



MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended September 30, 2009
Jennifer M. Granholm, Governor
Prepared by
Office of the State Budget



State of Michigan
Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2009

JENNIFER M. GRANHOLM
Governor

ROBERT L. EMERSON
State Budget Director

MICHAEL J. MOODY, CPA
Director
Office of Financial Management

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JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

ROBERT L. EMERSON
DIRECTOR

February 27, 2010

The Honorable Jennifer M. Granholm, Governor
Members of the Legislature
People of the State of Michigan

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2009.

INTRODUCTION TO THE REPORT

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

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

Report: The SOMCAFR is divided into four major sections: introductory, financial, statistical, and other information:

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

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

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

Act 431 requires each principal department to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, to provide corrective action plans and time schedules for addressing such weaknesses. This reporting is required on or before May 1 of each odd numbered year, effective as of the preceding October 1.

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

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

Independent Auditors: The Office of the Auditor General (OAG) is the principal auditor of the SOMCAFR. The OAG also relies on the opinions of outside public accounting firms, particularly for component unit financial statements (such as the Michigan State Housing Development Authority and 10 of the State's universities), and the Unemployment Compensation funds. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2009 are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2009 are fairly presented in accordance with GAAP and issued unqualified opinions.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial statement and performance audits of the various State departments, agencies, and institutions of higher education. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 251 of 1986, these audits are conducted biennially for applicable State departments, agencies and component unit authorities, and result in separately issued audit reports.

Management's Discussion and Analysis (MD&A): GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

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

Executive Branch: During fiscal year 2009, the Executive Branch consisted of 18 principal departments. Fifteen principal departments are headed by commissions and/or directors appointed by the elected governor. Elected officials head two principal departments, Attorney General and State, and one, Education, is headed by an elected board.

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

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

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

Budgetary Reporting and Control: For the State primary government operating funds (i.e., the General Fund and annually appropriated special revenue and permanent funds), the State budget projects revenues and expenditures and calculates fund balances for budgetary purposes in accordance with GAAP. Public Act 431 of 1984, as amended, prohibits the State from budgeting for an ending fund balance deficit in an operating fund. If an actual deficit is incurred, the Constitution and Act 431

require that it be addressed in the subsequent year's budget. If accounting principles change, Act 431 requires the State to also implement such changes in its budgetary process.

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

MAJOR INITIATIVES AND FUTURE PROJECTS

Job Creation and Training: During this time of economic challenge, job creation and training is the top priority of the Granholm administration. Through the end of calendar year 2009, 42,000 Michigan jobs had been created or saved in Michigan as a result of funding provided through the American Recovery and Reinvestment Act. In addition, the 21st Century Jobs Fund continues to support job creation in growing economic sectors, including clean energy, life sciences, homeland security, defense, tourism, the film industry and advanced manufacturing.

The Governor's No Worker Left Behind program continues to provide opportunities for high quality job training for Michigan citizens. To date, more than 115,000 citizens have enrolled in this training, much of it aimed at earning college degrees and technical certifications. In the fiscal year 2010 budget, funding for community colleges, which play a critical role in job training programs, was maintained at fiscal year 2009 levels.

Education: The State is committed to quality education at all age levels. Despite having to make the difficult decision to reduce fiscal year 2010 spending for K-12 education, the State's total fiscal year 2010 budget dedicates substantial revenues to education, over \$14.8 billion, or 33 percent of the total state budget. This includes funding for the K-12 system, universities, community colleges, and student financial aid.

The Michigan Integrated Education Reform Plan, the state's response to Race to the Top, connects the critical elements of the state's education system with direct student outcomes. Michigan's Race to the Top plan, which is supported by 759 local school districts, representing over 1.4 million students, requests \$526 million to implement this state's blueprint for increasing student achievement; closing the achievement gap; increasing high school graduation rates; and increasing the number of college graduates.

Health and Human Services: Although the cost of providing health and human services continues to increase, primarily as a result of increasing need, protecting Michigan's most vulnerable citizens remains a high priority. For fiscal year 2010, the two departments primarily responsible for health and human services, the departments of Community Health and Human Services, account for \$19.0 billion, or 42 percent, of the overall State budget.

While the State administers a variety of health and human services programs, Medicaid is the largest program, accounting for \$11.4 billion of the fiscal year 2010 budget. These funds allow the State to provide health care services for 1.7 million low-income citizens.

Streamlining State Government: The Granholm Administration also continues its efforts to streamline government, reduce costs, and improve efficiency. During calendar year 2009, the Governor issued executive orders to eliminate the Department of History, Arts and Libraries; merge the departments of Environmental Quality and Natural Resources; and merge the departments of Information Technology and Management and Budget. When fully implemented, these executive orders will reduce the number of Executive Branch principal departments to 15. This represents a reduction of 5 principal departments since Governor Granholm took office.

During fiscal year 2010 the State will take additional measures to reduce costs and improve efficiency. These include closure of correctional and mental health facilities, State employee concessions, and fully implementing a one-stop-shop for businesses – a simple web portal that puts hundreds of business transactions seamlessly on-line.

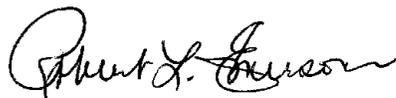
AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose content satisfies both generally accepted accounting principles and applicable legal requirements.

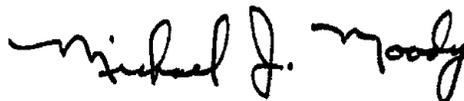
A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for 22 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Sincerely,



Robert L. Emerson
State Budget Director



Michael J. Moody, CPA
Director, Office of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



A stylized handwritten signature in black ink.

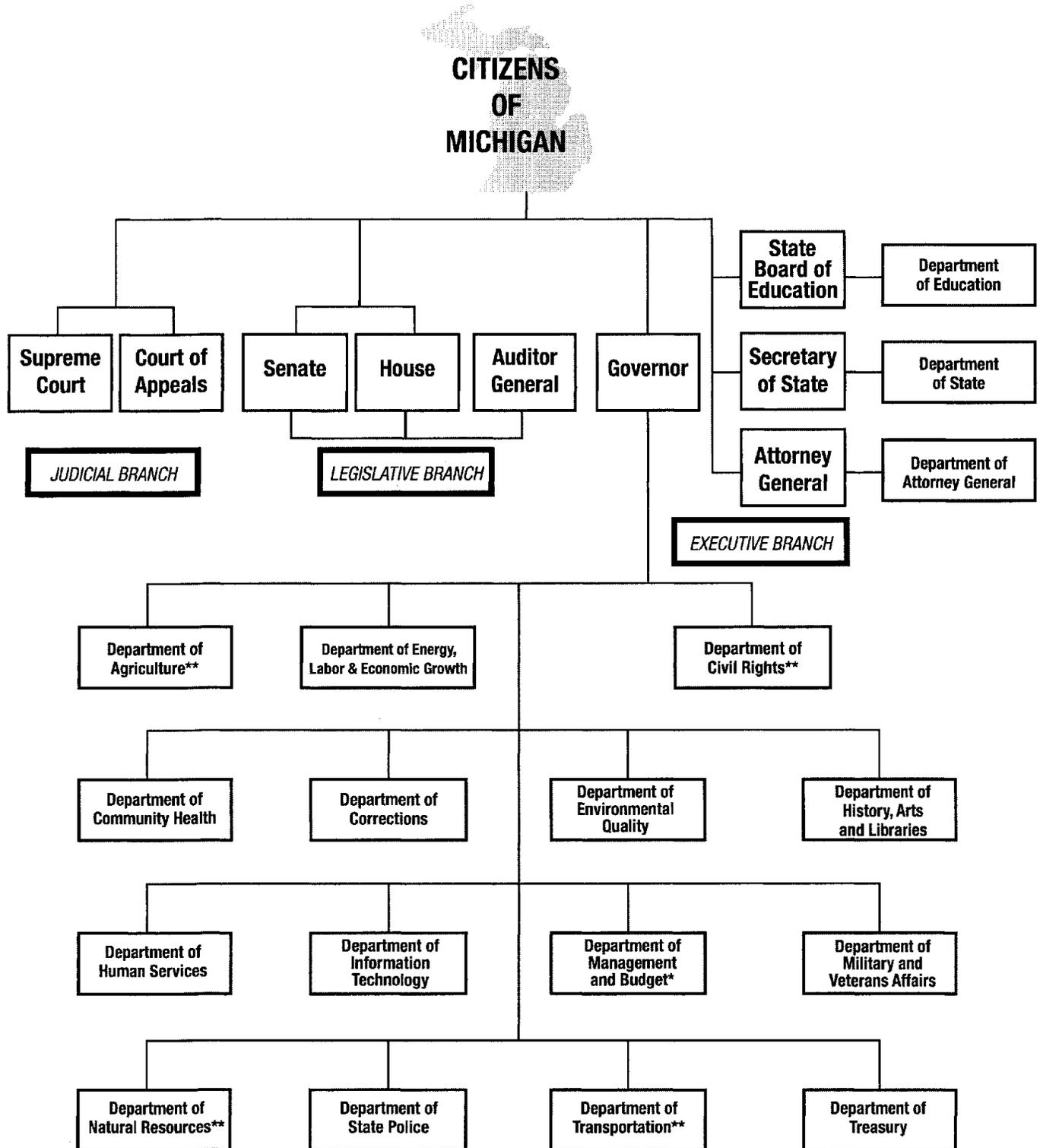
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

STATE OF MICHIGAN ORGANIZATIONAL STRUCTURE

(As of September 30, 2009)



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

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS
(As of September 30, 2009)

JUDICIAL BRANCH

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

LEGISLATIVE BRANCH

Honorable Michael D. Bishop
Majority Leader of the Senate

Honorable Andy Dillon
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable Jennifer M. Granholm, Governor

Honorable John D. Cherry, Jr., Lt. Governor

Honorable Mike Cox, Attorney General

Honorable Terri Lynn Land, Secretary of State

State Board of Education

Kathleen N. Straus, President
John C. Austin
Elizabeth W. Bauer
Carolyn L. Curtin
Nancy Danhof
Marianne Yared McGuire
Reginald M. Turner
Casandra E. Ulbrich
Honorable Jennifer M. Granholm (Ex Officio)
Michael P. Flanagan
Superintendent of Public Instruction

Michigan Commission of Agriculture

Todd J. Regis, Chair
James E. Byrum
Donald M. Coe
Velmar Green
Vacant
Donald W. Koivisto, Director, Department of Agriculture

Civil Rights Commission

Matthew Wesaw, Chair
Nabih H. Ayad
Mark Bernstein
Lisa Peebles-Hurst
Karen Henry Stokes
J. Michael Zelle
Vacant
Vacant
Kelvin W. Scott, Director, Department of Civil Rights

Civil Service Commission

Andrew P. Abood
Kelly G. Keenan
Sherry L. McMillan
Thomas M. Wardrop
Jeremy Stephens, State Personnel Director

Janet Olszewski, Director
Department of Community Health

Patricia L. Caruso, Director
Department of Corrections

Stanley Pruss, Director
Department of Energy, Labor & Economic Growth

Steven E. Chester, Director
Department of Environment Quality

Mark Hoffman, Interim Director
Department of History, Arts and Libraries

Ismael Ahmed, Director
Department of Human Services

Kenneth D. Theis, Director
Department of Information Technology

Lisa Webb Sharpe, Director
Department of Management and Budget

Robert L. Emerson, State Budget Director
Office of the State Budget

Major General Thomas G. Cutler, Director
Department of Military and Veterans Affairs

Natural Resources Commission

Keith J. Charters, Chair
Mary C. Brown
Hurley J. Coleman, Jr.
Darnell Earley
John M. Madigan
J. R. Richardson
Franklin C. Wheatlake
Rebecca A. Humphries, Director
Department of Natural Resources

Colonel Peter C. Munoz, Director
Department of State Police

Transportation Commission

Ted B. Wahby, Chair
Linda Miller Atkinson
Maureen Miller Brosnan
Steven K. Girard
Jerrold M. Jung
James S. Scalici
Kirk T. Steudle, Director
Department of Transportation

Robert J. Kleine, State Treasurer



II. FINANCIAL SECTION

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



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

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

Independent Auditor's Report

The Honorable Jennifer M. Granholm, Governor
 Members of the Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, principally as of and for the year ended September 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act - Administration Fund, Attorney Discipline System, Michigan Education Savings Program, Michigan State Housing Development Authority, Farm Produce Insurance Authority, Mackinac Island State Park Commission, State Bar of Michigan, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Total Revenues/Additions
Governmental activities	0.1%	0.4%
Business-type activities	93.0%	79.4%
Aggregate discretely presented component units	44.4%	76.6%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	3.1%	11.8%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinions.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

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

The Honorable Jennifer M. Granholm, Governor
Members of the Legislature
Page 2

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 6 and 23 to the basic financial statements, the State of Michigan replaced its Single Business Tax with the Michigan Business Tax. The State could not fully estimate the amount of future collections and refunds related to the Michigan Business Tax because the necessary data was not available. Also, as discussed in Note 4, the State adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

The management's discussion and analysis on pages 5 through 13, budgetary comparison schedules and corresponding notes on pages 102 through 105, and information about infrastructure assets reported using the modified approach on pages 106 and 107 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

AUDITOR GENERAL

February 27, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide

- At September 30, 2009, the State's assets exceeded its liabilities by \$11.7 billion.
- The State's unrestricted net assets were (\$7.3) billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.
- Revenues of \$50.0 billion, along with beginning net assets, supported expenses of \$53.9 billion during fiscal year 2009. As a result, the State's total net assets decreased by \$3.8 billion (24.7 percent). The decrease relates mostly to continued high unemployment and the benefits paid to the unemployed reported in the business activities. In addition, the governmental activities long-term obligations, such as the net other post employment benefits, increased during the year.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3.7 billion. Of this amount, \$1.0 billion is *unreserved fund balance* in the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds and, therefore, available to fund general-purpose expenditures of those funds in future years. The remaining \$2.7 billion is reserved for specific purposes, such as education and transportation.
- The State's three major governmental funds, the General Fund, Counter-Cyclical Budget and Economic Stabilization Fund (BSF), and the School Aid Fund (SAF), closed the fiscal year with a combined total fund balance of \$1.2 billion. The General Fund and the Counter-Cyclical Budget and Economic Stabilization Fund ended the year with unreserved fund balances of \$177.2 million and \$2.2 million, respectively. In addition, another \$794.5 million is reserved for specific purposes such as multi-year projects and restrictively financed programs. In the School Aid Fund, the entire fund balance of \$251.1 million is reserved for specific purposes.
- The State's proprietary funds reported net assets at year-end of (\$2.3 billion). This represents a decrease of \$2.2 billion (4,636.4 percent) compared to the prior year-end, mostly resulting from the increase in unemployment benefits paid from the Michigan Unemployment Compensation Funds.

