carriers who pay benefits to employees injured from certain dust diseases, and employees who have sustained personal injury or death while being employed in the logging industry. Revenues are generated through annual assessments of insurance carriers.

SELF-INSURERS' SECURITY FUND

Established by Michigan Compiled Laws Section 418.501, the Self-Insurers' Security Fund pays workers' compensation benefits to injured employees of insolvent, private self-insured employers revenues are generated through annual assessments of insurance carriers.

Funds held in trust per court orders to pay obligations due under the Michigan Workers' Disability Compensation Act are reported as liabilities of this fund.

UTILITY CONSUMER REPRESENTATION FUND

Established by Michigan Compiled Laws Section 460.6m, the Utility Consumer Representation Fund provides funding, on behalf of residential gas, fuel, and electric customers, for energy cost recovery hearings before the Michigan Public Service Commission. Revenues are generated through annual assessments of regulated utility companies.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
ASSETS				
Current Assets:				
Cash	$ -	$ -	$ -	$ -
Equity in common cash	-	6,213	5,433	18
Amounts due from other funds	2,869	-	-	-
Amounts due from federal agencies	17,345	-	-	-
Other current assets	7	-	120	-
Total Current Assets	20,221	6,213	5,552	18
Total Assets	$ 20,221	$ 6,213	$ 5,552	$ 18
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 26	$ 5	$ 2	$ 5
Accounts payable and other liabilities	4,366	356	208	-
Amounts due to other funds	15,830	30	43	-
Deferred revenue	-	-	-	-
Total Current Liabilities	20,221	391	253	5
Total Liabilities	20,221	391	253	5
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	-	-	5	-
Restricted revenues	-	-	-	-
Total Reserved	-	-	5	-
Unreserved	-	5,822	5,294	13
Total Fund Balances	-	5,822	5,299	13
Total Liabilities and Fund Balances	$ 20,221	$ 6,213	$ 5,552	$ 18

STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	**TOTALS**
$ 1	$ -	$ -	$ -	$ -	**$ 1**
7,546	-	307	26,667	3,656	**49,840**
-	12,998	2,227	-	-	**18,093**
-	-	-	-	-	**17,345**
144	619	104	1,293	-	**2,286**
7,691	13,617	2,638	27,960	3,656	**87,566**
$ 7,691	$ 13,617	$ 2,638	$ 27,960	$ 3,656	**$ 87,566**
$ 1	$ 454	$ 17	$ 340	$ -	**$ 851**
403	1,957	550	13,215	217	**21,272**
54	9	3	6	2	**15,977**
17	2,651	584	2,176	-	**5,428**
475	5,072	1,154	15,737	219	**43,528**
475	5,072	1,154	15,737	219	**43,528**
-	-	-	-	-	**5**
5,235	-	-	-	-	**5,235**
5,235	-	-	-	-	**5,240**
1,980	8,544	1,483	12,223	3,437	**38,797**
7,216	8,544	1,483	12,223	3,437	**44,038**
$ 7,691	$ 13,617	$ 2,638	$ 27,960	$ 3,656	**$ 87,566**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
REVENUES				
From federal agencies	$ 179,580	$ -	$ -	$ -
From licenses and permits	-	-	12,946	-
Miscellaneous	1,213	8,144	17	388
Total Revenues	180,794	8,144	12,963	388
EXPENDITURES				
Current:				
General government	-	-	-	-
Labor, commerce, and regulatory	181,826	7,930	9,316	941
Debt Service:				
Capital lease payments	1,435	-	-	-
Total Expenditures	183,260	7,930	9,316	941
Excess of Revenues over (under) Expenditures	(2,467)	214	3,647	(552)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	4,289	-	-	-
Transfers to other funds	(1,822)	(96)	(128)	(2)
Total Other Financing Sources (Uses)	2,467	(96)	(128)	(2)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	118	3,519	(555)
Fund Balances - Beginning of fiscal year	-	5,704	1,780	568
Fund Balances - End of fiscal year	$ -	$ 5,822	$ 5,299	$ 13

STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	**TOTALS**
$ -	$ -	$ -	$ -	$ -	**$ 179,580**
1,079	-	-	-	-	**14,025**
33,288	10,886	2,093	9,297	1,113	**66,440**
34,367	10,886	2,093	9,297	1,113	**260,045**
21,897	-	-	-	474	**22,372**
-	15,090	2,123	10,125	741	**228,093**
-	-	-	-	-	**1,435**
21,897	15,090	2,123	10,125	1,215	**251,899**
12,469	(4,204)	(30)	(828)	(102)	**8,146**
1,913	-	-	-	-	**6,202**
(16,827)	(24)	(8)	(13)	(3)	**(18,923)**
(14,914)	(24)	(8)	(13)	(3)	**(12,722)**
(2,444)	(4,229)	(38)	(841)	(105)	**(4,575)**
9,660	12,773	1,522	13,064	3,543	**48,613**
$ 7,216	$ 8,544	$ 1,483	$ 12,223	$ 3,437	**$ 44,038**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 2010

(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND			SAFETY EDUCATION AND TRAINING FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ 179,580	$ 179,580	$ -	$ -	$ -	$ -
From licenses and permits	-	-	-	-	-	-
Miscellaneous	1,213	1,213	-	8,144	8,144	-
Transfers in	4,289	4,289	-	-	-	-
Total Revenues and Other Sources	185,082	185,082	-	8,144	8,144	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Energy, Labor and Economic Growth	185,082	185,082	-	9,397	8,026	1,370
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	185,082	185,082	-	9,397	8,026	1,370
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ -	-	$ -	$ (1,253)	118	$ 1,370
Reconciling Items:						
Encumbrances at September 30		-			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-			118	
FUND BALANCES (GAAP BASIS)						
Beginning balances		-			5,704	
Ending balances (GAAP Basis)		$ -			$ 5,822	

STATE CONSTRUCTION CODE FUND			HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
12,946	12,946	-	-	-	-
17	17	-	388	388	-
-	-	-	-	-	-
12,963	12,963	-	388	388	-
15,646	9,449	6,197	1,850	943	906
-	-	-	-	-	-
15,646	9,449	6,197	1,850	943	906
$ (2,682)	3,515	$ 6,197	$ (1,461)	(555)	$ 906
	5			-	
	-			-	
	5			-	
	3,519			(555)	
	1,780			568	
	$ 5,299			$ 13	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	STATE CASINO GAMING FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From licenses and permits	1,079	1,079	-
Miscellaneous	33,288	33,288	-
Transfers in	1,913	1,913	-
Total Revenues and Other Sources	36,280	36,280	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Energy, Labor and Economic Growth	-	-	-
Treasury	38,724	38,724	-
Total Expenditures, Transfers Out, and Encumbrances	38,724	38,724	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (2,444)	(2,444)	$ -
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(2,444)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		9,660	
Ending balances (GAAP Basis)		$ 7,216	

FUNDS NOT ANNUALLY BUDGETED						
SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	TOTALS		
ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ 179,580	$ 179,580	$ -
-	-	-	-	14,025	14,025	-
-	-	-	-	43,051	43,051	-
-	-	-	-	6,202	6,202	-
-	-	-	-	242,858	242,858	-
-	-	-	-	211,974	203,501	8,474
-	-	-	-	38,724	38,724	-
-	-	-	-	250,698	242,225	8,474
-	-	-	-	$ (7,840)	633	$ 8,474
-	-	-	-		5	
(4,229)	(38)	(841)	(105)		(5,213)	
(4,229)	(38)	(841)	(105)		(5,209)	
(4,229)	(38)	(841)	(105)		(4,575)	
12,773	1,522	13,064	3,543		48,613	
$ 8,544	$ 1,483	$ 12,223	$ 3,437		$ 44,038	

SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

SCHOOL BOND LOAN FUND

Article 9, Section 16, of the State Constitution and Sections 388.921 and 388.981 of the Michigan Compiled Laws authorize the issuance of State general obligation bonds to provide funds for loans to school districts. Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. State bond proceeds are credited to the fund as an "Other Financing Source." When loans are made, transfers are recorded to the General Fund, which receives loan payments and provides financing for debt service. In the General Fund, loans receivable are recorded as assets.

21st CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21st Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. Executive Order 2010-2 moved the Authority to the newly created Michigan Finance Authority. The bonds are issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 2016, the fund will also receive a portion of the tobacco settlement revenue received by the State.

MICHIGAN MERIT AWARD TRUST FUND

This fund was created by Michigan Compiled Laws (MCL) Section 12.259 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Fund expenditures are used for the Michigan Merit Award Scholarship, Michigan Promise Scholarship, and other programs as determined by the Legislature.

All assets and liabilities of the Tobacco Settlement Trust Fund, established by MCL Section 12.253 and repealed as part of tobacco securitization legislation passed in November 2005, were transferred to the Michigan Merit Award Trust Fund in fiscal year 2006.

CHILDREN'S TRUST FUND

Michigan Compiled Laws (MCL) Section 21.171 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under MCL Section 722.603 to coordinate and fund activities for the prevention of child abuse and neglect in the State. Not more than one-half the money contributed to the trust fund each year, plus the interest and earnings, excluding unrealized gains and losses, credited to the trust fund during the previous fiscal year are available for disbursement. Money received as gifts or donations to the trust fund shall be available for disbursement upon appropriation. Funds that are not available for disbursement are reserved as funds held for permanent investment.

This fund is also used to account for the Foster Care Trust Fund that was established under MCL Section 722.1023 and transferred to the State Child Abuse and Neglect Prevention Board with Executive Order 2010-17. Funds in the Foster Care Trust Fund are not expendable until the balance reaches $800 thousand.

ASSIGNED CLAIMS FACILITY AND PLAN FUND

Michigan Compiled Laws Section 500.3171 requires the Secretary of State to organize and maintain the Assigned Claims Facility and Plan Fund to provide personal protection insurance benefits to persons injured by uninsured motorists, when coverage is not available from other sources. The facility administers the plan through servicing insurers. Assessments to self-insurers and no-fault insurers cover the costs incurred in the operation of the facility and the plan.

MILITARY FAMILY RELIEF FUND

Michigan Compiled Laws Section 35.1213 created this fund to provide assistance to families of certain members of the reserve components of the United States armed forces on active duty. A qualified individual or the individual's family shall apply to the Department of Military and Veterans Affairs for a grant from the fund. Funds are received primarily from taxpayer contributions on his or her annual State tax return designating $1 or more of his or her refund to be credited to this fund.

MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Vietnam Veterans' Memorial Monument, Law Enforcement Officers Memorial, Children's Institute Trust, and Special Assessment Deferment, and Intrastate Switched Toll Restructuring.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	SCHOOL BOND LOAN FUND	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND
ASSETS			
Current Assets:			
Cash	$ -	$ -	$ -
Equity in common cash	705	150,754	3,301
Other current assets	-	56,250	102,480
Total Current Assets	705	207,004	105,781
Investments	-	-	-
Other noncurrent assets	-	-	2,049
Total Assets	$ 705	$ 207,004	$ 107,830
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ 1
Accounts payable and other liabilities	-	-	754
Amounts due to other funds	-	-	14
Amounts due to component units	-	-	2,971
Deferred revenue	-	56,250	102,041
Total Current Liabilities	-	56,250	105,781
Deferred revenue	-	-	2,049
Total Liabilities	-	56,250	107,830
Fund Balances:			
Reserves for:			
Encumbrances	-	-	-
Funds held as permanent investments	-	-	-
Noncurrent assets	-	-	-
Total Reserved	-	-	-
Unreserved	705	150,754	-
Total Fund Balances	705	150,754	-
Total Liabilities and Fund Balances	$ 705	$ 207,004	$ 107,830

CHILDREN'S TRUST FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ -	$ 4	$ -	$ -	**$ 4**
531	421	2,532	3,669	**161,913**
727	622	-	254	**160,333**
1,258	1,046	2,532	3,923	**322,250**
22,465	-	-	-	**22,465**
-	-	-	979	**3,028**
$ 23,723	$ 1,046	$ 2,532	$ 4,902	**$ 347,742**
$ 16	$ -	$ 1	$ -	**$ 18**
364	13	1	2	**1,134**
2	3	-	-	**20**
-	-	-	-	**2,971**
-	1,030	-	-	**159,320**
382	1,046	2	2	**163,463**
-	-	-	351	**2,400**
382	1,046	2	353	**165,863**
12	-	1	-	**13**
22,231	-	-	-	**22,231**
-	-	-	628	**628**
22,243	-	1	628	**22,871**
1,098	-	2,529	3,922	**159,008**
23,341	-	2,530	4,549	**181,879**
$ 23,723	$ 1,046	$ 2,532	$ 4,902	**$ 347,742**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	SCHOOL BOND LOAN FUND	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND
REVENUES			
From federal agencies	$ -	$ -	$ -
Miscellaneous	-	75,000	124,754
Total Revenues	-	75,000	124,754
EXPENDITURES			
Current:			
General government	60,625	69,365	2,146
Human services	-	-	30,100
Public safety and corrections	-	-	523
Health services	-	-	122,719
Total Expenditures	60,625	69,365	155,488
Excess of Revenues over (under) Expenditures	(60,625)	5,635	(30,734)
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	60,000	-	-
Premium on bond issuance	583	-	-
Transfers to other funds	-	(46,500)	(33)
Total Other Financing Sources (Uses)	60,583	(46,500)	(33)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(43)	(40,865)	(30,767)
Fund Balances - Beginning of fiscal year - restated	748	191,619	30,767
Fund Balances - End of fiscal year	$ 705	$ 150,754	$ -

CHILDREN'S TRUST FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ 964	$ -	$ -	$ -	**$ 964**
2,972	164,875	301	1,448	**369,349**
3,935	164,875	301	1,448	**370,313**
-	164,769	-	128	**297,034**
2,651	-	-	-	**32,751**
-	-	136	-	**659**
-	-	-	-	**122,719**
2,651	164,769	136	128	**453,163**
1,284	106	164	1,320	**(82,850)**
-	-	-	-	**60,000**
-	-	-	-	**583**
(7)	(106)	-	-	**(46,646)**
(7)	(106)	-	-	**13,936**
1,277	-	164	1,320	**(68,914)**
22,064	-	2,365	3,229	**250,793**
$ 23,341	$ -	$ 2,530	$ 4,549	**$ 181,879**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	21ST CENTURY JOBS TRUST FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
Miscellaneous	75,000	75,000	-
Total Revenues and Other Sources	75,000	75,000	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Attorney General	-	-	-
Community Health	-	-	-
Human Services	-	-	-
Military and Veterans Affairs	-	-	-
State Police	-	-	-
Treasury	266,619	115,865	150,754
Total Expenditures, Transfers Out, and Encumbrances	266,619	115,865	150,754
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	**$** (191,619)	(40,865)	$ 150,754
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(40,865)	
FUND BALANCES (GAAP BASIS)			
Beginning balances - restated		191,619	
Ending balances (GAAP Basis)		$ 150,754	

MICHIGAN MERIT AWARD TRUST FUND			CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 964	$ 964	$ -	$ -	$ -	$ -
124,754	124,754	-	2,972	2,972	-	301	301	-
124,754	124,754	-	3,935	3,935	-	301	301	-
407	398	9	-	-	-	-	-	-
124,713	122,719	1,995	-	-	-	-	-	-
30,100	30,100	-	4,786	2,670	2,116	-	-	-
-	-	-	-	-	-	1,000	137	863
610	533	77	-	-	-	-	-	-
2,470	1,772	698	-	-	-	-	-	-
158,300	155,521	2,779	4,786	2,670	2,116	1,000	137	863
$ (33,546)	(30,767)	$ 2,779	$ (851)	1,265	$ 2,116	$ (699)	163	$ 863
	-			12			1	
	-			-			-	
	-			12			1	
	(30,767)			1,277			164	
	30,767			22,064			2,365	
	$ -			$ 23,341			$ 2,530	

This schedule continued on next page.

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

FISCAL YEAR ENDED SEPTEMBER 30, 2010

(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED					
	SCHOOL BOND LOAN FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS		
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ 964	$ 964	$ -
Miscellaneous	-	-	-	203,026	203,026	-
Total Revenues and Other Sources	-	-	-	203,989	203,989	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	407	398	9
Community Health	-	-	-	124,713	122,719	1,995
Human Services	-	-	-	34,886	32,770	2,116
Military and Veterans Affairs	-	-	-	1,000	137	863
State Police	-	-	-	610	533	77
Treasury	-	-	-	269,090	117,637	151,452
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	430,706	274,194	156,512
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	$ (226,716)	(70,204)	$ 156,512
Reconciling Items:						
Encumbrances at September 30	-	-	-		13	
Funds not annually budgeted	(43)	-	1,320		1,278	
Net Reconciling Items	(43)	-	1,320		1,291	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(43)	-	1,320		(68,914)	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated	748	-	3,229		250,793	
Ending balances (GAAP Basis)	$ 705	$ -	$ 4,549		$ 181,879	

DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all State Trunkline Fund (STF) related bond issues allowed for under Michigan Compiled Laws Section 247.661. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in STF. Debt service requirements are funded by annual appropriations in STF.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all Comprehensive Transportation Fund (CTF) related bond issues allowed for under Michigan Compiled Laws Section 247.660b. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in CTF. Debt service requirements are funded by annual appropriations in CTF.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Sections 324.19506 and 324.71506 of the Michigan Compiled Laws (MCL) 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 MCL Section 324.95102, 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 (SPIF) revenue bonds, issued pursuant to MCL Section 324.74106.

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

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

Michigan Compiled Laws Section 388.922 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund or School Aid Fund.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment.

SBA projects are financed by revenue bonds, the proceeds of which can only be used for construction 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.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2010
(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:			
Equity in common cash	$ -	$ -	$ 1,348
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	-	-	1,348
Total Assets	$ -	$ -	$ 1,348
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ -	$ -	$ 1
Total Current Liabilities	-	-	1
Total Liabilities	-	-	1
Fund Balances:			
Reserved for other purposes	-	-	300
Unreserved	-	-	1,048
Total Fund Balances	-	-	1,348
Total Liabilities and Fund Balances	$ -	$ -	$ 1,348

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	**TOTALS**
$ -	$ -	$ **1,348**
-	221,573	**221,573**
-	1	**1**
-	221,574	**222,922**
$ -	$ 221,574	**$ 222,922**

$ -	$ 299	**$ 300**
-	299	**300**
-	299	**300**
-	-	**300**
-	221,275	**222,322**
-	221,275	**222,622**
$ -	$ 221,574	**$ 222,922**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(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	$ -	$ -	$ 2
Total Revenues	-	-	2
EXPENDITURES			
Current:			
Education	-	-	-
Transportation	1,023	-	-
Debt Service:			
Bond principal retirement	86,261	10,050	15,036
Bond interest and fiscal charges	131,975	10,507	53,610
Total Expenditures	219,259	20,557	68,646
Excess of Revenues over (under) Expenditures	(219,259)	(20,557)	(68,644)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	142,190	-	-
Premium on bond issuance	9,321	-	-
Payment to refunded bond escrow agent	(150,488)	-	-
Transfers from other funds	218,236	20,557	68,665
Total Other Financing Sources (Uses)	219,259	20,557	68,665
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	21
Fund Balances - Beginning of fiscal year	-	-	1,326
Fund Balances - End of fiscal year	$ -	$ -	$ 1,348

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	**TOTALS**
$ -	$ 5	**$ 7**
-	5	**7**
-	1,607	**1,607**
-	-	**1,023**
40,000	96,185	**247,532**
-	120,071	**316,163**
40,000	217,863	**566,325**
(40,000)	(217,858)	**(566,317)**
-	-	**142,190**
-	-	**9,321**
-	-	**(150,488)**
40,000	232,244	**579,702**
40,000	232,244	**580,724**
-	14,386	**14,407**
-	206,889	**208,216**
$ -	$ 221,275	**$ 222,622**

CAPITAL PROJECTS FUNDS

COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund operates under Sections 324.19601 – 324.19616, 324.71501 – 324.71514, and 324.74106 – 324.74113 of the Michigan Compiled Laws. The balances in the fund reflect proceeds and investment earnings remaining from two 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 and $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.”

