



# *State of Michigan*

## *Preliminary Unaudited Financial Statements*

Fiscal Year Ended September 30, 2012

**RICK SNYDER, CPA**  
Governor

**JOHN E. NIXON, CPA**  
State Budget Director

**MICHAEL J. MOODY, CPA**  
Director  
Office of Financial Management



## Michigan

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RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

JOHN E. NIXON, CPA  
DIRECTOR

January 28, 2013

The Honorable Rick Snyder, Governor  
George W. Romney Building  
Lansing, Michigan 48909

Michigan State Senate  
State Capitol  
Lansing, Michigan 48909

Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48909

Governor Snyder and Members of the Legislature:

The Office of Financial Management has issued preliminary, unaudited financial statements for the fiscal year ended September 30, 2012, as required by Section 18.1493 of the Michigan Compiled Laws. These unaudited statements are available on the Internet at [www.michigan.gov/budget](http://www.michigan.gov/budget).

Final, audited financial statements will be included in the State of Michigan Comprehensive Annual Financial Report, which is scheduled to be available no later than March 2013.

If you have questions regarding the preliminary, unaudited financial statements, please contact Mike Moody, Director, Office of Financial Management, at 517-373-1010.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Nixon".

John E. Nixon, CPA  
State Budget Director

cc: Senate Fiscal Agency  
House Fiscal Agency



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**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.

**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 60% 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.

**BALANCE SHEET**  
**MAJOR GOVERNMENTAL FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	GENERAL FUND	SCHOOL AID FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 7,344	\$ -	\$ 7,344
Equity in common cash (Note 5)	1,685,102	-	1,685,102
Taxes, interest, and penalties receivable (Note 6)	2,004,944	1,896,230	3,901,173
Amounts due from other funds	978,774	-	978,774
Amounts due from component units	463	-	463
Amounts due from federal agencies	994,896	55,524	1,050,420
Amounts due from local units	164,267	38,376	202,643
Inventories	11,432	-	11,432
Other current assets	534,754	13	534,767
Total Current Assets	<u>6,381,976</u>	<u>1,990,142</u>	<u>8,372,118</u>
Noncurrent Assets:			
Taxes, interest, and penalties receivable (Note 6)	168,515	60,618	229,133
Advances to other funds	5,616	-	5,616
Amounts due from federal agencies	19,632	-	19,632
Amounts due from local units	1,383,913	10,988	1,394,901
Other noncurrent assets	17,393	-	17,393
Total Noncurrent Assets	<u>1,595,069</u>	<u>71,605</u>	<u>1,666,674</u>
Total Assets	<u>\$ 7,977,045</u>	<u>\$ 2,061,747</u>	<u>\$ 10,038,792</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities:			
Warrants outstanding	\$ 79,038	\$ 234	\$ 79,272
Accounts payable and other liabilities	2,365,714	202,354	2,568,067
Income tax refunds payable (Note 7)	757,837	-	757,837
Amounts due to other funds	32,317	944,037	976,354
Amounts due to component units	41,042	-	41,042
Deferred revenue	881,667	414,391	1,296,058
Total Current Liabilities	<u>4,157,615</u>	<u>1,561,016</u>	<u>5,718,631</u>
Long-Term Liabilities:			
Advances from component units	869,424	-	869,424
Deferred revenue	493,305	60,618	553,923
Total Long-Term Liabilities	<u>1,362,730</u>	<u>60,618</u>	<u>1,423,347</u>
Total Liabilities	<u>5,520,345</u>	<u>1,621,633</u>	<u>7,141,978</u>
Fund Balances:			
Nonspendable	245,891	-	245,891
Restricted	364,497	440,114	804,612
Committed	805,257	-	805,257
Assigned	68,583	-	68,583
Unassigned	972,472	-	972,472
Total Fund Balances	<u>2,456,700</u>	<u>440,114</u>	<u>2,896,815</u>
Total Liabilities and Fund Balances	<u>\$ 7,977,045</u>	<u>\$ 2,061,747</u>	<u>\$ 10,038,792</u>

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

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## MAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

	GENERAL FUND	SCHOOL AID FUND	TOTALS
<b>REVENUES</b>			
Taxes	\$ 12,682,511	\$ 10,164,293	\$ 22,846,804
From federal agencies	14,568,413	1,818,997	16,387,410
From local agencies	85,394	-	85,394
From services	306,695	-	306,695
From licenses and permits	302,020	-	302,020
Special Medicaid reimbursements	186,194	-	186,194
Miscellaneous	845,650	26,501	872,150
Total Revenues	28,976,877	12,009,791	40,986,668
<b>EXPENDITURES</b>			
Current:			
General government	1,589,614	15,213	1,604,827
Education	1,468,611	13,071,526	14,540,137
Human services	5,853,843	-	5,853,843
Public safety and corrections	2,564,142	-	2,564,142
Conservation, environment, recreation, and agriculture	353,136	-	353,136
Labor, commerce, and regulatory	413,289	-	413,289
Health services	13,605,328	-	13,605,328
Transportation	500	-	500
Tax credits (Note 7)	1,227,300	-	1,227,300
Capital outlay	19,584	-	19,584
Intergovernmental-revenue sharing	1,032,243	-	1,032,243
Debt service:			
Capital lease payments	55,291	-	55,291
Total Expenditures	28,182,879	13,086,739	41,269,618
Excess of Revenues over (under) Expenditures	793,998	(1,076,948)	(282,950)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds and notes issued	269,280	-	269,280
Refunding bonds issued	498	-	498
Premium on bond issuance	223	-	223
Discount on bond issuance	(950)	-	(950)
Capital lease acquisitions	34,567	-	34,567
Proceeds from sale of capital assets	2,848	-	2,848
Transfers from other funds	234,108	857,074	1,091,183
Transfers to other funds	(565,563)	(93,575)	(659,138)
Total Other Financing Sources (Uses)	(24,988)	763,499	738,511
Net changes in fund balances	769,010	(313,449)	455,561
Fund Balances - Beginning of fiscal year - restated	1,687,690	753,563	2,441,253
Fund Balances - End of fiscal year	\$ 2,456,700	\$ 440,114	\$ 2,896,815

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

**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR GOVERNMENTAL FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Beginning Budgetary				
Fund Balance Restated	\$ 1,354,522	\$ 1,354,522	\$ 1,354,522	\$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	8,200,200	8,469,971	8,469,971	-
Federal	23,000	54,839	54,839	-
Local	400	3,174	3,174	-
Licenses and permits	22,000	16,312	16,312	-
Services	9,500	10,527	10,527	-
Miscellaneous	220,500	300,016	300,016	-
Bonds issued	-	7,996	7,996	-
Proceeds from sale of capital assets	-	3	3	-
Transfers in	174,500	182,504	182,504	-
Restricted Revenues:				
Taxes	3,235,235	4,212,540	4,212,540	-
Federal	15,444,050	14,513,574	14,513,574	-
Local	175,836	268,415	268,415	-
Licenses and permits	370,841	285,708	285,708	-
Services	324,648	296,167	296,167	-
Miscellaneous	992,953	545,634	545,634	-
Bonds issued	-	261,284	261,284	-
Refunding bonds issued	-	498	498	-
Premium on bonds issued	-	223	223	-
Proceeds from sale of capital assets	-	2,845	2,845	-
Transfers in	56,155	51,604	51,604	-
Total Revenue Inflows	<u>29,249,818</u>	<u>29,483,834</u>	<u>29,483,834</u>	-
Amounts Available for Appropriation	<u>30,604,339</u>	<u>30,838,356</u>	<u>30,838,356</u>	-
Charges to Appropriations (outflows):				
Legislative Branch	131,324	128,081	127,886	195
Judicial Branch	256,973	236,238	235,637	600
Executive Branch:				
Agriculture	72,219	66,003	65,992	11
Attorney General	74,429	70,935	70,784	151
Civil Rights	13,730	13,211	12,847	364
Colleges and Universities Grants	1,247,775	1,178,575	1,178,451	124
Community Health	14,159,351	13,948,344	13,931,691	16,654
Corrections	1,917,428	1,944,484	1,936,585	7,899
Education	236,063	369,256	368,563	693
Environmental Quality	390,984	234,208	234,196	12
Executive Office	4,399	4,599	4,450	149
Human Services	6,797,018	5,918,149	5,881,058	37,091
Licensing and Regulatory Affairs	568,247	435,534	433,386	2,147
Military and Veterans Affairs	146,060	147,252	147,179	73
Natural Resources	94,696	76,809	76,770	39
State	212,358	190,519	189,233	1,287
State Police	525,098	518,364	518,225	138
Technology, Management and Budget	785,149	935,516	911,247	24,269
Transportation	-	500	500	-
Treasury	1,562,266	3,322,714	3,295,985	26,729
Intrafund expenditure reimbursements	-	(899,917)	(899,917)	-
Total Charges to Appropriations	<u>29,195,568</u>	<u>28,839,374</u>	<u>28,720,750</u>	<u>118,624</u>
Reconciling Items:				
Change in noncurrent assets	-	28,998	28,998	-
Net Reconciling Items	-	28,998	28,998	-
Ending Budgetary				
Fund Balance	<u>\$ 1,408,772</u>	<u>\$ 2,027,981</u>	<u>\$ 2,146,605</u>	<u>\$ 118,624</u>

SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 741,860	\$ 741,860	\$ 741,860	\$ -
10,147,699	10,164,293	10,164,293	-
-	-	-	-
-	-	-	-
-	-	-	-
-	24,911	24,911	-
-	-	-	-
858,042	757,074	757,074	-
-	-	-	-
1,653,332	1,818,997	1,818,997	-
-	-	-	-
-	-	-	-
-	1,590	1,590	-
-	-	-	-
-	-	-	-
-	-	-	-
-	100,000	100,000	-
<u>12,659,073</u>	<u>12,866,865</u>	<u>12,866,865</u>	<u>-</u>
<u>13,400,933</u>	<u>13,608,725</u>	<u>13,608,725</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
13,054,973	13,253,064	13,175,510	77,554
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>13,054,973</u>	<u>13,253,064</u>	<u>13,175,510</u>	<u>77,554</u>
-	(7,301)	(7,301)	-
-	(7,301)	(7,301)	-
<u>\$ 345,960</u>	<u>\$ 348,360</u>	<u>\$ 425,914</u>	<u>\$ 77,554</u>



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**Michigan**

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**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED****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.

**BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ -	\$ 14	\$ 14
Equity in common cash	118,018	89,675	207,694
Taxes, interest, and penalties receivable	94,868	-	94,868
Amounts due from other funds	-	19,224	19,224
Amounts due from federal agencies	-	21,996	21,996
Amounts due from local units	-	882	882
Other current assets	4	115	120
Total Current Assets	<u>212,890</u>	<u>131,907</u>	<u>344,797</u>
Taxes, interest, and penalties receivable	2,398	-	2,398
Amounts due from local units	-	1,864	1,864
Other noncurrent assets	-	514	514
Total Assets	<u>\$ 215,288</u>	<u>\$ 134,285</u>	<u>\$ 349,573</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities:			
Warrants outstanding	\$ 926	\$ 198	\$ 1,124
Accounts payable and other liabilities	187,490	33,640	221,130
Amounts due to other funds	18,096	48	18,144
Deferred revenue	6,378	792	7,170
Total Current Liabilities	<u>212,890</u>	<u>34,678</u>	<u>247,569</u>
Long-Term Liabilities:			
Deferred revenue	2,398	684	3,081
Total Liabilities	<u>215,288</u>	<u>35,362</u>	<u>250,650</u>
Fund Balances:			
Restricted	-	98,923	98,923
Total Fund Balances	<u>-</u>	<u>98,923</u>	<u>98,923</u>
Total Liabilities and Fund Balances	<u>\$ 215,288</u>	<u>\$ 134,285</u>	<u>\$ 349,573</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND	TOTALS
<b>REVENUES</b>			
Taxes	\$ 1,821,994	\$ 98,101	\$ 1,920,095
From federal agencies	-	55,780	55,780
From services	3,579	-	3,579
From licenses and permits	31,397	445	31,842
Miscellaneous	661	994	1,655
Total Revenues	<u>1,857,630</u>	<u>155,320</u>	<u>2,012,950</u>
<b>EXPENDITURES</b>			
Current:			
Transportation	<u>906,540</u>	<u>273,575</u>	<u>1,180,115</u>
Total Expenditures	<u>906,540</u>	<u>273,575</u>	<u>1,180,115</u>
Excess of Revenues over (under) Expenditures	<u>951,090</u>	<u>(118,255)</u>	<u>832,835</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	530	158,956	159,486
Transfers to other funds	<u>(951,620)</u>	<u>(20,049)</u>	<u>(971,669)</u>
Total Other Financing Sources (Uses)	<u>(951,090)</u>	<u>138,906</u>	<u>(812,184)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	20,651	20,651
Fund Balances - Beginning of fiscal year	<u>-</u>	<u>78,272</u>	<u>78,272</u>
Fund Balances - End of fiscal year	<u>\$ -</u>	<u>\$ 98,923</u>	<u>\$ 98,923</u>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>MICHIGAN TRANSPORTATION FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
Taxes	\$ 1,821,994	\$ 1,821,994	\$ -
From federal agencies	-	-	-
From services	3,579	3,579	-
From licenses and permits	31,397	31,397	-
Miscellaneous	661	661	-
Transfers in	530	530	-
	<u>1,858,160</u>	<u>1,858,160</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Transportation	<u>1,864,487</u>	<u>1,858,160</u>	<u>6,327</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>1,864,487</u>	<u>1,858,160</u>	<u>6,327</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (6,327)</u>	<u>-</u>	<u>\$ 6,327</u>
Reconciling Items:			
Encumbrances at September 30		<u>-</u>	
Net Reconciling Items		<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>-</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>-</u>	
Ending balances (GAAP Basis)		<u>\$ -</u>	