Long-term Debt

- The State's total long-term bonded debt as of September 30, 2009, was \$8.2 billion, a slight increase of \$5.0 million from the prior year. The increase represents the net difference between new issuances, payments, and refundings of outstanding debt.

More detailed information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 8.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Assets (pages 16 and 17) presents all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets measure whether the State's financial position is improving or declining.

Michigan

The Statement of Activities (pages 18 and 19) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 17 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 23 and 25) that reconcile the amounts reported on the governmental fund financial statements, which are prepared using the modified accrual basis of accounting, with the governmental activities in the government-wide statements, which are prepared using the accrual basis of accounting. The following table summarizes the differences between modified accrual and full accrual accounting:

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

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

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 42 of this report.

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

The fund financial statements begin on page 22 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 110 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* - When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary (enterprise and internal service) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs - such as risk management and state sponsored group insurance activities. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary funds* - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 34. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information (RSI)

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net assets decreased \$3.8 billion (24.7 percent) over the course of this fiscal year's operations. The net assets of the governmental activities decreased \$1.6 billion (10.2 percent) and business-type activities had a decrease of \$2.2 billion (4,636.4 percent).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008 *	2009	2008	2009	2008 *
Current and other non-current assets	\$10,394.2	\$11,053.3	\$ 910.1	\$ 838.4	\$11,304.3	\$11,891.6
Capital assets	20,081.6	19,839.2	.7	.8	20,082.4	19,840.0
Total assets	30,475.9	30,892.4	910.8	839.2	31,386.7	31,731.6
Current liabilities	5,031.5	4,972.5	280.2	247.2	5,311.7	5,219.8
Long-term liabilities	11,486.9	10,375.8	2,918.1	640.3	14,404.9	11,016.1
Total liabilities	16,518.4	15,348.4	3,198.2	887.5	19,716.6	16,235.8
Net assets:						
Invested in capital assets, net of related debt	16,238.5	15,909.3	.7	.8	16,239.3	15,910.1
Restricted	2,577.2	2,599.8	137.1	72.7	2,714.3	2,672.4
Unrestricted	(4,858.3)	(2,965.0)	(2,425.2)	(121.8)	(7,283.5)	(3,086.8)
Total net assets	\$13,957.5	\$15,544.0	\$ (2,287.4)	\$ (48.3)	\$11,670.1	\$15,495.7

* The prior year columns have been restated. More detailed information regarding the restatement can be found on page 53.

The largest component of the State's net assets, at \$16.2 billion, reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising \$2.7 billion of the total. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The State's unrestricted net assets were (\$7.3) billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

Michigan

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

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

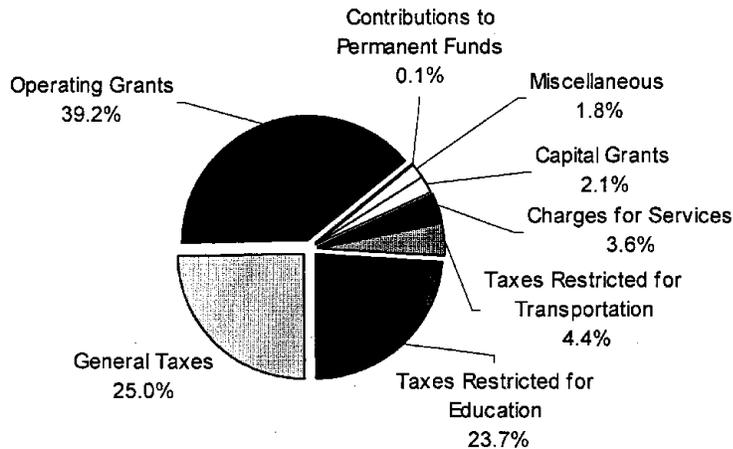
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008 *	2009	2008	2009	2008 *
Revenues						
Program revenues						
Charges for services	\$ 1,539.1	\$ 1,562.3	\$ 7,108.0	\$ 5,122.3	\$ 8,647.0	\$ 6,684.7
Operating grants	16,759.2	12,963.5	104.2	44.3	16,863.3	13,007.8
Capital grants	914.6	719.5	-	-	914.6	719.5
General revenues						
General taxes	10,718.7	13,162.8	14.1	13.7	10,732.8	13,176.4
Taxes restricted for educational purposes	10,149.4	10,884.2	-	-	10,149.4	10,884.2
Taxes restricted for transportation purposes	1,898.9	1,935.0	-	-	1,898.9	1,935.0
Unrestricted investment and interest earnings	4.9	7.6	0.8	2.2	5.7	9.8
Miscellaneous	786.1	865.4	3.6	-	789.7	865.4
Total revenues	<u>42,770.8</u>	<u>42,100.4</u>	<u>7,230.6</u>	<u>5,182.5</u>	<u>50,001.5</u>	<u>47,282.8</u>
Expenses						
General government	1,753.6	1,671.9	-	-	1,753.6	1,671.9
Education	15,251.8	15,080.9	-	-	15,251.8	15,080.9
Human Services	5,410.1	4,699.0	-	-	5,410.1	4,699.0
Public safety and corrections	2,994.5	2,895.1	-	-	2,994.5	2,895.1
Conservation, environment, etc.	617.8	749.3	-	-	617.8	749.3
Labor, commerce, and regulatory	1,187.4	995.7	-	-	1,187.4	995.7
Health services	12,402.8	11,623.0	-	-	12,402.8	11,623.0
Transportation	3,244.8	3,235.4	-	-	3,244.8	3,235.4
Tax credits	963.5	931.6	-	-	963.5	931.6
Intergovernmental - revenue sharing	1,040.0	1,076.4	-	-	1,040.0	1,076.4
Interest on long-term debt	426.7	387.8	-	-	426.7	387.8
Liquor Purchase Revolving Fund	-	-	633.1	622.0	633.1	622.0
State Lottery Fund	-	-	1,710.7	1,636.9	1,710.7	1,636.9
Attorney Discipline System	-	-	5.0	5.0	5.0	5.0
Michigan Unemployment Compensation Funds	-	-	6,215.4	2,403.0	6,215.4	2,403.0
Total expenses	<u>45,293.0</u>	<u>43,346.3</u>	<u>8,564.2</u>	<u>4,666.9</u>	<u>53,857.2</u>	<u>48,013.1</u>
Excess (deficiency) Before Contributions and Transfers	(2,522.2)	(1,245.9)	(1,333.6)	515.6	(3,855.8)	(730.3)
Contributions to permanent fund principal	30.1	57.9	-	-	30.1	57.9
Transfers	905.5	927.8	(905.5)	(927.8)	-	-
Increase (decrease) in net assets	(1,586.5)	(260.2)	(2,239.1)	(412.2)	(3,825.7)	(672.4)
Net assets – beginning – restated	15,544.0	15,804.2	(48.3)	363.9	15,495.7	16,168.1
Net assets – ending	<u>\$13,957.5</u>	<u>\$15,544.0</u>	<u>\$ (2,287.4)</u>	<u>\$ (48.3)</u>	<u>\$ 11,670.1</u>	<u>\$ 15,495.7</u>

* Prior year columns have been restated. More detailed information regarding the restatement can be found on page 53.

Governmental Activities

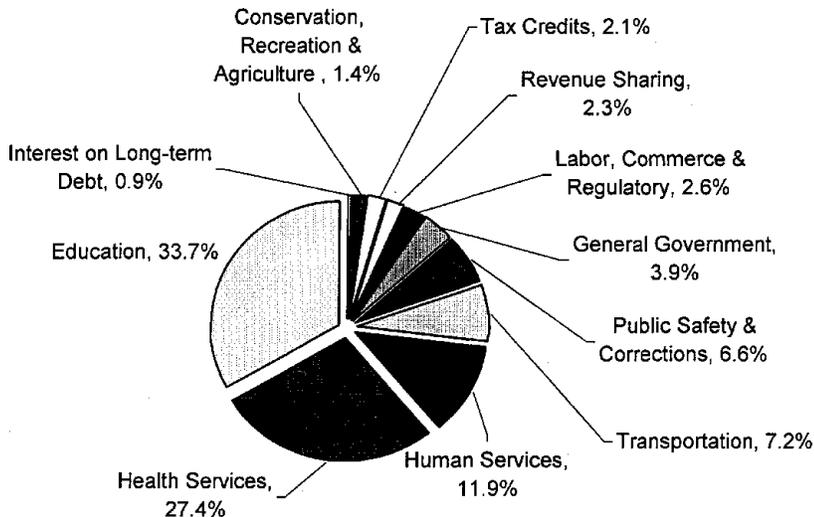
Revenues to fund governmental activities totaled \$42.8 billion for fiscal year 2009. Fund balances and other State assets were also used to support governmental activities. As shown in the accompanying chart, 39.2 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 28.1 percent for educational and transportation purposes. Only 25.0 percent of the revenues were available for general use.

**Revenues - Governmental Activities for
Fiscal Year Ending September 30, 2009**
(\$42.8 billion)



Expenses related to governmental activities totaled \$45.3 billion during fiscal year 2009. The expenses include spending appropriated in prior years, such as capital outlay and work project authorization. As evidenced by the accompanying chart, education and health services represent the governmental activities' largest spending categories, accounting for 61.1 percent of the spending.

**Expenses - Governmental Activities for
Fiscal Year Ending September 30, 2009**
(\$45.3 billion)



Business-type Activities

The business-type activities' net assets decreased \$2.2 billion (4,636.4 percent) during the fiscal year. Factors contributing to these results included:

- Continued high unemployment resulted in the Michigan Unemployment Compensation Funds finishing the fiscal year with a decrease in net assets of \$2.2 billion (2,445.8 percent). During the year, unemployment benefits paid exceeded unemployment contributions by \$2.3 billion.
- The State Lottery Fund's net assets decreased \$29.1 million (79.2 percent). The decrease in net assets is attributable to the sale and repurchase of bonds and the changes in the market value of investments that the Lottery holds to fund future payments due on lottery prizes.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of \$3.7 billion. Of this total amount, \$1.0 billion constitutes unreserved fund balance, which is available to appropriate in future years for programs within the General Fund, the special revenue funds, debt service funds, capital projects funds, and permanent funds. The transportation-related funds (\$273.2 million) and the other State funds (\$332.6 million) comprise a significant portion of the unreserved fund balance. Although reported as unreserved fund balances, these amounts are dedicated to those specific funds and can only be used for specific activities. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments, such as capital outlay and other multi-year projects.

General Fund

The General Fund is the chief operating fund of the State. At the end of fiscal year 2009, the General Fund unreserved fund balance was \$177.2 million and the reserved fund balance was \$794.5 million. Lower tax revenues and the use of prior year fund balances to cover current year expenditures resulted in fund balance decreasing by \$319.3 million (24.7 percent).

General Fund Budgetary Highlights:

The State was again faced with difficult budget challenges during fiscal year 2009. Because actual revenues fell below the revenue estimates, the Governor issued two executive orders to reduce spending authority. In December 2008, Executive Order 2008-21 was issued authorizing expenditure reductions totaling \$134.0 million in general fund – general purpose funding and \$11.8 million in special purpose funding. In May 2009, Executive Order 2009-22 was issued authorizing additional expenditure reductions totaling \$221.9 million in general fund – general purpose funding and \$127.5 million in special purpose funding.

In addition to the executive order reductions, the original budget (\$26.2 billion) was amended by various supplemental appropriations including the federal American Recovery and Reinvestment Act (ARRA) funding which helped replace general fund – general purpose funding. In fiscal year 2009, the state appropriated \$2.5 billion in ARRA funding for General Fund programs including Medicaid, other health and human services programs such as Food Assistance and work force development and other job related programs. In total, general fund – general purpose funding was reduced by \$1.1 billion during the year.

Differences between the final budget (\$27.2 billion) and actual spending (\$27.1 billion) result from spending authority lapses of \$116.1 million and restricted revenue authorized, but not spent, of \$29.8 million. At fiscal year-end, excess restricted revenues of \$447.6 million were carried forward into fiscal year 2010 and are available upon appropriation.

All agencies finished the year with net lapses. However, Human Services reported line item over-expenditures of \$1.6 million.

School Aid Fund

Fund balance at September 30, 2009, totaled \$251.1 million, a decrease of \$3.5 million from the prior year. Revenues and transfers to the fund totaled \$13.1 billion, up \$181.5 million from the prior year. In fiscal year 2009, the SAF received more federal funding (\$723.4 million) to offset the reduction in tax revenue (\$574.6 million). Expenditures and transfers to other funds totaled \$13.1 billion, an increase of \$345.6 million over the previous year. The increase relates to increased federal spending, mainly supported by the federal ARRA funding. The School Aid Stabilization Fund ended the year with \$238.2 million in reserved fund balance.