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.

ADVANCE FINANCING FUNDS

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

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

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

The Site Preparation Economic Development Fund is created through the annual appropriations process to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment. The SBA’s five-member board is appointed by the Governor.

This capital projects fund accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the SBA 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, 2010
(In Thousands)

	COMBINED RECREATION BOND FUND - STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	**TOTALS**
ASSETS				
Current Assets:				
Equity in common cash	$ 1,886	$ -	$ -	**$ 1,886**
Amounts due from other funds	-	21,502	-	**21,502**
Amounts due from component units	-	7,094	-	**7,094**
Amounts due from local units	-	2,988	-	**2,988**
Investments	-	-	13,384	**13,384**
Total Current Assets	1,886	31,584	13,384	**46,855**
Total Assets	$ 1,886	$ 31,584	$ 13,384	**$ 46,855**
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts payable and other liabilities	$ -	$ 41,114	$ 192	**$ 41,306**
Amounts due to other funds	-	64,682	21,502	**86,184**
Bonds and notes payable	-	-	81,335	**81,335**
Interest payable	-	-	10	**10**
Total Current Liabilities	-	105,795	103,039	**208,835**
Total Liabilities	-	105,795	103,039	**208,835**
Fund Balances:				
Unreserved	1,886	(74,211)	(89,655)	**(161,980)**
Total Fund Balances	1,886	(74,211)	(89,655)	**(161,980)**
Total Liabilities and Fund Balances	$ 1,886	$ 31,584	$ 13,384	**$ 46,855**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	COMBINED RECREATION BOND FUND - STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	**TOTALS**
REVENUES				
Miscellaneous	$ 5	$ -	$ 767	**$ 772**
Total Revenues	5	-	767	**772**
EXPENDITURES				
Current:				
Education	-	9,119	45,663	**54,781**
Conservation, environment, recreation, and agriculture	1	-	-	**1**
Capital outlay	-	31,698	5,829	**37,527**
Total Expenditures	1	40,816	51,492	**92,308**
Excess of Revenues over (under) Expenditures	5	(40,816)	(50,725)	**(91,536)**
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	113,480	**113,480**
Premium on bond issuance	-	-	665	**665**
Transfers from other funds	-	1,400	283	**1,683**
Transfers to other funds	-	-	(3,486)	**(3,486)**
Total Other Financing Sources (Uses)	-	1,400	110,942	**112,342**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	5	(39,416)	60,217	**20,806**
Fund Balances - Beginning of fiscal year	1,881	(34,795)	(149,873)	**(182,786)**
Fund Balances - End of fiscal year	$ 1,886	$ (74,211)	$ (89,655)	**$ (161,980)**

PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Sections 324.1901 - 324.1910 of the Michigan Compiled Laws. Most “royalty revenues” (i.e. rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned lands) are credited to the fund. A portion (50%, up to $10 million per year) of these revenues are transferred to the Michigan State Parks Endowment Fund (MSPEF). The State Treasurer directs the investments of the fund, which include fixed income and equity investments.

The interest and investment earnings and one-third of royalty revenues are 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 fund payments in lieu of property taxes on State lands acquired by the fund. Two-thirds of royalty revenues, less the portion transferred to MSPEF, are added to the accumulated principal until the accumulated principal reaches $500 million. After that time, all royalties will be deposited into MSPEF and only investment earnings and interest will be available for appropriation in this fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

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

The fund was established with a $40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. 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, annually adjusted for inflation, may be expended.

MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to 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.

COMBINING BALANCE SHEET
PERMANENT FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
ASSETS				
Current Assets:				
Equity in common cash	$ 185,330	$ 13,102	$ 2,518	**$ 200,951**
Amounts due from local units	-	-	55	**55**
Other current assets	10,931	3,078	1,439	**15,447**
Total Current Assets	196,261	16,180	4,011	**216,452**
Investments	504,010	139,554	47,973	**691,538**
Total Assets	$ 700,271	$ 155,734	$ 51,985	**$ 907,990**
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 313	$ 33	$ -	**$ 347**
Accounts payable and other liabilities	6,100	1,133	27	**7,260**
Amounts due to other funds	11	33	2	**47**
Total Current Liabilities	6,424	1,200	29	**7,653**
Total Liabilities	6,424	1,200	29	**7,653**
Fund Balances:				
Reserves For:				
Budgetary Carry-Forwards:				
Encumbrances	35,094	102	-	**35,196**
Restricted revenues	-	188	-	**188**
Multi-year projects	50,938	1,934	-	**52,872**
Funds held as permanent investments	535,285	152,310	49,000	**736,595**
Total Reserved	621,316	154,535	49,000	**824,851**
Unreserved	72,531	-	2,956	**75,486**
Total Fund Balances	693,847	154,535	51,956	**900,337**
Total Liabilities and Fund Balances	$ 700,271	$ 155,734	$ 51,985	**$ 907,990**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
REVENUES				
Miscellaneous	$ 200,326	$ 14,003	$ 4,499	**$ 218,828**
Total Revenues	200,326	14,003	4,499	**218,828**
EXPENDITURES				
Current:				
General government	483	2	1	**486**
Public safety and corrections	-	-	1,703	**1,703**
Conservation, environment, recreation, and agriculture	2,749	15,356	-	**18,105**
Capital outlay	28,390	779	-	**29,169**
Total Expenditures	31,622	16,138	1,704	**49,463**
Excess of Revenues over (under) Expenditures	168,704	(2,134)	2,795	**169,364**
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	11	-	-	**11**
Transfers from other funds	-	10,000	-	**10,000**
Transfers to other funds	(10,029)	(132)	(8)	**(10,169)**
Total Other Financing Sources (Uses)	(10,018)	9,868	(8)	**(158)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	158,686	7,733	2,787	**169,206**
Fund Balances - Beginning of fiscal year	535,161	146,801	49,169	**731,131**
Fund Balances - End of fiscal year	$ 693,847	$ 154,535	$ 51,956	**$ 900,337**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2010
(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						
Miscellaneous	$ 200,326	$ 200,326	$ -	$ 14,003	$ 14,003	$ -
Proceeds from sale of capital assets	11	11	-	-	-	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	200,337	200,337	-	24,003	24,003	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources and Environment	78,890	76,261	2,628	16,525	16,370	155
Treasury	528	483	45	2	2	-
Total Expenditures, Transfers Out, and Encumbrances	79,418	76,744	2,674	16,527	16,372	155
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 120,919	123,593	$ 2,674	$ 7,476	7,631	$ 155
Reconciling Items:						
Encumbrances at September 30		35,094			102	
Net Reconciling Items		35,094			102	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		158,686			7,733	
FUND BALANCES (GAAP BASIS)						
Beginning balances		535,161			146,801	
Ending balances (GAAP Basis)		$ 693,847			$ 154,535	

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ 4,499	$ 4,499	$ -	$ 218,828	$ 218,828	$ -
-	-	-	11	11	-
-	-	-	10,000	10,000	-
4,499	4,499	-	228,839	$ 228,839	$ -
4,993	1,711	3,282	4,993	1,711	3,282
-	-	-	95,415	92,631	2,784
1	1	-	532	486	45
4,994	1,712	3,282	100,939	94,828	6,111
$ (495)	2,787	$ 3,282	$ 127,900	134,011	$ 6,111
	-			35,196	
	-			35,196	
	2,787			169,206	
	49,169			731,131	
	$ 51,956			$ 900,337	

ENTERPRISE FUNDS

LIQUOR PURCHASE REVOLVING FUND

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, within the Department of Energy, Labor and Economic Growth, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

ATTORNEY DISCIPLINE SYSTEM

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

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

COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	**TOTALS**
ASSETS			
Current Assets:			
Cash	$ 1	$ 888	**$ 888**
Equity in common cash	60,825	-	**60,825**
Inventories	5,940	-	**5,940**
Investments	-	5,170	**5,170**
Other current assets	6,859	195	**7,055**
Total Current Assets	73,625	6,253	**79,878**
Capital Assets:			
Buildings and equipment	-	422	**422**
Allowance for depreciation	-	(372)	**(372)**
Total capital assets	-	50	**50**
Total Assets	$ 73,625	$ 6,303	**$ 79,928**
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 1,274	$ -	**$ 1,274**
Accounts payable and other liabilities	70,176	341	**70,517**
Amounts due to other funds	78	-	**78**
Deferred revenue	-	566	**566**
Current portion of other long-term obligations	710	-	**710**
Total Current Liabilities	72,238	907	**73,145**
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	511	637	**1,147**
Total Liabilities	72,749	1,544	**74,293**
NET ASSETS			
Invested in capital assets, net of related debt	$ -	$ 50	**$ 50**
Unrestricted	876	4,709	**5,585**
Total Net Assets	$ 876	$ 4,760	**$ 5,635**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	**TOTALS**
OPERATING REVENUES			
Operating revenues	$ 780,265	$ 4,977	**$ 785,243**
Total Operating Revenues	780,265	4,977	**785,243**
OPERATING EXPENSES			
Salaries, wages, and other administrative	63,896	4,723	**68,619**
Depreciation	-	10	**10**
Purchases for resale	569,728	-	**569,728**
Premiums and claims	25	-	**25**
Other operating expenses	1,276	-	**1,276**
Total Operating Expenses	634,925	4,733	**639,658**
Operating Income (Loss)	145,341	244	**145,585**
NONOPERATING REVENUES (EXPENSES)			
Specific tax on spirits	14,107	-	**14,107**
Interest revenue	192	84	**276**
Other nonoperating revenues	16	-	**16**
Total Nonoperating Revenues (Expenses)	14,315	84	**14,399**
Income (Loss) Before Transfers	159,656	328	**159,984**
TRANSFERS			
Transfers to other funds	(159,656)	-	**(159,656)**
Change in net assets	-	328	**328**
Total net assets - Beginning of fiscal year	876	4,432	**5,307**
Total net assets - End of fiscal year	$ 876	$ 4,760	**$ 5,635**

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 780,265	$ -	**$ 780,265**
Membership dues	-	4,727	**4,727**
Payments to employees	(15,932)	(3,719)	**(19,650)**
Payments to suppliers	(612,880)	(575)	**(613,456)**
Other receipts	526	104	**630**
Other payments	(1,300)	(377)	**(1,678)**
Net cash provided (used) by operating activities	$ 150,678	$ 160	**$ 150,838**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Specific tax on spirits	$ 14,107	$ -	**$ 14,107**
Transfers to other funds	(159,656)	-	**(159,656)**
Net cash provided (used) by noncapital financing activities	$ (145,549)	$ -	**$ (145,549)**
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	$ -	$ (51)	**$ (51)**
Net cash provided (used) by capital and related financing activities	$ -	$ (51)	**$ (51)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment securities	$ -	$ (585)	**$ (585)**
Interest and dividends on investments	192	84	**276**
Net cash provided (used) by investing activities	$ 192	$ (501)	**$ (309)**
Net cash provided (used) - all activities	$ 5,321	$ (393)	**$ 4,929**
Cash and cash equivalents at beginning of year	54,230	1,280	**55,510**
Cash and cash equivalents at end of year	$ 59,551	$ 888	**$ 60,439**
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	$ 1	$ 888	**$ 888**
Equity in common cash	60,825	-	**60,825**
Warrants outstanding	(1,274)	-	**(1,274)**
Cash and cash equivalents at end of year	$ 59,551	$ 888	**$ 60,439**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 145,341	$ 244	**$ 145,585**
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	-	10	**10**
Other nonoperating revenues	16	-	**16**
Net Changes in Assets and Liabilities:			
Inventories	1,068	-	**1,068**
Other assets (net)	(459)	(12)	**(470)**
Accounts payable and other liabilities	4,712	71	**4,783**
Deferred revenue	-	(154)	**(154)**
Net cash provided (used) by operating activities	$ 150,678	$ 160	**$ 150,838**

INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Authorized by Michigan Compiled Laws (MCL) Section 800.325, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. MCL Section 800.326 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, a foreign government or agencies of a foreign government, a private vendor that operates the youth correctional facility, and certain tax-exempt organizations.

Executive Order 1992-13 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The minimum required payment was made in fiscal year 2010.

MOTOR TRANSPORT FUND

This fund was created by Michigan Compiled Laws Section 18.1213 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

OFFICE SERVICES REVOLVING FUND

Created in 1952, this fund operates under Michigan Compiled Laws Section 18.1269 to provide services in the following areas: printing, reproduction, microfilm, 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 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 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 Technology, Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the 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, 2010
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	$ -	$ -	$ 6
Equity in common cash	-	3,166	-
Amounts due from other funds	-	1,607	-
Amounts due from federal agencies	-	-	-
Inventories	10,640	382	2,727
Other current assets	430	3,452	5,061
Total Current Assets	11,070	8,607	7,794
Capital Assets:			
Land and other non-depreciable assets	-	-	-
Buildings and equipment	44,997	9,499	14,790
Allowance for depreciation	(26,194)	(9,046)	(10,034)
Construction in progress	748	-	-
Total capital assets	19,550	454	4,756
Other noncurrent assets	-	-	-
Total Assets	$ 30,620	$ 9,061	$ 12,550
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 46	$ 3	$ 18
Accounts payable and other liabilities	1,566	192	9,661
Amounts due to other funds	5,418	18	1,698
Deferred revenue	-	-	67
Current portion of other long-term obligations	986	222	981
Total Current Liabilities	8,016	434	12,424
Long-Term Liabilities:			
Advances from other funds	6,392	-	-
Deferred revenue	-	-	50
Noncurrent portion of other long-term obligations	376	219	1,053
Total Liabilities	$ 14,784	$ 653	$ 13,527
NET ASSETS			
Invested in capital assets, net of related debt	$ 19,550	$ 454	$ 4,756
Restricted for other purposes	-	7,954	-
Unrestricted	(3,714)	-	(5,734)
Total Net Assets	$ 15,836	$ 8,408	$ (978)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	**TOTALS**
$ -	$ -	$ 1	**$ 7**
-	4,553	193,132	**200,851**
-	5,333	10,358	**17,298**
-	-	59	**59**
63	-	-	**13,812**
1,081	-	13,856	**23,880**
1,145	9,885	217,406	**255,907**
9,170	-	-	**9,170**
753,133	-	-	**822,419**
(519,899)	-	-	**(565,173)**
-	-	-	**748**
242,404	-	-	**267,164**
-	1,550	1,100	**2,650**
$ 243,549	$ 11,435	$ 218,506	**$ 525,721**
$ 566	$ -	$ 51	**$ 683**
41,883	595	11,681	**65,577**
11,393	6	-	**18,532**
77,027	-	178	**77,271**
13,471	1,556	50,266	**67,483**
144,339	2,157	62,176	**229,547**
-	-	-	**6,392**
-	-	-	**50**
23,306	4,239	88,733	**117,926**
$ 167,646	$ 6,396	$ 150,909	**$ 353,914**
$ 230,041	$ -	$ -	**$ 254,801**
-	-	-	**7,954**
(154,138)	5,039	67,598	**(90,948)**
$ 75,903	$ 5,039	$ 67,598	**$ 171,806**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
OPERATING REVENUES			
Operating revenues	$ 38,519	$ 56,099	$ 104,753
Total Operating Revenues	38,519	56,099	104,753
OPERATING EXPENSES			
Salaries, wages, and other administrative	21,837	5,196	25,479
Depreciation	1,340	240	1,228
Purchases for resale	-	-	75,006
Purchases for prison industries	15,831	-	-
Premiums and claims	-	1,993	-
Other operating expenses:			
Leased vehicles expense	-	24,008	-
Vehicle maintenance expense	-	23,942	-
Total other operating expenses	-	47,950	-
Total Operating Expenses	39,007	55,378	101,713
Operating Income (Loss)	(488)	721	3,040
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	-	-
Other nonoperating revenues	-	94	23
Interest expense	(22)	-	-
Other nonoperating expense	(2,254)	-	(5)
Total Nonoperating Revenues (Expenses)	(2,275)	94	19
Income (Loss) Before Transfers	(2,764)	815	3,059
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contribuitons	-	-	-
Transfers to other funds	(552)	(50)	(209)
Total Transfers In (Out)	(552)	(50)	(209)
Change in net assets	(3,315)	765	2,850
Total net assets - Beginning of fiscal year	19,151	7,642	(3,828)
Total net assets - End of fiscal year	$ 15,836	$ 8,408	$ (978)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	**TOTALS**
$ 514,114	$ 5,116	$ 724,222	**$ 1,442,824**
514,114	5,116	724,222	**1,442,824**
472,229	3,011	32,121	**559,871**
51,108	-	-	**53,916**
-	-	-	**75,006**
-	-	-	**15,831**
6	(763)	694,917	**696,153**
-	-	-	**24,008**
-	-	-	**23,942**
-	-	-	**47,950**
523,343	2,248	727,038	**1,448,727**
(9,229)	2,868	(2,816)	**(5,904)**
-	-	450	**450**
108	-	11,760	**11,986**
(247)	-	-	**(268)**
(339)	-	-	**(2,597)**
(478)	-	12,210	**9,570**
(9,707)	2,868	9,395	**3,666**
372	-	-	**372**
(2,267)	(32)	-	**(3,110)**
(1,896)	(32)	-	**(2,738)**
(11,603)	2,836	9,395	**928**
87,506	2,203	58,203	**170,879**
$ 75,903	$ 5,039	$ 67,598	**$ 171,806**

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 38,469	$ 55,653	$ 104,109
Payments to employees	(15,396)	(3,215)	(13,370)
Payments to suppliers	(15,937)	(52,657)	(86,637)
Claims paid	-	-	-
Other receipts	-	195	23
Other payments	(7,057)	-	-
Net cash provided (used) by operating activities	$ 79	$ (23)	$ 4,126
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	$ 1,763	$ 3,569	$ 1,607
Loans or loan repayments to other funds	(578)	(1,607)	(5,635)
Transfers to other funds	(552)	(50)	(209)
Net cash provided (used) by noncapital financing activities	$ 634	$ 1,913	$ (4,237)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	$ (674)	$ -	$ (672)
Interest paid	(22)	-	-
Capital lease payments (including imputed interest expense)	-	-	-
Proceeds from sale of capital assets	-	94	-
Net cash provided (used) by capital and related financing activities	$ (696)	$ 94	$ (672)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	$ -	$ -	$ -
Net cash provided (used) by investing activities	$ -	$ -	$ -
Net cash provided (used) - all activities	$ 17	$ 1,984	$ (783)
Cash and cash equivalents at beginning of year	(63)	1,180	771
Cash and cash equivalents at end of year	$ (46)	$ 3,164	$ (13)
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	$ -	$ -	$ 6
Equity in common cash	-	3,166	-
Warrants outstanding	(46)	(3)	(18)
Cash and cash equivalents at end of year	$ (46)	$ 3,164	$ (13)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (488)	$ 721	$ 3,040
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,340	240	1,228
Other reconciling items	-	-	23
Net Changes in Assets and Liabilities:			
Inventories	26	(50)	27
Other assets (net)	(50)	643	(565)
Accounts payable and other liabilities	(748)	(1,577)	371
Net cash provided (used) by operating activities	$ 79	$ (23)	$ 4,126
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital contributions	$ -	$ -	$ -
Cost of capital assets acquisitions financed by capital leases	-	-	-
Capital lease liabilities entered into during the year	-	-	-
Gain (loss) on disposal of capital assets	(2,254)	-	(5)
Total noncash investing, capital, and financing activities	$ (2,254)	$ -	$ (5)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	**TOTALS**
$ 506,949	$ 5,116	$ 743,706	**$ 1,454,001**
(187,330)	(952)	-	**(220,262)**
(290,905)	(1,992)	(303,003)	**(751,130)**
-	(648)	(423,341)	**(423,990)**
-	-	1,440	**1,659**
-	-	-	**(7,057)**
$ 28,714	$ 1,524	$ 18,801	**$ 53,221**
$ 10,347	$ 7,215	$ 5,635	**$ 30,136**
(7,215)	(5,333)	(10,347)	**(30,714)**
(2,267)	(32)	-	**(3,110)**
$ 865	$ 1,850	$ (4,712)	**$ (3,688)**
(36,877)	$ -	$ -	**$ (38,223)**
-	-	-	**(22)**
7,196	-	-	**7,196**
-	-	-	**94**
$ (29,681)	$ -	$ -	**$ (30,954)**
$ -	$ -	$ 450	**$ 450**
$ -	$ -	$ 450	**$ 450**
$ (102)	$ 3,375	$ 14,539	**$ 19,029**
(463)	1,178	178,544	**181,146**
$ (565)	$ 4,553	$ 193,083	**$ 200,175**
$ -	$ -	$ 1	**$ 7**
-	4,553	193,132	**200,851**
(566)	-	(51)	**(683)**
$ (565)	$ 4,553	$ 193,083	**$ 200,175**
$ (9,229)	$ 2,868	$ (2,816)	**$ (5,904)**
51,108	-	-	**53,916**
-	-	351	**374**
(42)	-	-	**(39)**
(1,012)	-	24,210	**23,226**
(12,111)	(1,344)	(2,944)	**(18,352)**
$ 28,714	$ 1,524	$ 18,801	**$ 53,221**
$ 372	$ -	$ -	**$ 372**
11,016	-	-	**11,016**
(11,016)	-	-	**(11,016)**
(339)	-	-	**(2,597)**
$ 33	$ -	$ -	**$ (2,226)**

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

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

STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS

The State of Michigan 457 Plan and the State of Michigan 401k Plan 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 (now known as the Department of Technology, Management and Budget). However, the State Treasurer continues to oversee investment options.