COMPREHENSIVE TRANSPORTATION FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 98,101	\$ 98,101	\$ -	\$ 1,920,095	\$ 1,920,095	\$ -
55,780	55,780	-	55,780	55,780	-
-	-	-	3,579	3,579	-
445	445	-	31,842	31,842	-
994	994	-	1,655	1,655	-
158,956	158,956	-	159,486	159,486	-
<u>314,275</u>	<u>314,275</u>	<u>-</u>	<u>2,172,436</u>	<u>2,172,436</u>	<u>-</u>
350,834	346,118	4,716	2,215,321	2,204,279	11,043
<u>350,834</u>	<u>346,118</u>	<u>4,716</u>	<u>2,215,321</u>	<u>2,204,279</u>	<u>11,043</u>
<u>\$ (36,559)</u>	<u>(31,843)</u>	<u>\$ 4,716</u>	<u>\$ (42,886)</u>	<u>(31,843)</u>	<u>\$ 11,043</u>
	<u>52,494</u>			<u>52,494</u>	
	<u>52,494</u>			<u>52,494</u>	
	<u>20,651</u>			<u>20,651</u>	
	<u>78,272</u>			<u>78,272</u>	
	<u>\$ 98,923</u>			<u>\$ 98,923</u>	



## Michigan

## 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.

### 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.

### 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 Environmental Quality (DEQ) 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 DEQ 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 DEQ or the Attorney General, or both, shall be credited to the ERF.

Several DEQ 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 DEQ 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.

## BALANCE SHEET

## SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

SEPTEMBER 30, 2012

(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 208	\$ -
Equity in common cash	69,937	24,929
Taxes, interest, and penalties receivable	174	-
Amounts due from federal agencies	4,943	-
Amounts due from local units	-	-
Inventories	463	-
Other current assets	4,175	1,159
Total Current Assets	79,900	26,089
Taxes, interest, and penalties receivable	1	-
Amounts due from local units	-	-
Investments	1,521	183,315
Other noncurrent assets	-	-
Total Assets	\$ 81,422	\$ 209,404
<b>LIABILITIES AND FUND BALANCES</b>		
Current Liabilities:		
Warrants outstanding	\$ 115	\$ -
Accounts payable and other liabilities	10,028	19
Amounts due to other funds	701	-
Deferred revenue	1,047	-
Total Current Liabilities	11,892	19
Long-Term Liabilities:		
Deferred revenue	1	-
Total Liabilities	11,893	19
Fund Balances:		
Nonspendable	-	180,582
Restricted	69,529	28,802
Total Fund Balances	69,529	209,385
Total Liabilities and Fund Balances	\$ 81,422	\$ 209,404

## Michigan

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ 1	\$ -	\$ 208
805	6,907	67,783	170,362
-	-	-	174
-	-	-	4,943
-	-	1,213	1,213
-	-	-	463
63	101	1,707	7,206
<u>868</u>	<u>7,009</u>	<u>70,703</u>	<u>184,569</u>
-	-	-	1
-	-	14,808	14,808
6,151	-	-	190,987
-	-	1,218	1,218
<u>\$ 7,018</u>	<u>\$ 7,009</u>	<u>\$ 86,729</u>	<u>\$ 391,583</u>
\$ -	\$ 20	\$ 48	\$ 183
29	2,404	902	13,382
3	168	104	976
-	-	219	1,266
<u>32</u>	<u>2,592</u>	<u>1,273</u>	<u>15,807</u>
-	-	1,218	1,219
<u>32</u>	<u>2,592</u>	<u>2,491</u>	<u>17,026</u>
6,000	-	2,930	189,512
986	4,417	81,308	185,044
<u>6,986</u>	<u>4,417</u>	<u>84,239</u>	<u>374,556</u>
<u>\$ 7,018</u>	<u>\$ 7,009</u>	<u>\$ 86,729</u>	<u>\$ 391,583</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
 (In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND
<b>REVENUES</b>		
Taxes	\$ 220	\$ -
From federal agencies	7,341	-
From licenses and permits	121,495	-
Miscellaneous	5,627	32,093
Total Revenues	<u>134,683</u>	<u>32,093</u>
<b>EXPENDITURES</b>		
Current:		
General government	1,894	41
Conservation, environment, recreation, and agriculture	154,245	86
Capital outlay	7,134	-
Total Expenditures	<u>163,274</u>	<u>127</u>
Excess of Revenues over (under) Expenditures	<u>(28,591)</u>	<u>31,965</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	35,804	-
Transfers to other funds	(2,682)	(17,059)
Total Other Financing Sources (Uses)	<u>33,122</u>	<u>(17,059)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	4,531	14,907
Fund Balances - Beginning of fiscal year	<u>64,999</u>	<u>194,478</u>
Fund Balances - End of fiscal year	<u>\$ 69,529</u>	<u>\$ 209,385</u>

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ -	\$ -	\$ 220
-	367	237	7,945
-	1	-	121,496
713	28,878	20,580	87,890
713	29,246	20,818	217,552
-	-	-	1,936
591	34,489	20,763	210,174
-	47	-	7,181
591	34,536	20,763	219,291
121	(5,290)	55	(1,739)
-	955	6,080	42,839
(5)	(383)	(3,344)	(23,473)
(5)	572	2,736	19,366
116	(4,718)	2,791	17,627
6,870	9,135	81,447	356,929
\$ 6,986	\$ 4,417	\$ 84,239	\$ 374,556

**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, 2012  
(In Thousands)

Statutory/Budgetary Basis	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND			MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ 220	\$ 220	\$ -	\$ -	\$ -	\$ -
From federal agencies	7,341	7,341	-	-	-	-
From licenses and permits	121,495	121,495	-	-	-	-
Miscellaneous	5,627	5,627	-	713	713	-
Transfers in	35,804	35,804	-	-	-	-
Total Revenues and Other Sources	<u>170,487</u>	<u>170,487</u>	<u>-</u>	<u>713</u>	<u>713</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Natural Resources	184,007	173,528	10,480	784	618	166
Treasury	1,894	1,894	0	-	-	-
Total Expenditures, Transfers Out and Encumbrances	<u>185,902</u>	<u>175,422</u>	<u>10,480</u>	<u>784</u>	<u>618</u>	<u>166</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (15,415)</u>	<u>(4,935)</u>	<u>\$ 10,480</u>	<u>\$ (71)</u>	<u>94</u>	<u>\$ 166</u>
Reconciling Items:						
Encumbrances at September 30		9,466			22	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>9,466</u>			<u>22</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>4,531</u>			<u>116</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>64,999</u>			<u>6,870</u>	
Ending balances (GAAP Basis)		<u>\$ 69,529</u>			<u>\$ 6,986</u>	

FUNDS NOT ANNUALLY BUDGETED

<u>FOREST DEVELOPMENT FUND</u>			<u>MICHIGAN GAME AND FISH PROTECTION TRUST FUND</u>	<u>BOTTLE DEPOSITS FUND</u>	<u>TOTALS</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220	\$ 220	\$ -
367	367	-	-	-	7,708	7,708	-
1	1	-	-	-	121,496	121,496	-
28,878	28,878	-	-	-	35,217	35,217	-
955	955	-	-	-	36,758	36,758	-
<u>30,201</u>	<u>30,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,400</u>	<u>201,400</u>	<u>-</u>
38,618	35,276	3,343	-	-	223,410	209,422	13,988
-	-	-	-	-	1,895	1,895	-
<u>38,618</u>	<u>35,276</u>	<u>3,343</u>	<u>-</u>	<u>-</u>	<u>225,304</u>	<u>211,316</u>	<u>13,988</u>
<u>\$ (8,418)</u>	<u>(5,075)</u>	<u>\$ 3,343</u>	<u>-</u>	<u>-</u>	<u>\$ (23,904)</u>	<u>(9,916)</u>	<u>\$ 13,988</u>
	357		-	-		9,845	
	-		14,907	2,791		17,698	
	<u>357</u>		<u>14,907</u>	<u>2,791</u>		<u>27,543</u>	
	<u>(4,718)</u>		<u>14,907</u>	<u>2,791</u>		<u>17,627</u>	
	<u>9,135</u>		<u>194,478</u>	<u>81,447</u>		<u>356,929</u>	
<u>\$ 4,417</u>			<u>\$ 209,385</u>	<u>\$ 84,239</u>		<u>\$ 374,556</u>	



## Michigan

## SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

### 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, 2012, final disposition of the remaining fund balance had not occurred as a result of pending litigation.

### 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 Licensing and Regulatory Affairs. 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 Licensing and Regulatory Affairs' Consultation Education and Training Division.

### 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.

### 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.

### 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.

### 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 Licensing and Regulatory Affairs' Bureau of Construction Codes and related indirect overhead expenditures.

### 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.

### UNEMPLOYMENT OBLIGATION TRUST FUND

This fund was created by Michigan Compiled Laws (MCL) Section 421.10a to facilitate the repayment of debt incurred through a bond issuance authorized under MCL 421.26a and the Employment Security Financing Act, MCL 12.271 et seq.. This debt was issued in order to repay advances received from the Federal Government that were provided to temporarily assist Michigan with unemployment payments that exceeded current revenue collections. Revenues within the Obligation Trust Fund are generated from annual assessments on employers. Payments are made to the Michigan Finance Authority who currently holds the bonds and makes regular payments to the bond holders.

### STATE CASINO GAMING FUND

Created by Michigan Compiled Laws Section (MCL) 432.212, this fund provides the licensing, regulation, and control of casino gaming activities in Michigan. The five-member gaming control board created under MCL 432.204 is vested with the authority for licensing, regulating, and controlling casino gaming operations.

**BALANCE SHEET****SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**

SEPTEMBER 30, 2012

(In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in common cash	105	-	7,723	13,507	25,016
Amounts due from other funds	-	28,583	-	-	-
Amounts due from federal agencies	-	4,478	-	-	-
Other current assets	-	-	-	371	1,240
Total Current Assets	<u>105</u>	<u>33,060</u>	<u>7,723</u>	<u>13,878</u>	<u>26,256</u>
Total Assets	<u>\$ 105</u>	<u>\$ 33,060</u>	<u>\$ 7,723</u>	<u>\$ 13,878</u>	<u>\$ 26,256</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities:					
Warrants outstanding	\$ -	\$ 18	\$ 5	\$ 395	\$ 65
Accounts payable and and other liabilities	-	4,218	386	1,557	10,323
Amounts due to other funds	-	28,825	45	10	5
Amounts due to component units	-	-	-	-	-
Deferred revenue	-	-	-	2,726	1,905
Total Current Liabilities	<u>-</u>	<u>33,060</u>	<u>436</u>	<u>4,688</u>	<u>12,299</u>
Total Liabilities	<u>-</u>	<u>33,060</u>	<u>436</u>	<u>4,688</u>	<u>12,299</u>
Fund Balances:					
Nonspendable	-	-	-	96	14
Restricted	105	-	7,287	9,094	13,944
Committed	-	-	-	-	-
Total Fund Balances	<u>105</u>	<u>-</u>	<u>7,287</u>	<u>9,190</u>	<u>13,958</u>
Total Liabilities and Fund Balances	<u>\$ 105</u>	<u>\$ 33,060</u>	<u>\$ 7,723</u>	<u>\$ 13,878</u>	<u>\$ 26,256</u>