Counter-Cyclical Budget and Economic Stabilization Fund

Fund balance at September 30, 2009, totaled \$2.2 million. During the year, the BSF received \$23 thousand in interest earnings.

Michigan

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2009, the State had invested \$20.1 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$202.4 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,392.0	\$ 3,344.2	\$ -	\$ -	\$ 3,392.0	\$ 3,344.2
Land improvements	104.1	88.9	-	-	104.1	88.9
Buildings and improvements	2,064.8	2,113.1	-	-	2,064.8	2,113.1
Equipment	281.4	224.4	.7	.8	282.2	225.2
Infrastructure	12,804.9	12,895.9	-	-	12,804.9	12,895.9
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	18,667.0	18,686.3	.7	.8	18,667.8	18,687.1
Construction in progress	1,414.6	1,152.9	-	-	1,414.6	1,152.9
Total	<u>\$20,081.6</u>	<u>\$19,839.2</u>	<u>\$.7</u>	<u>\$.8</u>	<u>\$20,082.4</u>	<u>\$19,840.0</u>

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

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,438 lane miles of roads and 4,762 bridges (spans in excess of 20 feet).

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to have more than 70% of roads in fair to excellent condition. The most recent condition assessment, completed for calendar year 2008, indicated that 82.7% of roads were considered fair or better.

The State's bridges have assessed conditions that are better than the established benchmarks. The most recent assessment (2008) indicated that the condition of the bridges had improved from the condition reported for 2007. For calendar year 2008, 90.1% of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of \$338.8 million for fiscal year 2009. In addition, \$341.6 million of unspent capital outlay authorizations that existed at September 30, 2009, are available to spend in fiscal year 2010. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA) and the Michigan Tobacco Settlement Finance Authority (MTSFA), blended component units of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The State is not legally obligated for the debt issued by SBA or MTSFA. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. MTSFA's bonds provided funding to the 21st Century Jobs Fund for economic development initiatives and support General Fund and School Aid Fund programs. More detailed information regarding the State's long-term obligations is presented in Notes 13 and 15 to the financial statements.

Michigan

Outstanding Bonded Debt as of September 30 (In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the State)	\$1,673.5	\$1,487.4	\$ -	\$ -	\$1,673.5	\$1,487.4
Revenue bonds and notes (backed by specific tax and fee revenues)	6,545.8	6,727.4	-	-	6,545.8	6,727.4
Total	<u>\$8,219.3</u>	<u>\$8,214.8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,219.3</u>	<u>\$8,214.8</u>

During the year, the State and SBA issued new bonds totaling \$601.5 million and refunding bonds totaling \$775.6 million. From the refunding bond proceeds, the State and SBA paid \$777.2 million to bond escrow agents to cover future debt service payments. The proceeds from the new bonds will provide funding for MDOT construction projects, environmental and recreation projects, and state-owned and university-owned buildings.

Bond Ratings

The State's general obligations are rated AA- stable outlook by Standard & Poors and Aa3 negative outlook by Moody's.

Limitations on Debt

The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. In fiscal year 2009, the State issued and repaid short-term borrowing totaling \$1.4 billion.

ECONOMIC CONDITION AND OUTLOOK

In the latter half of calendar year 2008, housing sales and prices plummeted and credit and financial markets faltered. As a result, the U.S. recession that had begun in late 2007 became the worst U.S. economic downturn since World War II. Given the Michigan economy's heavy reliance on the manufacturing sector, in general, and the auto industry, in particular, Michigan's economy was hit disproportionately harder by the recession. Exacerbating Michigan's economic situation, Michigan's labor market had never recovered from the 2001 recession. Consequently, Michigan has steadily shed jobs since June 2000.

For calendar year 2009, Michigan employment is estimated to have declined by 345,000 jobs (8.3 percent) – the ninth straight year that Michigan employment has declined and the largest percentage State employment decline in 51 years. Personal income was down an estimated 3.9 percent and wages and salaries declined 7.0 percent. With overall prices declining 0.6 percent, real (inflation adjusted) personal income fell 3.3 percent. Michigan's unemployment rate rose from 8.4 percent to an estimated 14.1 percent, its highest rate since 1983.

Numerous economic indicators suggest that the recession may have recently ended, but that the recovery will likely be weak. As a result, the U.S. economy is projected to report positive, though tepid, growth in 2010. Light vehicle sales are expected to rise compared to 2009 when vehicle sales fell to their lowest level in over 40 years. However, 2010 sales are projected to remain at historically low levels. Given this, along with the tendency for jobs markets to lag the overall economy, Michigan employment is expected to decline 4.6 percent. In 2010, Michigan personal income is projected to fall 2.8 percent while wages and salaries are expected to fall 3.2 percent. With 1.9 percent inflation, real personal income is expected to fall 4.6 percent. Finally, Michigan's unemployment rate is forecast to rise to 15.3 percent, the State's highest annual unemployment rate since 1982.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Additional copies of this report and other financial information can be obtained by visiting the Office of Financial Management website at www.michigan.gov/ofm. You can also contact the office by phone at (517) 373-3029.

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





II. FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

(In Thousands)

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
Current Assets:				
Cash	\$ 7,986	\$ 14,948	\$ 22,934	\$ 1,120,452
Equity in common cash (Note 5)	1,159,274	90,081	1,249,354	137,529
Taxes, interest, and penalties receivable (Note 6)	4,252,847	-	4,252,847	-
Internal balances	(3,431)	3,431	-	-
Amounts due from component units	12,381	646	13,026	10,657
Amounts due from primary government	-	-	-	182,052
Amounts due from federal government	1,659,561	41,837	1,701,398	35,308
Amounts due from local units	273,030	58,765	331,795	1,433,910
Inventories	39,954	12,269	52,224	24,553
Investments (Note 8)	254,565	178,866	433,431	1,187,154
Other current assets	611,710	271,621	883,331	514,363
Total Current Assets	8,267,877	672,464	8,940,341	4,645,977
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	-	54,823
Investments	-	-	-	486,435
Mortgages and loans receivable	-	-	-	41,118
Taxes, interest, and penalties receivable (Note 6)	263,743	-	263,743	-
Advances to primary government	-	-	-	616,255
Amounts due from federal government	3,623	-	3,623	-
Amounts due from local units	1,009,926	-	1,009,926	2,885,483
Mortgages and loans receivable	-	-	-	4,405,580
Investments (Note 8)	759,697	211,024	970,721	2,842,140
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,428,014	-	3,428,014	129,288
Buildings, equipment, and other depreciable assets	5,329,959	4,726	5,334,684	4,918,250
Less accumulated depreciation	(2,599,167)	(3,991)	(2,603,158)	(1,960,978)
Infrastructure	12,508,239	-	12,508,239	102,722
Construction in progress	1,414,597	-	1,414,597	98,940
Total capital assets	20,081,642	735	20,082,376	3,288,222
Interest in joint ventures (Note 7)	31,833	-	31,833	-
Other noncurrent assets	57,543	26,600	84,143	404,808
Total Noncurrent Assets	22,208,007	238,359	22,446,365	15,024,863
Total Assets	\$ 30,475,884	\$ 910,823	\$ 31,386,706	\$ 19,670,840

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

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 76,194	\$ 3,936	\$ 80,130	\$ 300
Accounts payable and other liabilities	2,764,420	273,851	3,038,272	354,248
Income tax refunds payable (Note 16)	822,675	-	822,675	-
Amounts due to component units	93,020	-	93,020	10,657
Amounts due to primary government	-	-	-	6,662
Bonds and notes payable (Notes 13 and 14)	431,725	-	431,725	1,519,362
Interest payable	142,718	-	142,718	112,390
Deferred revenue	168,439	924	169,363	80,176
Current portion of other long-term obligations (Note 15)	532,349	1,483	533,832	155,093
Total Current Liabilities	<u>5,031,540</u>	<u>280,194</u>	<u>5,311,734</u>	<u>2,238,888</u>
Noncurrent Liabilities:				
Advances from component units	517,193	-	517,193	-
Advances from federal government	-	2,644,260	2,644,260	-
Prize awards payable (Note 15)	-	215,302	215,302	-
Deferred revenue	15,503	-	15,503	4,241
Bonds and notes payable (Notes 13 and 14)	8,047,014	-	8,047,014	9,410,924
Noncurrent portion of other long-term obligations (Note 15)	2,907,146	58,489	2,965,635	1,562,483
Total Noncurrent Liabilities	<u>11,486,856</u>	<u>2,918,051</u>	<u>14,404,907</u>	<u>10,977,649</u>
Total Liabilities	<u>\$ 16,518,395</u>	<u>\$ 3,198,245</u>	<u>\$ 19,716,641</u>	<u>\$ 13,216,536</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 16,238,544	\$ 735	\$ 16,239,278	\$ 1,977,829
Restricted For:				
Education	498,759	-	498,759	190,706
Construction and debt service	-	-	-	2,507,282
Public safety and corrections	15,741	-	15,741	-
Conservation, environment, recreation, and agriculture	378,471	-	378,471	-
Health and human services	44,595	-	44,595	-
Transportation	699,071	-	699,071	-
Unemployment compensation	-	129,428	129,428	-
Labor and economic growth	95,148	-	95,148	-
Other purposes	105,596	7,636	113,232	67,568
Funds Held as Permanent Investments:				
Expendable	122,950	-	122,950	41,418
Nonexpendable	616,918	-	616,918	255,316
Unrestricted	(4,858,305)	(2,425,221)	(7,283,526)	1,414,186
Total Net Assets	<u>\$ 13,957,488</u>	<u>\$ (2,287,423)</u>	<u>\$ 11,670,066</u>	<u>\$ 6,454,304</u>

Michigan

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

Functions/Programs	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1,753,643	\$ 613,491	\$ 96,333	\$ 17,763
Education	15,251,821	5,790	2,326,687	-
Human services	5,410,078	46,903	3,952,193	-
Public safety and corrections	2,994,466	157,751	442,542	671
Conservation, environment, recreation, and agriculture	617,768	254,128	160,752	2,917
Labor, commerce, and regulatory	1,187,368	306,657	798,174	-
Health services	12,402,813	84,647	8,479,108	-
Transportation	3,244,824	69,685	503,371	893,207
Tax credits (Note 16)	963,500	-	-	-
Intergovernmental-revenue sharing	1,040,031	-	-	-
Interest on long-term debt	426,682	-	-	-
Total governmental activities	45,292,995	1,539,053	16,759,161	914,557
Business-type Activities:				
Liquor Purchase Revolving Fund	633,093	781,896	-	-
State Lottery Fund	1,710,718	2,398,995	19,810	-
Attorney Discipline System	5,026	4,943	-	-
Michigan Unemployment Compensation Funds	6,215,392	3,922,144	84,344	-
Total business-type activities	8,564,229	7,107,977	104,154	-
Total primary government	\$ 53,857,224	\$ 8,647,030	\$ 16,863,316	\$ 914,557
Total component units	\$ 3,949,828	\$ 2,050,120	\$ 1,158,026	\$ 14,325

General Revenues:

- Taxes:
 - General:
 - Sales and use
 - Personal income
 - Single business and Michigan business
 - Tobacco products
 - Quality assurance assessment
 - Other
 - Restricted For Educational Purposes:
 - Sales and use
 - Personal income
 - Michigan business
 - Education, property, and real estate transfers
 - Tobacco products
 - Other
 - Restricted For Transportation Purposes:
 - Sales and use
 - Gasoline and diesel fuel
 - Motor vehicle weight
 - Other
 - Unrestricted investment and interest earnings
 - Miscellaneous
 - Contributions to permanent fund principal
 - Payments from State of Michigan
 - Transfers
 - Total general and other revenue, payments, and transfers
 - Change in net assets
 - Net assets-beginning-restated
 - Net assets-ending

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

NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
\$ (1,026,057)	\$ -	\$ (1,026,057)	\$ -
(12,919,344)	-	(12,919,344)	-
(1,410,982)	-	(1,410,982)	-
(2,393,502)	-	(2,393,502)	-
(199,970)	-	(199,970)	-
(82,537)	-	(82,537)	-
(3,839,058)	-	(3,839,058)	-
(1,778,561)	-	(1,778,561)	-
(963,500)	-	(963,500)	-
(1,040,031)	-	(1,040,031)	-
(426,682)	-	(426,682)	-
(26,080,224)	-	(26,080,224)	-
-	148,802	148,802	-
-	708,087	708,087	-
-	(83)	(83)	-
-	(2,208,904)	(2,208,904)	-
-	(1,352,097)	(1,352,097)	-
(26,080,224)	(1,352,097)	(27,432,322)	-
-	-	-	(727,356)
2,439,220	-	2,439,220	-
4,639,740	-	4,639,740	-
1,372,597	-	1,372,597	-
631,339	-	631,339	-
858,512	-	858,512	-
777,322	14,093	791,416	-
4,848,489	-	4,848,489	-
1,855,533	-	1,855,533	-
669,341	-	669,341	-
2,163,883	-	2,163,883	-
410,590	-	410,590	-
201,561	-	201,561	-
82,887	-	82,887	-
970,794	-	970,794	-
839,648	-	839,648	-
5,591	-	5,591	-
4,911	763	5,673	(64,644)
786,105	3,636	789,741	209,965
30,091	-	30,091	-
-	-	-	757,286
905,523	(905,523)	-	-
24,493,675	(887,031)	23,606,644	902,806
(1,586,549)	(2,239,129)	(3,825,678)	175,250
15,544,038	(48,294)	15,495,744	6,279,053
\$ 13,957,488	\$ (2,287,423)	\$ 11,670,066	\$ 6,454,304



GOVERNMENTAL FUND FINANCIAL STATEMENTS



Major Funds

GENERAL FUND

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

COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, commonly referred to as the "Budget Stabilization Fund" or "Rainy Day Fund," was created by Michigan Compiled Laws Section 18.1351 to assist in stabilizing revenue during periods of economic recession. In general, transfers are made into this fund from the General Fund during improving economic times and funds flow from this fund to the General Fund in times of declining economy. Additional information regarding the fund is provided in Note 3.