LEGISLATIVE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws (MCL) Section 38.1001. LRS's pension plan provides benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

MCL Section 38.1018 amended LRS's enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws Section 38.1001. LRS's health plan provides its members with health, dental, vision, and hearing insurance coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE POLICE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605, which is administered by a nine-member board under the direction of a chairperson elected from the membership. MSPRS's pension plan provides retirement, survivor and disability benefits to Michigan State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605. MSPRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

STATE EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws (MCL) Section 38.2, which is administered by a nine-member board under the direction of an Executive Secretary. SERS's pension plan provides retirement, survivor and disability benefits to State employees.

Effective March 31, 1997, MCL Section 38.13 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The law also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws Section 38.2. SERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPSERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

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

Various MCLs, beginning with Section 38.1304, were amended to create a new "pension plus" plan which pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account for employees first hired after June 30, 2010.

PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws Section 38.1321. MPSERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

Effective July 1, 2010, MCL Section 38.1343e requires employees to contribute a percentage of their compensation into a funding account established under the public employee retirement health care fund act.

JUDGES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws (MCL) Section 38.2201. MJRS's pension plan provides retirement, survivor and disability benefits to judges in the judicial branch of State government. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

MCL Section 38.2401a, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws Section 38.2201. MJRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by Michigan Compiled Laws Section 38.11 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 (now known as the Department of Technology, Management and Budget). However, the State Treasurer continues to oversee investment options.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2010
(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ASSETS				
Cash	$ -	$ -	$ -	$ -
Equity in common cash	2,014	2,943	322	4,066
Receivables:				
From participants	84,276	-	-	7
From employer	-	227	25	-
Other	493	-	-	-
Interest and dividends	-	54	6	160
Due from other funds	-	-	-	2,553
Due from component unit	-	-	-	-
Due from other governmental	-	-	-	-
Sale of investments	-	215	24	-
Investments at Fair Value:				
Short-term investments	-	-	-	18,120
Fixed Income	-	-	-	160,609
Domestic equities	-	59,767	6,562	355,304
Real estate	-	-	-	94,289
Alternative investments	-	136	15	218,905
International equities	-	-	-	136,325
Absolute return	-	-	-	39,986
Mutual funds	1,090,087	81,939	8,997	-
Pooled investment funds	886,275	-	-	-
Separate accounts	1,285,407	-	-	-
Securities lending collateral	-	-	-	108,953
Total Assets	$ 3,348,552	$ 145,280	$ 15,950	$ 1,139,278
LIABILITIES				
Warrants outstanding	$ -	$ 23	$ 3	$ 139
Accounts payable and other liabilities	-	561	62	285
Amounts due to other funds	-	2	-	-
Obligations under security lending	-	-	-	139,863
Total Liabilities	$ -	$ 586	$ 64	$ 140,287
NET ASSETS				
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits	$ 3,348,552	$ 144,694	$ 15,886	$ 998,991
Reconciliation of Net Assets Held in Trust:				
Pension benefits	$ -	$ 144,694	$ -	$ 998,991
Postemployment health-care benefits	-	-	15,886	-
Deferred compensation participants	3,348,552	-	-	-
Total net assets held in trust for benefits	$ 3,348,552	$ 144,694	$ 15,886	$ 998,991

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
$ -	$ 126	$ -	$ 1	$ -	$ -
-	32,999	-	51,537	1,578	771
-	98	-	500	-	6
1,484	47,363	11,272	328,703	28,468	44
6,125	-	43,476	-	106,541	-
2	1,440	16	5,730	149	40
56	25,858	-	59,721	-	-
-	306	-	-	-	-
238	-	19,214	-	9,443	-
-	-	-	-	-	-
238	142,411	1,575	334,020	8,676	885
2,110	1,459,487	16,140	6,035,961	156,772	35,906
4,668	3,205,118	35,444	12,881,119	334,562	88,763
1,239	836,423	9,250	3,118,648	81,001	31,290
2,876	1,886,869	20,866	7,928,212	205,920	38,888
1,791	1,243,837	13,755	4,903,630	127,362	35,190
525	341,175	3,773	1,363,921	35,425	9,183
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,431	982,022	10,860	3,930,848	102,096	27,268
$ 22,784	$ 10,205,531	$ 185,641	$ 40,942,551	$ 1,197,991	$ 268,235
$ 2	$ 1,490	$ 16	$ 6,772	$ 176	$ 27
3,008	3,276	23,979	34,265	67,429	8
13,152	-	47,501	-	-	-
1,837	1,260,623	13,941	5,046,036	131,061	35,004
$ 17,999	$ 1,265,389	$ 85,437	$ 5,087,073	$ 198,666	$ 35,039
$ 4,785	$ 8,940,142	$ 100,204	$ 35,855,478	$ 999,325	$ 233,197
$ -	$ 8,940,142	$ -	$ 35,855,478	$ -	$ 233,197
4,785	-	100,204	-	999,325	-
-	-	-	-	-	-
$ 4,785	$ 8,940,142	$ 100,204	$ 35,855,478	$ 999,325	$ 233,197

This statement continued on next page.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)
SEPTEMBER 30, 2010
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	**TOTALS**
ASSETS			
Cash	$ -	$ -	**$ 127**
Equity in common cash	-	121	**96,350**
Receivables:			
From participants	-	133,035	**217,923**
From employer	48	-	**417,633**
Other	199	128	**156,963**
Interest and dividends	-	-	**7,596**
Due from other funds	-	-	**88,188**
Due from component unit	-	-	**306**
Due from other governmental	-	-	**28,895**
Sale of investments	-	-	**239**
Investments at Fair Value:			
Short-term investments	-	-	**505,925**
Fixed Income	3	-	**7,866,990**
Domestic equities	7	-	**16,971,314**
Real estate	3	-	**4,172,141**
Alternative investments	3	-	**10,302,691**
International equities	3	-	**6,461,893**
Absolute return	1	-	**1,793,989**
Mutual funds	-	519,654	**1,700,677**
Pooled investment funds	-	650,007	**1,536,282**
Separate accounts	-	178,219	**1,463,626**
Securities lending collateral	2	-	**5,163,480**
Total Assets	$ 269	$ 1,481,164	**$ 58,953,227**
LIABILITIES			
Warrants outstanding	$ -	$ -	**$ 8,648**
Accounts payable and other liabilities	104	-	**132,977**
Amounts due to other funds	28	-	**60,684**
Obligations under security lending	3	-	**6,628,368**
Total Liabilities	$ 135	$ -	**$ 6,830,676**
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits	$ 134	$ 1,481,164	**$ 52,122,551**
Reconciliation of Net Assets Held in Trust:			
Pension benefits	$ -	$ 1,481,164	**$ 47,653,665**
Postemployment health-care benefits	134	-	**1,120,334**
Deferred compensation participants	-	-	**3,348,552**
Total net assets held in trust for benefits	$ 134	$ 1,481,164	**$ 52,122,551**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ADDITIONS				
Contributions:				
From participants	$ 145,712	$ 11	$ 153	$ 172
From employers	-	-	3,424	37,898
From other plans	5,179	-	-	-
From other governmental	-	-	150	-
Investment Income:				
Net appreciation (depreciation) in fair value of investments	197,542	13,693	1,295	79,353
Interest, dividends, and other	29,780	1,876	317	22,655
Securities lending income	-	-	-	2,457
Less Investment Expense:				
Investment activity expense	-	538	55	3,678
Securities lending expense	-	-	-	644
Net investment income (loss)	227,322	15,032	1,557	100,144
Miscellaneous income	1,232	50	1,343	35
Total Additions	379,444	15,093	6,627	138,249
DEDUCTIONS				
Benefits paid to participants or beneficiaries	104,816	11,502	-	97,195
Medical, dental, and life insurance for retirants	-	-	5,293	-
Refunds and transfers to other systems	126,137	305	-	7
Administrative expense	5,912	355	36	371
Transfers to other funds	-	-	-	2
Total Deductions	236,866	12,162	5,329	97,574
Net increase (decrease)	142,579	2,930	1,298	40,675
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - Beginning of fiscal year - restated	3,205,973	141,763	14,588	958,316
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - End of fiscal year	$ 3,348,552	$ 144,694	$ 15,886	$ 998,991
Reconciliation of Net Increase in Assets:				
Net increase (decrease) in assets held in trust for pension benefits	$ -	$ 2,930	$ -	$ 40,675
Net increase (decrease) in assets held in trust for postemployment benefits	-	-	1,298	-
Net increase (decrease) in assets held in trust for deferred compensation participants	142,579	-	-	-
Total net increase (decrease)	$ 142,579	$ 2,930	$ 1,298	$ 40,675

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
$ 1,157	$ 26,056	$ 20,905	$ 377,749	$ 125,160	$ 1,540
32,891	369,953	360,126	1,001,252	675,117	-
-	50	-	17	-	-
322	-	27,058	-	39,980	-
380	700,372	7,684	2,871,969	75,472	16,884
109	198,977	4,304	754,872	76,905	5,386
12	21,912	240	88,594	2,328	597
18	32,009	351	130,136	3,420	792
3	5,740	63	22,847	600	158
480	883,511	11,815	3,562,452	150,685	21,918
12	135	278	574	195	48
34,862	1,279,705	420,182	4,942,043	991,138	23,506
-	917,329	-	3,525,020	-	20,079
31,379	-	330,513	-	650,677	-
-	315	11	33,924	53	-
877	5,045	15,956	25,844	54,431	143
-	29	-	157	-	-
32,256	922,718	346,479	3,584,945	705,161	20,223
2,606	356,987	73,702	1,357,098	285,977	3,283
2,179	8,583,155	26,501	34,498,380	713,349	229,914
$ 4,785	$ 8,940,142	$ 100,204	$ 35,855,478	$ 999,325	$ 233,197
$ -	$ 356,987	$ -	$ 1,357,098	$ -	$ 3,283
2,606	-	73,702	-	285,977	-
-	-	-	-	-	-
$ 2,606	$ 356,987	$ 73,702	$ 1,357,098	$ 285,977	$ 3,283

This statement continued on next page.

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	**TOTALS**
ADDITIONS			
Contributions:			
From participants	$ 521	$ 74,079	**$ 773,216**
From employers	-	95,913	**2,576,573**
From other plans	-	17	**5,263**
From other governmental	-	-	**67,510**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	11	94,049	**4,058,705**
Interest, dividends, and other	2	29,122	**1,124,306**
Securities lending income	-	-	**116,140**
Less Investment Expense:			
Investment activity expense	-	-	**170,997**
Securities lending expense	-	-	**30,056**
Net investment income (loss)	13	123,171	**5,098,098**
Miscellaneous income	713	495	**5,112**
Total Additions	1,247	293,676	**8,525,772**
DEDUCTIONS			
Benefits paid to participants or beneficiaries	-	42,831	**4,718,772**
Medical, dental, and life insurance for retirants	1,079	-	**1,018,941**
Refunds and transfers to other systems	-	33,507	**194,260**
Administrative expense	35	3,874	**112,879**
Transfers to other funds	-	-	**188**
Total Deductions	1,114	80,212	**6,045,039**
Net increase (decrease)	133	213,464	**2,480,733**
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - Beginning of fiscal year - restated	2	1,267,700	**49,641,818**
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - End of fiscal year	$ 134	$ 1,481,164	**$ 52,122,551**
Reconciliation of Net Increase in Assets:			
Net increase (decrease) in assets held in trust for pension benefits	$ -	$ 213,464	**$ 1,974,438**
Net increase (decrease) in assets held in trust for postemployment benefits	133	-	**363,716**
Net increase (decrease) in assets held in trust for deferred compensation participants	-	-	**142,579**
Total net increase (decrease)	$ 133	$ 213,464	**$ 2,480,733**

PRIVATE PURPOSE TRUST FUNDS

ESCHEATS FUND

The Escheats Fund operates under the authority of Sections 567.221 – 567.265 of the Michigan Compiled Laws and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the laws are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the laws.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

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

HOSPITAL PATIENTS' TRUST FUND

The Hospital Patients' Trust Fund operates under the authority of Michigan Compiled Laws Section 330.1730 and is used to account for funds of patients receiving services in State hospitals. The Department of Community Health (DCH), 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. DCH distributes interest on a monthly basis to patients meeting minimum balance requirements.

MICHIGAN EDUCATION SAVINGS PROGRAM

Michigan Compiled Laws Section 390.1473 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP 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 limited contributions into the program as prescribed by law. 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, 2010
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	**TOTALS**
ASSETS					
Cash	$ -	$ 1,119	$ 16	$ 179	**$ 1,314**
Equity in common cash	85,796	14,955	117	-	**100,869**
Receivables:					
Interest and dividends	-	124	-	1,466	**1,590**
Investments at Fair Value:					
Fixed income	-	20,060	-	-	**20,060**
Mutual funds	-	9	-	2,125,970	**2,125,979**
Guaranteed funding agreements	-	-	-	247,159	**247,159**
Other current assets	1,910	2,646	21	2,714	**7,290**
Other noncurrent assets	-	650	-	-	**650**
Total Assets	$ 87,706	$ 39,563	$ 153	$ 2,377,488	**$ 2,504,911**
LIABILITIES					
Warrants outstanding	$ 1,793	$ 426	$ 7	$ -	**$ 2,226**
Accounts payable and other liabilities	124	1,313	6	4,353	**5,795**
Total Liabilities	$ 1,917	$ 1,739	$ 12	$ 4,353	**$ 8,021**
NET ASSETS					
Net assets held in trust for other purposes	$ 85,788	$ 37,824	$ 141	$ 2,373,136	**$ 2,496,890**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	**TOTALS**
ADDITIONS					
Contributions:					
From participants	$ -	$ -	$ -	$ 819,988	**$ 819,988**
From clients	-	64,443	1,128	-	**65,571**
From gifts, bequests, and endowments	-	34,922	-	-	**34,922**
Investment Income:					
Net appreciation (depreciation) in fair value of investments	-	854	-	141,564	**142,418**
Interest, dividends, and other	-	743	-	47,200	**47,943**
Net investment income (loss)	-	1,597	-	188,764	**190,361**
Escheated property	72,391	-	-	-	**72,391**
Miscellaneous income	-	53	-	-	**53**
Total Additions	72,391	101,015	1,128	1,008,751	**1,183,286**
DEDUCTIONS					
Benefits paid to participants or beneficiaries	-	-	-	643,593	**643,593**
Amounts distributed to clients, claimants, or third parties	69,131	99,143	1,116	-	**169,390**
Administrative expense	3,060	8	-	4,084	**7,152**
Total Deductions	72,191	99,151	1,116	647,677	**820,135**
Net increase (decrease)	201	1,864	12	361,074	**363,151**
Net assets held in trust for others - Beginning of fiscal year	85,588	35,960	129	2,012,062	**2,133,739**
Net assets held in trust for others End of fiscal year	$ 85,788	$ 37,824	$ 141	$ 2,373,136	**$ 2,496,890**
Reconciliation of Net Increase in Assets:					
Net increase (decrease) in assets held in trust for other purposes	$ 201	$ 1,864	$ 12	$ 361,074	**$ 363,151**
Total net increase (decrease)	$ 201	$ 1,864	$ 12	$ 361,074	**$ 363,151**

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Natural Resources and Environment has legal custody. The bonds held by this fund include bond deposits from the hazardous waste program and the solid waste program as provided by Sections 324.11141 and 324.11523 of the Michigan Compiled Laws (MCL) and from the scrap tire program as provided in MCL Section 324.16903.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by Michigan Compiled Laws Section 500.411, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). The MISDU, administered by the Department of Human Services, 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, 2010
(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	CHILD SUPPORT COLLECTION FUND	**TOTALS**
ASSETS				
Cash	$ -	$ -	$ 43,223	**$ 43,223**
Equity in common cash	2,737	5,320	-	**8,057**
Other current assets	-	-	5	**5**
Other noncurrent assets	-	376,694	-	**376,694**
Total Assets	$ 2,737	$ 382,014	$ 43,227	**$ 427,978**
LIABILITIES				
Accounts payable and other liabilities	$ 2,737	$ 5,320	$ 42,155	**$ 50,211**
Amounts due to other funds	-	-	1,073	**1,073**
Other long-term liabilities	-	376,694	-	**376,694**
Total Liabilities	$ 2,737	$ 382,014	$ 43,227	**$ 427,978**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

	BALANCE OCTOBER 1, 2009	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2010**
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 2,789	$ 19	$ 72	**$ 2,737**
Total Assets	$ 2,789	$ 19	$ 72	**$ 2,737**
LIABILITIES				
Accounts payable and other liabilities	$ 2,789	$ 19	$ 72	**$ 2,737**
Total Liabilities	$ 2,789	$ 19	$ 72	**$ 2,737**
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 3,375	$ 54,628	$ 52,682	**$ 5,320**
Other noncurrent assets	373,858	112,537	109,701	**376,694**
Total Assets	$ 377,233	$ 167,165	$ 162,383	**$ 382,014**
LIABILITIES				
Accounts payable and other liabilities	$ 3,375	$ 54,628	$ 52,682	**$ 5,320**
Other long-term liabilities	373,858	112,537	109,701	**376,694**
Total Liabilities	$ 377,233	$ 167,165	$ 162,383	**$ 382,014**

	BALANCE OCTOBER 1, 2009	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2010**
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Cash	$ 47,283	$ 1,488,709	$ 1,492,770	**$ 43,223**
Other current assets	4	5	4	**5**
Total Assets	$ 47,287	$ 1,488,714	$ 1,492,774	**$ 43,227**
LIABILITIES				
Accounts payable and other liabilities	$ 46,536	$ 1,523,864	$ 1,528,246	**$ 42,155**
Amounts due to other funds	750	6,254	5,932	**1,073**
Total Liabilities	$ 47,287	$ 1,530,118	$ 1,534,178	**$ 43,227**
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 47,283	$ 1,488,709	$ 1,492,770	**$ 43,223**
Equity in common cash	6,164	54,647	52,755	**8,057**
Other current assets	4	5	4	**5**
Other noncurrent assets	373,858	112,537	109,701	**376,694**
Total Assets	$ 427,309	$ 1,655,898	$ 1,655,229	**$ 427,978**
LIABILITIES				
Accounts payable and other liabilities	$ 52,700	$ 1,578,511	$ 1,581,000	**$ 50,211**
Amounts due to other funds	750	6,254	5,932	**1,073**
Other long-term liabilities	373,858	112,537	109,701	**376,694**
Total Liabilities	$ 427,309	$ 1,697,303	$ 1,696,633	**$ 427,978**

COMPONENT UNITS – AUTHORITIES

FARM PRODUCE INSURANCE AUTHORITY

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

LAND BANK FAST TRACK AUTHORITY

Michigan Compiled Laws Section 124.765 created the Land Bank Fast Track Authority (LBFTA) to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of the property and to promote economic growth within the State. LBFTA receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

The LBFTA's seven-member governing board consists of the Director of the Department of Energy, Labor and Economic Growth, the Chief Executive Officer of the Michigan Economic Development Corporation or his or her designee, the Executive Director of the Michigan State Housing Development Authority or his or her designee, and four members appointed by the Governor.