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6
1,794	1,429	3,023	2,090	12,051	66,737
-	-	-	488	-	29,071
-	-	-	-	-	4,478
64	74	-	33,180	48	34,977
<u>1,858</u>	<u>1,503</u>	<u>3,023</u>	<u>35,758</u>	<u>12,104</u>	<u>135,268</u>
<u>\$ 1,858</u>	<u>\$ 1,503</u>	<u>\$ 3,023</u>	<u>\$ 35,758</u>	<u>\$ 12,104</u>	<u>\$ 135,268</u>
\$ 112	\$ 3	\$ 20	\$ -	\$ -	\$ 618
501	191	199	-	418	17,794
2	46	3	-	82	29,017
-	-	-	30,604	-	30,604
276	-	-	5,155	54	10,117
<u>892</u>	<u>240</u>	<u>222</u>	<u>35,758</u>	<u>555</u>	<u>88,149</u>
<u>892</u>	<u>240</u>	<u>222</u>	<u>35,758</u>	<u>555</u>	<u>88,149</u>
-	-	-	-	-	110
966	1,263	2,801	-	9,186	44,646
-	-	-	-	2,363	2,363
<u>966</u>	<u>1,263</u>	<u>2,801</u>	<u>-</u>	<u>11,549</u>	<u>47,119</u>
<u>\$ 1,858</u>	<u>\$ 1,503</u>	<u>\$ 3,023</u>	<u>\$ 35,758</u>	<u>\$ 12,104</u>	<u>\$ 135,268</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
 (In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND
<b>REVENUES</b>					
From federal agencies	\$ -	\$ 153,925	\$ -	\$ -	\$ -
From services	-	-	-	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	49	133	10,306	12,307	8,101
Total Revenues	49	154,058	10,306	12,307	8,101
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Labor, commerce, and regulatory	-	196,605	9,949	13,119	6,204
Debt Service:					
Capital lease payments	-	576	-	-	-
Total Expenditures	-	197,181	9,949	13,119	6,204
Excess of Revenues over (under) Expenditures	49	(43,122)	357	(812)	1,897
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	44,911	-	-	-
Transfers to other funds	-	(1,789)	(90)	(18)	(10)
Total Other Financing Sources (Uses)	-	43,122	(90)	(18)	(10)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	49	-	267	(830)	1,887
Fund Balances - Beginning of fiscal year	56	-	7,020	10,020	12,071
Fund Balances - End of fiscal year	\$ 105	\$ -	\$ 7,287	\$ 9,190	\$ 13,958

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	STATE CONSTRUCTION CODE FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	STATE CASINO GAMING FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,925
-	-	-	-	1	1
-	7,561	-	-	1,154	8,715
<u>1,157</u>	<u>3</u>	<u>1,180</u>	<u>255,547</u>	<u>33,804</u>	<u>322,586</u>
<u>1,157</u>	<u>7,564</u>	<u>1,180</u>	<u>255,547</u>	<u>34,959</u>	<u>485,227</u>
-	-	645	-	21,210	21,855
1,642	9,692	884	255,547	-	493,642
-	-	-	-	-	576
<u>1,642</u>	<u>9,692</u>	<u>1,529</u>	<u>255,547</u>	<u>21,210</u>	<u>516,073</u>
<u>(485)</u>	<u>(2,128)</u>	<u>(350)</u>	<u>-</u>	<u>13,749</u>	<u>(30,847)</u>
-	-	-	-	1,709	46,620
<u>(9)</u>	<u>(119)</u>	<u>(3)</u>	<u>-</u>	<u>(13,684)</u>	<u>(15,721)</u>
<u>(9)</u>	<u>(119)</u>	<u>(3)</u>	<u>-</u>	<u>(11,975)</u>	<u>30,899</u>
(494)	(2,247)	(353)	-	1,774	53
<u>1,460</u>	<u>3,510</u>	<u>3,154</u>	<u>-</u>	<u>9,775</u>	<u>47,066</u>
<u>\$ 966</u>	<u>\$ 1,263</u>	<u>\$ 2,801</u>	<u>\$ -</u>	<u>\$ 11,549</u>	<u>\$ 47,119</u>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND			MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>						
From federal agencies	\$ -	\$ -	\$ -	\$ 153,925	\$ 153,925	\$ -
From services	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	49	49	-	133	133	-
Transfers in	-	-	-	44,911	44,911	-
Total Revenues and Other Sources	<u>49</u>	<u>49</u>	<u>-</u>	<u>198,969</u>	<u>198,969</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Licensing and Regulatory Affairs	-	-	-	198,969	198,969	-
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,969</u>	<u>198,969</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ 49</u>	<u>49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling Items:						
Encumbrances at September 30		-			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>-</u>			<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>49</u>			<u>-</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>56</u>			<u>-</u>	
Ending balances (GAAP Basis)		<u>\$ 105</u>			<u>\$ -</u>	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	7,561	7,561	-
10,306	10,306	-	3	3	-
-	-	-	-	-	-
<u>10,306</u>	<u>10,306</u>	<u>-</u>	<u>7,564</u>	<u>7,564</u>	<u>-</u>
10,440	10,041	399	16,009	9,812	6,197
-	-	-	-	-	-
<u>10,440</u>	<u>10,041</u>	<u>399</u>	<u>16,009</u>	<u>9,812</u>	<u>6,197</u>
<u>\$ (135)</u>	<u>265</u>	<u>\$ 399</u>	<u>\$ (8,445)</u>	<u>(2,248)</u>	<u>\$ 6,197</u>
	2			1	
	-			-	
	<u>2</u>			<u>1</u>	
	267			(2,247)	
	<u>7,020</u>			<u>3,510</u>	
	<u>\$ 7,287</u>			<u>\$ 1,263</u>	

This schedule continued on next page.

**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, 2012  
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>STATE CASINO GAMING FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER SOURCES</b>			
From federal agencies	\$ -	\$ -	\$ -
From services	1	1	-
From licenses and permits	1,154	1,154	-
Miscellaneous	33,804	33,804	-
Transfers in	1,709	1,709	-
Total Revenues and Other Sources	<u>36,668</u>	<u>36,668</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Licensing and Regulatory Affairs	-	-	-
Treasury	34,895	34,895	-
Total Expenditures, Transfers Out, and Encumbrances	<u>34,895</u>	<u>34,895</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ 1,774</u>	<u>1,774</u>	<u>\$ -</u>
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>1,774</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>9,775</u>	
Ending balances (GAAP Basis)		<u>\$ 11,549</u>	

## FUNDS NOT ANNUALLY BUDGETED

SECOND INJURY FUND	SELF-INSURERS' SECURITY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	UTILITY CONSUMER REPRESENTATION FUND	UNEMPLOYMENT OBLIGATION TRUST FUND	TOTALS		
					BUDGET	ACTUAL	VARIANCE
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,925	\$ 153,925	\$ -
-	-	-	-	-	1	1	-
-	-	-	-	-	8,715	8,715	-
-	-	-	-	-	44,295	44,295	-
-	-	-	-	-	46,620	46,620	-
-	-	-	-	-	253,556	253,556	-
-	-	-	-	-	225,419	218,822	6,597
-	-	-	-	-	34,895	34,895	-
-	-	-	-	-	260,314	253,717	6,597
-	-	-	-	-	<u>\$ (6,758)</u>	<u>(161)</u>	<u>\$ 6,597</u>
-	-	-	-	-	-	4	-
(830)	1,887	(494)	(353)	-	-	210	-
(830)	1,887	(494)	(353)	-	-	214	-
(830)	1,887	(494)	(353)	-	-	53	-
10,020	12,071	1,460	3,154	-	-	47,066	-
<u>\$ 9,190</u>	<u>\$ 13,958</u>	<u>\$ 966</u>	<u>\$ 2,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,119</u>	<u>\$ -</u>



## Michigan

## SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

21<sup>st</sup> CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21<sup>st</sup> 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 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 reported as nonspendable fund balance.

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 (MCL) 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.

Public Act 204 of 2012 amended several MCLs and in fiscal year 2013 will transfer the functionality of this fund to the Michigan Automobile Insurance Placement Facility.

## 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: Children's Institute Trust, Special Assessment Deferment, and Intrastate Switched Toll Restructuring.

**BALANCE SHEET**  
**SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	CHILDREN'S TRUST FUND
<b>ASSETS</b>			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Equity in common cash	193,558	1,571	847
Other current assets	56,250	100,286	196
Total Current Assets	<u>249,808</u>	<u>101,856</u>	<u>1,043</u>
Investments	-	-	24,015
Other noncurrent assets	-	3,024	-
Total Assets	<u>\$ 249,808</u>	<u>\$ 104,880</u>	<u>\$ 25,058</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities:			
Warrants outstanding	\$ -	\$ -	\$ 5
Accounts payable and other liabilities	-	926	343
Amounts due to other funds	-	16	4
Deferred revenue	56,250	99,906	5
Total Current Liabilities	<u>56,250</u>	<u>100,847</u>	<u>357</u>
Deferred revenue	-	3,024	-
Total Liabilities	<u>56,250</u>	<u>103,871</u>	<u>357</u>
Fund Balances:			
Nonspendable	-	-	23,678
Restricted	-	-	1,023
Committed	193,558	1,009	-
Total Fund Balances	<u>193,558</u>	<u>1,009</u>	<u>24,700</u>
Total Liabilities and Fund Balances	<u>\$ 249,808</u>	<u>\$ 104,880</u>	<u>\$ 25,058</u>

ASSIGNED CLAIMS FACILITY AND PLAN FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
\$ 9,138	\$ -	\$ -	\$ 9,138
138,746	2,412	9,410	346,544
12,126	-	105	168,963
<u>160,010</u>	<u>2,412</u>	<u>9,514</u>	<u>524,644</u>
-	-	-	24,015
<u>-</u>	<u>-</u>	<u>1,022</u>	<u>4,046</u>
<u>\$ 160,010</u>	<u>\$ 2,412</u>	<u>\$ 10,536</u>	<u>\$ 552,705</u>
\$ -	\$ 6	\$ 15	\$ 26
158,698	-	10	159,976
3	-	2	25
1,309	-	-	157,470
<u>160,010</u>	<u>6</u>	<u>26</u>	<u>317,497</u>
-	-	357	3,381
<u>160,010</u>	<u>6</u>	<u>383</u>	<u>320,878</u>
-	-	-	23,678
-	2,406	10,153	13,581
<u>-</u>	<u>-</u>	<u>-</u>	<u>194,568</u>
<u>-</u>	<u>2,406</u>	<u>10,153</u>	<u>231,827</u>
<u>\$ 160,010</u>	<u>\$ 2,412</u>	<u>\$ 10,536</u>	<u>\$ 552,705</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
 (In Thousands)

	21ST CENTURY JOBS TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	CHILDREN'S TRUST FUND
<b>REVENUES</b>			
From federal agencies	\$ -	\$ -	\$ 844
Miscellaneous	75,000	119,718	3,458
Total Revenues	<u>75,000</u>	<u>119,718</u>	<u>4,302</u>
<b>EXPENDITURES</b>			
Current:			
General government	92,253	1,231	-
Human services	-	30,100	2,621
Public safety and corrections	-	673	-
Labor, commerce, and regulatory	-	-	-
Health services	-	86,745	-
Total Expenditures	<u>92,253</u>	<u>118,749</u>	<u>2,621</u>
Excess of Revenues over (under) Expenditures	<u>(17,253)</u>	<u>969</u>	<u>1,682</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	75,000	-	-
Transfers to other funds	-	(16)	(4)
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>(16)</u>	<u>(4)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	57,747	953	1,678
Fund Balances - Beginning of fiscal year	<u>135,811</u>	<u>56</u>	<u>23,023</u>
Fund Balances - End of fiscal year	<u>\$ 193,558</u>	<u>\$ 1,009</u>	<u>\$ 24,700</u>

ASSIGNED CLAIMS FACILITY AND PLAN FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ 844
213,878	182	20,261	432,498
<u>213,878</u>	<u>182</u>	<u>20,261</u>	<u>433,341</u>
213,755	-	-	307,239
-	-	-	32,721
-	106	-	779
-	-	16,128	16,128
-	-	-	86,745
<u>213,755</u>	<u>106</u>	<u>16,128</u>	<u>443,612</u>
<u>123</u>	<u>75</u>	<u>4,133</u>	<u>(10,271)</u>
-	-	-	75,000
(123)	-	(3)	(146)
<u>(123)</u>	<u>-</u>	<u>(3)</u>	<u>74,854</u>
-	75	4,130	64,584
-	2,330	6,023	167,243
<u>\$ -</u>	<u>\$ 2,406</u>	<u>\$ 10,153</u>	<u>\$ 231,827</u>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