SCHOOL AID FUND

An amendment to the 1908 State Constitution created this fund in 1955. The 1963 State Constitution provided for the fund's continued existence. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. School aid payments to school districts are based on a statutory formula. Michigan Compiled Laws Section 388.1611a, effective October 1, 2003, created the school aid stabilization fund as a separate account within the School Aid Fund. Pursuant to this act, any remaining unreserved fund balance in the School Aid Fund at year-end is transferred to this account.

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

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 110.

Michigan

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009
(In Thousands)**

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
ASSETS					
Current Assets:					
Cash	\$ 7,537	\$ -	\$ -	\$ 447	\$ 7,984
Equity in common cash (Note 5)	-	2,179	-	975,369	977,547
Taxes, interest, and penalties receivable (Note 6)	2,123,300	-	2,020,786	108,762	4,252,847
Amounts due from other funds (Note 18)	606,183	-	-	789,317	1,395,500
Amounts due from component units	6,935	-	-	5,265	12,200
Amounts due from federal agencies	1,317,688	-	53,942	287,723	1,659,353
Amounts due from local units	118,560	-	57,248	97,222	273,030
Inventories	17,548	-	-	8,633	26,180
Investments (Note 8)	-	-	-	254,565	254,565
Other current assets	356,249	-	179	239,382	595,810
Total Current Assets	4,554,001	2,179	2,132,155	2,766,683	9,455,018
Noncurrent Assets:					
Taxes, interest, and penalties receivable (Note 6)	196,390	-	61,492	5,861	263,743
Advances to other funds (Note 18)	6,970	-	-	-	6,970
Amounts due from federal agencies	3,623	-	-	-	3,623
Amounts due from local units	957,275	-	1,650	51,002	1,009,926
Investments (Note 8)	-	-	-	759,697	759,697
Other noncurrent assets	2,927	-	-	4,230	7,156
Total Noncurrent Assets	1,167,185	-	63,141	820,789	2,051,116
Total Assets	\$ 5,721,187	\$ 2,179	\$ 2,195,296	\$ 3,587,473	\$ 11,506,134
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 67,415	\$ -	\$ 940	\$ 7,257	\$ 75,612
Accounts payable and other liabilities (Note 23)	1,869,134	-	156,648	608,362	2,634,144
Income tax refunds payable (Note 16)	822,675	-	-	-	822,675
Amounts due to other funds (Note 18)	65,249	-	1,297,267	104,938	1,467,454
Amounts due to component units	2,629	-	-	-	2,629
Bonds and notes payable	-	-	-	161,170	161,170
Interest payable	-	-	-	134	134
Deferred revenue	1,001,461	-	427,829	233,797	1,663,088
Total Current Liabilities	3,828,562	-	1,882,685	1,115,657	6,826,904
Long-Term Liabilities:					
Advances from component units	517,193	-	-	-	517,193
Deferred revenue	403,723	-	61,492	9,444	474,659
Total Long-Term Liabilities	920,917	-	61,492	9,444	991,852
Total Liabilities	4,749,479	-	1,944,176	1,125,101	7,818,756
Fund Balances:					
Reserved fund balance (Note 22)	794,464	-	251,119	1,690,083	2,735,667
Unreserved fund balance reported in:					
General Fund	177,244	-	-	-	177,244
Special revenue funds	-	2,179	-	706,686	708,865
Debt service funds	-	-	-	207,916	207,916
Capital projects funds	-	-	-	(182,786)	(182,786)
Permanent funds	-	-	-	40,473	40,473
Total Fund Balances	971,708	2,179	251,119	2,462,372	3,687,378
Total Liabilities and Fund Balances	\$ 5,721,187	\$ 2,179	\$ 2,195,296	\$ 3,587,473	\$ 11,506,134

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009
(In Thousands)**

Total fund balances for governmental funds \$ 3,687,378

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. (Note 9)

Land and other non-depreciable assets	3,418,844	
Buildings, equipment, and other depreciable assets	4,509,821	
Infrastructure	12,508,239	
Construction in progress	1,414,404	
Interest in joint ventures	31,833	
Accumulated depreciation	<u>(2,054,643)</u>	19,828,499

Certain tax revenues are earned but not available and therefore are not
reported in the funds. 1,616,700

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 421,520

Amounts due to component units for long-term loans. (90,391)

Internal service funds are used by management to charge the costs of
certain activities, such as insurance and telecommunications, to
individual funds. The assets and liabilities of the internal service funds
are included in governmental activities in the Statement of Net Assets. 170,879

Certain pension trust funds have been funded in excess of the annual
required contributions, creating a year-end asset. This asset is not a
current available resource and is not reported in the funds. (Note 10) 818

Deferred issue costs are reported as current expenditures in the funds.
However, deferred issue costs are amortized over the life of the bonds
and are included in the governmental activities in the Statement of Net
Assets. 46,918

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds. (Note 15)

Capital lease obligations	(324,701)	
Compensated absences	(465,456)	
Workers' compensation	(107,861)	
Litigation	(406,986)	
Net pension obligations	(544,157)	
Net other postemployment benefits	(1,198,590)	
Pollution remediation	(174,332)	
Financed infrastructure projects	(41,840)	
Other long-term liabilities	<u>(3,737)</u>	(3,267,661)

Long-term bonded debt is not due and payable in the current period and
therefore is not reported in the funds. Unamortized premiums, loss on
refundings, and interest payable are not reported in the funds. However,
these amounts are included in the Statement of Net Assets. This is the
net effect of these balances on the statement. (Note 13)

Bonds and notes payable	(8,219,261)	
Unamortized premiums	(245,848)	
Less unamortized discounts	21,763	
Less deferred loss amount on refundings	125,777	
Accrued interest payable	<u>(139,603)</u>	(8,457,172)

Net assets of governmental activities \$ 13,957,488

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

Michigan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
REVENUES					
Taxes	\$ 11,258,195	\$ -	\$ 10,197,659	\$ 1,892,499	\$ 23,348,354
From federal agencies	13,729,152	-	2,101,053	1,547,212	17,377,416
From local agencies	100,756	-	-	17,434	118,190
From services	285,049	-	-	3,827	288,877
From licenses and permits	297,662	-	-	157,319	454,981
Special Medicaid reimbursements	135,667	-	-	-	135,667
Miscellaneous	748,318	23	32,595	786,370	1,567,305
Total Revenues	26,554,800	23	12,331,307	4,404,660	43,290,789
EXPENDITURES					
Current:					
General government	1,190,049	-	-	397,506	1,587,554
Education	2,077,730	-	13,096,763	76,570	15,251,062
Human services	5,258,805	-	-	75,458	5,334,263
Public safety and corrections	2,589,585	-	-	2,273	2,591,858
Conservation, environment, recreation, and agriculture	315,037	-	-	242,565	557,602
Labor, commerce, and regulatory	931,486	-	-	214,468	1,145,954
Health services	12,368,523	-	-	81,764	12,450,287
Transportation	-	-	-	2,195,721	2,195,721
Tax credits (Note 16)	963,500	-	-	-	963,500
Capital outlay	23,294	-	-	1,254,961	1,278,256
Intergovernmental-revenue sharing	1,040,031	-	-	-	1,040,031
Debt service:					
Bond principal retirement	-	-	-	222,000	222,000
Bond interest and fiscal charges	-	-	-	402,384	402,384
Capital lease payments	48,073	-	-	2,035	50,107
Total Expenditures	26,806,113	-	13,096,763	5,167,704	45,070,580
Excess of Revenues over (under) Expenditures	(251,313)	23	(765,456)	(763,045)	(1,779,791)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	-	601,500	601,500
Refunding bonds issued	-	-	-	775,640	775,640
Premium on bond issuance	-	-	-	10,748	10,748
Discount on bond issuance	-	-	-	(4,263)	(4,263)
Payment to refunded bond escrow agent	-	-	-	(777,179)	(777,179)
Capital lease acquisitions	40,283	-	-	921	41,205
Proceeds from sale of capital assets	2,204	-	-	823	3,027
Transfers from other funds (Note 20)	271,696	-	800,980	1,598,901	2,671,577
Transfers to other funds (Note 20)	(382,137)	-	(39,000)	(1,341,742)	(1,762,879)
Total Other Financing Sources (Uses)	(67,953)	-	761,980	865,349	1,559,376
Net changes in fund balances	(319,266)	23	(3,476)	102,305	(220,414)
Fund Balances - Beginning of fiscal year	1,290,974	2,156	254,595	2,360,067	3,907,792
Fund Balances - End of fiscal year	<u>\$ 971,708</u>	<u>\$ 2,179</u>	<u>\$ 251,119</u>	<u>\$ 2,462,372</u>	<u>\$ 3,687,378</u>

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

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

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

Net change in fund balance - total governmental funds		\$ (220,414)
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 9)</p>		
Land and other non-depreciable assets	47,857	
Buildings, equipment, and other depreciable assets	113,765	
Infrastructure	(128,702)	
Construction in progress	261,538	
Gain on disposal of capital assets	9,527	
Accumulated depreciation	<u>(142,168)</u>	161,818
Certain revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		46,163
Amount due to component units for long-term loans are not reported in the funds as they are not due and payable.		(15,032)
Decrease in equity interest in joint ventures. (Note 7)		(1,022)
Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		(573,821)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		1,034
<p>Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments. (Note 13)</p>		
Bond proceeds and premiums received	(1,387,888)	
Repayment of bond principal	222,000	
Payment to refunded bond escrow agent	777,179	
Discount on bond issuances	4,263	
Accrued interest and amortization	(46,446)	
Deferred issue costs	<u>12,054</u>	(418,839)
<p>Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. (Note 15)</p>		
Net pension obligation	(6,977)	
Net other postemployment benefit obligation	(589,108)	
Capital lease payments	15,635	
Compensated absences payments	2,243	
Litigation recoveries, settlements and payments	44,749	
Pollution remediation obligations	2,262	
Workers' compensation	3,675	
Financed infrastructure projects	(41,840)	
Other	<u>2,926</u>	(566,436)
Change in net assets of governmental activities		<u>\$ (1,586,549)</u>

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



PROPRIETARY FUND FINANCIAL STATEMENTS



Major Funds

STATE LOTTERY FUND

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

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

MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

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

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

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

Non-Major Funds

Individual fund statements for the Enterprise Funds, whose combined totals are presented on this statement, begin on page 172.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 176.

Michigan

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009
(In Thousands)**

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR			TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
ASSETS					
Current Assets:					
Cash	\$ 2	\$ 13,665	\$ 1,281	\$ 14,948	\$ 2
Equity in common cash (Note 5)	23,173	10,769	56,138	90,081	181,726
Amounts due from other funds (Note 18)	-	9,027	-	9,027	36,649
Amounts due from component units	-	646	-	646	181
Amounts due from federal agencies	-	41,837	-	41,837	208
Amounts due from local units	-	58,765	-	58,765	-
Inventories	5,261	-	7,008	12,269	13,774
Investments (Note 8)	60,287	113,994	4,585	178,866	-
Other current assets	57,483	207,554	6,584	271,621	15,148
Total Current Assets	<u>146,206</u>	<u>456,258</u>	<u>75,596</u>	<u>678,060</u>	<u>247,687</u>
Noncurrent Assets:					
Investments (Note 8)	211,024	-	-	211,024	-
Capital Assets (Note 9):					
Land and other non depreciable assets	-	-	-	-	9,170
Buildings and equipment	4,355	-	371	4,726	820,137
Allowance for depreciation	(3,630)	-	(361)	(3,991)	(544,524)
Construction in progress	-	-	-	-	192
Total capital assets	<u>725</u>	<u>-</u>	<u>9</u>	<u>735</u>	<u>284,976</u>
Other noncurrent assets	-	26,600	-	26,600	2,650
Total Noncurrent Assets	<u>211,749</u>	<u>26,600</u>	<u>9</u>	<u>238,359</u>	<u>287,626</u>
Total Assets	<u>\$ 357,955</u>	<u>\$ 482,858</u>	<u>\$ 75,606</u>	<u>\$ 916,419</u>	<u>\$ 535,313</u>
LIABILITIES					
Current Liabilities:					
Warrants outstanding	\$ 2,027	\$ -	\$ 1,909	\$ 3,936	\$ 582
Accounts payable and other liabilities (Note 23)	130,562	77,250	65,750	273,562	78,171
Amounts due to other funds (Note 18)	223	5,484	179	5,886	19,480
Deferred revenue	-	203	720	924	84,299
Current portion of other long-term obligations (Note 15)	848	-	635	1,483	63,994
Total Current Liabilities	<u>133,660</u>	<u>82,938</u>	<u>69,193</u>	<u>285,791</u>	<u>246,526</u>
Long-Term Liabilities:					
Advances from other funds (Note 18)	-	-	-	-	6,970
Advances from federal government	-	2,644,260	-	2,644,260	-
Prize awards payable	215,302	-	-	215,302	-
Deferred revenue	-	-	-	-	117
Noncurrent portion of other long-term obligations (Note 15)	1,357	56,026	1,106	58,489	110,821
Total Long-Term Liabilities	<u>216,659</u>	<u>2,700,286</u>	<u>1,106</u>	<u>2,918,051</u>	<u>117,908</u>
Total Liabilities	<u>350,319</u>	<u>2,783,224</u>	<u>70,298</u>	<u>3,203,842</u>	<u>364,434</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 725	\$ -	\$ 9	\$ 735	\$ 280,055
Restricted For:					
Unemployment compensation	-	129,428	-	129,428	-
Other purposes	7,636	-	-	7,636	6,949
Unrestricted	(725)	(2,429,794)	5,298	(2,425,221)	(116,125)
Total Net Assets	<u>\$ 7,636</u>	<u>\$ (2,300,366)</u>	<u>\$ 5,307</u>	<u>\$ (2,287,423)</u>	<u>\$ 170,879</u>