MACKINAC BRIDGE AUTHORITY

Michigan Compiled Laws (MCL) Section 254.302 created the Mackinac Bridge Authority (MBA). MCL Section 254.314 empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MACKINAC ISLAND STATE PARK COMMISSION

Established in 1927, the Mackinac Island State Park Commission currently operates under Sections 324.76701 – 324.76709 of the Michigan Compiled Laws. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

The Michigan Early Childhood Investment Corporation was created by an interlocal agreement between the Department of Human Services and participating intermediate school districts. The interlocal agreement was entered into pursuant to Sections 124.501 – 124.512 of the Michigan Compiled Laws. The Corporation's primary objective is to administer activities related to early childhood development.

The governing body of each participant shall appoint one member of the Corporation Board to serve at the will of the participant. For each member of the Corporation Board appointed by the governing body of a participant, the Governor shall appoint up to two members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five participants, the Governor may appoint up to twelve additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participants. In addition, the Corporation shall have an Executive Committee of fifteen members, all appointed by the Governor. The committee shall exercise the powers of the Corporation.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article 7, Section 28 of the State Constitution of 1963 and Sections 124.501 – 124.512 of the Michigan Compiled Laws (MCL), is a public body corporate. Created by a ten-year contract (interlocal agreement) between participating local economic development corporations formed under Sections 125.1601 – 125.1636 of the MCL 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 20 members appointed to eight-year, staggered terms.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by Michigan Compiled Laws (MCL) Section 125.2005 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. MCL Section 408.40 transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF and placed MSF as an autonomous entity in the Department of Technology, Management and Budget (DTMB). In 2003, MCL Section 445.2011 transferred MSF from DTMB to the Department of Energy, Labor and Economic Growth (DELEG). As part of the tobacco securitization legislation passed November 21, 2005, MCL Section 125.2005 transferred MSF to the Department of Treasury. MSF is governed by a board of eleven members, consisting of the directors of DELEG and Treasury, and the Chief Executive Officer of the Michigan Economic Development Corporation. The Governor, with the advice and consent of the Senate, appoints the other eight members; none of those eight may be an employee of the State.

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, 2010
(In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	LAND BANK FAST TRACK AUTHORITY	MACKINAC BRIDGE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION
ASSETS				
Current Assets:				
Cash	$ 1,703	$ -	$ 540	$ 824
Equity in common cash	-	-	-	-
Amounts due from component units	-	-	-	-
Amounts due from primary government	-	-	-	-
Amounts due from federal government	-	3,292	-	-
Inventories	-	-	-	606
Investments	1,056	-	4,859	334
Other current assets	14	-	72	67
Total Current Assets	2,772	3,292	5,470	1,831
Restricted Assets:				
Cash and cash equivalents	-	-	-	2,981
Investments	-	-	-	2,346
Advances to primary government	-	-	-	-
Mortgages and loans receivable	-	-	-	-
Investments	3,447	-	44,035	-
Capital Assets:				
Land and other non-depreciable assets	-	8,481	125	337
Buildings, equipment, and other depreciable assets	-	-	7,878	10,570
Less accumulated depreciation	-	-	(3,972)	(8,106)
Infrastructure	-	-	102,722	-
Construction in progress	-	-	-	789
Total capital assets	-	8,481	106,753	3,590
Other noncurrent assets	-	-	-	-
Total Assets	$ 6,219	$ 11,773	$ 156,259	$ 10,748
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ -	$ 18	$ -	$ -
Accounts payable and other liabilities	-	702	444	97
Amounts due to component units	-	-	-	-
Amounts due to primary government	93	571	2,006	111
Bonds and notes payable	-	-	-	45
Interest payable	-	-	-	22
Deferred revenue	-	-	512	55
Current portion of other long-term obligations	-	791	167	-
Total Current Liabilities	93	2,083	3,129	330
Deferred revenue	-	-	481	-
Bonds and notes payable	-	-	-	1,810
Noncurrent portion of other long-term obligations	-	8	413	-
Total Liabilities	$ 93	$ 2,091	$ 4,023	$ 2,140
NET ASSETS				
Invested in capital assets, net of related debt	$ -	$ 8,481	$ 106,753	$ 1,735
Restricted For:				
Construction and debt service	-	-	-	3,234
Other purposes	-	-	231	2,741
Unrestricted	6,126	1,201	45,252	898
Total Net Assets	$ 6,126	$ 9,682	$ 152,236	$ 8,608

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN STRATEGIC FUND	STATE BAR OF MICHIGAN	**TOTALS**
$ 3,298	$ 21,204	$ 2,968	$ 2,715	**$ 33,251**
-	20,292	30,263	-	**50,555**
-	11,648	-	-	**11,648**
7,406	-	-	-	**7,406**
-	-	32,510	-	**35,802**
-	-	-	26	**632**
1,030	20,738	-	8,965	**36,982**
4,962	8,632	29,269	547	**43,562**
16,696	82,513	95,010	12,254	**219,837**
-	-	14,821	-	**17,802**
-	-	-	-	**2,346**
-	1,500	-	-	**1,500**
-	13,458	53,481	-	**66,939**
-	25,032	55,196	-	**127,711**
-	-	-	381	**9,324**
25	17,433	-	10,993	**46,899**
(5)	(8,007)	-	(6,401)	**(26,491)**
-	-	-	-	**102,722**
-	-	-	-	**789**
20	9,426	-	4,972	**133,243**
-	12	83,482	-	**83,494**
$ 16,716	$ 131,941	$ 301,990	$ 17,226	**$ 652,871**
$ -	$ 253	$ 258	$ -	**$ 530**
7,224	11,028	42,901	1,030	**63,426**
-	-	11,648	-	**11,648**
-	99	17	-	**2,896**
-	-	35	-	**80**
-	-	1,862	-	**1,883**
4,923	-	71	1,141	**6,703**
39	1,523	710	-	**3,229**
12,186	12,902	57,500	2,171	**90,394**
-	-	-	-	**481**
-	-	82,323	-	**84,133**
22	1,038	5,492	-	**6,974**
$ 12,207	$ 13,941	$ 145,316	$ 2,171	**$ 181,981**
$ -	$ 9,426	$ -	$ 4,972	**$ 131,368**
-	-	-	-	**3,234**
-	-	-	-	**2,972**
4,508	108,574	156,674	10,083	**333,316**
$ 4,508	$ 118,000	$ 156,674	$ 15,055	**$ 470,890**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	$ 116	$ 12	$ -	$ -	$ (104)
Land Bank Fast Track Authority	6,239	-	5,486	43	(710)
Mackinac Bridge Authority	15,178	18,492	-	-	3,315
Mackinac Island State Park Commission	4,664	4,002	760	-	98
Michigan Early Childhood Investment Corporation	21,976	-	22,013	-	37
Michigan Economic Development Corporation	90,390	-	60,508	-	(29,882)
Michigan Strategic Fund	177,710	2,360	48,412	-	(126,938)
State Bar of Michigan	10,958	11,378	-	-	421
Total	$ 327,230	$ 36,245	$ 137,180	$ 43	$ (153,763)

GENERAL REVENUES						
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	SPECIAL ITEMS	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR RESTATED	NET ASSETS END OF YEAR
$ 71	$ -	$ 2	$ -	$ (31)	$ 6,157	$ 6,126
7	-	26	-	(677)	10,359	9,682
2,565	-	-	-	5,879	146,357	152,236
166	-	-	-	264	8,344	8,608
17	-	41	-	95	4,414	4,508
2,414	-	8,967	-	(18,502)	136,502	118,000
2,837	96,433	50,122	-	22,455	134,219	156,674
158	-	-	-	578	14,477	15,055
$ 8,233	$ 96,433	$ 59,157	$ -	$ 10,061	$ 460,829	$ 470,890

COMPONENT UNITS – STATE UNIVERSITIES

The State has 13 legally separate public universities, 10 of which are included in this report as component units and 3 of which are excluded. Included are the 10 universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by the Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. Excluded are those 3 that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The 3 that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the 10 universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2010. 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, 2010
(In Thousands)

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	$ 37,675	$ 44,915	$ 48,224	$ 8,160
Amounts due from component units	-	-	-	-
Amounts due from primary government	18,261	13,013	35,164	2,404
Amounts due from federal government	3,827	764	1,922	159
Amounts due from local units	-	-	-	-
Inventories	909	906	2,328	293
Investments	53,382	32,670	-	1,012
Other current assets	14,418	4,352	16,315	1,677
Total Current Assets	128,471	96,621	103,952	13,705
Restricted Assets:				
Cash and cash equivalents	-	9,343	1,860	-
Investments	86,504	17,074	13,901	-
Mortgages and loans receivable	12,533	18,448	-	-
Mortgages and loans receivable	-	-	8,185	2,703
Investments	-	41,305	174,147	12,624
Capital Assets:				
Land and other non-depreciable assets	11,654	6,330	37,205	2,522
Buildings, equipment, and other depreciable assets	587,426	350,674	670,266	142,202
Less accumulated depreciation	(266,294)	(163,709)	(206,011)	(86,875)
Construction in progress	48,415	34,160	39,118	-
Total capital assets	381,200	227,454	540,578	57,850
Other noncurrent assets	2,347	2,700	24,465	-
Total Assets	$ 611,055	$ 412,944	$ 867,089	$ 86,882
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 44,208	$ 24,282	$ 45,149	$ 2,817
Amounts due to primary government	55	-	89	185
Bonds and notes payable	3,610	4,300	5,209	1,050
Interest payable	2,472	1,183	901	165
Deferred revenue	10,237	7,664	12,276	958
Current portion of other long-term obligations	400	-	4,688	627
Total Current Liabilities	60,981	37,429	68,312	5,802
Deferred revenue	-	964	684	-
Bonds and notes payable	237,350	101,135	235,045	24,535
Noncurrent portion of other long-term obligations	37,999	22,884	24,290	2,997
Total Liabilities	$ 336,331	$ 162,412	$ 328,331	$ 33,334
NET ASSETS				
Invested in capital assets, net of related debt	$ 166,147	$ 132,921	$ 310,011	$ 32,182
Restricted For:				
Education	-	7,290	8,325	9,343
Construction and debt service	-	-	30,506	816
Other purposes	19,302	-	-	3,055
Funds Held as Permanent Investments:				
Expendable	-	4,825	18,489	-
Nonexpendable	32,392	17,074	35,536	4,574
Unrestricted	56,883	88,422	135,891	3,578
Total Net Assets	$ 274,724	$ 250,532	$ 538,758	$ 53,548

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	**TOTALS**
$ 19,509	$ 48,685	$ 73,033	$ 44,060	**$ 324,262**
-	4	-	-	**4**
8,916	11,930	9,279	31,020	**129,987**
4,297	405	3,545	2,147	**17,066**
-	15	37	-	**52**
1,485	1,380	512	2,967	**10,781**
-	-	-	55	**87,119**
8,247	7,490	8,898	2,069	**63,466**
42,454	69,909	95,305	82,319	**632,736**
5,299	-	-	54	**16,556**
80,912	-	34,737	-	**233,128**
-	-	1,621	-	**32,602**
12,647	6,847	-	12	**30,395**
6,541	67,538	99,853	35,592	**437,600**
14,834	6,760	4,325	2,490	**86,121**
355,255	365,911	401,933	383,330	**3,256,996**
(148,286)	(142,587)	(181,212)	(127,633)	**(1,322,608)**
19,903	1,631	20,592	25,508	**189,326**
241,705	231,715	245,638	283,695	**2,209,835**
8,055	3,463	20,948	3,151	**65,130**
$ 397,614	$ 379,472	$ 498,102	$ 404,822	**$ 3,657,980**
$ 15,561	$ 16,799	$ 18,798	$ 18,896	**$ 186,511**
605	576	403	-	**1,911**
1,320	3,454	3,445	4,641	**27,029**
793	-	386	-	**5,901**
2,408	4,486	10,251	6,924	**55,204**
7,784	439	267	101	**14,305**
28,472	25,754	33,550	30,563	**290,862**
-	-	1,363	1,440	**4,451**
71,357	100,538	127,902	126,245	**1,024,107**
6,889	9,107	14,206	3,547	**121,919**
$ 106,717	$ 135,399	$ 177,021	$ 161,794	**$ 1,441,340**
$ 168,775	$ 126,148	$ 145,976	$ 164,240	**$ 1,246,401**
56,983	2,658	30,323	2,439	**117,361**
-	-	-	50	**31,372**
-	-	-	-	**22,357**
-	21,773	6,580	-	**51,667**
57,341	2,855	16,836	36,977	**203,585**
7,797	90,639	121,366	39,322	**543,898**
$ 290,897	$ 244,073	$ 321,081	$ 243,028	**$ 2,216,640**

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2010
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Eastern Michigan University	$ 332,777	$ 202,422	$ 21,475	$ 55	$ (108,824)
Ferris State University	225,753	142,894	3,937	-	(78,922)
Grand Valley State University	353,076	248,025	28,233	15,973	(60,846)
Lake Superior State University	49,668	24,522	10,380	324	(14,442)
Michigan Technological University	214,386	98,684	64,243	5,802	(45,657)
Northern Michigan University	155,017	88,671	11,679	-	(54,667)
Oakland University	235,259	157,281	23,185	38	(54,755)
Saginaw Valley State University	127,469	82,225	10,032	-	(35,212)
Total	$ 1,693,405	$ 1,044,725	$ 173,165	$ 22,190	$ (453,325)

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
$ (1,725)	$ 79,570	$ 33,272	$ 2,293	$ 272,431	$ 274,724
12,375	54,039	25,897	13,388	237,143	250,532
7,591	63,905	34,107	44,758	494,000	538,758
2,000	12,935	-	493	53,055	53,548
4,601	47,871	-	6,815	284,082	290,897
4,598	45,149	13,875	8,955	235,119	244,073
14,957	52,221	14,971	27,395	293,686	321,081
3,501	43,050	14,043	25,383	217,646	243,028
$ 47,897	$ 398,740	$ 136,166	$ 129,478	$ 2,087,162	$ 2,216,640

III. STATISTICAL SECTION

Index
STATISTICAL SECTION

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

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Debt Capacity
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

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These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

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

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003	2004
Governmental activities				
Invested in capital assets, net of related debt	$ 15,129,844	$ 15,014,812	$ 14,996,945	$ 14,962,902
Restricted	2,849,171	2,016,570	1,886,336	1,993,335
Unrestricted	1,404,776	338,575	(652,923)	(960,684)
Total governmental activities net assets	$ 19,383,790	$ 17,369,957	$ 16,230,358	$ 15,995,554
Business-type activities				
Invested in capital assets, net of related debt	$ 287	$ 443	$ 581	$ 566
Restricted	3,121,417	2,563,917	1,765,699	1,164,540
Unrestricted	6,388	4,433	4,295	5,910
Total business-type activities net assets	$ 3,128,093	$ 2,568,793	$ 1,770,575	$ 1,171,016
Primary government				
Invested in capital assets, net of related debt	$ 15,130,131	$ 15,015,255	$ 14,997,525	$ 14,963,468
Restricted	5,970,588	4,580,487	3,652,035	3,157,875
Unrestricted	1,411,164	343,008	(648,628)	(954,774)
Total primary government net assets	$ 22,511,883	$ 19,938,749	$ 18,000,933	$ 17,166,569
Reconciliation of net assets				
Beginning net assets	$ 22,586,033	$ 22,511,883	$ 19,938,749	$ 18,000,933
Restatement of beginning net assets	-	-	-	203,870
Beginning net assets - restated	22,586,033	22,511,883	19,938,749	18,204,803
Statement of Activities - changes in net assets	(74,150)	(2,573,134)	(1,937,817)	(1,038,233)
Change in reporting entity	-	-	-	-
Ending net assets	$ 22,511,883	$ 19,938,749	$ 18,000,933	$ 17,166,569

NOTE: Prior year numbers have been restated to eliminate the effect of the Michigan Tobacco Settlement Finance Authority, reported in previous years as part of the primary government.