	21ST CENTURY JOBS TRUST FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>Statutory/Budgetary Basis</u>		
<b>REVENUES AND OTHER SOURCES</b>			
From federal agencies	\$ -	\$ -	\$ -
Miscellaneous	75,000	75,000	-
Transfers in	75,000	75,000	-
	<u>150,000</u>	<u>150,000</u>	<u>-</u>
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Attorney General	-	-	-
Community Health	-	-	-
Human Services	-	-	-
Military and Veterans Affairs	-	-	-
State Police	-	-	-
Treasury	285,811	92,253	193,558
	<u>285,811</u>	<u>92,253</u>	<u>193,558</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>285,811</u>	<u>92,253</u>	<u>193,558</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (135,811)</u>	<u>57,747</u>	<u>\$ 193,558</u>
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
		<u>-</u>	
Net Reconciling Items		<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>57,747</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>135,811</u>	
Ending balances (GAAP Basis)		<u>\$ 193,558</u>	

MICHIGAN MERIT AWARD TRUST FUND			CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ 844	\$ 844	\$ -	\$ -	\$ -	\$ -
119,718	119,718	-	3,458	3,458	-	182	182	-
-	-	-	-	-	-	-	-	-
<u>119,718</u>	<u>119,718</u>	<u>-</u>	<u>4,302</u>	<u>4,302</u>	<u>-</u>	<u>182</u>	<u>182</u>	<u>-</u>
930	930	-	-	-	-	-	-	-
86,745	86,745	-	-	-	-	-	-	-
30,100	30,100	-	3,733	2,644	1,090	-	-	-
-	-	-	-	-	-	1,001	108	894
682	682	-	-	-	-	-	-	-
1,006	670	336	-	-	-	-	-	-
<u>119,462</u>	<u>119,126</u>	<u>336</u>	<u>3,733</u>	<u>2,644</u>	<u>1,090</u>	<u>1,001</u>	<u>108</u>	<u>894</u>
<u>\$ 256</u>	<u>592</u>	<u>\$ 336</u>	<u>\$ 569</u>	<u>1,659</u>	<u>\$ 1,090</u>	<u>\$ (820)</u>	<u>74</u>	<u>\$ 894</u>
	362			19			1	
	-			-			-	
	<u>362</u>			<u>19</u>			<u>1</u>	
	<u>953</u>			<u>1,678</u>			<u>75</u>	
	<u>56</u>			<u>23,023</u>			<u>2,330</u>	
	<u>\$ 1,009</u>			<u>\$ 24,700</u>			<u>\$ 2,406</u>	

This schedule continued on next page.

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS (Continued)**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED		TOTALS		
	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	BUDGET	ACTUAL	VARIANCE
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Statutory/Budgetary Basis</u>					
<b>REVENUES AND OTHER SOURCES</b>					
From federal agencies	\$ -	\$ -	\$ 844	\$ 844	\$ -
Miscellaneous	-	-	198,358	198,358	-
Transfers in	-	-	75,000	75,000	-
Total Revenues and Other Sources	-	-	274,202	274,202	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>					
Attorney General	-	-	930	930	-
Community Health	-	-	86,745	86,745	-
Human Services	-	-	33,833	32,744	1,090
Military and Veterans Affairs	-	-	1,001	108	894
State Police	-	-	682	682	-
Treasury	-	-	286,817	92,923	193,894
Total Expenditures, Transfers Out, and Encumbrances	-	-	410,007	214,130	195,877
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	<u>\$ (135,805)</u>	<u>60,072</u>	<u>\$ 195,877</u>
Reconciling Items:					
Encumbrances at September 30	-	-		382	
Funds not annually budgeted	-	4,130		4,130	
Net Reconciling Items	-	4,130		4,512	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	-	4,130		64,584	
<b>FUND BALANCES (GAAP BASIS)</b>					
Beginning balances	-	6,023		167,243	
Ending balances (GAAP Basis)	<u>\$ -</u>	<u>\$ 10,153</u>		<u>\$ 231,827</u>	

## Michigan

## 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

This fund was established pursuant to Michigan Compiled Laws (MCL) Sections 324.19506, 324.71506, and 324.95102 to service recreation and environmental protection bond issues. 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.

Included in the restricted fund balance on the balance sheet is a \$300 thousand 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.

**BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
 SEPTEMBER 30, 2012  
 (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
<b>ASSETS</b>			
Current Assets:			
Equity in common cash	\$ -	\$ -	\$ 1,396
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	<u>-</u>	<u>-</u>	<u>1,396</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,396</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities:			
Accounts payable and other liabilities	\$ -	\$ -	\$ 10
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>10</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>10</u>
Fund Balances:			
Restricted	-	-	1,386
Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,386</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,396</u>

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	TOTALS
\$ -	\$ -	\$ 1,396
-	228,992	228,992
-	3	3
-	228,994	230,390
<u>\$ -</u>	<u>\$ 228,994</u>	<u>\$ 230,390</u>
\$ -	\$ 140	\$ 151
-	140	151
-	140	151
-	228,854	230,239
-	228,854	230,239
<u>\$ -</u>	<u>\$ 228,994</u>	<u>\$ 230,390</u>

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(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
<b>REVENUES</b>			
Miscellaneous	\$ 4	\$ -	\$ 1
Total Revenues	4	-	1
<b>EXPENDITURES</b>			
Current:			
General government	-	-	191
Education	-	-	-
Transportation	279	158	-
Debt Service:			
Bond principal retirement	93,977	14,020	84,588
Bond interest and fiscal charges	121,265	9,347	54,833
Total Expenditures	215,521	23,526	139,612
Excess of Revenues over (under) Expenditures	(215,517)	(23,526)	(139,611)
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	49,305	18,470	33,888
Premium on bond issuance	8,679	2,527	68
Discount on bond issuance	-	-	(105)
Payment to refunded bond escrow agent	(57,701)	(20,862)	(33,660)
Transfers from other funds	215,234	23,391	139,438
Total Other Financing Sources (Uses)	215,517	23,526	139,629
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	18
Fund Balances - Beginning of fiscal year	-	-	1,367
Fund Balances - End of fiscal year	\$ -	\$ -	\$ 1,386

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	TOTALS
\$ -	\$ 747	\$ 752
<u>-</u>	<u>747</u>	<u>752</u>
285	-	476
-	1,578	1,578
-	-	437
53,452	96,205	342,241
<u>40,428</u>	<u>120,988</u>	<u>346,861</u>
<u>94,165</u>	<u>218,771</u>	<u>691,594</u>
<u>(94,165)</u>	<u>(218,024)</u>	<u>(690,842)</u>
60,874	-	162,537
-	-	11,274
(284)	-	(389)
(60,000)	-	(172,223)
93,575	237,677	709,315
<u>94,165</u>	<u>237,677</u>	<u>710,514</u>
-	19,654	19,672
<u>-</u>	<u>209,200</u>	<u>210,568</u>
<u>\$ -</u>	<u>\$ 228,854</u>	<u>\$ 230,239</u>

## Michigan

## CAPITAL PROJECTS FUNDS

## 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.

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.

## 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.

## COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668b, 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 247.668b, 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.

## COMBINED RECREATION BOND FUND

Established in 1988, this fund operates under Sections 324.19601 – 324.19616, 324.71303, 324.71501 – 324.71514, and 324.74106 – 24.74113 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, provide grants and loans to local units of government for recreation projects and to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package were used to improve State parks with the installation or upgrade of drinking water systems or restroom facilities and to provide grants and loans to local units of government for recreation projects.

In fiscal year 2011, the remaining bond balances related to the 1998 bond package used to improve State parks were transferred to the State Park Improvement Account within the Michigan Conservation and Recreation Legacy Fund pursuant to Public Act 50 of 2011, Section 303. A significant portion of the remaining bond balances related to the 1998 bond package used for grants to local units of government were transferred to the Michigan Natural Resources Trust Fund pursuant to Public Act 50 of 2011, Section 302.

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**Michigan**

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**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."

**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.

**BALANCE SHEET**  
**CAPITAL PROJECTS FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 308	\$ 2	\$ -	\$ -
Equity in common cash	606,484	15,304	99,852	34,253
Taxes, interest, and penalties receivable	-	663	-	-
Amounts due from other funds	14,092	-	-	-
Amounts due from component units	2,103	-	-	-
Amounts due from federal agencies	166,949	38,140	20,697	-
Amounts due from local units	12,757	1,779	2,675	-
Inventories	14,959	-	-	-
Investments	-	-	-	-
Other current assets	4,027	3	-	-
Total Current Assets	<u>821,677</u>	<u>55,891</u>	<u>123,225</u>	<u>34,253</u>
Amounts due from local units	27,446	211	-	-
Other noncurrent assets	355	-	-	-
Total Assets	<u>\$ 849,478</u>	<u>\$ 56,101</u>	<u>\$ 123,225</u>	<u>\$ 34,253</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Warrants outstanding	\$ 1,095	\$ 1,541	\$ 124	\$ -
Accounts payable and other liabilities	168,680	32,835	7,050	5,730
Amounts due to other funds	1,907	41	-	-
Bonds and notes payable	-	-	-	-
Interest payable	-	-	-	-
Deferred revenue	8,177	-	338	-
Total Current Liabilities	<u>179,859</u>	<u>34,418</u>	<u>7,511</u>	<u>5,730</u>
Long-Term Liabilities:				
Deferred revenue	396	-	-	-
Total Liabilities	<u>180,255</u>	<u>34,418</u>	<u>7,511</u>	<u>5,730</u>
Fund Balances:				
Nonspendable	14,971	-	-	-
Restricted	654,251	21,684	115,714	28,523
Unassigned	-	-	-	-
Total Fund Balances	<u>669,223</u>	<u>21,684</u>	<u>115,714</u>	<u>28,523</u>
Total Liabilities and Fund Balances	<u>\$ 849,478</u>	<u>\$ 56,101</u>	<u>\$ 123,225</u>	<u>\$ 34,253</u>

<u>TRANSPORTATION RELATED TRUST FUNDS</u>	<u>COMBINED RECREATION BOND FUND</u>	<u>STATE BUILDING AUTHORITY</u>	<u>ADVANCE FINANCING FUNDS</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ -	\$ 310
-	143	-	-	756,036
-	-	-	-	663
-	-	-	29,807	43,898
-	-	-	-	2,103
42,778	-	-	-	268,564
37,357	-	-	-	54,568
-	-	-	-	14,959
-	-	24,757	-	24,757
-	-	-	-	4,029
<u>80,134</u>	<u>143</u>	<u>24,757</u>	<u>29,807</u>	<u>1,169,886</u>
-	-	-	-	27,656
-	-	-	-	355
<u>\$ 80,134</u>	<u>\$ 143</u>	<u>\$ 24,757</u>	<u>\$ 29,807</u>	<u>\$ 1,197,897</u>
\$ 279	\$ -	\$ -	\$ -	\$ 3,039
64,635	-	22	32,363	311,316
15,220	-	29,807	5,993	52,968
-	-	131,180	-	131,180
-	-	2	-	2
-	-	-	-	8,515
<u>80,134</u>	<u>-</u>	<u>161,011</u>	<u>38,356</u>	<u>507,020</u>
-	-	-	-	396
<u>80,134</u>	<u>-</u>	<u>161,011</u>	<u>38,356</u>	<u>507,415</u>
-	-	-	-	14,971
-	143	-	-	820,314
-	-	(136,254)	(8,550)	(144,804)
-	143	(136,254)	(8,550)	690,482
<u>\$ 80,134</u>	<u>\$ 143</u>	<u>\$ 24,757</u>	<u>\$ 29,807</u>	<u>\$ 1,197,897</u>

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

	STATE TRUNKLINE FUND	STATE AERONAUTICS FUND	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND
<b>REVENUES</b>				
Taxes	\$ -	\$ 5,027	\$ -	\$ -
From federal agencies	801,264	100,078	70,782	-
From local agencies	15,082	10	2,290	-
From services	3,205	580	-	-
From licenses and permits	17,553	369	-	-
Miscellaneous	47,056	5,293	1,080	144
Total Revenues	884,160	111,355	74,151	144
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Education	-	-	-	-
Transportation	581,464	115,047	1,683	22,508
Capital outlay	908,853	442	58,884	65
Debt service:				
Capital lease payments	460	-	-	-
Total Expenditures	1,490,776	115,489	60,566	22,573
Excess of Revenues over (under) Expenditures	(606,616)	(4,134)	13,585	(22,429)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	-	-	90,980	-
Premium on bond issuance	-	-	10,574	-
Proceeds from sale of capital assets	274	-	-	-
Transfers from other funds	816,560	6,339	-	-
Transfers to other funds	(219,923)	(3,564)	(45,843)	-
Total Other Financing Sources (Uses)	596,911	2,775	55,711	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(9,705)	(1,358)	69,296	(22,429)
Fund Balances - Beginning of fiscal year	678,928	23,042	46,417	50,952
Fund Balances - End of fiscal year	\$ 669,223	\$ 21,684	\$ 115,714	\$ 28,523

TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 5,027
245,319	-	-	-	1,217,443
-	-	-	-	17,382
-	-	-	-	3,785
-	-	-	-	17,922
2,556	-	293	332	56,752
<u>247,875</u>	<u>-</u>	<u>293</u>	<u>332</u>	<u>1,318,310</u>
-	-	-	252	252
-	-	92,068	2,656	94,724
247,875	-	-	-	968,576
-	-	5,843	63	974,149
-	-	-	-	460
<u>247,875</u>	<u>-</u>	<u>97,911</u>	<u>2,971</u>	<u>2,038,161</u>
-	-	(97,618)	(2,639)	(719,851)
-	-	-	-	90,980
-	-	-	-	10,574
-	-	-	-	274
-	-	-	9,294	832,193
-	(316)	(12,714)	-	(282,360)
<u>-</u>	<u>(316)</u>	<u>(12,714)</u>	<u>9,294</u>	<u>651,662</u>
-	(316)	(110,333)	6,655	(68,190)
-	458	(25,921)	(15,205)	758,672
<u>\$ -</u>	<u>\$ 143</u>	<u>\$ (136,254)</u>	<u>\$ (8,550)</u>	<u>\$ 690,482</u>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

Statutory/Budgetary Basis	STATE TRUNKLINE FUND			STATE AERONAUTICS FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 5,027	\$ 5,027	\$ -
From federal agencies	801,264	801,264	-	100,078	100,078	-
From local agencies	15,082	15,082	-	10	10	-
From services	3,205	3,205	-	580	580	-
From licenses and permits	17,553	17,553	-	369	369	-
Miscellaneous	47,056	47,056	-	5,293	5,293	-
Proceeds from sale of capital assets	274	274	-	-	-	-
Transfers in	816,560	816,560	-	6,339	6,339	-
Total Revenues and Other Sources	1,700,994	1,700,994	-	117,694	117,694	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Transportation	1,849,014	1,744,273	104,740	125,389	121,883	3,506
Total Expenditures, Transfers Out, and Encumbrances	1,849,014	1,744,273	104,740	125,389	121,883	3,506
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (148,019)</u>	<u>(43,279)</u>	<u>\$ 104,740</u>	<u>\$ (7,695)</u>	<u>(4,189)</u>	<u>\$ 3,506</u>
Reconciling Items:						
Encumbrances at September 30		33,573			2,831	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>33,573</u>			<u>2,831</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(9,705)</u>			<u>(1,358)</u>	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>678,928</u>			<u>23,042</u>	
Ending balances (GAAP Basis)		<u>\$ 669,223</u>			<u>\$ 21,684</u>	

FUNDS NOT ANNUALLY BUDGETED

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	COMBINED RECREATION BOND FUND	STATE BUILDING AUTHORITY	ADVANCE FINANCING FUNDS
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
69,296	(22,429)	-	(316)	(110,333)	6,655
69,296	(22,429)	-	(316)	(110,333)	6,655
69,296	(22,429)	-	(316)	(110,333)	6,655
46,417	50,952	-	458	(25,921)	(15,205)
\$ 115,714	\$ 28,523	\$ -	\$ 143	\$ (136,254)	\$ (8,550)

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUNDS (Continued)**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

Statutory/Budgetary Basis	TOTALS		
	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>			
Taxes	\$ 5,027	\$ 5,027	\$ -
From federal agencies	901,342	901,342	-
From local agencies	15,092	15,092	-
From services	3,785	3,785	-
From licenses and permits	17,922	17,922	-
Miscellaneous	52,349	52,349	-
Proceeds from sale of capital assets	274	274	-
Transfers in	822,899	822,899	-
Total Revenues and Other Sources	1,818,689	1,818,689	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>			
Transportation	1,974,403	1,866,157	108,246
Total Expenditures, Transfers Out, and Encumbrances	1,974,403	1,866,157	108,246
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (155,714)</u>	<u>(47,468)</u>	<u>\$ 108,246</u>
Reconciling Items:			
Encumbrances at September 30		36,404	
Funds not annually budgeted		<u>(57,126)</u>	
Net Reconciling Items		<u>(20,722)</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(68,190)</u>	
<b>FUND BALANCES (GAAP BASIS)</b>			
Beginning balances		<u>758,672</u>	
Ending balances (GAAP Basis)		<u>\$ 690,482</u>	

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**Michigan**

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**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. The State Treasurer directs the investments of the fund, which include fixed income and equity investments.

Historically, most "royalty revenues" (i.e. rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned lands) were credited to the fund with a portion (50%, up to \$10 million per year) transferred to the Michigan State Parks Endowment Fund (MSPEF). Two-thirds of royalty revenues, less the portion transferred to MSPEF, were added to the accumulated principal until that balance reached the constitutional limitation of \$500 million. This limitation was reached in fiscal year 2011; therefore most bonus, rental and royalty revenues are now constitutionally required to be deposited into the MSPEF.

The constitutional provision also limits all future appropriations to investment and other miscellaneous income of the fund. 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.

**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 has been deposited into this fund through fiscal year 2011 when the Michigan Natural Resources Trust Fund (MNRTF) attained an accumulated principal amount of \$500 million. Currently all revenues from oil and gas bonuses, rentals, and royalties from State-owned land previously attributable to the MNRTF are deposited in the State Parks Endowment Fund until the accumulated principal is capped at \$800 million.

The legislature is limited to appropriating no more than 50% of revenues from oil and gas bonuses, rentals, and royalties from State-owned land plus interest and earnings and any private contributions or other revenue to the endowment fund. 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.

**BALANCE SHEET**  
**PERMANENT FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
<b>ASSETS</b>				
Current Assets:				
Equity in common cash	\$ 204,677	\$ 45,534	\$ 3,666	\$ 253,877
Amounts due from local units	-	-	53	53
Other current assets	2,992	3,523	316	6,831
Total Current Assets	<u>207,669</u>	<u>49,057</u>	<u>4,036</u>	<u>260,762</u>
Investments	<u>516,065</u>	<u>159,359</u>	<u>50,753</u>	<u>726,177</u>
Total Assets	<u>\$ 723,734</u>	<u>\$ 208,416</u>	<u>\$ 54,788</u>	<u>\$ 986,939</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Warrants outstanding	\$ 261	\$ 19	\$ 1	\$ 281
Accounts payable and other liabilities	7,985	1,181	144	9,310
Amounts due to other funds	6	91	3	100
Total Current Liabilities	<u>8,252</u>	<u>1,291</u>	<u>149</u>	<u>9,692</u>
Total Liabilities	<u>8,252</u>	<u>1,291</u>	<u>149</u>	<u>9,692</u>
Fund Balances:				
Nonspendable	500,000	173,182	50,000	723,182
Restricted	215,483	33,943	4,639	254,065
Total Fund Balances	<u>715,483</u>	<u>207,126</u>	<u>54,639</u>	<u>977,247</u>
Total Liabilities and Fund Balances	<u>\$ 723,734</u>	<u>\$ 208,416</u>	<u>\$ 54,788</u>	<u>\$ 986,939</u>

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## PERMANENT FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
<b>REVENUES</b>				
Miscellaneous	\$ 63,381	\$ 53,122	\$ 5,876	\$ 122,380
Total Revenues	<u>63,381</u>	<u>53,122</u>	<u>5,876</u>	<u>122,380</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,257	33	1	1,291
Public safety and corrections	-	-	2,583	2,583
Conservation, environment, recreation, and agriculture	1,733	17,912	-	19,645
Capital outlay	40,958	3,188	-	44,146
Total Expenditures	<u>43,948</u>	<u>21,133</u>	<u>2,584</u>	<u>67,665</u>
Excess of Revenues over (under) Expenditures	<u>19,433</u>	<u>31,990</u>	<u>3,292</u>	<u>54,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	38	-	-	38
Transfers to other funds	(34)	(98)	(7)	(140)
Total Other Financing Sources (Uses)	<u>4</u>	<u>(98)</u>	<u>(7)</u>	<u>(102)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	19,437	31,891	3,285	54,613
Fund Balances - Beginning of fiscal year	<u>696,046</u>	<u>175,234</u>	<u>51,355</u>	<u>922,635</u>
Fund Balances - End of fiscal year	<u>\$ 715,483</u>	<u>\$ 207,126</u>	<u>\$ 54,639</u>	<u>\$ 977,247</u>

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

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

Statutory/Budgetary Basis	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES AND OTHER SOURCES</b>						
Miscellaneous	\$ 63,381	\$ 63,381	\$ -	\$ 53,122	\$ 53,122	\$ -
Proceeds from sale of capital assets	38	38	-	-	-	-
Total Revenues and Other Sources	63,419	63,419	-	53,122	53,122	-
<b>EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY</b>						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	82,574	70,899	11,675	23,513	22,778	735
Treasury	2,626	1,257	1,369	33	33	-
Total Expenditures, Transfers Out, and Encumbrances	85,200	72,156	13,044	23,546	22,811	735
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (21,781)	(8,737)	\$ 13,044	\$ 29,577	30,312	\$ 735
Reconciling Items:						
Encumbrances at September 30		28,174			1,580	
Net Reconciling Items		28,174			1,580	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		19,437			31,891	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		696,046			175,234	
Ending balances (GAAP Basis)		\$ 715,483			\$ 207,126	

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 5,876	\$ 5,876	\$ -	\$ 122,380	\$ 122,380	\$ -
-	-	-	38	38	-
<u>5,876</u>	<u>5,876</u>	<u>-</u>	<u>122,417</u>	<u>\$ 122,417</u>	<u>\$ -</u>
5,110	2,595	2,515	5,110	2,595	2,515
-	-	-	106,087	93,677	12,410
<u>1</u>	<u>1</u>	<u>-</u>	<u>2,660</u>	<u>1,291</u>	<u>1,369</u>
<u>5,111</u>	<u>2,596</u>	<u>2,515</u>	<u>113,857</u>	<u>97,563</u>	<u>16,294</u>
<u>\$ 765</u>	<u>3,280</u>	<u>\$ 2,515</u>	<u>\$ 8,560</u>	<u>24,855</u>	<u>\$ 16,294</u>
	<u>5</u>			<u>29,758</u>	
	<u>5</u>			<u>29,758</u>	
	<u>3,285</u>			<u>54,613</u>	
	<u>51,355</u>			<u>922,635</u>	
	<u>\$ 54,639</u>			<u>\$ 977,247</u>	



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## 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 Licensing and Regulatory Affairs: 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.

**STATEMENT OF NET ASSETS**  
**MAJOR PROPRIETARY FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 2	\$ 18,166	\$ 18,168
Equity in common cash (Note 5)	12,973	10,612	23,585
Amounts due from other funds	-	5,023	5,023
Amounts due from component units	-	498	498
Amounts due from federal agencies	-	290	290
Amounts due from local units	-	52,732	52,732
Inventories	6,198	-	6,198
Investments	40,702	943,567	984,269
Other current assets	75,771	260,202	335,973
Total Current Assets	<u>135,645</u>	<u>1,291,089</u>	<u>1,426,734</u>
Noncurrent Assets:			
Investments	224,994	-	224,994
Capital Assets			
Buildings and equipment	4,399	-	4,399
Allowance for depreciation	(4,140)	-	(4,140)
Total capital assets	<u>258</u>	<u>-</u>	<u>258</u>
Other noncurrent assets	-	43,300	43,300
Total Noncurrent Assets	<u>225,252</u>	<u>43,300</u>	<u>268,552</u>
Total Assets	<u>\$ 360,898</u>	<u>\$ 1,334,389</u>	<u>\$ 1,695,286</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ 163	\$ -	\$ 163
Accounts payable and other liabilities	111,651	20,454	132,105
Amounts due to other funds	232	32,826	33,057
Amounts due to component units	-	2,512	2,512
Current portion of other long-term obligations	827	-	827
Total Current Liabilities	<u>112,874</u>	<u>55,792</u>	<u>168,666</u>
Long-Term Liabilities:			
Amounts due to other funds	232	-	232
Prize awards payable	211,864	-	211,864
Noncurrent portion of other long-term obligations	953	36,859	37,811
Total Long-Term Liabilities	<u>213,049</u>	<u>36,859</u>	<u>249,907</u>
Total Liabilities	<u>325,923</u>	<u>92,650</u>	<u>418,573</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 258	\$ -	\$ 258
Restricted For:			
Unemployment compensation	-	1,241,738	1,241,738
Other purposes	34,975	-	34,975
Unrestricted	(258)	-	(258)
Total Net Assets	<u>\$ 34,975</u>	<u>\$ 1,241,738</u>	<u>\$ 1,276,713</u>