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

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

PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR			TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
OPERATING REVENUES					
Operating revenues	\$ 2,398,995	\$ 3,922,144	\$ 786,838	\$ 7,107,977	\$ 1,446,300
Total Operating Revenues	2,398,995	3,922,144	786,838	7,107,977	1,446,300
OPERATING EXPENSES					
Salaries, wages, and other administrative	284,442	3	66,071	350,516	557,479
Interest expense	-	-	-	-	12
Depreciation	225	-	8	233	60,013
Purchases for resale	-	-	570,936	570,936	81,990
Purchases for prison industries	-	-	-	-	14,443
Lottery prize awards	1,407,643	-	-	1,407,643	-
Premiums and claims	-	-	23	23	684,763
Unemployment benefits	-	3,757,185	-	3,757,185	-
Other operating expenses	-	2,458,204	1,081	2,459,285	44,926
Total Operating Expenses	1,692,309	6,215,392	638,119	8,545,820	1,443,626
Operating Income (Loss)	706,685	(2,293,248)	148,719	(1,437,844)	2,675
NONOPERATING REVENUES (EXPENSES)					
Specific tax on spirits	-	-	14,093	14,093	-
Interest revenue	1,081	-	763	1,844	1,596
Investment revenue (expense) - net	18,729	39	-	18,768	-
Other nonoperating revenues	-	87,941	-	87,941	193
Amortization of prize award obligation discount	(18,402)	-	-	(18,402)	-
Interest expense	(7)	-	-	(7)	(358)
Other nonoperating expense	-	-	-	-	(83)
Total Nonoperating Revenues (Expenses)	1,402	87,980	14,856	104,238	1,347
Income (Loss) Before Transfers	708,087	(2,205,268)	163,575	(1,333,606)	4,022
TRANSFERS					
Transfers To:					
School Aid Fund	(724,470)	-	-	(724,470)	-
Other funds	(12,754)	(4,739)	(163,560)	(181,053)	(2,988)
Total transfers to other funds	(737,224)	(4,739)	(163,560)	(905,523)	(2,988)
Change in net assets	(29,137)	(2,210,007)	15	(2,239,129)	1,034
Total net assets - Beginning of fiscal year	36,772	(90,359)	5,293	(48,294)	169,845
Total net assets - End of fiscal year	\$ 7,636	\$ (2,300,366)	\$ 5,307	\$ (2,287,423)	\$ 170,879

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

Michigan

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR			TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 2,433,937	\$ -	\$ 2,433,937	\$ -
Receipts from customers	2,416,861	1,449,622	781,896	4,648,379	1,479,898
Membership dues	-	-	5,138	5,138	-
Payments to employees	(15,899)	-	(17,783)	(33,682)	(207,476)
Payments to suppliers	(60,518)	-	(615,805)	(676,323)	(781,173)
Payments to prize winners	(1,431,768)	-	-	(1,431,768)	-
Payments for commissions to retailers	(209,626)	-	-	(209,626)	-
Claims paid	-	(6,185,686)	-	(6,185,686)	(418,286)
Other receipts	-	34,068	227	34,296	451
Other payments	-	(3)	(1,532)	(1,535)	(8,458)
Net cash provided (used) by operating activities	<u>\$ 699,051</u>	<u>\$ (2,268,062)</u>	<u>\$ 152,142</u>	<u>\$ (1,416,870)</u>	<u>\$ 64,957</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other nonoperating revenues	\$ -	\$ 84,305	\$ -	\$ 84,305	\$ -
Advances from federal government	-	2,281,860	-	2,281,860	-
Loans or loan repayments from other funds	-	-	-	-	20,551
Loans or loan repayments to other funds	-	-	-	-	(21,129)
Specific tax on spirits	-	-	14,093	14,093	-
Transfers to other funds	(748,959)	(6,306)	(163,560)	(917,825)	(2,988)
Net cash provided (used) by noncapital financing activities	<u>\$ (748,959)</u>	<u>\$ 2,360,859</u>	<u>\$ (149,467)</u>	<u>\$ 1,462,433</u>	<u>\$ (3,566)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (161)	\$ -	\$ -	\$ (161)	\$ (113,583)
Interest paid	-	-	-	-	(94)
Capital lease payments (including imputed interest expense)	-	-	-	-	(2,920)
Proceeds from sale of capital assets	-	-	-	-	190
Net cash provided (used) by capital and related financing activities	<u>\$ (161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (161)</u>	<u>\$ (116,407)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment securities	\$ 286,056	\$ -	\$ -	\$ 286,056	\$ -
Purchases of investment securities	(217,650)	(78,705)	(221)	(296,576)	-
Interest and dividends on investments	1,081	39	763	1,883	1,596
Income from securities lending activities	163	-	-	163	-
Expenses from securities lending activities	(7)	-	-	(7)	-
Net cash provided (used) by investing activities	<u>\$ 69,644</u>	<u>\$ (78,666)</u>	<u>\$ 542</u>	<u>\$ (8,480)</u>	<u>\$ 1,596</u>
Net cash provided (used) - all activities	\$ 19,574	\$ 14,131	\$ 3,217	\$ 36,923	\$ (53,420)
Cash and cash equivalents at beginning of year	<u>1,573</u>	<u>10,303</u>	<u>52,293</u>	<u>64,170</u>	<u>234,566</u>
Cash and cash equivalents at end of year	<u><u>\$ 21,148</u></u>	<u><u>\$ 24,434</u></u>	<u><u>\$ 55,510</u></u>	<u><u>\$ 101,092</u></u>	<u><u>\$ 181,146</u></u>

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

Michigan

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS					
MAJOR					GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	TOTALS	TOTALS	
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Assets Classifications:					
Cash	\$ 2	\$ 13,665	\$ 1,281	\$ 14,948	\$ 2
Equity in common cash	23,173	10,769	56,138	90,081	181,726
Warrants outstanding	(2,027)	-	(1,909)	(3,936)	(582)
Cash and cash equivalents at end of year	<u>\$ 21,148</u>	<u>\$ 24,434</u>	<u>\$ 55,510</u>	<u>\$ 101,092</u>	<u>\$ 181,146</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 706,685	\$ (2,293,248)	\$ 148,719	\$ (1,437,844)	\$ 2,675
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	225	-	8	233	60,013
Amortization of prize award obligation discount	(18,402)	-	-	(18,402)	-
Other reconciling items	335	-	-	335	-
Net Changes in Assets and Liabilities:					
Inventories	(1,412)	-	1,764	352	1,944
Other assets (net)	17,867	(10,569)	(1,756)	5,542	2,044
Accounts payable and other liabilities	(524)	35,896	3,099	38,471	(1,719)
Prize awards payable	(5,724)	-	-	(5,724)	-
Deferred revenue	-	(142)	307	165	-
Net cash provided (used) by operating activities	<u>\$ 699,051</u>	<u>\$ (2,268,062)</u>	<u>\$ 152,142</u>	<u>\$ (1,416,870)</u>	<u>\$ 64,957</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ -	\$ -	\$ 2,104
Capital lease liabilities entered into during the year	-	-	-	-	(2,104)
Increase (decrease) in fair value of investments	1,642	-	-	1,642	-
Transfers to other funds (accrual)	-	(426)	-	(426)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(83)
Other nonoperating revenues	-	3,636	-	3,636	-
Total noncash investing, capital, and financing activities	<u>\$ 1,642</u>	<u>\$ 3,210</u>	<u>\$ -</u>	<u>\$ 4,851</u>	<u>\$ (83)</u>



FIDUCIARY FUND FINANCIAL STATEMENTS



Individual fund financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 184.
Private Purpose Trust Funds, page 192.
Agency Funds, page 195.

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2009

(In Thousands)

ASSETS	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
Cash	\$ 22	\$ 1,116	\$ 47,283
Equity in common cash (Note 5)	148,716	91,335	6,164
Receivables:			
From participants	207,949	-	-
From employers	461,963	-	-
Other	403	-	-
Interest and dividends	7,752	1,614	-
Due from other funds (Note 18)	52,399	-	-
Due from component unit	510	-	-
Due from other governmental	4,206	-	-
Sale of investments	804	-	-
Investments at Fair Value (Note 8):			
Short term investments	1,041,617	-	-
Fixed income	8,728,466	19,355	-
Domestic equities	17,089,679	-	-
Real estate	4,064,225	-	-
Alternative investments	8,832,541	-	-
International equities	5,903,556	-	-
Absolute return	859,623	-	-
Mutual funds	1,877,352	1,777,190	-
Pooled investment funds	2,144,533	-	-
Money market funds	328,031	-	-
Guaranteed funding agreements	-	235,065	-
Securities lending collateral (Note 8)	6,341,360	-	-
Other current assets	-	13,817	4
Other noncurrent assets	-	675	373,858
Total assets	\$ 58,095,702	\$ 2,140,167	\$ 427,309
LIABILITIES			
Warrants outstanding	\$ 7,860	\$ 2,179	\$ -
Accounts payable and other liabilities	289,855	4,249	52,700
Amounts due to other funds (Note 18)	5	-	750
Obligations under security lending	8,156,165	-	-
Other long-term liabilities	-	-	373,858
Total liabilities	\$ 8,453,884	\$ 6,428	\$ 427,309
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, deferred compensation participants, and other purposes	\$ 49,641,818	\$ 2,133,739	
Reconciliation of Net Assets Held in Trust:			
Pension benefits (Note 10)	\$ 45,335,919	\$ -	
Postemployment health-care benefits (Note 11)	756,618	-	
Deferred compensation participants (Note 17)	3,549,281	-	
Other purposes	-	2,133,739	
Total net assets held in trust for benefits and other purposes	\$ 49,641,818	\$ 2,133,739	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
From participants	\$ 675,561	\$ 665,089
From employers	2,570,629	-
From clients	-	63,663
From gifts, bequests, and endowments	-	33,331
From other plans	1,317	-
From other governmental	22,519	-
Investment Income:		
Net appreciation (depreciation) in fair value of investments	(4,491,128)	(18,920)
Interest, dividends, and other	1,124,304	49,981
Securities lending income	166,964	-
Less Investment Expense:		
Investment activity expense	135,288	-
Securities lending expense	79,622	-
Net investment income (loss)	(3,414,769)	31,060
Escheated property	-	81,942
Miscellaneous income	4,623	69
Total Additions	(140,119)	875,154
DEDUCTIONS		
Benefits paid to participants or beneficiaries	4,539,868	515,759
Medical, dental, and life insurance for retirants	1,154,353	-
Refunds and transfers to other systems	37,052	-
Amounts distributed to clients, claimants, or third parties	-	171,766
Administrative expense	128,080	5,729
Transfers to other funds	186	-
Total Deductions	5,859,539	693,254
Net increase (decrease)	(5,999,658)	181,900
Net assets - Beginning of fiscal year	55,641,476	1,951,839
Net assets - End of fiscal year	\$ 49,641,818	\$ 2,133,739
Reconciliation of Net Increase in Assets:		
Net increase (decrease) in assets held in trust for pension benefits	\$ (5,982,917)	\$ -
Net increase (decrease) in assets held in trust for postemployment benefits	(2,208)	-
Net increase (decrease) in assets held in trust for deferred compensation participants	(14,533)	-
Net increase (decrease) in assets held in trust for other purposes	-	181,900
Total net increase (decrease)	\$ (5,999,658)	\$ 181,900

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



COMPONENT UNIT FINANCIAL STATEMENTS



Major Funds

MICHIGAN EDUCATION TRUST

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

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

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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

MICHIGAN MUNICIPAL BOND AUTHORITY

Michigan Compiled Laws Section 141.1054 created the Michigan Municipal Bond Authority (MMBA) to assist local units of government in reducing their financing costs for public improvements, deficit reduction, and various other municipal purposes. MMBA pools the borrowing needs of various units and issues limited obligation debt, the proceeds of which are used to purchase local unit obligations or to make loans to local units.

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

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

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

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

Non-Major Funds

The non-major component unit - authorities are presented beginning on page 200.

The non-major component unit - State universities are presented beginning on page 208.