2005	2006	2007	2008	2009	2010
$ 15,245,452	$ 15,827,600	$ 15,739,094	$ 15,909,317	$ 16,313,696	$ 16,859,070
2,086,764	2,064,965	2,292,779	2,599,760	2,577,249	2,691,477
(932,221)	(1,313,574)	(1,337,824)	(1,868,935)	(3,928,376)	(4,860,007)
$ 16,399,994	$ 16,578,992	$ 16,694,049	$ 16,640,142	$ 14,962,570	$ 14,690,540
$ 582	$ 412	$ 367	$ 807	$ 735	$ 603
894,513	621,982	358,712	72,672	137,064	145,056
6,891	7,827	4,798	(121,773)	(2,425,221)	(3,163,457)
$ 901,986	$ 630,220	$ 363,877	$ (48,294)	$ (2,287,423)	$ (3,017,798)
$ 15,246,033	$ 15,828,012	$ 15,739,461	$ 15,910,124	$ 16,314,431	$ 16,859,673
2,981,277	2,686,947	2,651,490	2,672,432	2,714,313	2,836,533
(925,330)	(1,305,747)	(1,333,025)	(1,990,708)	(6,353,597)	(8,023,463)
$ 17,301,980	$ 17,209,212	$ 17,057,926	$ 16,591,848	$ 12,675,147	$ 11,672,743
$ 17,166,569	$ 17,301,980	$ 17,209,212	$ 17,057,926	$ 16,591,848	$ 12,675,147
75,489	188,188	-	(54,373)	(176,594)	-
17,242,058	17,490,168	17,209,212	17,003,554	16,415,254	12,675,147
59,922	(692,181)	(575,518)	(495,759)	(3,757,816)	(1,002,404)
-	411,225	424,232	84,053	17,709	-
$ 17,301,980	$ 17,209,212	$ 17,057,926	$ 16,591,848	$ 12,675,147	$ 11,672,743

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003	2004
Expenses				
Governmental activities:				
General government	$ 1,735,152	$ 1,560,139	$ 1,714,827	$ 1,748,598
Education	14,109,560	14,696,060	14,839,951	14,418,940
Human services	3,627,815	3,792,086	3,891,686	3,985,861
Public safety and corrections	2,098,619	2,161,486	2,159,537	2,256,393
Conservation, environment, recreation, and agriculture	682,875	691,796	612,638	674,387
Labor, commerce, and regulatory	884,129	898,235	901,562	920,056
Health services	8,535,965	8,952,390	9,362,895	9,605,216
Transportation	2,766,735	3,268,241	2,792,752	3,104,841
Tax credits (Note 16)	532,800	615,100	707,800	702,700
Intergovernmental-revenue sharing	1,555,799	1,517,303	1,451,374	1,305,146
Interest on long-term debt	221,333	248,263	281,408	246,992
Total governmental activities	36,750,783	38,401,099	38,716,430	38,969,130
Business-type activities:				
Liquor Purchase Revolving Fund	479,359	494,696	515,243	544,683
State Lottery Fund	1,132,767	1,153,280	1,152,760	1,391,385
Attorney Discipline System	-	-	-	4,056
Michigan Unemployment Compensation Funds	1,485,947	2,328,713	2,473,817	2,349,400
Total business-type activities	3,098,072	3,976,689	4,141,820	4,289,524
Total primary government expenses	$ 39,848,855	$ 42,377,787	$ 42,858,249	$ 43,258,653
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 612,104	$ 664,533	$ 744,322	$ 911,721
Education	12,836	10,587	14,030	5,277
Human services	66,365	54,982	49,917	58,170
Public safety and corrections	98,075	113,058	111,843	154,440
Conservation, environment, recreation, and agriculture	262,367	233,430	236,157	254,861
Labor, commerce, and regulatory	204,650	256,314	252,982	247,857
Health services	42,959	56,822	229,826	57,071
Transportation	197,536	219,129	217,466	197,125
Operating grants and contributions	10,255,342	10,848,672	11,290,702	11,783,472
Capital grants and contributions	667,437	589,530	546,713	618,445
Total governmental activities program revenues	$ 12,419,671	$ 13,047,057	$ 13,693,957	$ 14,288,438
Business-type activities:				
Charges for services:				
Liquor Purchase Revolving Fund	$ 592,084	$ 607,413	$ 638,170	$ 675,747
State Lottery Fund	1,655,683	1,729,938	1,700,313	2,002,688
Attorney Discipline System	-	-	-	4,593
Michigan Unemployment Compensation Funds	1,050,123	1,426,748	1,701,364	1,817,576
Operating grants and contributions	313,629	535,524	135,116	76,762
Total business-type activities program revenues	3,611,520	4,299,623	4,174,964	4,577,366
Total primary government program revenues	$ 16,031,192	$ 17,346,681	$ 17,868,922	$ 18,865,804
Net (Expenses)/Revenues				
Governmental activities	$ (24,331,111)	$ (25,354,041)	$ (25,022,472)	$ (24,680,692)
Business-type activities	513,448	322,935	33,144	287,843
Total primary government net expenses	$ (23,817,663)	$ (25,031,106)	$ (24,989,328)	$ (24,392,849)

2005	2006	2007	2008	2009	2010
$ 1,877,410	$ 2,289,294	$ 2,205,613	$ 1,671,584	$ 1,753,403	$ 1,752,504
14,531,388	14,695,186	14,660,163	15,080,883	15,251,821	14,989,964
4,154,811	4,384,311	4,453,497	4,699,046	5,410,078	6,136,852
2,320,406	2,541,630	2,583,916	2,895,133	2,994,466	2,859,301
652,326	688,407	596,972	572,755	617,768	577,952
936,467	951,519	963,444	995,714	1,187,368	1,261,908
10,179,705	9,963,373	10,832,862	11,622,966	12,334,951	13,250,231
3,106,993	3,133,137	3,191,784	3,235,394	3,244,824	2,947,845
815,300	834,000	883,400	931,600	963,500	1,351,500
1,112,931	1,103,625	1,071,104	1,076,445	1,040,031	994,196
287,519	293,128	304,702	318,654	350,421	362,626
39,975,258	40,877,610	41,747,457	43,100,174	45,148,632	46,484,880
557,377	582,982	602,280	621,991	633,093	634,925
1,447,285	1,584,186	1,654,823	1,636,858	1,710,718	1,676,994
3,856	4,122	4,282	4,976	5,026	4,733
1,892,486	1,990,197	2,012,082	2,403,043	6,215,392	6,803,393
3,901,003	4,161,487	4,273,467	4,666,868	8,564,229	9,120,044
$ 43,876,261	$ 45,039,097	$ 46,020,924	$ 47,767,042	$ 53,712,861	$ 55,604,924
$ 983,124	$ 1,087,877	$ 1,195,965	$ 737,401	$ 768,411	$ 775,018
4,858	9,306	10,377	6,616	5,790	5,320
53,400	56,367	59,285	57,963	46,903	38,797
155,683	160,829	164,345	168,789	157,751	168,141
269,035	251,591	185,978	282,008	254,128	360,261
238,229	262,021	312,983	304,145	306,657	313,368
72,062	72,564	72,338	79,683	84,647	72,036
201,598	84,280	79,459	72,651	69,685	75,466
11,792,127	11,623,141	12,295,825	12,956,983	16,755,408	19,150,043
805,580	779,269	627,057	719,518	921,847	964,605
$ 14,575,696	$ 14,387,246	$ 15,003,612	$ 15,385,756	$ 19,371,229	$ 21,923,056
$ 688,928	$ 718,085	$ 742,959	$ 768,085	$ 781,896	$ 780,265
2,082,229	2,232,204	2,363,001	2,351,082	2,398,995	2,379,975
4,588	4,631	4,782	4,885	4,943	4,977
1,646,311	1,727,761	1,765,871	1,998,292	3,922,144	6,012,375
54,148	53,932	55,783	44,262	104,154	79,966
4,476,205	4,736,614	4,932,397	5,166,606	7,212,131	9,257,558
$ 19,051,901	$ 19,123,860	$ 19,936,008	$ 20,552,362	$ 26,583,360	$ 31,180,614
$ (25,399,562)	$ (26,490,364)	$ (26,743,845)	$ (27,714,418)	$ (25,777,403)	$ (24,561,824)
575,202	575,127	658,929	499,738	(1,352,097)	137,514
$ (24,824,360)	$ (25,915,237)	$ (26,084,916)	$ (27,214,680)	$ (27,129,501)	$ (24,424,311)

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (Continued)
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003	2004
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
General:				
Sales and use	$ 2,555,186	$ 2,560,816	$ 2,475,020	$ 2,565,865
Personal income	5,483,584	4,549,592	4,569,230	4,693,512
Single business and Michigan business	2,207,500	1,783,582	1,824,292	1,773,325
Tobacco products	213,019	267,957	403,696	508,086
Beer, wine, and liquor	109,195	109,777	112,895	116,405
Insurance company	200,756	227,113	231,076	230,272
Quality assurance assessment	-	-	-	325,188
Penalties and interest	157,377	181,614	128,697	104,432
Other	499,114	419,068	388,810	355,861
Restricted For Educational Purposes:				
Sales and use	5,117,360	5,177,407	5,081,189	5,143,414
Personal income	2,003,475	1,761,334	1,816,390	1,896,860
Michigan business	-	-	-	-
Education, property, and real estate transfers	1,742,445	1,847,603	2,408,728	2,142,706
Tobacco products	383,063	406,358	490,773	485,101
Beer, wine, and liquor	28,621	29,280	30,588	32,286
Casino Gaming Wagering	75,415	91,915	90,945	95,781
Other	149,885	167,137	179,652	162,129
Restricted For Transportation Purposes:				
Sales and use	74,415	77,676	79,440	64,960
Gasoline and diesel fuel	1,077,187	1,090,866	1,089,558	1,070,488
Motor vehicle weight	777,903	827,347	844,695	933,822
Other	6,766	6,727	7,402	7,721
Unrestricted investment and interest earnings	159,194	51,657	14,132	9,728
Miscellaneous	668,970	790,940	739,966	592,700
Contributions to permanent fund principal	38,415	19,928	31,938	30,759
Transfers	737,635	894,513	843,762	901,580
Total governmental activities	$ 24,466,480	$ 23,340,208	$ 23,882,874	$ 24,242,982
Business-type activities:				
Taxes	10,419	10,707	11,297	11,989
Investment earnings	4,248	1,562	1,102	1,225
Miscellaneous	1	8	-	-
Transfers	(737,635)	(894,513)	(843,762)	(901,580)
Total business-type activities	(722,967)	(882,235)	(831,363)	(888,366)
Total primary government	$ 23,743,513	$ 22,457,973	$ 23,051,511	$ 23,354,616
Changes in Net Assets				
Governmental activities	$ 135,369	$ (2,013,834)	$ (1,139,599)	$ (437,710)
Business-type activities	(209,519)	(559,300)	(798,218)	(600,524)
Total primary government	$ (74,150)	$ (2,573,134)	$ (1,937,817)	$ (1,038,233)

NOTES: Beginning in fiscal year 2009, the State began reporting tobacco products tax revenue separately rather than included in other.

Beginning in fiscal year 2009, the State began reporting quality assurance assessment tax revenue separately rather than included in other. Amounts for years prior to 2004 are not available.

Prior year amounts have been restated to eliminate the effect of the Michigan Tobacco Settlement Finance Authority, reported in previous years as part of the primary government.

2005	2006	2007	2008	2009	2010
$ 2,663,226	$ 2,665,614	$ 2,635,341	$ 2,701,052	$ 2,439,220	$ 2,651,757
5,036,282	5,123,885	5,321,169	6,229,339	4,639,740	4,931,508
1,934,003	1,926,884	1,771,854	1,715,861	1,372,597	1,107,589
712,218	690,234	678,826	652,609	631,339	612,414
117,990	119,429	123,592	126,040	126,475	126,269
250,966	218,104	223,753	223,398	261,006	257,359
509,857	676,923	832,562	1,026,698	858,512	845,612
173,290	146,807	155,789	167,297	145,675	135,939
444,732	337,920	334,097	320,484	244,166	239,425
5,283,583	5,240,334	5,230,217	5,424,253	4,848,489	5,006,696
2,019,932	2,069,435	2,142,251	2,174,393	1,855,533	1,756,587
-	-	-	341,000	669,341	604,395
2,236,159	2,320,578	2,336,474	2,266,377	2,163,883	2,047,056
471,734	466,985	449,912	427,303	410,590	392,113
33,169	34,212	35,730	37,120	37,717	37,476
97,609	104,069	106,681	112,067	108,080	101,816
151,918	154,173	154,917	101,666	55,764	74,083
56,924	66,405	67,678	82,114	82,887	76,778
1,068,565	1,054,766	1,016,957	992,502	970,794	956,999
863,367	867,663	874,287	854,736	839,648	841,840
6,719	5,974	6,339	5,675	5,591	5,188
14,141	9,991	12,097	7,595	4,911	1,464
681,837	1,281,229	1,378,751	739,602	568,855	495,556
41,033	35,153	26,165	57,937	30,091	101,587
859,260	864,406	943,460	927,763	905,523	882,287
$ 25,728,514	$ 26,481,174	$ 26,858,903	$ 27,714,884	$ 24,276,425	$ 24,289,795
12,194	12,654	13,133	13,663	14,093	14,107
2,784	4,861	5,055	2,192	763	276
50	-	-	-	3,636	16
(859,260)	(864,406)	(943,460)	(927,763)	(905,523)	(882,287)
(844,232)	(846,892)	(925,273)	(911,909)	(887,031)	(867,889)
$ 24,884,282	$ 25,634,282	$ 25,933,630	$ 26,802,975	$ 23,389,393	$ 23,421,906
$ 328,952	$ (9,190)	$ 115,057	$ 466	$ (1,500,979)	$ (272,029)
(269,030)	(271,766)	(266,343)	(412,171)	(2,239,129)	(730,375)
$ 59,922	$ (280,956)	$ (151,286)	$ (411,705)	$ (3,740,107)	$ (1,002,404)

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	2001	2002	2003	2004
General Fund				
Reserved	$ 1,880,452	$ 1,662,579	$ 1,136,802	$ 1,169,819
Unreserved	28,072	114,500	173,956	-
Total general fund	$ 1,908,525	$ 1,777,079	$ 1,310,758	$ 1,169,819
All Other Governmental Funds				
Reserved	$ 1,393,523	$ 1,441,759	$ 1,445,064	$ 1,665,549
Unreserved, reported in:				
Special revenue funds	2,462,033	968,700	571,164	537,917
Debt service funds	318,721	406,903	369,313	365,841
Capital projects funds	(287,958)	(158,776)	(436,623)	(451,060)
Permanent funds	41,082	40,459	34,719	42,778
Total all other governmental funds	$ 3,927,400	$ 2,699,045	$ 1,983,637	$ 2,161,025
Reconciliation of governmental fund balances				
Beginning fund balances	$ 5,634,144	$ 5,835,924	$ 4,476,125	$ 3,294,395
Restatement of beginning fund balances	369,229	-	(255,500)	-
Beginning fund balances - restated	6,003,373	5,835,924	4,220,625	3,294,395
Excess of revenues and other sources over (under) expenditures and other uses	(167,449)	(1,359,800)	(926,230)	36,449
Change in accounting entity	-	-	-	-
Ending fund balances	$ 5,835,924	$ 4,476,125	$ 3,294,395	$ 3,330,844

NOTE: Prior year numbers have been restated to eliminate the effect of the Michigan Tobacco Settlement Finance Authority, reported in previous years as part of primary government.

2005	2006	2007	2008	2009	2010
$ 1,232,856	$ 1,066,757	$ 722,948	$ 833,104	$ 794,464	$ 828,553
220,537	2,482	259,080	457,870	177,244	187,220
$ 1,453,393	$ 1,069,240	$ 982,028	$ 1,290,974	$ 971,708	$ 1,015,773
$ 1,759,462	$ 1,657,248	$ 1,945,448	$ 1,968,781	$ 1,941,203	$ 2,048,256
303,226	779,910	689,356	483,130	605,513	379,140
194,586	189,851	208,868	220,517	207,916	222,322
(349,643)	(87,918)	(239,869)	(238,718)	(182,786)	(161,980)
43,259	43,791	41,361	54,791	40,473	75,486
$ 1,950,891	$ 2,582,883	$ 2,645,164	$ 2,488,501	$ 2,612,318	$ 2,563,224
$ 3,330,844	$ 3,404,284	$ 3,652,123	$ 3,627,192	$ 3,779,475	$ 3,584,026
-	-	-	-	-	-
3,330,844	3,404,284	3,652,123	3,627,192	3,779,475	3,584,026
73,440	336,067	35,653	131,789	(220,414)	(5,029)
-	(88,228)	(60,583)	20,494	24,965	-
$ 3,404,284	$ 3,652,123	$ 3,627,192	$ 3,779,475	$ 3,584,026	$ 3,578,997

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	2001	2002	2003	2004
Revenues				
Taxes	$ 22,405,023	$ 22,070,408	$ 22,425,957	$ 22,799,928
From federal agencies	9,572,898	10,203,716	10,813,804	11,580,220
From local agencies	227,996	248,867	230,728	239,815
From services	115,346	121,849	121,198	148,140
From licenses and permits	391,655	408,746	417,786	555,858
Special Medicaid reimbursements	1,155,374	1,109,233	932,658	704,551
Miscellaneous	1,411,628	1,218,388	1,467,812	1,205,367
Total revenues	35,279,920	35,381,208	36,409,943	37,233,878
Expenditures				
General government	1,277,822	1,544,055	1,209,916	1,117,659
Education	14,176,060	14,744,715	14,866,526	14,445,184
Human services	3,598,591	3,793,974	3,877,953	3,935,170
Public safety and corrections	2,159,602	2,136,506	2,115,448	2,121,584
Conservation, environment, recreation, and agriculture	636,279	650,353	591,218	586,096
Labor, commerce, and regulatory	881,069	891,817	891,644	902,903
Health services	8,525,435	8,891,480	9,270,484	9,676,268
Transportation	2,058,484	2,118,452	2,080,361	2,212,371
Tax credits	532,800	615,100	707,800	702,700
Capital outlay	1,532,145	1,465,800	1,164,002	1,100,106
Intergovernmental - revenue sharing	1,555,799	1,517,303	1,451,374	1,305,146
Debt service:				
Bond principal retirement	219,552	226,801	222,477	729,557
Bond interest and fiscal charges	201,980	225,678	239,054	241,194
Capital lease payments	48,820	51,387	67,723	50,840
Total expenditures	37,404,438	38,873,422	38,755,981	39,126,778
Excess of revenues over (under) expenditures	(2,124,519)	(3,492,214)	(2,346,038)	(1,892,901)
Other Financing Sources (Uses)				
Bonds and notes issued	1,223,549	987,850	568,616	520,676
Refunding bonds issued	630,812	488,145	692,694	660,249
Premium on bond issuance	44,373	64,238	87,561	55,940
Discount on bond issuance	-	-	-	-
Payment to refunded bond escrow agent	(698,723)	(527,303)	(851,235)	(247,256)
Extinguishment of commercial paper	(40,680)	(51,890)	-	-
Capital lease acquisitions	23,014	237,272	16,052	19,661
Proceeds from sale of capital assets	-	-	-	17,236
Transfers from other funds	3,185,915	4,132,997	3,433,535	3,294,939
Transfers from component units	-	-	-	-
Transfers to other funds	(2,411,191)	(3,198,895)	(2,527,415)	(2,392,095)
Transfers to component units	-	-	-	-
Total other financing sources (uses)	1,957,070	2,132,415	1,419,808	1,929,350
Net change in fund balances	$ (167,449)	$ (1,359,800)	$ (926,230)	$ 36,449
Debt service as a percentage of noncapital expenditures	1%	1%	1%	3%

NOTE: Prior year numbers have been restated to eliminate the effect of the Michigan Tobacco Settlement Finance Authority, reported in previous years as part of primary government.

2005	2006	2007	2008	2009	2010
$ 23,936,964	$ 24,198,924	$ 24,370,884	$ 26,075,135	$ 23,348,354	$ 23,174,824
11,974,006	12,160,022	12,655,930	13,432,638	17,377,416	19,832,846
262,875	124,101	139,429	126,550	118,190	106,172
264,956	269,593	284,370	291,380	288,877	300,992
423,501	437,560	444,841	441,407	454,981	458,303
467,970	93,621	102,670	115,797	135,667	123,205
1,475,377	1,948,214	2,271,059	1,667,798	1,524,220	1,575,643
38,805,648	39,232,034	40,269,182	42,150,705	43,247,704	45,571,986
1,307,448	1,631,483	1,590,733	1,553,671	1,587,314	1,464,412
14,557,032	14,758,992	14,664,715	15,094,266	15,249,946	15,051,983
4,122,779	4,341,774	4,447,992	4,609,481	5,334,263	6,042,987
2,287,452	2,455,145	2,467,512	2,617,048	2,591,858	2,573,093
614,939	642,815	568,398	597,267	557,602	546,510
924,876	952,921	957,023	966,091	1,145,954	1,223,197
10,126,544	9,958,104	10,741,285	11,588,207	12,450,287	13,218,598
2,167,888	2,082,847	2,178,923	2,338,907	2,195,721	2,279,890
815,300	834,000	883,400	931,600	963,500	1,351,500
1,274,247	1,462,405	1,376,891	1,234,427	1,279,372	1,322,304
1,112,931	1,103,625	1,071,104	1,076,445	1,040,031	994,196
354,711	773,826	238,789	228,261	215,380	247,532
276,216	294,093	295,878	285,333	341,194	316,163
49,530	49,183	46,074	50,176	50,107	50,982
39,991,894	41,341,213	41,528,716	43,171,179	45,002,530	46,683,346
(1,186,245)	(2,109,179)	(1,259,534)	(1,020,474)	(1,754,825)	(1,111,361)
365,164	963,105	485,115	121,500	601,500	177,480
1,528,539	1,494,050	-	208,780	775,640	142,190
97,857	46,234	18,662	16,811	10,748	10,569
-	(496,444)	-	-	(4,263)	-
(1,609,886)	(563,776)	(240,280)	(223,319)	(777,179)	(150,488)
-	-	-	-	-	-
6,778	34,059	20,906	110,838	41,205	39,101
10,643	13,974	5,347	30,505	3,027	1,895
2,924,083	2,736,772	2,826,854	2,697,131	2,603,766	2,834,719
-	-	-	-	-	-
(2,063,492)	(1,870,956)	(1,882,002)	(1,789,489)	(1,695,068)	(1,949,134)
-	-	-	-	-	-
1,259,686	2,357,018	1,234,604	1,172,757	1,559,376	1,106,331
$ 73,440	$ 247,839	$ (24,930)	$ 152,283	$ (195,449)	$ (5,029)
2%	3%	1%	1%	1%	1%

PERSONAL INCOME BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

	2000	2001	2002
Farm earnings	$ 647	$ 582	$ 549
Forestry, fishing, and related activities	270	306	282
Mining	669	743	611
Utilities	1,809	1,941	2,046
Construction	14,793	14,999	14,890
Manufacturing	55,767	53,301	51,156
Wholesale trade	11,601	11,515	11,296
Retail trade	15,073	15,247	15,660
Transportation and warehousing	6,489	6,924	6,682
Information	4,309	4,350	4,458
Finance and insurance	8,856	10,213	10,901
Real estate and rental and leasing	3,666	6,570	6,834
Professional, scientific, and technical services	21,936	22,499	22,569
Management of companies and enterprises	7,216	6,694	6,349
Administrative and waste services	8,922	9,194	9,387
Educational services	1,458	1,550	1,720
Health care and social assistance	18,787	19,837	21,514
Arts, entertainment, and recreation	1,827	1,927	2,130
Accommodation and food services	5,177	5,248	5,470
Other services, except public administration	8,137	7,889	8,250
Government and government enterprises	29,601	30,685	32,137
Total earnings by place of work	227,008	232,212	234,891
Total earnings by place of work	227,008	232,212	234,891
less: Contributions for government social insurance	27,005	26,906	27,047
plus: Adjustment for residence	1,047	1,144	1,192
Net earnings by place of residence	201,050	206,449	209,036
Net earnings by place of residence	201,050	206,449	209,036
plus: Dividends, interest, and rent	50,395	49,722	47,523
plus: Personal current transfer receipts	38,641	42,023	44,937
Total Personal Income	$ 290,085	$ 298,194	$ 301,496
Statutory Tax Rate (blended rate)	4.25%	4.20%	4.13%

NOTES: Earnings presented are blended averages. Due to the use of averages and blended amounts, the totals may not equal the sum of the industry amounts presented.