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

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

## MAJOR PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	TOTALS
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 2,430,281	\$ 3,529,515	\$ 5,959,797
Total Operating Revenues	2,430,281	3,529,515	5,959,797
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	270,966	4,518	275,484
Interest expense	1	-	1
Depreciation	189	-	189
Lottery prize awards	1,369,752	-	1,369,752
Unemployment benefits	-	1,440,518	1,440,518
Other operating expenses	-	1,514,836	1,514,836
Total Operating Expenses	1,640,908	2,959,873	4,600,781
Operating Income (Loss)	789,373	569,643	1,359,016
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	125	-	125
Investment revenue (expense) - net	15,449	9,637	25,086
Revenue from component units	-	3,320,914	3,320,914
Other nonoperating revenues	-	226,576	226,576
Amortization of prize award obligation discount	(13,321)	-	(13,321)
Interest expense	(5)	(31,627)	(31,632)
Total Nonoperating Revenues (Expenses)	2,247	3,525,499	3,527,746
Income (Loss) Before Transfers	791,621	4,095,142	4,886,762
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers To:			
School Aid Fund	(778,432)	-	(778,432)
Other funds	(8,677)	(37,911)	(46,588)
Total transfers to other funds	(787,109)	(37,911)	(825,020)
Change in net assets	4,512	4,057,231	4,061,742
Total net assets - Beginning of fiscal year - restated	30,463	(2,815,492)	(2,785,029)
Total net assets - End of fiscal year	\$ 34,975	\$ 1,241,738	\$ 1,276,713

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

**STATEMENT OF CASH FLOWS**  
**MAJOR PROPRIETARY FUNDS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)

	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from federal and local agencies	\$ -	\$ 1,516,834	\$ 1,516,834
Receipts from customers	2,420,761	1,918,667	4,339,427
Payments to employees	(19,098)	-	(19,098)
Payments to suppliers	(50,248)	-	(50,248)
Payments to prize winners	(1,409,921)	-	(1,409,921)
Payments for commissions to retailers	(205,987)	-	(205,987)
Claims paid	-	(2,962,802)	(2,962,802)
Other receipts	-	67,069	67,069
Other payments	-	(2,006)	(2,006)
Net cash provided (used) by operating activities	\$ 735,508	\$ 537,761	\$ 1,273,268
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Revenue from component units	\$ -	\$ 3,289,287	\$ 3,289,287
Repayment of federal advances	-	(2,955,184)	(2,955,184)
Advances from federal government	-	-	-
Loans or loan repayments from other funds	-	-	-
Loans or loan repayments to other funds	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(787,109)	(55,888)	(842,997)
Net cash provided (used) by noncapital financing activities	\$ (787,109)	\$ 278,214	\$ (508,895)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	\$ -	\$ -	\$ -
Interest paid	-	-	-
Capital lease payments (including imputed interest expense)	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	\$ -	\$ -	\$ -
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investment securities	\$ 49,279	\$ (820,952)	\$ (771,673)
Purchases of investment securities	-	-	-
Interest and dividends on investments	125	9,637	9,762
Expenses from securities lending activities	(5)	-	(5)
Net cash provided (used) by investing activities	\$ 49,399	\$ (811,315)	\$ (761,916)
Net cash provided (used) - all activities	\$ (2,203)	\$ 4,660	\$ 2,458
Cash and cash equivalents at beginning of year	15,014	24,118	39,131
<b>Cash and cash equivalents at end of year</b>	<b>\$ 12,811</b>	<b>\$ 28,778</b>	<b>\$ 41,589</b>

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

	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	TOTALS
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Assets Classifications:			
Cash	\$ 2	\$ 18,166	\$ 18,168
Equity in common cash	12,973	10,612	23,585
Warrants outstanding	(163)	-	(163)
Cash and cash equivalents at end of year	<u>\$ 12,811</u>	<u>\$ 28,778</u>	<u>\$ 41,589</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 789,373	\$ 569,643	\$ 1,359,016
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)			
by Operating Activities:			
Depreciation expense	189	-	189
Amortization of prize award obligation discount	(13,321)	-	(13,321)
Other nonoperating revenues	-	-	-
Other reconciling items	83	-	83
Net Changes in Assets and Liabilities:			
Inventories	(1,736)	-	(1,736)
Other assets (net)	(9,521)	(3,663)	(13,184)
Accounts payable and other liabilities	(2,713)	(28,219)	(30,932)
Prize awards payable	(26,847)	-	(26,847)
Deferred revenue	-	-	-
Net cash provided (used) by operating activities	<u>\$ 735,508</u>	<u>\$ 537,761</u>	<u>\$ 1,273,268</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Capital contributions	\$ -	\$ -	\$ -
Cost of capital assets acquisitions financed by capital leases	-	-	-
Capital lease liabilities entered into during the year	-	-	-
Increase (decrease) in fair value of investments	4,512	-	4,512
Transfers from other funds (accrual)	-	-	-
Transfers to other funds (accrual)	-	28,583	28,583
Gain (loss) on disposal of capital assets	-	-	-
Federal credit reduction	-	179,319	179,319
Payments on federal advances	-	(179,319)	(179,319)
Total noncash investing, capital, and financing activities	<u>\$ 4,512</u>	<u>\$ 28,583</u>	<u>\$ 33,094</u>

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**Michigan**

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**ENTERPRISE FUNDS****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 which also approves the two agencies' budgets.

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.

**LIQUOR PURCHASE REVOLVING FUND**

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, within the Department of Licensing and Regulatory Affairs, 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.

**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 58	\$ 1	\$ 59
Equity in common cash	-	68,459	68,459
Inventories	-	5,551	5,551
Investments	5,972	-	5,972
Other current assets	150	7,740	7,890
Total Current Assets	<u>6,180</u>	<u>81,750</u>	<u>87,931</u>
Capital Assets:			
Buildings and equipment	525	-	525
Allowance for depreciation	(428)	-	(428)
Total capital assets	<u>97</u>	<u>-</u>	<u>97</u>
Other noncurrent assets	<u>29</u>	<u>-</u>	<u>29</u>
Total Assets	<u>\$ 6,306</u>	<u>\$ 81,750</u>	<u>\$ 88,057</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ -	\$ 1,240	\$ 1,240
Accounts payable and other liabilities	425	78,588	79,013
Amounts due to other funds	-	192	192
Deferred revenue	476	-	476
Current portion of other long-term obligations	-	503	503
Total Current Liabilities	<u>901</u>	<u>80,523</u>	<u>81,424</u>
Long-Term Liabilities:			
Amounts due to other funds	-	210	210
Noncurrent portion of other long-term obligations	-	142	142
Total Liabilities	<u>901</u>	<u>80,874</u>	<u>81,776</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 97	\$ -	\$ 97
Unrestricted	<u>5,308</u>	<u>876</u>	<u>6,184</u>
Total Net Assets	<u>\$ 5,405</u>	<u>\$ 876</u>	<u>\$ 6,281</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****ENTERPRISE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 5,166	\$ 856,717	\$ 861,883
Total Operating Revenues	5,166	856,717	861,883
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	4,771	70,443	75,213
Depreciation	48	-	48
Purchases for resale	-	625,322	625,322
Premiums and claims	-	13	13
Other operating expenses	-	945	945
Total Operating Expenses	4,818	696,723	701,541
Operating Income (Loss)	348	159,994	160,342
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Specific tax on spirits	-	15,737	15,737
Interest revenue	49	90	139
Other nonoperating revenues	-	1	1
Total Nonoperating Revenues (Expenses)	49	15,827	15,876
Income (Loss) Before Transfers	397	175,821	176,218
<b>TRANSFERS</b>			
Transfers to other funds	-	(175,821)	(175,821)
Change in net assets	397	-	397
Total net assets - Beginning of fiscal year	5,008	876	5,884
Total net assets - End of fiscal year	\$ 5,405	\$ 876	\$ 6,281

**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
 (In Thousands)

	ATTORNEY DISCIPLINE SYSTEM	LIQUOR PURCHASE REVOLVING FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ 856,717	\$ 856,717
Membership dues	4,906	-	4,906
Payments to employees	(4,503)	(19,041)	(23,543)
Payments to suppliers	(548)	(672,930)	(673,478)
Other receipts	110	27	137
Other payments	(286)	(958)	(1,244)
Net cash provided (used)			
by operating activities	<u>\$ (320)</u>	<u>\$ 163,815</u>	<u>\$ 163,495</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Specific tax on spirits	\$ -	\$ 15,737	\$ 15,737
Transfers to other funds	-	(175,821)	(175,821)
Net cash provided (used)			
by noncapital financing activities	<u>\$ -</u>	<u>\$ (160,084)</u>	<u>\$ (160,084)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	\$ (13)	\$ -	\$ (13)
Net cash provided (used) by capital and related financing activities	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ (13)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investment securities	\$ (26)	\$ -	\$ (26)
Interest and dividends on investments	49	90	139
Net cash provided (used)			
by investing activities	<u>\$ 23</u>	<u>\$ 90</u>	<u>\$ 112</u>
Net cash provided (used) - all activities	\$ (310)	\$ 3,820	\$ 3,510
Cash and cash equivalents at beginning of year	368	63,399	63,768
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 58</u></u>	<u><u>\$ 67,220</u></u>	<u><u>\$ 67,278</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Assets Classifications:			
Cash	\$ 58	\$ 1	\$ 59
Equity in common cash	-	68,459	68,459
Warrants outstanding	-	(1,240)	(1,240)
Cash and cash equivalents at end of year	<u>\$ 58</u>	<u>\$ 67,220</u>	<u>\$ 67,278</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 348	\$ 159,994	\$ 160,342
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)			
by Operating Activities:			
Depreciation expense	48	-	48
Other nonoperating revenues	-	1	1
Net Changes in Assets and Liabilities:			
Inventories	-	353	353
Other assets (net)	(10)	(215)	(225)
Accounts payable and other liabilities	(561)	3,682	3,121
Deferred revenue	(144)	-	(144)
Net cash provided (used)			
by operating activities	<u>\$ (320)</u>	<u>\$ 163,815</u>	<u>\$ 163,495</u>



## Michigan

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**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 2012.

**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 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.

**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.

**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.

**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.

**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.

**STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
 SEPTEMBER 30, 2012  
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>ASSETS</b>			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Equity in common cash	-	259,483	-
Amounts due from other funds	-	23,714	-
Inventories	10,171	-	24
Other current assets	292	11,981	7,784
Total Current Assets	<u>10,463</u>	<u>295,178</u>	<u>7,808</u>
Capital Assets:			
Land and other non-depreciable assets	-	-	9,170
Buildings and equipment	36,770	-	752,783
Allowance for depreciation	(19,660)	-	(508,253)
Total capital assets	<u>17,110</u>	<u>-</u>	<u>253,700</u>
Other noncurrent assets	<u>-</u>	<u>1,200</u>	<u>-</u>
Total Assets	<u>\$ 27,573</u>	<u>\$ 296,378</u>	<u>\$ 261,507</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants outstanding	\$ 56	\$ 5	\$ 190
Accounts payable and other liabilities	1,198	26,928	43,024
Amounts due to other funds	9,071	-	18,191
Amounts due to component units	-	-	25
Deferred revenue	-	98	47,423
Current portion of other long-term obligations	688	43,162	15,780
Total Current Liabilities	<u>11,013</u>	<u>70,192</u>	<u>124,633</u>
Long-Term Liabilities:			
Advances from other funds	5,616	-	-
Amounts due to other funds	20	-	1,996
Deferred revenue	-	-	54,522
Noncurrent portion of other long-term obligations	466	89,758	24,299
Total Liabilities	<u>\$ 17,115</u>	<u>\$ 159,950</u>	<u>\$ 205,451</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 17,110	\$ -	\$ 232,338
Restricted for other purposes	-	-	-
Unrestricted	(6,652)	136,428	(176,282)
Total Net Assets	<u>\$ 10,458</u>	<u>\$ 136,428</u>	<u>\$ 56,056</u>