STATEMENT OF NET ASSETS
COMPONENT UNITS
 SEPTEMBER 30, 2009
 (In Thousands)

	AUTHORITIES			
	MICHIGAN EDUCATION TRUST	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	NON-MAJOR
ASSETS				
Current Assets:				
Cash	\$ 217,665	\$ 278,134	\$ 12	\$ 311,096
Equity in common cash (Note 5)	-	-	83,734	53,795
Amounts due from component units	-	-	-	10,657
Amounts due from primary government	4,844	-	100	5,130
Amounts due from federal government	-	-	-	20,979
Amounts due from local units	-	-	1,392,590	41,236
Inventories	-	-	-	631
Investments (Note 8)	-	150,364	900,625	47,226
Other current assets	20,806	65,664	382	313,205
Total Current Assets	<u>243,315</u>	<u>494,162</u>	<u>2,377,444</u>	<u>803,955</u>
Restricted Assets:				
Cash and cash equivalents	-	-	-	6,846
Investments	-	-	-	2,383
Mortgages and loans receivable	-	-	-	-
Advances to primary government	-	-	614,895	1,360
Amounts due from local units	-	-	2,885,483	-
Mortgages and loans receivable	-	2,473,594	-	1,890,264
Investments (Note 8)	597,336	483,887	1,042,672	103,721
Capital Assets (Note 9):				
Land and other non-depreciable assets	-	-	-	13,008
Buildings, equipment, and other depreciable assets	-	-	-	61,589
Less accumulated depreciation	-	-	-	(35,243)
Infrastructure	-	-	-	102,722
Construction in progress	-	-	-	-
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,075</u>
Other noncurrent assets	48,352	92,887	104,280	104,182
Total Assets	<u>\$ 889,003</u>	<u>\$ 3,544,530</u>	<u>\$ 7,024,774</u>	<u>\$ 3,054,786</u>
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ -	\$ -	\$ 300
Accounts payable and other liabilities	-	32,047	7,908	58,382
Amounts due to component units	-	-	-	10,657
Amounts due to primary government	-	-	1,040	3,099
Bonds and notes payable (Note 14)	-	78,460	1,275,654	120,992
Interest payable	-	14,205	85,278	5,461
Deferred revenue	-	-	-	10,067
Current portion of other long-term obligations	129,008	-	-	5,887
Total Current Liabilities	<u>129,008</u>	<u>124,712</u>	<u>1,369,881</u>	<u>214,845</u>
Deferred revenue	-	-	-	500
Bonds and notes payable (Note 14)	-	2,259,478	3,499,827	2,222,849
Noncurrent portion of other long-term obligations	790,161	475,874	31,710	28,354
Total Liabilities	<u>\$ 919,169</u>	<u>\$ 2,860,064</u>	<u>\$ 4,901,418</u>	<u>\$ 2,466,548</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 141,318
Restricted For:				
Education	-	-	-	-
Construction and debt service	-	356,987	2,110,813	16,542
Other purposes	-	-	-	17,134
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Nonexpendable	-	-	-	-
Unrestricted	(30,166)	327,479	12,544	413,244
Total Net Assets	<u>\$ (30,166)</u>	<u>\$ 684,466</u>	<u>\$ 2,123,356</u>	<u>\$ 588,238</u>

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

STATE UNIVERSITIES

CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	TOTALS
\$ 21,587	\$ 45,300	\$ 246,657	\$ 1,120,452
-	-	-	137,529
-	-	-	10,657
55,585	10,545	105,848	182,052
724	2,142	11,464	35,308
-	28	56	1,433,910
6,787	6,526	10,608	24,553
-	5,527	83,412	1,187,154
20,840	29,944	63,521	514,363
<u>105,524</u>	<u>100,012</u>	<u>521,565</u>	<u>4,645,977</u>
-	-	47,976	54,823
35,019	134,000	315,033	486,435
7,738	-	33,379	41,118
-	-	-	616,255
-	-	-	2,885,483
-	9,580	32,143	4,405,580
188,417	51,426	374,681	2,842,140
12,994	19,740	83,547	129,288
664,820	1,025,452	3,166,389	4,918,250
(285,148)	(390,954)	(1,249,633)	(1,960,978)
-	-	-	102,722
14,960	12,903	71,077	98,940
<u>407,627</u>	<u>667,140</u>	<u>2,071,380</u>	<u>3,288,222</u>
-	14,831	40,275	404,808
<u>\$ 744,324</u>	<u>\$ 976,989</u>	<u>\$ 3,436,433</u>	<u>\$ 19,670,840</u>
\$ -	\$ -	\$ -	\$ 300
56,300	47,414	152,196	354,248
-	-	-	10,657
454	47	2,022	6,662
6,365	9,265	28,626	1,519,362
1,552	2,036	3,858	112,390
11,300	8,247	50,563	80,176
-	6,854	13,345	155,093
<u>75,971</u>	<u>73,862</u>	<u>250,609</u>	<u>2,238,888</u>
-	-	3,741	4,241
159,844	272,700	996,225	9,410,924
17,358	144,900	74,126	1,562,483
<u>\$ 253,174</u>	<u>\$ 491,462</u>	<u>\$ 1,324,701</u>	<u>\$ 13,216,536</u>
\$ 241,417	\$ 369,716	\$ 1,225,377	\$ 1,977,829
49,891	10,903	129,912	190,706
3,702	-	19,239	2,507,282
-	30,000	20,434	67,568
-	-	41,418	41,418
-	67,575	187,741	255,316
196,140	7,333	487,611	1,414,186
<u>\$ 491,150</u>	<u>\$ 485,527</u>	<u>\$ 2,111,732</u>	<u>\$ 6,454,304</u>

STATEMENT OF ACTIVITIES

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	
Authorities:					
Michigan Education Trust	\$ (51,530)	\$ 108	\$ 15,696	\$ -	\$ 67,334
Michigan State Housing Development Authority	696,309	197,503	474,613	-	(24,193)
Michigan Municipal Bond Authority	233,010	149,419	235,475	-	151,884
Non-Major	553,412	124,459	260,912	96	(167,945)
State Universities:					
Central Michigan University	362,041	267,228	16,321	7,103	(71,389)
Western Michigan University	529,286	302,826	34,747	2,724	(188,989)
Non-Major	1,627,300	1,008,577	120,263	4,402	(494,058)
Total	<u>\$ 3,949,828</u>	<u>\$ 2,050,120</u>	<u>\$ 1,158,026</u>	<u>\$ 14,325</u>	<u>\$ (727,356)</u>

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

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR RESTATED	NET ASSETS END OF YEAR
\$ -	\$ -	\$ -	\$ 67,334	\$ (97,500)	\$ (30,166)
28,233	-	-	4,040	680,426	684,466
-	-	-	151,884	1,971,472	2,123,356
4,138	147,377	45,441	29,011	559,227	588,238
(19,423)	107,961	16,520	33,670	457,481	491,150
(50,006)	114,089	64,097	(60,809)	546,335	485,527
(27,587)	387,859	83,906	(49,880)	2,161,612	2,111,732
<u>\$ (64,644)</u>	<u>\$ 757,286</u>	<u>\$ 209,965</u>	<u>\$ 175,250</u>	<u>\$ 6,279,053</u>	<u>\$ 6,454,304</u>

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

Blended Component Units

The State Building Authority and the Michigan Tobacco Settlement Finance Authority are legally separate organizations that have boards appointed by the primary government and provide services primarily to benefit the State. Therefore, they are reported as though they were part of the primary government, using the blending method.

Discretely Presented Component Units

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

The State is able to impose its will upon these discretely presented component units:

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

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

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

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

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

The Michigan Municipal Bond Authority assists local units by pooling their borrowing activities. This authority is also responsible for assisting local units with their financing of water pollution control projects.

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

Michigan
Notes to the Financial Statements

The Michigan Exposition and Fairgrounds Authority conducts an annual state fair and other exhibits and events for the purpose of promoting all phases of the economy of this State. The fair, exhibits, and events encourage and demonstrate agricultural, industrial, commercial, educational, entertainment, tourism, technological, cultural, and recreational pursuits.

The Michigan Higher Education Assistance Authority is the State guaranty agency under the Stafford Loan Program, the Supplemental Loans to Students Program, and the Parent Loan for Undergraduate Students Program. This Authority also administers scholarships and grants that are financed with General Fund appropriations.

The Michigan Higher Education Facilities Authority accounts for the administration of no-commitment debt issued for the benefit of private institutions of higher education.

The Michigan Higher Education Student Loan Authority is a financing authority that makes loans to students or their parents.

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

The Michigan State Hospital Finance Authority accounts for the administration of limited obligation debt issued for the benefit of hospitals.

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

There is a financial burden/benefit relationship between these entities and the State:

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

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

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

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

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

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

Significant Transactions

The State's significant transactions with its major discretely presented component units result primarily from providing appropriations to the public universities, including \$108.0 million to Central Michigan University and \$114.1 million to Western Michigan University.

Availability of Financial Statements

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

Related Organizations

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

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

Joint Ventures

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

Jointly Governed Organizations

The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a non-profit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2009, the State awarded contracts totaling \$35.4 million to MPHI.

The City of Detroit, Charter County of Wayne, and the Department of Community Health of the State of Michigan appoint members of the board of the Detroit Wayne County Health Authority (DWCHA), a public agency. The DWCHA was established to plan, promote, and coordinate health services for at-risk population in the City of Detroit and Wayne County. The State does not appoint a majority of the board, has no right to the assets, and is not responsible for debts of DWCHA; therefore, the State's accountability for DWCHA does not extend beyond making the appointments. During fiscal year 2009, the State awarded contracts totaling \$5.0 million to DWCHA.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting

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

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

Fiscal Year-Ends

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

Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents

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

Cash

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

Equity in Common Cash

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

Taxes Receivable

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

Amounts Due From Federal Agencies

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

Inventories

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

Investments

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

Security Lending Collateral

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

Other Assets

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

Mortgages and Loans Receivable

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

Capital Assets

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

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

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

Warrants Outstanding

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

Income Tax Refunds Payable

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

Prize Awards Payable

The State Lottery Fund makes long-term prize awards for certain games, most notably the lotto games. At September 30, 2009, long-term prize awards of \$309.7 million were reported at a present value of \$215.3 million, using discount rates ranging from 4.0% to 8.5%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling \$117.8 million, are included with "Accounts payable and other liabilities" on the Statement of Net Assets.

Deferred Revenue

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

Long-Term Liabilities

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

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

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

Compensated Absences

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

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

Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation, times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave that increases from 0 to 50%, depending upon the balance of their sick leave hours. Sick leave is valued at 0 to 50% plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2009.

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 continued in fiscal years 2005 and 2006. The program was discontinued in fiscal year 2006. 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, the fiscal year-end.

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

Net Assets/Fund Balance

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

Reservations

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

Revenues and Expenditures/Expenses

Government-Wide Financial Statements

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

Interest on Long-Term Debt

Interest charges on the State's general long-term liabilities do not qualify as a direct expense of a function and are reported on this line, unless the borrowing is essential to the creation or continuing existence of a program. During fiscal year 2009, interest charges on general long-term liabilities totaling \$72.5 million were reported as functional expenses.

Fund Financial Statements

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

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

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

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

Other Financing Sources

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

Reimbursements

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

Interfund Services Provided and Used

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

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

Other Financing Uses

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

Interfund Activity and Balances

Interfund Activity

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

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

Interfund Balances

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

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

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

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

PRIMARY GOVERNMENT:

MAJOR FUNDS

Governmental:

General Fund* (p. 22)
Counter-Cyclical Budget and Economic Stabilization Fund* (p. 22)
School Aid Fund* (p. 22)

Proprietary:

State Lottery Fund (p. 28)
Michigan Unemployment Compensation Funds (p. 28)

NON-MAJOR FUNDS

Governmental:

Special Revenue Funds:

Transportation Related:

- State Aeronautics Fund* (p. 118)
- State Trunkline Fund* (p. 118)
- Michigan Transportation Fund* (p. 118)
- Comprehensive Transportation Fund* (p. 118)
- Combined State Trunkline Bond Proceeds Fund (p. 119)
- Combined Comprehensive Transportation Bond Proceeds Fund (p. 119)
- Transportation Related Trust Funds (p. 119)

Conservation, Environment, and Recreation Related:

- Michigan Conservation and Recreation Legacy Fund*(p. 128)
- Michigan Game and Fish Protection Trust Fund (p. 128)
- Combined Recreation Bond Fund - Local Projects (p. 128)
- Combined Environmental Protection Bond Fund (p. 129)
- Michigan Nongame Fish and Wildlife Trust Fund* (p. 129)
- Michigan Civilian Conservation Corps Endowment Fund* (p. 129)
- Forest Development Fund* (p. 129)
- Bottle Deposits Fund (p. 129)

Regulatory and Administrative Related:

- Michigan Employment Security Act - Administration Fund* (p. 138)
- Safety Education and Training Fund* (p. 138)
- State Construction Code Fund* (p. 138)
- Homeowner Construction Lien Recovery Fund* (p. 138)
- State Casino Gaming Fund* (p. 139)
- Second Injury Fund (p. 139)
- Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 139)
- Self-Insurers' Security Fund (p. 139)
- Utility Consumer Representation Fund (p. 139)

Other State Funds:

- School Bond Loan Fund (p. 148)
- 21st Century Jobs Trust Fund* (p. 148)
- Michigan Tobacco Settlement Finance Authority* (p. 148)
- Michigan Merit Award Trust Fund* (p. 148)
- Children's Trust Fund* (p. 149)
- Assigned Claims Facility and Plan Fund (p. 149)
- Military Family Relief Fund* (p. 149)
- Miscellaneous Special Revenue Funds (p. 149)

Debt Service Funds:

- Combined State Trunkline Bond and Interest Redemption Fund (p. 156)
- Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 156)
- Recreation and Environmental Protection Bond Redemption Fund (p. 156)
- School Loan Bond Redemption Fund (p. 157)
- Michigan Tobacco Settlement Finance Authority (p. 157)
- State Building Authority (p. 157)

Capital Projects Funds:

- Combined Recreation Bond Fund – State Projects (p. 162)
- Advance Financing Funds (p. 162)
- State Building Authority (p. 162)

Permanent Funds:

- Michigan Natural Resources Trust Fund* (p. 166)
- Michigan State Parks Endowment Fund* (p. 166)
- Michigan Veterans' Trust Fund* (p. 166)

Proprietary:

Enterprise Funds:

- Liquor Purchase Revolving Fund (p. 172)
- Attorney Discipline System (p. 172)

Internal Service Funds:

- Correctional Industries Revolving Fund (p. 176)
- Motor Transport Fund (p. 176)
- Office Services Revolving Fund (p. 176)
- Information Technology Fund (p. 177)
- Risk Management Fund (p. 177)
- State Sponsored Group Insurance Fund (p. 177)

Fiduciary:

Pension (and other employee benefit) Trust Funds:

- State of Michigan Deferred Compensation Funds (p. 184)
- Legislative Pension Benefits Fund (p. 184)
- Legislative Other Postemployment Benefits Fund (p. 184)
- State Police Pension Benefits Fund (p. 184)
- State Police Other Postemployment Benefits Fund (p. 185)
- State Employees' Pension Benefits Fund (p. 185)
- State Employees' Other Postemployment Benefits Fund (p. 185)
- Public School Employees' Pension Benefits Fund (p. 185)
- Public School Employees' Other Postemployment Benefits Fund (p. 185)
- Judges' Pension Benefits Fund (p. 185)
- Judges' Other Postemployment Benefits Fund (p. 186)
- State of Michigan Defined Contribution Retirement Fund (p. 186)

Private Purpose Trust Funds:

- Escheats Fund (p. 192)
- Gifts, Bequests, and Deposits Investment Fund (p. 192)
- Hospital Patients' Trust Fund (p. 192)
- Michigan Education Savings Program (p. 192)

Agency Funds:

- Environmental Quality Deposits Fund (p. 195)
- Insurance Carrier Deposits Fund (p. 195)
- Child Support Collection Fund (p. 195)

DISCRETELY PRESENTED COMPONENT UNITS:

Authorities:

Major Funds:

Michigan Education Trust (p. 38)
Michigan State Housing Development Authority (p. 38)
Michigan Municipal Bond Authority (p. 38)

Non-Major Funds:

Farm Produce Insurance Authority (p. 200)
Land Bank Fast Track Authority (p. 200)
Mackinac Bridge Authority (p. 200)
Mackinac Island State Park Commission (p. 201)
Michigan Early Childhood Investment Corporation (p. 201)
Michigan Economic Development Corporation (p. 201)
Michigan Exposition and Fairgrounds Authority (p. 201)
Michigan Higher Education Assistance Authority (p. 202)
Michigan Higher Education Facilities Authority (p. 202)
Michigan Higher Education Student Loan Authority (p. 202)
Michigan Public Educational Facilities Authority (p. 203)
Michigan State Hospital Finance Authority (p. 203)
Michigan Strategic Fund (p. 203)
State Bar of Michigan (p. 203)

State Universities (1):

Major Funds:

Central Michigan University (p. 39)
Western Michigan University (p. 39)

Non-Major Funds:

Eastern Michigan University (p. 208)
Ferris State University (p. 208)
Grand Valley State University (p. 208)
Lake Superior State University (p. 208)
Michigan Technological University (p. 209)
Northern Michigan University (p. 209)
Oakland University (p. 209)
Saginaw Valley State University (p. 209)

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

NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Major Constitutional and Statutory Provisions

Balanced Budget Requirements

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

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

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

Local Spending Requirements

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

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2009 are not yet complete. For fiscal year 2008, 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 56.2%, reflecting payments that exceeded the minimum required by \$2.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2009.

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 2009 are not final. For fiscal year 2008, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by \$4.7 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2009.

Budget Stabilization Fund

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

The following table summarizes the transactions for the fund for fiscal year 2009 (in millions):

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

Budgetary Overexpenditures

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

General Fund	
Human services	\$ 1.6
General Fund Total	\$ 1.6

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

Implementation of GASB Statement No. 49

During fiscal year 2009, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The effects of applying this standard are disclosed in Note 15. The provisions of the standard require the measurement of pollution remediation liabilities as of the beginning of the fiscal year. As a result, beginning net assets in the government-wide statements were reduced by \$176.6 million.

Pension (and other employee benefit) Trust Funds

Investment balances were reallocated between pension benefits and other postemployment benefits in four of the retirement systems, resulting in a restatement of beginning net assets in the following funds: State Police Pension Benefits Fund, State Police Other Postemployment Benefits Fund, State Employees' Pension Benefits Fund, State Employees' Other Postemployment Benefits Fund, Public School Employees' Pension Benefits Fund, Public School Employees' Other Postemployment Benefits Fund, Judges' Pension Benefits Fund, and Judges' Other Postemployment Benefits Fund.

Component Units

The Michigan Public Educational Facilities Authority decreased its beginning net assets by \$4.4 million to reflect prior period adjustments.

The Michigan Strategic Fund increased its beginning net assets by \$4.7 million to reflect prior period adjustments.

NOTE 5 – TREASURER'S COMMON CASH

General Accounting Policies

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

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

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

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

Investments and Deposits

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

The Treasurer invests excess cash in short-term investments or cash equivalents. The law does not prohibit the Treasurer from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in fiscal year 2009.

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

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

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to \$159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2009 was \$52.8 million. The interest rate is reset July 1 of each year in accordance with the loan agreement. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State taxes collected on cigarette sales. Principal repayments of \$66 thousand were made on the loans in fiscal year 2009.

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

The loans may not exceed \$5.0 million in total. MCL Section 21.142e was amended, effective March 22, 2007, to extend the loan periods to a maximum of 10 years. As of September 30, 2009, loans outstanding totaled \$1.2 million and will mature on October 1, 2011.

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

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

Assets	
Cash on hand	\$ -
Demand deposits	1,280.4
Time deposits - regular	26.6
Prime commercial paper - at cost	265.0
Interest receivable	2.1
Emergency loans to local units - at cost	57.8
Michigan Sugar Beet Loan Program	1.2
Total assets	\$ 1,633.1
Equities	
Fund equities (net) in common cash (1):	
Governmental activities	\$ 1,159.3
Business-type activities	90.1
Fiduciary funds	246.2
Discretely presented component units	137.5
Net fund equities	\$ 1,633.1

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

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

Common Cash Deposits

Custodial Credit Risk

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

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

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

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

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

At September 30, 2009, the carrying amount of deposits, including time and demand deposits, was \$1.3 billion. The deposits were reflected in the accounts of the banks at \$1.3 billion. Of the bank balance, \$10.0 million was covered by federal depository insurance, \$1.3 billion was collateralized with securities held by the State's agent in the State's name, and \$7 thousand of demand deposits was exposed to custodial credit risk and was uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled \$1.2 billion at September 30, 2009.

Foreign Currency Risk

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

MCL Section 487.714 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. The State had no Common Cash deposits subject to foreign currency risk at September 30, 2009.

Common Cash Investments

Types of Investments

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

Risk

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

Custodial Credit Risk

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

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

The counterparty, or

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

The Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2009, Common Cash investments were not exposed to custodial credit risk.

Credit Risk

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

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

Emergency municipal loans are evidenced by unrated notes held by the State in the State's name. At September 30, 2009, prime commercial paper investments were rated at A-1 or P-1.

Interest Rate Risk

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

The Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2009, the fair value of cash equivalents was \$291.8 million; the weighted average maturity was 31 days.

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

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, for revenues earned in fiscal year 2009, which will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles.

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

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

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

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

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

<u>Tax</u>	General Fund	Special Revenue Funds	Total
Sales & use	\$ 357.7	\$ 661.9	\$ 1,019.6
Individual income	1,841.3	282.4	2,123.7
Single business & Michigan business	811.9	-	811.9
State education (property)	-	1,443.9	1,443.9
Telephone & telegraph	29.0	-	29.0
Motor fuel	-	191.9	191.9
Insurance – retaliatory	67.7	-	67.7
Tobacco products	83.6	52.8	136.4
Quality assurance assessment	46.6	-	46.6
Other	26.5	26.1	52.6
Penalties and interest	1,088.6	-	1,088.6
Gross taxes receivable	4,353.0	2,659.1	7,012.1
Less allowance for uncollectibles	2,033.3	462.2	2,495.5
Total taxes receivable (net)	<u>\$ 2,319.7</u>	<u>\$ 2,196.9</u>	<u>\$ 4,516.6</u>
 <u>As reported on the financial statements</u>			
Current Taxes Receivable	\$ 2,123.3	\$ 2,129.5	\$ 4,252.8
Noncurrent Taxes Receivable	196.4	67.4	263.7
Total Taxes Receivable (net)	<u>\$ 2,319.7</u>	<u>\$ 2,196.9</u>	<u>\$ 4,516.6</u>

NOTE 7 – JOINT VENTURES

The State participates in two joint ventures as described below. Joint ventures are not reflected as component units within this report because they do not meet the generally accepted accounting principles criteria for inclusion. Their separately issued financial statements may be obtained by directly contacting the applicable organizations. To obtain their phone numbers, you may contact the Office of the State Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

Great Lakes Protection Fund

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

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

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

Joint International Bridge Authority

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

For the period ending December 31, 2008 (JIBA's most recently audited financial statements), its net assets decreased by approximately \$1.8 million. The Bridge and one-half of the ancillary assets on Michigan's side of the Bridge, in addition to one-half of the balance of funds not required to pay liabilities, represent the State's equity interest. The State is obligated to pay one-half of any claims incurred by JIBA that are not covered by insurance or existing resources. The State's equity interest of \$6.8 million is reflected as an asset in the government-wide financial statements.

NOTE 8 – DEPOSITS AND INVESTMENTS

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

Deposits - Primary Government

Custodial Credit Risk

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

The Unemployment Insurance Agency administers, under the auspices of the federal government, the deposits of the MUCF. Tax collections are deposited in a clearing account as required by the Michigan Employment Security Act. Refunds are paid from that account; after the clearance of vouchers for refunds, all other money remaining in the fund, less amounts needed for refunds and judgments, must be deposited with the Secretary of the Treasury of the United States of America to the credit of the State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act, 42 USC 1104. These deposits are maintained in the Federal Reserve Bank. At year-end, the carrying amount of these deposits, excluding those classified as investments, was negative \$53.2 million, which was caused by a net book cash overdraft. The bank balance of the deposits was \$16.9 million, of which \$3 million was covered by federal depository insurance and \$16.6 million was book-entry securities held by pledging custodial banks at the Federal Reserve Bank in the State's name.

The bank deposits of the ADS were \$5.2 million; these deposits were not covered by Federal Deposit Insurance Corporation (FDIC) insurance, but were collateralized. ADS has no policy to address custodial credit risk. It assesses financial institutions' risk levels; only those with acceptable levels of risk are used as depositories.

The deposits of the MESP were reflected in bank accounts at \$1 million; these deposits were covered by depository insurance. The level of risk for each financial institution is evaluated and assessed; only those with an acceptable estimated risk level are used as depositories. MESP has no other policy for controlling this risk.

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Notes to the Financial Statements

Investments - Primary Government

The following table shows the carrying amounts and fair values of investments of the primary government by investment type and in total at September 30, 2009:

Primary Government Total Investments (In millions)				
Investment Types	Retirement Systems	Deferred Compensation/ Defined Contribution Funds	Other Funds	Total
Commercial paper	\$ 1,079.9	\$ -	\$ -	\$ 1,079.9
Money market funds	-	328.0	259.1	587.2
US Treasury Bills	250.0	-	-	250.0
Absolute Return	844.9	-	-	844.9
Government securities	2,286.1	-	474.6	2,760.8
Corporate bonds and notes	6,560.3	-	489.0	7,049.3
Mutual funds	86.7	1,790.6	1,940.1	3,817.4
Pooled investment funds	-	2,144.5	-	2,144.5
Equities	16,775.3	-	-	16,775.3
Guaranteed investment contracts	-	-	37.8	37.8
Funding agreements	-	-	235.1	235.1
International	5,884.4	-	-	5,884.4
Real estate	4,035.9	-	-	4,035.9
Alternative	8,717.4	-	-	8,717.4
Accrued income	98.8	-	-	98.8
Unsettled investments	(13.3)	-	-	(13.3)
Total	\$ 46,606.4	\$ 4,263.2	\$ 3,435.8	\$ 54,305.4

As reported on the Statement of Net Assets

Current investments	\$ 433.4
Noncurrent investments	970.7
Total Investments	\$ 1,404.2

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

	Current Investments	Noncurrent Investments	Total
Governmental Activities	\$ 254.6	\$ 759.7	\$ 1,014.3
Business-type activities	178.9	211.0	389.9
Fiduciary funds	1,041.6	51,859.6	52,901.2
Total Investments	\$ 1,475.0	\$ 52,830.3	\$ 54,305.4

The amounts above include losses, both realized and unrealized, that were largely the result of volatility in the financial markets, both nationally and world-wide. A substantial part of this volatility occurred toward the end of the fiscal year and continues into the current fiscal year. Despite decreases in fair value, very few principal losses have been sustained, and it is expected that many unrealized losses will be reversed.

Authority

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

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

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

The Michigan Tobacco Settlement Finance Authority is authorized to invest at its discretion, in any obligation, as it determines to be proper, in accordance with MCL Section 129.267.

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

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2009, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

Derivatives

The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefit) trust funds in derivatives to provide additional diversification. Such investments were made in swap agreements, Standard & Poor's 500 and Standard & Poor's Midcap Index and Bond Index futures contracts, and option contracts during the year. At September 30, 2009, there was \$4.0 billion invested in swap agreements, futures contracts, and option contracts. Derivatives are not used for speculation and they are not used to leverage the investment portfolios. The swap agreements pay quarterly to the counterparty, over the term of the swap agreements, interest indexed to the three month London Interbank Offered Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. United States domestic LIBOR-based floating rate notes and short-term investments were purchased in the open market to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these floating rate notes and short-term investments. Swap agreements represent the largest category of derivatives used and total approximately 7.8% of the total portfolio.

Investment Pools

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

Repurchase Agreements

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

Risk

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

Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the government's name.

The State Treasurer does not have a policy for limiting custodial credit risk. As of September 30, 2009, there were no securities exposed to custodial credit risk.