Earnings includes wages and salaries, supplements to wages and proprietors' income.

Industries categorized using the North American Industry Classification System.

Fiscal year 2009 is the most recent year for which data is available.

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

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

2003	2004	2005	2006	2007	2008	2009
$ 704	$ 1,030	$ 1,109	$ 1,076	$ 1,159	$ 1,779	$ 1,234
276	307	282	339	328	310	313
654	736	792	900	857	1,144	1,119
2,193	2,156	2,253	2,473	2,618	2,610	2,723
14,719	15,186	15,605	15,567	14,490	13,564	11,510
56,423	54,367	50,205	49,582	48,392	46,748	39,225
11,571	11,898	12,386	12,661	13,110	13,432	12,412
15,985	16,222	16,264	16,056	16,135	15,894	15,057
6,772	7,115	7,397	7,291	7,479	7,451	6,857
4,569	4,745	4,679	4,644	4,714	4,762	4,358
11,524	11,649	12,156	12,676	12,882	12,387	11,825
5,785	5,987	6,415	5,757	4,639	4,106	4,127
22,062	22,596	23,479	24,275	25,157	26,057	24,079
6,684	7,190	7,282	6,827	6,947	6,641	6,007
9,902	10,365	11,382	11,669	11,395	11,146	9,865
1,906	2,194	2,280	2,403	2,553	2,741	2,815
22,761	24,104	25,426	26,832	27,971	29,414	30,366
2,163	2,299	2,245	2,374	2,426	2,601	2,436
5,624	5,931	6,028	6,005	6,306	6,252	5,903
8,494	8,656	8,930	9,030	9,078	9,084	8,831
33,338	34,805	36,719	37,220	38,083	39,114	40,260
244,108	249,534	253,313	255,652	256,717	257,233	241,319
244,108	249,534	253,313	255,652	256,717	257,233	241,319
27,479	28,302	29,237	30,013	30,625	30,777	29,243
1,251	1,337	1,422	1,517	1,592	1,618	1,565
217,880	222,569	225,498	227,156	227,684	228,074	213,642
217,880	222,569	225,498	227,156	227,684	228,074	213,642
46,542	47,316	47,681	50,644	54,575	58,370	55,985
46,268	48,784	51,397	54,898	59,546	65,433	74,427
$ 310,689	$ 318,669	$ 324,576	$ 332,698	$ 341,806	$ 351,877	$ 344,054
4.03%	3.98%	3.90%	3.90%	3.90%	4.35%	4.35%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

	2000	2001	2002	2003
Farming	$ 83.3	$ 78.9	$ 80.8	$ 77.8
Agricultural	273.0	269.7	243.3	275.3
Mining	174.0	183.9	173.8	174.6
Construction	816.3	795.9	778.8	741.5
Manufacturing	4,040.2	3,783.1	3,486.9	3,225.4
Transportation and utilities	8,331.9	8,734.9	8,632.8	9,030.7
Wholesale trade	3,434.2	3,231.4	2,970.7	3,121.5
Retail trade	78,301.4	80,297.7	82,580.9	82,417.6
Finance, insurance, and real estate	1,153.6	929.0	718.1	622.2
Services	7,720.5	8,179.2	8,276.9	8,077.5
State and local government	167.6	172.4	155.6	150.9
Other classifications	692.6	675.8	707.6	614.2
Total	$ 105,188.4	$ 107,331.8	$ 108,806.2	$ 108,529.3
Direct Sales Tax Rate	6%	6%	6%	6%

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry.

Industries categorized by using the Standard Industrial Classification.

Fiscal year 2009 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

2004	2005	2006	2007	2008	2009
$ 77.2	$ 78.9	$ 78.5	$ 73.6	$ 70.4	$ 57.1
275.3	277.5	270.7	250.3	240.4	226.6
159.9	181.0	192.5	183.4	180.2	118.8
768.8	788.3	782.3	706.4	695.9	565.0
3,315.5	3,577.2	3,424.2	3,283.3	3,331.8	2,608.5
9,369.3	10,359.4	11,715.5	12,091.0	12,650.3	12,708.7
3,127.9	3,270.5	3,400.5	2,881.0	3,031.4	2,516.5
83,135.4	84,719.4	83,382.5	83,464.8	86,572.7	78,680.5
472.3	460.8	435.6	333.3	323.9	356.8
7,686.8	7,121.3	6,215.0	6,483.1	6,426.7	5,696.8
162.0	184.3	197.7	202.6	166.7	154.6
951.9	1,021.3	806.4	1,091.1	943.9	1,802.9
$ 109,502.2	$ 112,040.0	$ 110,901.4	$ 111,043.7	$ 114,634.3	$ 105,492.7
6%	6%	6%	6%	6%	6%

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
TAX YEARS 1999 AND 2008

	Tax Year 1999				Tax Year 2008			
Adjusted Gross Income (AGI) Group	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total
$50,000 and under	3,038,699	68.8%	$ 1,210	19.0%	2,867,783	64.0%	$ 240	4.2%
$50,001 - $100,000	1,000,549	22.7%	2,341	36.7%	1,002,397	22.4%	1,871	32.5%
$100,001 and higher	375,472	8.5%	2,825	44.3%	611,331	13.6%	3,646	63.3%
Total	4,414,720	100.0%	$ 6,376	100.0%	4,481,511	100.0%	$ 5,757	100.0%

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

Tax year 2008 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

SALES TAX PAYERS BY INDUSTRY
FISCAL YEARS 2000 AND 2009

	2000				2009			
	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total
Farming	591	0.53%	$ 4.8	0.08%	614	0.64%	$ 3.4	0.06%
Agricultural	1,676	1.51%	16.3	0.26%	1,350	1.40%	13.6	0.22%
Mining	285	0.26%	10.4	0.17%	258	0.27%	7.1	0.11%
Construction	2,694	2.42%	49.0	0.79%	2,444	2.54%	33.9	0.55%
Manufacturing	6,805	6.12%	242.4	3.90%	6,526	6.79%	156.5	2.53%
Transportation and utilities	1,390	1.25%	401.6	6.46%	1,241	1.29%	610.0	9.88%
Wholesale trade	2,661	2.39%	206.1	3.32%	2,124	2.21%	151.0	2.44%
Retail trade	68,155	61.25%	4,698.1	75.62%	54,979	57.21%	4,720.8	76.43%
Finance, insurance, and real estate	436	0.39%	69.2	1.11%	455	0.47%	21.4	0.35%
Services	25,729	23.12%	463.2	7.46%	24,409	25.40%	341.8	5.53%
State and local government	314	0.28%	10.1	0.16%	314	0.33%	9.3	0.15%
Other classifications	536	0.48%	41.9	0.67%	1,391	1.45%	108.2	1.75%
Total	111,272	100.00%	$ 6,213.0	100.00%	96,105	100.00%	$ 6,177.0	100.00%

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

Fiscal year 2009 is the most recent year for which data is available.

Industries categorized using the Standard Industrial Classification.

SOURCE: Michigan Department of Treasury.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Millions)

	GOVERNMENTAL ACTIVITIES			
FISCAL YEAR	GENERAL OBLIGATION BONDS	STATE PARK REVENUE BONDS	MUSTFA REVENUE BONDS	TRANSPORTATION REVENUE BONDS
2001	$ 1,032	$ -	$ 153	$ 1,122
2002	1,120	16	138	1,173
2003	1,413	16	122	1,176
2004	1,528	15	105	1,323
2005	1,645	15	-	1,652
2006	1,794	14	-	1,889
2007	1,488	13	-	2,328
2008	1,487	13	-	2,257
2009	1,673	12	-	2,474
2010	1,680	12	-	2,369

NOTES: Article 9, Section 15 of the State Constitution allows for long-term borrowing by the State for specific purposes in amounts as may be provided by acts of the Legislature adopted by a vote of two-thirds of the members in each house, and approved by a majority of the bodies people voting at a general election. The debts of public bodies corporate and politic created by law are not general obligation debts and liabilities of the State of Michigan. Details regarding the State's debt can be found in the bonds and notes payable note of the financial statements.

The column for the Tobacco Settlement Finance Authority (TSFA), reported in previous years, has been removed. Executive Order 2010-2 created the Michigan Finance Authority (MFA), a component unit, transferring TSFA to MFA. Fiscal years 2006 through 2009 have been restated.

SOURCES: U.S. Census Bureau, Population Division.
Department of Technology, Management and Budget.
U.S. Department of Commerce, Bureau of Economic Analysis.
Department of Treasury.

GOVERNMENTAL ACTIVITIES				
STATE BUILDING AUTHORITY BONDS	CAPITAL LEASES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
$ 2,159	$ 255	$ 4,721	1.57%	$ 472
2,582	461	5,490	1.81%	547
2,607	479	5,813	1.85%	577
2,545	423	5,939	1.86%	589
2,615	406	6,333	1.94%	628
3,449	252	7,398	2.21%	734
3,366	248	7,443	2.16%	741
3,375	320	7,452	2.11%	745
2,969	330	7,458	2.18%	748
3,008	345	7,414	Unavailable	Unavailable

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(In Millions)

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS DEBT SERVICE FUNDS	NET BONDED GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2001	$ 1,032	$ -	$ 1,032	0.34%	$ 103
2002	1,120	-	1,120	0.37%	112
2003	1,413	1	1,413	0.45%	140
2004	1,528	1	1,527	0.48%	151
2005	1,645	1	1,644	0.50%	163
2006	1,794	1	1,793	0.54%	178
2007	1,487	1	1,487	0.43%	148
2008	1,487	1	1,486	0.42%	149
2009	1,673	1	1,672	0.49%	168
2010	1,680	1	1,678	Unavailable	Unavailable

SOURCES: U.S. Census Bureau, Population Division.
Department of Technology, Management and Budget.
U.S. Department of Commerce, Bureau of Economic Analysis.
Department of Treasury.

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

	2001	2002	2003	2004
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 1,067.6	$ 1,082.8	$ 1,093.2	$ 1,073.3
Registration Taxes	777.9	827.3	844.7	933.8
Miscellaneous Fees	54.7	58.0	56.7	51.4
Total	1,900.2	1,968.1	1,994.5	2,058.4
Less Deductions	132.0	173.4	176.8	110.9
Remaining Balance	1,768.2	1,794.7	1,817.8	1,947.6
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	159.2	160.5	162.3	166.4
Motor Vehicle Related Sales Tax Revenues	$ 1,057.0	$ 1,130.0	$ 1,708.4	$ 1,082.7
Allocation to Comprehensive Transportation Fund	73.7	78.8	79.4	65.0
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	$ 232.9	$ 239.3	$ 241.8	$ 231.3
Plus Other Revenues (primarily interest)	3.5	0.9	1.4	3.6
Money Available for Debt Service	$ 236.4	$ 240.3	$ 243.2	$ 234.9
Debt Service:				
Principal	$ 10.5	$ 11.1	$ 11.7	$ 16.3
Interest	11.2	10.2	12.0	14.0
Actual Annual Debt Service (1)	21.7	21.4	23.6	30.3
Debt Service Coverage	10.9 x	11.3 x	10.3 x	7.8 x

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

SOURCE: Michigan Department of Transportation.

2005	2006	2007	2008	2009	2010
$ 1,069.1	$ 1,055.3	$ 1,027.8	$ 989.3	$ 964.0	$ 962.1
863.4	867.7	871.7	855.0	839.7	842.1
37.3	36.0	35.7	36.2	33.0	33.8
1,969.8	1,959.0	1,935.3	1,880.6	1,836.7	1,837.9
125.4	149.5	137.9	138.3	137.2	138.1
1,844.4	1,809.5	1,797.4	1,742.3	1,699.5	1,699.9
167.3	165.4	164.7	159.9	155.3	155.2
$ 1,115.4	$ 1,111.2	$ 1,117.5	$ 1,249.0	$ 1,188.3	$ 1,182.5
56.9	66.4	67.7	82.1	82.9	76.8
$ 224.3	$ 231.8	$ 232.4	$ 242.0	$ 238.2	$ 232.0
5.0	0.5	5.9	1.4	0.9	1.2
$ 229.3	$ 232.3	$ 238.3	$ 243.5	$ 239.1	$ 233.2
$ 15.6	$ 19.1	$ 20.2	$ 21.3	$ 7.5	$ 10.1
13.4	12.0	12.9	12.0	10.4	10.5
28.9	31.1	33.2	33.3	17.9	20.6
7.9 x	7.5 x	7.2 x	7.3 x	13.3 x	11.3 x

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

	2001	2002	2003	2004
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 1,067.6	$ 1,082.8	$ 1,093.2	$ 1,073.3
Registration Taxes	777.9	827.3	844.7	933.8
Miscellaneous Fees	54.7	58.0	56.7	51.4
Total	1,900.2	1,968.1	1,994.5	2,058.4
Less Deductions:				
Critical Bridge Debt Service	2.4	2.4	2.2	2.2
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Collection Costs	63.1	109.4	113.1	42.2
Waterways/Recreational Improvement Fund	18.5	18.7	18.5	18.4
Comprehensive Transportation Fund (excluding interest)	159.2	160.5	162.3	166.4
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	5.0	5.0	5.0	5.0
Economic Development Fund	40.3	40.3	40.3	40.3
Total Deductions	364.5	412.2	417.4	350.5
Constitutionally Restricted Revenues Available for Distribution	1,535.7	1,555.9	1,577.2	1,707.9
Plus Other Revenues (primarily interest)	13.4	6.1	5.9	6.2
Total Money Available for Distribution	1,549.1	1,562.0	1,583.1	1,714.1
Distributions to:				
Cities and Villages	331.9	332.3	341.6	366.9
County Road Commissions	582.9	588.6	594.7	642.5
State Trunkline Fund	634.3	641.1	646.7	704.8
Money Available for Debt Service:				
State Trunkline Fund	634.3	641.1	646.7	704.8
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Economic Development Fund	40.3	40.3	40.3	40.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	2.4	2.4	2.2	2.2
Miscellaneous (1)	-	-	-	-
Total Available for Debt Service	753.0	759.7	765.1	823.2
Debt Service:				
Principal	$ 18.7	$ 19.7	$ 26.2	$ 23.9
Interest	29.5	39.7	39.5	43.9
Actual Annual Debt Service (2)	48.2	59.4	65.7	67.8
Debt Service Coverage	15.6 x	12.8 x	11.6 x	12.1 x

NOTES:

(1) Beginning fiscal year 2008, miscellaneous revenues were available for debt service.

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

SOURCE: Michigan Department of Transportation.

2005	2006	2007	2008	2009	2010
$ 1,069.1	$ 1,055.3	$ 1,027.8	$ 989.3	$ 964.0	$ 962.1
863.4	867.7	871.7	855.0	839.7	842.1
37.3	36.0	35.7	36.2	33.0	33.8
1,969.8	1,959.0	1,935.3	1,880.6	1,836.7	1,838.0
2.2	2.5	2.8	2.8	2.8	3.3
43.0	43.0	43.0	43.0	43.0	43.0
44.5	57.1	46.2	48.1	47.8	47.9
18.4	18.0	17.6	16.9	16.6	16.7
167.3	165.4	164.7	159.9	155.3	155.2
33.0	33.0	33.0	33.0	33.0	33.0
17.2	28.9	28.3	27.5	27.0	27.2
40.3	40.3	40.3	40.3	40.3	40.3
366.0	388.2	375.9	371.5	365.7	366.6
1,603.8	1,570.8	1,559.4	1,509.1	1,471.0	1,471.4
7.0	8.9	8.2	9.0	2.3	2.2
1,610.8	1,579.7	1,567.5	1,518.0	1,473.3	1,473.6
348.7	344.8	342.8	332.1	322.4	322.4
611.6	603.3	599.7	580.9	563.7	563.8
650.5	631.5	625.0	605.0	587.2	587.4
650.5	631.5	625.0	605.0	587.2	587.4
43.0	43.0	43.0	43.0	43.0	43.0
40.3	40.3	40.3	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
2.2	2.5	2.8	2.8	2.8	3.3
-	-	-	40.5	27.1	36.4
769.0	750.3	744.1	764.6	733.3	743.4
$ 25.0	$ 19.9	$ 20.0	$ 43.5	$ 45.6	$ 79.2
49.5	74.7	84.8	91.5	90.1	80.9
74.5	94.6	104.8	135.0	135.7	160.1
10.3 x	7.9 x	7.1 x	5.7 x	5.4 x	4.6 x

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

	2001	2002	2003	2004
Revenue - Lease and Rental Payments	$ 254.3	$ 266.0	$ 287.5	$ 239.9
Less: Operating Expenses	2.2	0.8	6.4	4.2
Net Available Revenue	252.1	265.2	281.1	235.7
Debt Service:				
Principal	133.7	115.1	141.7	84.7
Interest	100.5	106.7	119.6	109.5
Actual Annual Debt Service (1)	234.1	221.8	261.3	194.2
Debt Service Coverage	1.1 x	1.2 x	1.1 x	1.2 x

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

2005	2006	2007	2008	2009	2010
$ 246.9	$ 255.5	$ 213.2	$ 219.4	$ 230.4	$ 230.1
3.2	9.9	0.8	0.8	1.1	1.6
243.7	245.6	212.4	218.6	229.3	228.5
119.9	82.1	83.6	87.1	100.5	96.1
128.7	140.8	117.5	123.4	122.2	120.0
248.6	222.9	201.1	210.5	222.7	216.1
1.0 x	1.1 x	1.1 x	1.0 x	1.0 x	1.1 x

DEMOGRAPHIC AND ECONOMIC INDICATORS
LAST TEN CALENDAR YEARS

	2000	2001	2002	2003
Population (a)				
(in thousands)				
Michigan	9,955	10,006	10,039	10,066
United States	282,172	285,082	287,804	290,326
Total Personal Income (b)				
(in billions)				
Michigan	$ 292.6	$ 300.0	$ 303.1	$ 314.3
United States	$ 8,554.9	$ 8,878.8	$ 9,054.7	$ 9,369.1
Per Capita Income (b)				
Michigan	$ 29,392	$ 29,979	$ 30,193	$ 31,221
United States	$ 30,318	$ 31,145	$ 31,461	$ 32,271
Unemployment Rate (c)				
Michigan	3.7%	5.2%	6.2%	7.1%
United States	4.0%	4.7%	5.8%	6.0%
Michigan estimated wage and salary employees (c)				
(in thousands)				
Goods Producing:				
Mining and Logging	9.5	9.3	8.6	8.1
Construction	209.6	206.1	199.6	190.6
Manufacturing	897.1	821.8	762.2	718.4
Total Goods Producing	1,116.2	1,037.2	970.4	917.1
Service-Providing:				
Private Service-Providing				
Trade, Transportation, and Utilities:				
Wholesale Trade	186.0	180.4	175.4	172.6
Retail Trade	559.8	548.8	530.7	518.7
Transportation and Utilities	135.4	132.0	128.2	125.8
Information	72.7	72.1	70.4	67.1
Financial Activities:				
Finance and Insurance	151.6	153.4	157.7	160.7
Real Estate and Rental and Leasing	56.6	55.5	55.7	56.0
Professional and Business Services:				
Professional, Scientific, and Technical Services	275.6	269.3	258.7	249.2
Management of Companies and Enterprises	75.1	73.7	73.6	72.6
Administrative, Support Services, and Waste Management	290.5	267.0	267.0	266.4
Educational and Health Services:				
Educational Services	54.3	61.2	63.1	66.4
Health Care and Social Assistance	447.9	456.7	472.0	480.5
Leisure and Hospitality:				
Accommodation and Food Services	336.4	332.7	336.2	335.9
Other	61.8	61.6	61.7	62.2
Other Services	175.3	176.9	179.3	179.1
Total Private Service-Providing	2,878.7	2,841.3	2,829.7	2,813.1
Government	681.4	685.0	686.6	685.4
Total Service-Providing	3,560.1	3,526.3	3,516.3	3,498.5
Total Wage and Salary Employment	4,676.2	4,563.5	4,486.7	4,415.6

NOTES: Calendar year 2009 is the most recent year for which data is available.