## Michigan

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 3	\$ 1	\$ -	\$ 4
6,420	8,855	8,800	283,558
-	-	2,072	25,786
2,958	361	-	13,514
4,082	2,135	-	26,274
<u>13,464</u>	<u>11,351</u>	<u>10,872</u>	<u>349,135</u>
-	-	-	9,170
16,126	9,325	-	815,004
(10,702)	(9,145)	-	(547,760)
<u>5,425</u>	<u>180</u>	<u>-</u>	<u>276,414</u>
-	-	1,550	2,750
<u>\$ 18,889</u>	<u>\$ 11,531</u>	<u>\$ 12,422</u>	<u>\$ 628,299</u>
\$ 188	\$ 2	\$ -	\$ 440
10,702	3,019	622	85,494
240	34	6	27,541
-	-	-	25
-	-	-	47,521
716	166	2,279	62,790
<u>11,846</u>	<u>3,221</u>	<u>2,907</u>	<u>223,812</u>
-	-	-	5,616
311	30	5	2,364
-	-	-	54,522
<u>687</u>	<u>182</u>	<u>4,936</u>	<u>120,329</u>
<u>\$ 12,844</u>	<u>\$ 3,434</u>	<u>\$ 7,849</u>	<u>\$ 406,642</u>
\$ 5,425	\$ 180	\$ -	\$ 255,053
-	7,917	-	7,917
620	-	4,573	(41,313)
<u>\$ 6,045</u>	<u>\$ 8,097</u>	<u>\$ 4,573</u>	<u>\$ 221,657</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>OPERATING REVENUES</b>			
Operating revenues	\$ 36,016	\$ 730,153	\$ 518,944
Total Operating Revenues	<u>36,016</u>	<u>730,153</u>	<u>518,944</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages, and other administrative	18,905	20,366	468,892
Depreciation	1,118	-	55,046
Purchases for resale	-	-	-
Purchases for prison industries	17,017	-	-
Premiums and claims	-	685,809	-
Other operating expenses:			
Leased vehicles expense	-	-	-
Vehicle maintenance expense	-	-	-
Total other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>37,041</u>	<u>706,175</u>	<u>523,938</u>
Operating Income (Loss)	<u>(1,024)</u>	<u>23,978</u>	<u>(4,995)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	271	-
Other nonoperating revenues	-	-	460
Interest expense	(7)	-	(779)
Other nonoperating expense	<u>(374)</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(381)</u>	<u>271</u>	<u>(319)</u>
Income (Loss) Before Transfers	(1,405)	24,249	(5,314)
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers to other funds	<u>(225)</u>	<u>-</u>	<u>(2,504)</u>
Total Transfers In (Out)	<u>(225)</u>	<u>-</u>	<u>(2,504)</u>
Change in net assets	(1,630)	24,249	(7,818)
Total net assets - Beginning of fiscal year - restated	<u>12,088</u>	<u>112,179</u>	<u>63,874</u>
Total net assets - End of fiscal year	<u>\$ 10,458</u>	<u>\$ 136,428</u>	<u>\$ 56,056</u>

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 94,379	\$ 61,557	\$ 4,361	\$ 1,445,409
94,379	61,557	4,361	1,445,409
25,833	6,014	2,918	542,929
934	33	-	57,132
65,726	-	-	65,726
-	-	-	17,017
-	1,585	1,475	688,870
-	23,358	-	23,359
-	30,950	-	30,950
-	54,308	-	54,309
92,493	61,940	4,394	1,425,982
1,885	(383)	(33)	19,427
-	-	-	271
5	27	-	492
-	-	-	(786)
(1)	-	-	(375)
4	27	-	(397)
1,889	(356)	(33)	19,030
(178)	(45)	(29)	(2,981)
(178)	(45)	(29)	(2,981)
1,711	(401)	(62)	16,049
4,334	8,498	4,635	205,608
\$ 6,045	\$ 8,097	\$ 4,573	\$ 221,657

**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	INFORMATION TECHNOLOGY FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 36,033	\$ 729,458	\$ 553,103
Payments to employees	(12,929)	(339,287)	(177,828)
Payments to suppliers	(15,521)	(352,649)	(294,214)
Claims paid	-	-	-
Other receipts	-	-	-
Other payments	(6,031)	-	-
Net cash provided (used) by operating activities	<u>\$ 1,552</u>	<u>\$ 37,522</u>	<u>\$ 81,060</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans or loan repayments from other funds	\$ 8,974	\$ 16,107	\$ 16,069
Loans or loan repayments to other funds	(9,415)	(22,946)	(8,765)
Transfers from other funds	-	-	-
Transfers to other funds	(225)	-	(2,504)
Net cash provided (used) by noncapital financing activities	<u>\$ (666)</u>	<u>\$ (6,839)</u>	<u>\$ 4,800</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	\$ (203)	\$ -	\$ (73,345)
Interest paid	(7)	-	-
Capital lease payments (including imputed interest expense)	-	-	(9,432)
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>\$ (210)</u>	<u>\$ -</u>	<u>\$ (82,777)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	\$ -	\$ 271	\$ -
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 271</u>	<u>\$ -</u>
Net cash provided (used) - all activities	\$ 676	\$ 30,954	\$ 3,084
Cash and cash equivalents at beginning of year	(732)	228,524	(3,274)
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ (56)</u></u>	<u><u>\$ 259,479</u></u>	<u><u>\$ (190)</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Per Statement of Net Assets Classifications:			
Cash	\$ -	\$ -	\$ -
Equity in common cash	-	259,483	-
Warrants outstanding	(56)	(5)	(190)
Cash and cash equivalents at end of year	<u>\$ (56)</u>	<u>\$ 259,479</u>	<u>\$ (190)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (1,024)	\$ 23,978	\$ (4,995)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,118	-	55,046
Other reconciling items	-	-	-
Net Changes in Assets and Liabilities:			
Inventories	1,659	-	31
Other assets (net)	16	(1,221)	(4,137)
Accounts payable and other liabilities	(217)	14,790	2,453
Deferred revenue	-	(24)	32,662
Net cash provided (used) by operating activities	<u>\$ 1,552</u>	<u>\$ 37,522</u>	<u>\$ 81,060</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Capital contributions	\$ -	\$ -	\$ -
Cost of capital assets acquisitions financed by capital leases	-	-	6,572
Capital lease liabilities entered into during the year	-	-	(6,572)
Gain (loss) on disposal of capital assets	(374)	-	-
Total noncash investing, capital, and financing activities	<u>\$ (374)</u>	<u>\$ -</u>	<u>\$ -</u>

OFFICE SERVICES REVOLVING FUND	MOTOR TRANSPORT FUND	RISK MANAGEMENT FUND	TOTALS
\$ 94,128	\$ 61,413	\$ 4,361	\$ 1,478,495
(11,919)	(2,834)	(662)	(545,461)
(78,147)	(55,837)	(2,338)	(798,705)
-	-	(1,708)	(1,708)
-	240	-	240
-	-	-	(6,031)
<u>\$ 4,062</u>	<u>\$ 2,981</u>	<u>\$ (348)</u>	<u>\$ 126,829</u>
\$ -	\$ -	\$ -	\$ 41,150
-	-	(2,072)	(43,197)
-	-	-	-
(178)	(45)	(29)	(2,981)
<u>\$ (178)</u>	<u>\$ (45)</u>	<u>\$ (2,101)</u>	<u>\$ (5,028)</u>
(1,496)	\$ -	\$ -	\$ (75,044)
-	-	-	(7)
-	-	-	(9,432)
5	27	-	32
<u>\$ (1,491)</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ (84,450)</u>
\$ -	\$ -	\$ -	\$ 271
\$ -	\$ -	\$ -	\$ 271
\$ 2,393	\$ 2,964	\$ (2,448)	\$ 37,622
3,843	5,890	11,248	245,500
<u>\$ 6,236</u>	<u>\$ 8,853</u>	<u>\$ 8,800</u>	<u>\$ 283,122</u>
\$ 3	\$ 1	\$ -	\$ 4
6,420	8,855	8,800	283,558
(188)	(2)	-	(440)
<u>\$ 6,236</u>	<u>\$ 8,853</u>	<u>\$ 8,800</u>	<u>\$ 283,122</u>
\$ 1,885	\$ (383)	\$ (33)	\$ 19,427
934	33	-	57,132
-	-	-	-
325	39	-	2,054
(65)	560	1	(4,846)
1,034	2,732	(315)	20,476
(52)	-	-	32,586
<u>\$ 4,062</u>	<u>\$ 2,981</u>	<u>\$ (348)</u>	<u>\$ 126,829</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	6,572
-	-	-	(6,572)
(1)	-	-	(375)
<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (375)</u>

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**Michigan**

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**Michigan**  
**Notes to the Preliminary Unaudited Financial Statements**

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**NOTE 1 – REPORTING ENTITY**

These unaudited financial statements, schedules, and notes, required by Section 18.1493 of the Michigan Compiled Laws, report the financial position and results of operations of the State of Michigan's Governmental Funds, including the General Fund and School Aid Fund, and Proprietary Funds for the fiscal year ended September 30, 2012. These funds will be included in the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR), which has not yet been issued.

The final amounts shown in the audited SOMCAFR may differ from the amounts shown in these unaudited financial statements, schedules, and notes due to final adjustments, audit results, and/or subsequent events. While the extent of the adjustments that may be made for the SOMCAFR cannot be accurately projected at this time, these statements were prepared using the best information currently available.

These footnotes relate directly to the Governmental and Proprietary Funds and do not include all disclosures required by generally accepted accounting principles (GAAP). All disclosures required by GAAP will be included in the SOMCAFR.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Measurement Focus, Basis of Accounting, and Financial Statement Presentation*****Measurement Focus and Basis of Accounting**

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.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

**Financial Statement Presentation**

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

This report also includes the following major proprietary 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 following fund types are reported:

**Governmental Fund Types:**

Special Revenue Funds – account for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 resources used for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude capital-related outflows financed by proprietary or trust funds.

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.

**Michigan**  
**Notes to the Preliminary Unaudited Financial Statements**

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**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.

**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. Short-term, highly liquid debt instruments including commercial paper, banker’s acceptances, and U.S. Treasury obligations are reported at amortized cost.

**Other Assets**

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

**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 applicable proprietary fund 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.

**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.

**Michigan**  
**Notes to the Preliminary Unaudited Financial Statements**

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**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 7 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, 2012, long-term prize awards of \$317.3 million were reported at a present value of \$211.9 million, using discount rates ranging from 3.5% to 8.5%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling \$101.0 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 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.

In the 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.

**Compensated Absences**

In the proprietary fund financial statements, compensated absences are reported as liabilities.

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, 2012.

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, 2012.

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 proprietary fund financial statements, and "Fund Balance" on governmental fund financial statements.

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**Notes to the Preliminary Unaudited Financial Statements**

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**Fund Balance Classifications**

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, such as inventories, prepaids, and long-term receivables, or legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that are restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance also includes negative residual balances in other funds.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) resources are available.

**Revenues and Expenditures/Expenses**

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. 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 7.

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 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.

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**Notes to the Preliminary Unaudited Financial Statements**

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**Other Financing Uses**

These reductions of governmental fund resources normally result from transfers to other funds.

**Interfund Activity**

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.

**NOTE 3 – FUNDS BY CLASSIFICATION**

The following table lists all of the funds 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, the page number of the first financial statement for that fund is shown in parenthesis.

**PRIMARY GOVERNMENT:****MAJOR FUNDS****Governmental:**

General Fund\* (p. 8)  
 School Aid Fund\* (p. 8)

**Proprietary:**

State Lottery Fund (p. 66)  
 Michigan Unemployment Compensation Funds (p. 66)

**NON-MAJOR FUNDS****Governmental:****Special Revenue Funds:****Transportation Related:**

Michigan Transportation Fund\* (p. 14)  
 Comprehensive Transportation Fund\* (p. 14)

**Conservation, Environment, and Recreation Related:**

Michigan Conservation and Recreation Legacy Fund\* (p. 20)  
 Michigan Game and Fish Protection Trust Fund (p. 20)  
 Michigan Nongame Fish and Wildlife Trust Fund\* (p. 21)  
 Forest Development Fund\* (p. 21)  
 Bottle Deposits Fund (p. 21)

**Regulatory and Administrative Related:**

Homeowner Construction Lien Recovery Fund\* (p. 28)  
 Michigan Employment Security Act – Administration Fund\* (p. 28)  
 Safety Education and Training Fund\* (p. 28)  
 Second Injury Fund (p. 28)  
 Self-Insurers’ Security Fund (p. 28)  
 Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 29)  
 State Construction Code Fund\* (p. 29)  
 Utility Consumer Representation Fund (p. 29)  
 State Casino Gaming Fund\* (p. 29)

**Other State Funds:**

21<sup>st</sup> Century Jobs Trust Fund\* (p. 38)  
 Michigan Merit Award Trust Fund\* (p. 38)  
 Children’s Trust Fund\* (p. 38)  
 Assigned Claims Facility and Plan Fund (p. 39)  
 Military Family Relief Fund\* (p. 39)  
 Miscellaneous Special Revenue Funds (p. 39)

**Debt Service Funds:**

Combined State Trunkline Bond and Interest Redemption Fund (p. 46)  
 Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 46)  
 Recreation and Environmental Protection Bond Redemption Fund (p. 46)  
 School Loan Bond Redemption Fund (p. 47)  
 State Building Authority (p. 47)

**Capital Project Funds:**

State Trunkline Fund\* (p. 52)  
 State Aeronautics Fund\* (p. 52)  
 Combined State Trunkline Bond Proceeds Fund (p. 52)  
 Combined Comprehensive Transportation Bond Proceeds Fund (p. 52)  
 Transportation Related Trust Funds (p. 53)  
 Combined Recreation Bond Fund (p. 53)  
 State Building Authority (p. 53)  
 Advance Financing Funds (p. 53)

**Permanent Funds:**

Michigan Natural Resources Trust Fund\* (p. 60)  
 Michigan State Parks Endowment Fund\* (p. 60)  
 Michigan Veterans’ Trust Fund\* (p. 60)

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**Notes to the Preliminary Unaudited Financial Statements**

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**Proprietary:****Enterprise Funds:**

Attorney Discipline System (p. 71)  
Liquor Purchase Revolving Fund (p. 71)

**Internal Service Funds:**

Correctional Industries Revolving Fund (p. 76)  
State Sponsored Group Insurance Fund (p. 76)  
Information Technology Fund (p. 76)  
Office Services Revolving Fund (p. 77)  
Motor Transport Fund (p. 77)  
Risk Management Fund (p. 77)

**NOTE 4 – 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 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 2012 are not yet complete. For fiscal year 2011, 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 57.00%, reflecting payments that exceeded the minimum required by \$2.1 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2012.