Wage and Salary Employment based on North American Industry Classification System.

Components in Wage and Salary Employment may not total due to truncation.

SOURCES:
(a) U.S. Census Bureau, Population Division.
(b) U.S. Department of Commerce, Bureau of Economic Analysis.
(c) Michigan Department of Energy, Labor & Economic Growth and U.S. Department of Labor, Bureau of Labor Statistics.

2004	2005	2006	2007	2008	2009
10,089	10,091	10,082	10,051	10,002	9,970
293,046	295,753	298,593	301,580	304,375	307,007
$ 319.4	$ 325.7	$ 334.9	$ 344.0	$ 353.3	$ 342.3
$ 9,928.8	$ 10,476.7	$ 11,256.5	$ 11,899.9	$ 12,379.7	$ 12,165.5
$ 31,661	$ 32,283	$ 33,212	$ 34,227	$ 35,321	$ 34,334
$ 33,881	$ 35,424	$ 37,698	$ 39,458	$ 40,673	$ 39,626
7.1%	6.8%	6.9%	7.1%	8.3%	13.6%
5.5%	5.1%	4.6%	4.6%	5.8%	9.3%
8.2	8.4	8.0	7.7	7.9	6.9
191.5	189.1	178.0	166.3	153.0	127.3
699.4	678.7	649.5	618.8	573.6	462.4
899.0	876.2	835.6	792.7	734.4	596.6
170.5	170.7	170.6	169.0	167.8	153.2
513.6	506.0	496.0	489.7	478.1	451.3
125.7	128.3	128.4	128.3	124.5	112.5
65.7	64.9	63.9	62.9	60.2	55.7
159.6	159.9	158.9	156.2	149.9	142.0
56.1	56.1	54.9	53.3	52.0	49.0
245.5	247.7	246.2	246.2	243.9	220.9
70.7	67.9	64.9	60.0	56.9	51.6
270.1	277.5	275.1	274.5	262.8	236.1
70.6	74.8	76.1	78.7	80.5	82.6
490.3	501.0	507.2	518.0	526.9	530.6
339.7	341.9	343.8	342.6	335.7	321.6
62.3	62.6	61.8	63.0	62.6	57.9
179.6	179.6	177.5	176.6	175.6	168.1
2,820.0	2,839.1	2,825.3	2,819.0	2,777.2	2,633.0
679.7	674.1	665.3	655.7	650.0	646.6
3,499.7	3,513.1	3,490.6	3,474.7	3,427.3	3,279.5
4,398.7	4,389.4	4,326.1	4,267.4	4,161.7	3,876.1

CLASSIFIED EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2001	2002	2003	2004
General Government	7,191	7,170	7,666	7,645
Education	396	393	298	324
Human services	13,139	12,554	10,303	10,104
Public safety and corrections	22,506	21,947	20,941	20,385
Conservation, environment, recreation, and agriculture	4,823	4,715	4,270	4,459
Labor, commerce, and regulatory	4,911	4,814	4,097	4,126
Health services	5,838	5,370	4,465	4,577
Transportation	3,253	3,185	2,826	2,956
Total	62,057	60,147	54,866	54,573

NOTES: Starting in fiscal year 2005, this report reflects classified employees who are full-time, part-time, permanent intermittent, limited term, seasonal, and non-career in primary positions only, except for the following non-career appointments: student assistant, construction aide-transportation, and state worker.

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

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

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

2005	2006	2007	2008	2009	2010
7,138	7,144	7,264	7,347	7,328	6,995
352	367	369	380	405	445
9,953	9,778	9,759	9,582	10,168	10,414
20,175	20,060	19,948	19,451	19,310	18,388
3,729	3,662	3,586	3,439	3,466	3,359
3,994	4,128	3,967	3,781	4,056	4,298
4,424	4,241	4,225	3,964	4,075	3,873
2,849	2,880	2,895	2,854	2,892	2,844
52,614	52,259	52,013	50,799	51,699	50,615

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2001	2002	2003
General government			
Tax forms processed (8)	8,445,431	8,460,529	8,131,481
Passenger, commercial, and recreational vehicle registrations	9,008,126	9,109,817	9,100,370
Driver licenses issued	1,923,498	1,728,793	1,899,690
Education			
K-12 students	1,705,798	1,715,153	1,718,286
Public university students	232,648	241,205	246,205
Community college students	109,131	116,802	125,719
Human services			
Food assistance program recipients (1)	623,335	748,421	836,518
Family independence program recipients (1)	193,217	202,462	200,962
Day care recipients (1)	118,698	117,941	122,360
Children in foster care	19,445	19,078	19,317
State disability assistance recipients (1)	7,040	8,045	9,114
Finalized adoptions (yearly total) (2)	3,014	2,895	2,643
Juvenile justice youth served	3,428	2,840	2,293
Open child support cases with support orders established	762,254	745,135	758,992
Public safety and corrections			
Inmates, parolees, and probationers (as of 9/30)	115,722	120,804	122,377
State police patrol miles driven	19,456,634	18,605,982	15,230,342
Criminal offender DNA samples entered into federal indexing database (calendar year)	16,785	8,861	13,967
National Guard members (as of 9/30)	11,224	11,580	11,306
Veteran homes average daily census	900	901	900
Conservation, environment, recreation and agriculture			
Hunting and/or fishing license holders (3)	2,169,161	2,138,381	2,104,171
Camping nights in State parks	1,146,956	1,142,539	1,156,130
Population impacted by water purification projects	174,574	157,966	314,918
Underground storage tank releases closed	467	561	339
Scrap tires collected (passenger tire equivalent)	2,476,948	667,443	1,751,165
Labor, commerce, and regulatory			
Processed applications for new and renewal occupational licenses (4)	22,522	31,456	205,088
Building related permits issued	42,664	41,573	41,216
Building related safety inspections conducted	53,485	47,375	47,339
Occupational safety and health enforcement inspections conducted	5,246	4,919	4,820
Alleged occupational safety and health violations identified	23,393	19,839	19,188
Financial and insurance service providers chartered	215,005	231,741	252,338
Health services			
Medicaid recipients (1)	1,101,154	1,197,086	1,281,397
Women, Infants, and Children Food and Nutrition Program recipients (1)	214,952	215,989	216,684
Children's special health care services recipients (1)	28,048	29,465	27,105
Mentally ill/developmental disability service recipients (1)	185,984	195,552	185,072
Substance abuse service recipients (1)	59,821	56,049	65,584

NOTES:
(1) Monthly average.
(2) Total adoptions were completed by the Department of Human Services (DHS) and private agencies under contract with DHS.
(3) The licensing season runs April 1 through March 31. Amounts reported under fiscal year 2010 are for the licensing year ending March 31, 2010.
(4) Processed occupational license renewals are not available for fiscal years 2002 and prior.
(5) The increase in fiscal year 2005 resulted from a project benefiting users of the Detroit Water and Sewerage Department.
(6) Amount estimated.
(7) Enhanced driver licences were sold starting in fiscal year 2009.
(8) Numbers for fiscal years 2001 through 2008 are on a calendar year basis. Effective fiscal year 2009, the numbers are on a fiscal year basis.

SOURCES: Various State departments.

2004	2005	2006	2007	2008	2009	2010
8,079,995	8,059,355	8,259,132	8,245,905	8,335,760	8,320,921	7,976,990 (6)
8,987,430	8,879,158	8,732,938	8,785,222	8,570,421	8,506,838	8,459,499
2,018,292	1,913,530	1,724,108	1,875,932	1,915,459	1,910,604 (7)	1,791,417
1,716,511	1,708,585	1,697,936	1,678,579	1,648,540	1,614,975	1,592,613
249,616	250,030	253,020	253,385	254,026	257,148	262,621
127,717	131,150	133,359	139,219	146,234	157,225	177,277
943,713	1,047,594	1,133,793	1,204,409	1,262,951	1,462,710	1,776,368
211,569	212,252	217,318	237,102	210,181	202,693	224,651
120,623	118,939	114,758	106,062	97,856	83,137	63,643
19,281	18,745	18,414	18,943	18,016	16,204	15,567
10,058	10,560	10,591	11,015	10,427	10,528	10,628
2,776	2,910	2,621	2,638	2,745	3,030	2,487 (6)
2,040	1,871	1,655	1,512	1,371	1,047	988
769,462	777,188	764,500	754,511	755,004	763,919	764,634
122,680	119,845	120,337	123,032	126,216	125,700	125,231
15,961,280	16,879,418	17,632,736	14,916,802	17,071,748	15,138,587	16,148,708
34,525	23,099	41,888	30,519	25,263	19,029	Unavailable
10,917	11,125	11,768	11,862	11,991	11,817	11,900
886	909	902	896	891	875	852
2,053,768	2,004,577	1,950,676	1,981,382	1,964,480	1,951,579	1,934,765
1,040,368	1,005,437	956,030	929,753	891,607	894,410	910,611 (6)
203,641	3,994,970 (5)	1,046,379	490,298	1,331,867	359,015	370,662
337	265	320	233	159	203	231
3,215,727	5,942,164	6,081,447	3,736,086	3,772,376	5,517,872	835,984 (6)
196,440	152,659	164,153	198,430	151,230	150,118	155,035
39,942	40,662	33,031	26,942	24,025	19,604	20,078
44,343	41,303	45,921	42,931	47,847	54,766	62,717
5,301	4,492	5,102	5,001	5,032	5,071	5,202
20,576	17,621	17,311	16,712	15,781	14,006	14,221
260,498	281,668	297,662	323,791	334,685	328,182	331,410
1,357,546	1,424,831	1,490,384	1,524,299	1,536,853	1,622,758	1,823,178
222,077	226,601	229,770	232,280	239,145	242,453	256,229
29,105	30,232	30,449	30,898	31,452	30,008	31,818
187,059	200,424	207,407	213,257	219,238	228,258	237,388 (6)
66,085	69,808	71,175	69,564	70,978	73,334	72,156 (6)

OPERATING INDICATORS BY FUNCTION - (Continued)
LAST TEN FISCAL YEARS

	2001	2002	2003
Transportation			
Annual vehicle miles of travel on State Trunkline roads (13)	51,500,000,000	52,800,000,000	53,400,000,000
Miles of intercity bus travel receiving State funding	1,090,776	1,169,738	1,148,787
Miles of local bus travel receiving State funding	91,827,361	98,082,082	97,289,858
Railroad crossing maintenance/safety inspections	2,845	2,927	2,405
Tax credits			
Taxpayers claiming refundable credits (10) (12)	1,264,500	1,380,400	1,416,100
Intergovernmental-revenue sharing			
Township grants	1,241	1,241	1,241
City grants	273	272	272
Village grants	262	261	261
County grants (11)	83	83	83
Liquor Purchase Revolving Fund			
Annual retail liquor licenses issued	16,169	16,130	16,034
Liquor sales volume (cases)	5,377,947	5,496,879	5,752,264
Beer sales volume (barrels)	6,812,301	6,730,138	6,802,658
Wine sales volume (liters)	55,794,094	53,916,859	61,471,699
Pre-mixed spirit drink sales volume (liters)	2,069,203	1,572,937	1,032,309
State Lottery Fund			
Retailers	9,217	9,160	9,048
Winners greater than $600	27,777	25,921	44,162
Millionaire prizewinners	18	16	11
Michigan Unemployment Compensation Funds			
Individuals receiving benefits (calendar year)	615,249	623,208	617,145

NOTES:
(9) Amount estimated.
(10) Tax credits are reported based on the tax year. Credits claimed during tax year 2009, for example, are reported above in fiscal year 2009. The 2009 totals include approximately 140,000 returns claiming an Energy Efficient Qualified Home Improvement tax credit.
(11) County grants were suspended beginning in fiscal year 2005. Instead, each county expends from its revenue sharing reserve fund created by State statute in 2004. Each fiscal year, counties are allowed only to expend from the fund the amount the Department of Treasury certifies them to spend. Once a county has exhausted its revenue sharing reserve fund, the county will return to revenue sharing.
(12) Amount estimated and rounded to nearest hundred.
(13) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.

SOURCES: Various State departments.

2004	2005	2006	2007	2008	2009	2010
53,700,000,000	52,600,000,000	51,500,000,000	52,000,000,000	51,500,000,000	48,700,000,000	48,700,000,000
1,116,321	1,090,708	1,086,793	1,081,038	1,087,543	1,080,543	1,080,444
93,223,721	88,837,852	92,951,025	94,128,601	101,037,008	99,503,940	98,336,566
2,370	2,898	2,531	2,679	2,586	1,932	1,454
1,479,300	1,497,900	1,525,500	1,581,700	2,322,600	2,574,000 (9)	Unavailable
1,241	1,241	1,241	1,241	1,241	1,240	1,240
272	274	274	274	274	275	277
261	259	259	259	259	258	256
83	-	-	-	1	7	20
16,019	15,964	15,942	15,838	15,763	15,771	15,898
6,029,155	6,110,122	6,293,797	6,464,739	6,611,415	6,734,253	6,877,873
6,807,147	6,721,468	6,647,438	6,588,385	6,601,138	6,465,495	6,448,197
65,417,883	66,022,306	68,139,758	71,385,503	72,797,847	73,200,249	79,440,328
1,237,451	1,065,146	871,900	1,008,073	811,286	787,948	983,029
10,806	11,076	10,880	10,973	10,969	10,680	10,797
44,962	44,692	52,124	49,585	44,962	53,986	60,543
20	21	17	42	37	40	39
617,134	547,376	569,721	547,950	633,558	913,568	792,000 (9)

CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

	2001	2002	2003	2004
General Government:				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Education				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Human services				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Public safety and corrections				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Conservation, environment, recreation, and agriculture				
Buildings	164	191	192	203
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Environmental quality air-monitoring instruments	88	99	116	146
Environmental quality lab/analyzing equipment	120	124	129	151
Natural resources acres of land	4,543,728	4,545,628	4,551,591	4,556,233
Harbors	16	16	16	16
Hatcheries	6	6	6	6
State park & recreation areas	96	96	97	97
Labor, commerce, and regulatory				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Health services				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Transportation				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	1,042	1,242	1,320	1,322
Highway lane miles (calendar year)	27,323	27,423	27,460	27,534
Heavy equipment owned	2,193	2,128	2,112	2,129

NOTES: For years prior to 2006, capital assets information was not available by function.

Building and vehicle counts include both owned and leased assets with the exception of transportation vehicles for years prior to fiscal year 2006. Transportation vehicle counts for fiscal years prior to fiscal year 2006 include only owned vehicles.

Acres of land are on a tax year basis rather than a fiscal year basis. The current fiscal year amount is an estimate.

Building counts for 2001 - 2005 in the Conservation, environment, recreation, and agriculture function represent only those buildings owned by the Department of Natural Resources.

SOURCES: Michigan Departments of Technology, Management and Budget, Natural Resources and Environment, and Transportation.

2005	2006	2007	2008	2009	2010
Unavailable	281	280	296	279	261
Unavailable	747	754	756	772	812
Unavailable	27	27	27	27	27
Unavailable	28	21	21	23	23
Unavailable	208	208	210	207	193
Unavailable	838	844	931	926	930
Unavailable	1,390	1,390	1,403	1,393	1,389
Unavailable	3,401	3,548	3,605	3,542	3,568
229	249	300	314	326	340
Unavailable	3,452	3,763	3,832	3,850	3,912
170	188	194	195	198	202
127	131	153	147	147	144
4,557,246	4,562,444	4,566,708	4,574,274	4,582,771	4,588,442
16	16	16	16	17	17
6	6	6	6	6	6
97	97	98	98	98	98
Unavailable	160	164	158	154	173
Unavailable	482	482	509	510	492
Unavailable	239	239	241	241	241
Unavailable	272	276	287	290	305
Unavailable	437	437	439	436	436
1,448	1,841	1,872	1,777	1,764	1,770
27,557	27,521	27,514	27,478	27,438	27,432
2,117	2,162	2,184	2,164	2,173	2,184

IV. OTHER INFORMATION

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales	$ 6,176,843	$ 1,611,191	$ 4,565,652
Personal income	6,882,848	5,046,691	1,836,158
Single business and Michigan business	1,853,557	1,249,163	604,395
Use	1,573,667	1,045,677	527,991
State education (property)	1,930,480	-	1,930,480
Real estate transfer	121,632	-	121,632
Tobacco products	1,006,527	613,583	392,944
Beer and wine	50,950	50,950	-
Liquor	113,121	75,569	37,552
Horse race wagering	6,239	6,239	-
Casino gaming wagering	101,816	-	101,816
Telephone and telegraph company	60,846	60,846	-
Commercial mobile radio service	27,697	27,697	-
Insurance company	257,511	257,511	-
Motor vehicle registration	844,878	2,772	842,106
Gasoline	841,964	-	841,964
Aviation fuel	5,422	-	5,422
Diesel fuel	120,343	-	120,343
Gas and oil severance	59,709	59,709	-
Industrial facilities	55,249	-	55,249
Convention hotel accommodation	15,531	15,531	-
Airport parking	19,603	19,603	-
Quality assurance assessment	840,254	840,254	-
Penalties and interest	137,793	137,793	-
Other	70,345	53,261	17,084
	23,174,824	11,174,039	12,000,786
FROM FEDERAL AGENCIES			
Department of Health and Human Services	11,287,261	11,286,172	1,089
Department of Education	2,302,318	335,755	1,966,563
Department of Agriculture	3,573,190	3,147,001	426,189
Department of Labor	605,154	425,574	179,580
Department of Housing and Urban Development	11,609	11,609	-
Department of Energy	119,790	119,790	-
Department of Transportation	1,547,136	25,829	1,521,307
Department of Interior	26,434	23,262	3,172
Department of Defense	56,586	56,586	-
Department of Justice	84,080	84,080	-
Environmental Protection Agency	50,149	49,865	284
Pooled Federal Indirect Revenues	5,636	5,636	-
Other	163,503	153,392	10,111
	19,832,846	15,724,550	4,108,296
FROM LOCAL AGENCIES			
Counties	76,003	75,659	343
Cities, villages, and townships	14,814	171	14,642
School districts	3,276	3,276	-
Other	12,080	10,526	1,554
	106,172	89,633	16,540
SPECIAL MEDICAID REIMBURSEMENTS	123,205	123,205	-
	123,205	123,205	-

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for providing vehicle and driver services	$ 125,534	$ 122,138	$ 3,396
Revenue for patient, ward, and inmate care	35,775	35,775	-
Other	139,683	139,053	629
	300,992	296,966	4,025
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	14,265	14,265	-
Motor vehicle operators' and chauffeurs' licenses	51,712	51,037	675
Examination fees - financial institutions and insurance industry	27,368	27,368	-
Concession and privilege fees - State parks	715	-	715
Motor vehicle related	32,965	3,418	29,547
Hunting, fishing, and trapping licenses	50,601	-	50,601
Public utility assessment fees	24,259	24,259	-
Regulatory licenses and permits	82,685	69,739	12,946
Auto repair facilities and mechanics licenses and fees	3,811	3,811	-
Corporation franchise fees	20,752	20,752	-
Recreation user fees and permits	65,149	877	64,272
Other	84,021	76,752	7,269
	458,303	292,279	166,024
MISCELLANEOUS			
Income from investments	22,401	1,816	20,585
Tobacco settlement proceeds	198,675	-	198,675
Various fines, fees, and assessments	72,988	40,736	32,252
Court fines, fees, and assessments	281,473	272,420	9,053
Oil and gas royalties, fees, assignments, and rentals	72,377	3,397	68,980
Environmental pollution settlements	4,390	1,872	2,518
Child support	32,085	32,085	-
Low income and energy efficiency	86,650	86,650	-
Other	584,997	238,301	346,696
	1,356,035	677,277	678,759
Total Revenues	45,352,378	28,377,949	16,974,429
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	64,583	-	64,583
Capital lease acquisitions	39,101	39,101	-
Proceeds from sale of capital assets	1,883	1,576	308
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	159,656	159,656	-
From State Lottery Fund	713,653	12,325	701,328
From other funds	1,370,026	318,802	1,051,223
Total Other Financing Sources	2,348,902	531,460	1,817,441
Total Revenue and Other Financing Sources (GAAP Basis)	$ 47,701,280	$ 28,909,409	$ 18,791,870

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
TAXES			
Sales	$ 1,611,191	$ 604,190	$ 1,007,001
Personal income	5,046,691	3,586,477	1,460,214
Single business and Michigan business	1,249,163	1,243,269	5,894
Use	1,045,677	1,045,654	23
Tobacco products	613,583	200,885	412,697
Beer and wine	50,950	50,950	-
Liquor	75,569	37,964	37,606
Horse race wagering	6,239	-	6,239
Telephone and telegraph company	60,846	60,846	-
Commercial mobile radio service	27,697	-	27,697
Insurance company	257,511	257,449	62
Motor vehicle registration	2,772	-	2,772
Gas and oil severance	59,709	58,502	1,207
Convention hotel accommodation	15,531	5,000	10,531
Airport parking	19,603	-	19,603
Quality assurance assessment	840,254	-	840,254
Penalties and interest	137,793	126,594	11,198
Other	53,261	1,417	51,845
	11,174,039	7,279,196	3,894,843
FROM FEDERAL AGENCIES			
Department of Health and Human Services	11,286,172	8,899	11,277,273
Department of Education	335,755	993	334,762
Department of Agriculture	3,147,001	1,551	3,145,450
Department of Labor	425,574	740	424,834
Department of Housing and Urban Development	11,609	153	11,456
Department of Energy	119,790	553	119,236
Department of Transportation	25,829	1,515	24,314
Department of Interior	23,262	10	23,252
Department of Defense	56,586	77	56,509
Department of Justice	84,080	562	83,518
Environmental Protection Agency	49,865	2,466	47,399
Pooled Federal Indirect Revenues	5,636	727	4,909
Other	153,392	2,580	150,812
	15,724,550	20,827	15,703,724
FROM LOCAL AGENCIES			
Counties	75,659	246	75,414
Cities, villages, and townships	171	-	171
School districts	3,276	-	3,276
Other	10,526	166	10,360
	89,633	412	89,221
SPECIAL MEDICAID REIMBURSEMENTS	123,205	-	123,205
	123,205	-	123,205

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
FROM SERVICES			
Charges for providing vehicle and driver services	$ 122,138	$ 359	$ 121,779
Revenue for patient, ward, and inmate care	35,775	668	35,107
Other	139,053	8,428	130,625
	296,966	9,455	287,512
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	14,265	-	14,265
Motor vehicle operators' and chauffeurs' licenses	51,037	17,226	33,811
Examination fees - financial institutions and insurance industry	27,368	-	27,368
Motor vehicle related	3,418	21	3,397
Public utility assessment fees	24,259	-	24,259
Regulatory licenses and permits	69,739	9,536	60,203
Auto repair facilities and mechanics licenses and fees	3,811	586	3,226
Corporation franchise fees	20,752	-	20,752
Recreation user fees and permits	877	313	564
Other	76,752	302	76,450
	292,279	27,984	264,295
MISCELLANEOUS			
Income from investments	1,816	715	1,101
Various fines, fees, and assessments	40,736	984	39,752
Court fines, fees, and assessments	272,420	115,019	157,401
Oil and gas royalties, fees, assignments, and rentals	3,397	-	3,397
Environmental pollution settlements	1,872	-	1,872
Child support	32,085	-	32,085
Low income and energy efficiency	86,650	-	86,650
Other	238,301	56,443	181,858
	677,277	173,161	504,116
Total Revenues	28,377,949	7,511,033	20,866,916
OTHER FINANCING SOURCES			
Capital lease acquisitions	39,101	-	39,101
Proceeds from sale of capital assets	1,576	-	1,576
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	159,656	157,107	2,549
From State Lottery Fund	12,325	11,335	990
From other funds	318,802	39,200	279,602
Total Other Financing Sources	531,460	207,643	323,818
Total Revenue and Other Financing Sources (GAAP Basis)	28,909,409	7,718,676	21,190,733
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(39,101)	-	(39,101)
Total Revenue and Other Financing Sources (Budgetary Basis)	$ 28,870,308	$ 7,718,676	$ 21,151,632

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR	RESTRICTED REVENUE ADDITIONS	LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED/USED
Legislative Branch	$ 117,120	$ -	$ 313	$ 15,041	$ 6,932	$ (21)
Judicial Branch	153,133	-	-	17,878	84,979	(17,968)
Executive Branch:						
Agriculture	29,828	-	-	5,869	36,102	(7,378)
Attorney General	28,578	-	-	2,670	37,008	(2,669)
Civil Rights	11,631	-	-	-	2,140	-
Colleges and Universities Grants	1,548,501	-	-	2	356,548	-
Community Health	2,179,008	-	-	107,316	11,246,398	(86,521)
Corrections	1,919,711	-	-	7,421	41,231	(2,047)
Education	50,061	-	-	2,666	62,319	(1,569)
Energy, Labor and Economic Growth	57,282	-	-	100,430	965,257	(93,845)
Executive Office	4,785	-	-	-	-	-
Human Services	897,413	-	-	17,019	5,157,710	(10,465)
Technology, Management and Budget	293,118	-	-	29,560	230,742	(26,290)
Military and Veterans Affairs	36,245	-	-	2,170	108,371	(3,545)
Natural Resources and Environment	44,052	-	-	95,695	203,599	(89,285)
State	18,074	-	-	21,569	173,809	(11,475)
State Police	268,141	-	-	23,096	262,217	(49,699)
Transportation	-	-	-	-	-	-
Treasury	131,191	-	389	87,994	2,705,522	(47,120)
Intrafund expenditure reimbursements	-	-	-	-	-	-
TOTAL	$ 7,787,872	$ -	$ 703	$ 536,394	$ 21,680,882	$ (449,896)

* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budge that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenue not authorized/used, whicl includes Revenues that by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenue is subject to annual legislative appropriation. However, the restricted revenue may also be used in subsequent years to finance expenditures in multi-year appropriations and fo encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-over that could have been used in the current period but were not

For budgetary purposes, encumbrance authorization are considered use of spending authority in the yea the State incurs an obligation.

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

		"BUDGET"	"ACTUAL"		"VARIANCES"		
GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
$ 139,385	$ (16,131)	$ 123,254	$ 122,821	$ 296	$ 75	$ 62	$ -
238,021	-	238,021	236,616	1,166	236	3	-
64,420	-	64,420	64,014	363	-	43	-
65,586	-	65,586	65,218	142	-	225	-
13,771	-	13,771	11,928	250	-	1,593	-
1,905,052	(3)	1,905,049	1,904,643	-	-	406	-
13,446,201	(6,202)	13,439,998	13,425,641	2,518	-	31,348	(19,509)
1,966,316	-	1,966,316	1,958,809	5,788	944	775	-
113,477	-	113,477	110,987	23	428	2,039	-
1,029,123	(4,469)	1,024,654	998,614	6,647	17,518	1,875	-
4,785	-	4,785	4,676	-	-	108	-
6,061,677	(6,140)	6,055,537	6,014,273	7,528	-	33,736	-
527,131	(1)	527,131	519,003	1,258	-	6,870	-
143,240	(188)	143,052	141,708	419	-	926	-
254,061	-	254,061	253,863	172	-	26	-
201,978	(11,093)	190,885	188,210	51	174	2,449	-
503,755	(1,586)	502,169	497,256	4,633	-	280	-
-	-	-	-	-	-	-	-
2,877,976	-	2,877,976	2,837,211	16,352	22,750	1,663	-
-	-	(529,250)	(529,250)	-	-	-	-
$ 29,555,954	$ (45,813)	$ 28,980,891	$ 28,826,243	$ 47,607	$ 42,125	$ 84,425	$ (19,509)
Prior Year encumbrances		(47,733)	(47,733)				
Amount reported on Budgetary Comparison Schedule		$ 28,933,158	$ 28,778,509	$ 47,607	$ 42,125	$ 84,425	$ (19,509)

SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2010
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION*	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT
Legislative Branch	$ 117,120	$ -	$ 313
Judicial Branch	153,133	-	-
Executive Branch:			-
Agriculture	29,828	-	-
Attorney General	28,578	-	-
Civil Rights	11,631	-	-
Colleges and Universities Grants	1,548,501	-	-
Community Health	2,179,008	-	-
Corrections	1,919,711	-	-
Education	50,061	-	-
Energy, Labor and Economic Growth	57,282	-	-
Executive Office	4,785	-	-
Human Services	897,413	-	-
Technology, Management and Budget	293,118	-	-
Military and Veterans Affairs	36,245	-	-
Natural Resources and Environment	44,052	-	-
State	18,074	-	-
State Police	268,141	-	-
Transportation	-	-	-
Treasury	131,191	-	389
TOTAL	$ 7,787,872	$ -	$ 702

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

"Boilerplate" appropriations accounted for $489 thousand of the "Current Legislative Appropriation" for the Appropriation Year 2010.

	"ACTUAL"			"VARIANCES"	
GROSS SPENDING AUTHORITY	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
$ 117,433	$ 107,593	$ 283	$ 9,495	$ 62	$ -
153,133	152,203	927	-	3	-
29,828	29,449	363	-	16	-
28,578	28,249	121	-	207	-
11,631	9,789	250	-	1,593	-
1,548,501	1,548,095	-	-	406	-
2,179,008	2,146,623	837	400	31,147	-
1,919,711	1,914,778	4,204	-	728	-
50,061	48,006	23	-	2,032	-
57,282	45,699	5,359	4,469	1,755	-
4,785	4,676	-	-	108	-
897,413	851,309	6,433	6,140	33,530	-
293,118	286,294	292	-	6,532	-
36,245	35,003	352	-	890	-
44,052	43,915	122	-	14	-
18,074	12,307	17	3,309	2,441	-
268,141	263,508	2,767	1,586	280	-
-	-	-	-	-	-
131,579	125,912	4,062	-	1,606	-
$ 7,788,574	$ 7,653,409	$ 26,413	$ 25,400	$ 83,352	$ -

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2010
(In Thousands)

SOURCE	2001	2002	2003	2004
TAXES:				
Sales	$ 6,352,306	$ 6,439,894	$ 6,422,642	$ 6,473,522
Personal Income (net of tax credits)	6,749,373	6,095,989	5,811,843	5,873,365
Amount reported as tax credits	532,800	615,100	707,800	702,700
Single Business and Michigan Business	2,022,882	1,983,795	1,843,072	1,841,010
Use	1,333,607	1,306,365	1,229,838	1,316,504
State Education (Property)	1,489,552	1,583,660	2,127,513	1,824,493
Real Estate Transfer	252,894	253,075	275,513	317,480
Tobacco Products	596,082	669,914	891,775	992,793
Beer, Wine, and Liquor	136,591	138,310	143,547	149,424
Casino Gaming Wagering	75,415	91,915	90,945	99,455
Insurance Company	200,756	227,081	231,076	230,272
Motor Vehicle and Fuel	1,852,964	1,917,481	1,946,225	2,015,567
Quality Assurance Assessment	-	-	-	325,188
Penalties and Interest	157,377	148,908	128,697	104,432
Other	652,425	598,920	575,472	533,722
TOTAL TAXES	22,405,023	22,070,408	22,425,957	22,799,928
FEDERAL AGENCIES	9,566,353	10,202,344	10,812,852	11,579,388
LOCAL AGENCIES	227,996	248,867	230,728	239,815
SPECIAL MEDICAID REIMBURSEMENTS	1,155,374	1,109,233	932,658	704,551
SERVICES	115,346	121,849	121,198	148,140
LICENSES AND PERMITS	391,655	408,746	417,786	555,858
MISCELLANEOUS	1,281,281	1,150,187	1,390,001	1,109,630
TOTAL REVENUE	35,143,027	35,311,635	36,331,180	37,137,308
PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES	854,240	424,472	352,254	405,881
CAPITAL LEASE ACQUISITIONS	23,014	237,272	16,052	19,661
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	-	-	11,513
TOTAL REVENUE, BOND PROCEEDS, CAPITAL LEASE ACQUISITIONS, AND PROCEEDS FROM SALE OF CAPITAL ASSETS	$ 36,020,281	$ 35,973,378	$ 36,699,486	$ 37,574,362

NOTES: (1) Beginning in fiscal year 2004, the State began reporting quality assurance assessment revenue as a tax revenue, rather than as miscellaneous revenue. Amounts for years prior to 2004 are not available.

(2) Beginning in fiscal year 2005, the State began reporting charges for providing vehicle and driving services as revenue from services, rather than licenses and permits. Amounts for years prior to 2005 are not available.

(3) Effective January 1, 2008, the State replaced the single business tax with the Michigan business tax.

(4) Prior year amounts have been restated to eliminate the effect of the Michigan Tobacco Settlement Finance Authority, reported in previous years as part of the primary government

2005	2006	2007	2008	2009	2010
$ 6,599,138	$ 6,638,110	$ 6,552,240	$ 6,773,276	$ 6,089,106	$ 6,176,843
6,108,924	6,226,304	6,442,678	7,226,049	5,856,753	5,531,348
815,300	834,000	883,400	931,600	963,500	1,351,500
1,907,190	1,886,168	1,786,213	2,482,035	2,285,237	1,853,557
1,402,399	1,413,758	1,380,375	1,377,077	1,283,685	1,573,667
1,914,629	2,003,527	2,080,977	2,079,703	2,040,647	1,930,480
313,548	297,680	237,483	169,835	125,294	121,632
1,179,871	1,169,005	1,129,226	1,073,650	1,041,541	1,006,527
150,888	155,184	159,109	162,104	164,068	164,071
145,811	155,461	159,363	129,684	121,363	101,816
249,524	219,538	223,754	223,198	261,002	257,511
1,942,450	1,932,043	1,909,146	1,852,884	1,812,385	1,812,607
509,857	676,923	827,776	1,023,766	859,482	840,254
142,703	140,581	158,218	160,939	150,334	137,793
554,732	450,642	440,925	409,333	293,955	315,218
23,936,964	24,198,924	24,370,884	26,075,135	23,348,354	23,174,824
11,974,006	12,160,022	12,655,930	13,432,638	17,377,416	19,832,846
262,875	124,101	140,682	127,833	119,474	106,172
467,970	93,621	102,670	115,797	135,667	123,205
264,957	269,593	284,370	291,380	288,877	300,992
423,501	437,560	444,841	441,407	454,981	458,303
1,371,999	1,855,979	1,919,638	1,562,471	1,418,567	1,356,035
38,702,270	39,139,800	39,919,014	42,046,662	43,143,335	45,352,378
182,441	514,278	503,777	26,215	426,135	64,583
6,778	34,059	20,906	110,838	41,205	39,101
10,340	3,989	5,318	30,388	3,009	1,883
$ 38,901,829	$ 39,692,125	$ 40,449,016	$ 42,214,102	$ 43,613,684	$ 45,457,945

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2010
(In Thousands)

	2001	2002	2003	2004
Current:				
General government	$ 1,270,363	$ 1,541,175	$ 1,207,672	$ 1,116,072
Education	13,975,247	14,547,772	14,624,856	14,305,112
Human services	3,596,001	3,791,373	3,875,371	3,932,475
Public safety and corrections	2,155,735	2,132,401	2,112,194	2,118,888
Conservation, environment, recreation, and agriculture	617,703	638,615	581,168	571,909
Labor, commerce, and regulatory	881,069	891,817	891,644	902,903
Health services	8,525,435	8,891,480	9,270,484	9,676,268
Transportation	2,058,191	2,117,153	2,080,361	2,211,490
Tax credits	532,800	615,100	707,800	702,700
Capital outlay	1,267,158	1,232,479	1,085,686	1,046,339
Intergovernmental - revenue sharing	1,555,799	1,517,303	1,451,374	1,305,146
Debt service:				
Bond interest and fiscal charges	2,219	1,240	-	-
Capital lease payments	48,820	51,387	67,723	50,840
Total Expenditures	$ 36,486,541	$ 37,969,296	$ 37,956,335	$ 37,940,143

NOTE: Prior year numbers have been restated to eliminate the effect of the Michigan Tobacco Settlement Finance Authority, reported in previous years as part of the primary government.

2005	2006	2007	2008	2009	2010
$ 1,303,070	$ 1,628,520	$ 1,580,973	$ 1,546,624	$ 1,582,399	$ 1,463,926
14,488,870	14,710,682	14,572,261	15,029,489	15,195,462	14,995,595
4,122,779	4,341,774	4,447,992	4,609,481	5,334,263	6,042,987
2,284,674	2,453,297	2,465,362	2,614,768	2,589,942	2,571,390
598,930	626,879	553,033	580,293	539,821	528,404
924,876	952,921	957,023	966,091	1,145,954	1,223,197
10,126,544	9,958,104	10,741,285	11,588,207	12,450,287	13,218,598
2,163,688	2,082,685	2,178,922	2,338,905	2,195,295	2,278,867
815,300	834,000	883,400	931,600	963,500	1,351,500
1,229,534	1,253,535	1,296,053	1,177,576	1,201,931	1,255,609
1,112,931	1,103,625	1,071,104	1,076,445	1,040,031	994,196
-	174	-	-	-	-
49,530	49,183	46,074	50,176	50,107	50,982
$ 39,220,726	$ 39,995,380	$ 40,793,482	$ 42,509,655	$ 44,288,995	$ 45,975,250

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ACKNOWLEDGMENTS

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Special thanks are also extended to the State's CFO Council; the Financial Management Users Group; financial management personnel throughout Michigan State Government; and the staff of the Office of the Auditor General. Preparation of this report would not have been possible without the efforts of these individuals.