**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 2012 are not final. For fiscal year 2011, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by \$5.6 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2012.

**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 Counter-Cyclical Budget and Economic Stabilization Fund is accounted for as a subfund of the General Fund where its fund balance is committed.

The following table summarizes the transactions for the fund for fiscal year 2012 (in millions):

Beginning committed fund balance	\$ 2.2
Interest income	.2
Deposits	362.7
Withdrawals	-
	<hr/>
Ending committed fund balance	<u>\$ 365.1</u>

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**Notes to the Preliminary Unaudited Financial Statements**

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**School Aid Fund Budgetary Provisions**

The School Aid Stabilization Fund is a separate account within the School Aid Fund. Any unexpended or unencumbered state school aid fund revenue is deposited into this fund at the end of each fiscal year. The amounts accumulated in this fund are carried forward and shall be expended only for purposes for which state school aid money may be expended. The School Aid Stabilization Fund ending restricted fund balance is \$254.1 million for fiscal year 2012.

**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 no net overexpenditures or line-item overexpenditures by State departments during the year.

The Source and Disposition of General Fund Authorization schedules provide additional budgetary information by department.

**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 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.

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent amounts due to the State at September 30, 2012, for revenues earned during the fiscal year that 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 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). Effective January 1, 2012, the MBT was replaced by the Corporate Income Tax (CIT). A small number of taxpayers with certificated credits may continue to file under the MBT provisions until their credits expire. Additionally, the Health Insurance Claims Assessment (HICA) was created effective January 1, 2012 as a replacement of the HMO Use Tax.

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**Notes to the Preliminary Unaudited Financial Statements**

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

<u>Tax</u>	General Fund	Other Governmental Funds	Total
Sales & use	\$ 325.2	\$ 666.0	\$ 991.2
Individual income	1,933.4	250.9	2,184.3
SBT/MBT/CIT	712.0	-	712.0
State education (property)	-	1,328.1	1,328.1
Telephone & telegraph	25.8	-	25.8
Motor fuel	-	147.7	147.7
Insurance – retaliatory	68.7	-	68.7
Tobacco products	80.5	43.6	124.1
Quality assurance assessment	97.4	-	97.4
Health insurance claims assessment	65.5	-	65.5
Other	25.5	23.1	48.7
Penalties & interest	994.3	-	994.3
Gross taxes receivable	4,328.3	2,459.5	6,787.8
Less allowance for uncollectibles	2,154.8	404.6	2,559.4
Total taxes receivable (net)	<u>\$ 2,173.5</u>	<u>\$ 2,055.0</u>	<u>\$ 4,228.4</u>
<u>As reported on the Statement of Net Assets</u>			
Current taxes, interest, and penalties receivable	\$ 2,004.9	\$ 1,991.9	\$ 3,996.9
Noncurrent taxes interest, and penalties receivable	168.5	63.0	231.5
Total taxes, interest, and penalties receivable	<u>\$ 2,173.5</u>	<u>\$ 2,055.0</u>	<u>\$ 4,228.4</u>

## NOTE 7 – 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 expenditure in the fund financial statements (in millions):

Property tax credits:	
General homestead	\$ 425.9
Senior citizens	332.9
Blind and disabled	56.3
Farmland preservation	40.2
Veterans	1.3
Subtotal – property tax credits	856.6
Earned income tax credit	358.9
Energy efficient home improvement credit	10.5
Historic preservation credit	.6
Adoption credit	.5
Home heating (exclude federal share)	.1
Stillbirth credit	.1
Total tax credits	<u>\$ 1,227.3</u>

### Income Tax Refunds Payable

The \$757.8 million reported as a liability on the "Income tax refunds payable" line in the governmental 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.

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**Notes to the Preliminary Unaudited Financial Statements**

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**NOTE 8 – FUND DEFICITS****Governmental Funds**

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$8.5 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 \$136.3 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.

**NOTE 9 – CONTINGENCIES AND COMMITMENTS****Litigation**

In the 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.

**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, 2012, 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.

**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, 2012, the principal amount of qualified bonds outstanding was \$13.5 billion. Total debt service requirements on these bonds including interest will approximate \$1.5 billion in 2013. 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, 2012, is \$1.1 billion. Interest due on these loans as of September 30, 2012, is \$296.2 million.

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**Notes to the Preliminary Unaudited Financial Statements**

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**Commitments and Encumbrances**

The Department of Transportation has construction and consultant commitments that will be paid with transportation related funds. As of September 30, 2012, these commitments equaled \$542.8 million; a portion of this balance, \$81.0 million, has been encumbered.

Encumbrance balances are comprised of grant agreements and other contracts the State of Michigan has entered into with vendors for services or goods not yet performed or received as of year-end. A portion of these commitments will be funded with current fund balances. These amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance classifications. Resources provided by future bond proceeds, taxes, federal grants, and local and private revenues will fund the remaining commitments.



## SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

(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	\$ 123,450	\$ -	\$ 181	\$ 12,464	\$ 7,786	\$ -
Judicial Branch	156,533	-	-	15,828	79,872	(14,095)
Executive Branch:						
Agriculture and Rural Development	29,187	-	-	10,711	35,276	(8,610)
Attorney General	30,607	-	-	2,735	40,989	(2,413)
Civil Rights	10,855	-	-	-	2,355	-
Colleges and Universities Grants	1,087,394	-	3,626	5	87,756	-
Community Health	2,759,513	-	-	280,990	11,118,507	(203,974)
Corrections	1,921,594	-	-	15,037	37,130	(16,497)
Education	101,337	42,045	-	3,755	225,830	(3,125)
Environmental Quality	28,204	-	-	109,580	235,619	(133,170)
Executive Office	4,599	-	-	-	-	-
Human Services	993,586	(42,045)	-	35,789	4,964,058	(13,979)
Licensing and Regulatory Affairs	43,510	(325)	-	117,799	379,417	(104,350)
Military and Veterans Affairs	38,395	-	-	4,472	115,314	(10,380)
Natural Resources	23,668	-	-	5,838	54,569	(6,720)
State	12,668	-	-	25,419	184,778	(30,810)
State Police	280,266	-	-	47,874	225,325	(28,657)
Technology, Management and Budget	716,684	-	65	35,167	587,234	(397,230)
Transportation	500	-	-	-	-	-
Treasury	369,998	325	1,777	129,822	2,956,591	(84,195)
Intrafund expenditure reimbursements	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 8,732,546</b>	<b>\$ -</b>	<b>\$ 5,649</b>	<b>\$ 853,285</b>	<b>\$ 21,338,408</b>	<b>\$ (1,058,204)</b>

\* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget 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, which 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 for encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs 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 year the State incurs an obligation.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	"BUDGET"	"ACTUAL"		"VARIANCES"		
		AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
\$ 143,880	\$ (15,353)	\$ 128,527	\$ 127,887	\$ 445	\$ 63	\$ 132	\$ -
238,138	-	238,138	235,263	2,274	18	583	-
66,564	-	66,564	66,151	402	-	11	-
71,919	(871)	71,048	70,824	74	-	151	-
13,211	-	13,211	12,844	3	-	364	-
1,178,781	(206)	1,178,575	1,178,451	-	-	124	-
13,955,035	(4,779)	13,950,257	13,931,457	2,146	-	16,654	-
1,957,265	(2,180)	1,955,085	1,931,478	15,707	745	7,155	-
369,843	(108)	369,735	368,055	987	507	186	-
240,232	(6,000)	234,232	234,004	216	-	12	-
4,599	-	4,599	4,450	-	-	149	-
5,937,409	(3,570)	5,933,839	5,877,200	19,548	-	37,091	-
436,050	-	436,050	433,649	254	529	1,618	-
147,802	(169)	147,632	146,888	671	-	73	-
77,354	(230)	77,125	76,891	195	12	27	-
192,055	(1,505)	190,551	185,492	3,772	91	1,195	-
524,807	(1,498)	523,310	521,212	1,959	-	138	-
941,920	(3,381)	938,539	912,739	1,532	561	23,708	-
500	-	500	500	-	-	-	-
3,374,318	(23,768)	3,350,550	3,299,305	24,517	15,776	10,953	-
-	-	(899,917)	(899,917)	-	-	-	-
<u>\$ 29,871,682</u>	<u>\$ (63,616)</u>	<u>\$ 28,908,150</u>	<u>\$ 28,714,824</u>	<u>\$ 74,702</u>	<u>\$ 18,302</u>	<u>\$ 100,322</u>	<u>\$ -</u>
Prior Year encumbrances		(68,776)	(68,776)				
Amount reported on Budgetary Comparison Schedule		<u>\$ 28,839,374</u>	<u>\$ 28,646,048</u>	<u>\$ 74,702</u>	<u>\$ 18,302</u>	<u>\$ 100,322</u>	<u>\$ -</u>

**SOURCE AND DISPOSITION OF  
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS  
APPROPRIATION YEAR 2012  
FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
(In Thousands)

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION*</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>
Legislative Branch	\$ 123,450	\$ 10	\$ 180
Judicial Branch	156,533	-	-
Executive Branch:			
Agriculture and Rural Development	29,187	-	-
Attorney General	30,607	-	-
Civil Rights	10,855	-	-
Colleges and Universities Grants	1,087,394	-	3,626
Community Health	2,759,513	-	-
Corrections	1,921,594	-	-
Education	101,337	42,045	-
Environmental Quality	28,204	-	-
Executive Office	4,599	-	-
Human Services	993,586	(42,045)	-
Licensing and Regulatory Affairs	43,510	-	-
Military and Veterans Affairs	38,395	-	-
Natural Resources	23,668	-	-
State	12,668	-	-
State Police	280,266	-	-
Technology, Management and Budget	716,684	-	65
Transportation	500	-	-
Treasury	369,998	-	1,777
	<u>\$ 8,732,546</u>	<u>\$ 10</u>	<u>\$ 5,649</u>
TOTAL			

\* 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 \$240.9 million of the "Current Legislative Appropriation" for the Appropriation Year 2012.

GROSS SPENDING AUTHORITY	"ACTUAL"			"VARIANCES"	
	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
\$ 123,639	\$ 114,209	\$ 370	\$ 8,929	\$ 131	\$ -
156,533	154,140	1,813	-	579	-
29,187	28,975	211	-	1	-
30,607	29,517	73	871	147	-
10,855	10,489	3	-	364	-
1,091,020	1,090,695	-	202	123	-
2,759,513	2,740,853	1,733	2,407	14,519	-
1,921,594	1,901,625	11,077	2,180	6,712	-
143,383	142,495	800	-	88	-
28,204	21,986	216	6,000	1	-
4,599	4,450	-	-	149	-
951,541	897,558	17,752	1,122	35,110	-
43,510	41,729	227	-	1,554	-
38,395	37,775	556	40	24	-
23,668	23,321	107	230	11	-
12,668	11,103	13	357	1,195	-
280,266	279,775	419	-	71	-
716,749	688,995	833	3,380	23,540	-
500	500	-	-	-	-
371,775	348,883	3,689	8,632	10,570	-
<u>\$ 8,738,204</u>	<u>\$ 8,569,073</u>	<u>\$ 39,891</u>	<u>\$ 34,349</u>	<u>\$ 94,891</u>	<u>\$ -</u>