Credit Risk

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

All long-term fixed income investments, unless unrated, must be investment-grade at the time of purchase, unless specific requirements are met. Investment grade, as defined in MCL Section 38.1132, includes investments in the top four major grades, as determined by two national rating services. The State Treasurer's policy is to use Standard & Poor's (AAA, AA, A, BBB); and Moody's (Aaa, Aa, A, Baa). The primary government's debt investments as of September 30, 2009, are presented below. Note that securities backed by the full faith and credit of the United States Government are excluded.

Michigan
Notes to the Financial Statements

Debt Investments (In millions)				
Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Pension (and Other Employee Benefit) Trust Funds:				
Retirement Systems:				
Commercial paper	\$ 1,079.9	A-1	\$ 1,079.9	P-1
Government securities				
U.S. agencies – sponsored	695.1	AAA	695.1	Aaa
Corporate bonds & notes				
	243.6	AAA	135.5	Aaa
	1,155.6	AA	998.9	Aa
	2,686.8	A	2,928.3	A
	1,584.9	BBB	1,672.5	Baa
	221.4	BB	45.6	Ba
	20.8	B	9.0	B
	7.2	CCC	6.6	Caa
	.6	CC	.7	Ca
	-	C	.1	C
	75.0	Unrated	198.6	Unrated
International*				
	200.1	AAA	-	Aaa
	1,482.4	AA	1,606.5	Aa
	1,855.7	A	2,178.5	A
	246.2	BBB	315.7	Baa
	166.3	BB	-	Ba
	149.9	Unrated	-	Unrated
Mutual funds**				
	23.1	AA	23.1	Aa
	8.1	BB	8.1	Ba
Total	<u>\$ 11,902.9</u>		<u>\$ 11,902.9</u>	
Deferred Compensation/Defined Contribution:				
Common trust funds				
	196.2	AA	196.2	Unavailable
	1,168.1	A	1,168.1	Unavailable
	67.1	Unrated	67.1	Unavailable
Mutual funds				
	86.2	AA	86.2	Unavailable
Money market funds				
	328.0	A-1+	328.0	Unavailable
Total	<u>\$ 1,845.6</u>		<u>\$ 1,845.6</u>	
Other Primary Government Funds:				
Government securities				
U.S. agencies - sponsored	21.3	AAA	21.3	Aaa
Corporate bonds & notes				
	1.0	AAA	-	Aaa
	336.3	AA	313.4	Aa
	343.0	A	370.2	A
	5.4	BBB	-	Baa
	-	Unrated	2.1	Unrated
Municipal Bonds				
	33.0	A	33.0	Unavailable
Guaranteed investment contract				
	37.8	Unrated	37.8	Unavailable
Mutual funds				
	161.1	Unavailable	161.1	Aaa
	458.5	Unavailable	458.5	Aa
Treasury trust fund pool				
	114.0	Unrated	114.0	Unrated
Total	<u>\$ 1,511.5</u>		<u>\$ 1,511.5</u>	
Total Primary Government	<u>\$ 15,260.0</u>		<u>\$ 15,260.0</u>	

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

**Average Quality Rating.

Michigan
Notes to the Financial Statements

Interest Rate Risk

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

The State Treasurer's policy states that cash equivalents are invested in short term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2009, the fair value of prime commercial paper was \$1.1 billion; the weighted average maturity was 3 days.

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

As of September 30, 2009, the pension trust funds had the following long-term debt securities:

Pension (and Other Employee Benefit) Trust Funds Debt Securities (In millions)		
	Fair Value	Duration In Years
Retirement Systems:		
Governmental		
U.S. Treasury	\$ 451.0	2.1
U.S. Agency – backed	1,933.2	4.7
U.S. Agency – sponsored	695.1	3.9
Total Governmental	<u>3,079.3</u>	
Corporate	5,995.9	4.9
International*		
Corporate	4,100.7	.1
Mutual fund - fixed income	31.3	3.5
Total	<u>\$ 13,207.2</u>	
Deferred Compensation/Defined Contribution:		
Common trust funds		
Traditional GIC/BICs	\$ 62.4	1.1
Buy and hold synthetics	4.7	.4
Global wrap synthetic contracts	1,168.1	2.9
SSgA daily bond market index fund	196.2	4.4
Total Common Trust Funds	<u>1,431.4</u>	
Money market funds	328.0	.1
Mutual funds	86.2	4.8
Total	<u>\$ 1,845.6</u>	
Total Pension (and Other Employee Benefit) Trust Funds	<u>\$ 15,052.8</u>	

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

Michigan
Notes to the Financial Statements

As of September 30, 2009, the primary government, excluding pension trust funds, had the following debt securities:

Investment Type	Fair Value	Other Funds Debt Securities (In millions)			
		Investment Maturities (In years)			
		Less Than 1	1 To 5	6 To 10	More Than 10
U.S. Treasury bonds	\$ 74.6	\$ 15.6	\$ 35.5	\$ 12.5	\$ 10.9
Municipal bonds	229.7	44.6	125.2	17.5	42.4
U.S. Bonds – backed	35.0	-	.4	-	34.6
U.S. Agency bonds – sponsored	21.3	-	4.6	14.1	2.6
Corporate bonds	489.0	25.1	118.7	339.9	5.3
Guaranteed investment contracts	37.8	-	-	-	37.8
Mutual funds	619.6	-	-	619.6	-
Total	\$ 1,507.1	\$ 85.4	\$ 284.3	\$ 1,003.7	\$ 133.7

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. The pension trust funds invest in various foreign securities. These investments are limited to 20% of the total assets of the system, and are additionally limited to 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in MCL Sections 38.1133 and 38.1140. The types of foreign securities include equities, mutual funds, real estate, and limited partnerships. At September 30, 2009, foreign investments were approximately 9% of total assets of the systems; total foreign investments were \$4.0 billion. As of September 30, 2009, the pension (and other employee benefits) trust funds held the following investments subject to foreign currency risk:

Pension (and Other Employee Benefit) Trust Funds Foreign Currency Risk (In millions)					
Currency	Country	Alternative Investments**	Market Value (In U.S. Dollars)		
			Equities	Equities - International	
			Equities	Equities	Derivatives*
Retirement Systems:					
Americas					
Dollar	Canada	\$ -	\$ -	\$ 7.1	\$ 4.9
Real	Brazil	-	6.0	-	-
Europe					
Euro	European Union	860.4	170.0	20.7	(13.8)
Franc	Switzerland	-	120.8	4.2	1.1
Krona	Sweden	-	-	.9	8.9
Krone	Denmark	-	1.0	1.3	(1.5)
Krone	Norway	-	-	.1	(.8)
Sterling	United Kingdom	28.7	139.0	11.0	(70.4)
Asia/Pacific					
Dollar	Australia	-	.2	5.1	.8
Renminbi	China	-	10.3	.4	-
Dollar	Hong Kong	-	-	1.8	4.7
Yen	Japan	1.7	23.7	16.3	(11.5)
Dollar	New Zealand	-	-	-	2.3
Dollar	Singapore	-	-	2.2	(2.2)
Won	South Korea	-	.1	-	(3.9)
Middle East					
Shekel	Israel	-	2.9	-	-
Mutual Funds					
Various	Various	543.4	43.0	2,054.3	-
Total		\$ 1,434.2	\$ 516.9	\$ 2,125.5	\$ (81.5)
Deferred Compensation/Defined Contribution:					
Mutual Funds					
Various	Various	\$ -	\$ 535.7	\$ -	\$ -
Total		\$ 1,434.2	\$ 1,052.6	\$ 2,125.5	\$ (81.5)

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2009 through April 2012, with an average maturity of 1.3 years. For more information, see the derivatives section of this note.

**\$543.4 million disclosed in this column consists of international real estate investments held by the pension trust funds.

Michigan
Notes to the Financial Statements

Concentration of Credit Risk

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

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

At September 30, 2009, there were no investments in any single issuer more than 5% of the system's assets, nor were there any investments totaling more than 5% of the obligations of any one issuer, other than U.S. Government Securities as described above.

Pension trust fund investments represent 93.7% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund (SLF), MESP, and the Michigan Natural Resources Trust Fund.

SLF investments, \$271.3 million, are all in the form of zero coupon U.S. Treasury bonds and State of Michigan Municipal bonds. These investments are held to provide funding for deferred prize awards.

Securities Lending Transactions

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

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

Under Master Securities Lending Agreements between the State and each borrower, the State Treasurer and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account. As of September 30, 2009, the investments had an average weighted maturity to next reset of 3.5 years and an average weighted maturity of 8.5 years. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2009, the retirement systems had no credit risk exposure to borrowers. The cash received for securities on loan for the State as of September 30, 2009, was \$8.2 billion. The fair market value of assets held in the dedicated collateral account managed by Credit Suisse and held by the custodian for the State as of September 30, 2009, was \$6.3 billion. The carrying amount, which is the fair market value, of securities on loan for the State as of September 30, 2009, was \$7.9 billion.

At September 30, 2009, the pension trust funds had the following debt investments made from cash received as collateral for securities lent:

Debt Investments (in millions)				
	Fair Value	Rating S & P	Fair Value	Rating Moody's
Securities Lending Collateral	\$ 200.0	A-1	\$ 200.0	P-1
	1,872.1	AAA	1,649.9	Aaa
	756.0	AA	2,086.1	Aa
	1,032.3	A	1,345.6	A
	1,930.9	BBB	105.2	Baa
	-	BB	366.3	Ba
	88.1	B	147.4	B
	62.2	CCC	90.2	Caa
	380.6	Unrated	331.3	Unrated
Total	<u>\$ 6,322.1</u>		<u>\$ 6,322.1</u>	

Michigan
Notes to the Financial Statements

Deposits and Investments - Discretely Presented Component Units

Deposits

At year-end, the carrying amount of discretely presented component unit deposits, excluding those classified as investments, was \$466.8 million. The deposits were reflected in the accounts of the banks at \$431.3 million. Of the bank balance, \$326.0 million was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Investments

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

Restricted Assets

Restricted investments on the government-wide Statement of Net Assets, totaling \$486.4 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.

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

	Investment Maturities (In years)					
	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10	N/A
Time deposits	\$ 43.6	\$ 43.3	\$.3	\$ -	\$ -	\$ -
Money market funds	659.2	658.3	-	-	-	.8
Commercial paper	357.0	357.0	-	-	-	-
Short-term notes	41.6	41.6	-	-	-	-
Repurchase agreements	.5	-	-	.5	-	-
Government securities	1,043.2	658.3	148.1	115.5	121.3	-
Insured mortgage backed securities	434.2	.3	1.0	.6	432.2	-
Government-backed securities	122.3	41.5	2.7	3.9	74.2	-
Investment agreements	11.1	4.3	-	-	6.9	-
Corporate bonds and notes	286.3	21.8	156.9	90.8	16.8	-
Preferred stock	.9	-	-	-	.9	-
Equities	60.5	26.6	1.1	-	1.2	31.6
Real estate	6.6	.7	-	-	3.7	2.2
Venture capital & leveraged buyouts	40.9	-	-	39.3	1.6	-
Mutual bond/equity funds	1,278.3	297.7	131.2	102.5	223.8	523.1
Guaranteed investment contracts	907.9	-	19.5	2.0	886.4	-
Pooled investment funds	74.7	74.7	-	-	-	-
Other investments	51.0	4.8	.1	23.7	21.9	.5
Total Investments	\$ 5,419.5	\$ 2,230.7	\$ 461.0	\$ 378.7	\$ 1,790.9	\$ 558.3
Less Investments Reported as "Cash" on Statement of Net Assets	903.8					
Total Investments	\$ 4,515.7					
As Reported on Statement of Net Assets						
Current investments	\$ 1,187.2					
Noncurrent restricted investments	486.4					
Noncurrent investments	2,842.1					
Total Investments	\$ 4,515.7					

NOTE 9 – CAPITAL ASSETS

Primary Government

Summary of Significant Accounting Policies

Methods used to value capital assets

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

Capitalization policies

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

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

Items not capitalized and depreciated

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

Depreciation and useful lives

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

<u>Asset</u>	<u>Years</u>
Equipment	2-25
Buildings	5-50
Infrastructure	10-40
Land Improvements	5-40

Modified approach for infrastructure

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

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

Michigan
Notes to the Financial Statements

Capital asset activities for the fiscal year ended September 30, 2009, were as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclass- ifications	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,344.2	\$ 36.1	\$ (3.6)	\$ 15.3	\$ 3,392.0
Land improvements	16.2	-	-	-	16.2
Construction in progress (buildings)	32.2	19.4	(17.1)	1.9	36.5
Construction in progress (infrastructure)	1,120.6	426.5	(172.7)	3.7	1,378.1
Infrastructure	12,636.9	112.1	(231.9)	(8.9)	12,508.2
Mineral rights	19.8	-	-	-	19.8
Total capital assets, not being depreciated	<u>17,170.0</u>	<u>594.1</u>	<u>(425.2)</u>	<u>12.0</u>	<u>17,350.8</u>
Capital assets, being depreciated:					
Land improvements	121.5	19.9	(.3)	(.5)	140.7
Equipment and vehicles	846.3	124.3	(13.2)	8.1	965.6
Buildings	3,432.0	66.0	(22.2)	(26.0)	3,449.9
Infrastructure	711.1	65.4	(2.7)	-	773.8
Total capital assets, being depreciated	<u>5,111.0</u>	<u>275.6</u>	<u>(38.3)</u>	<u>(18.3)</u>	<u>5,330.0</u>
Less accumulated depreciation for:					
Land improvements	(48.8)	(4.2)	.2	-	(52.8)
Equipment and vehicles	(621.9)	(69.9)	11.9	(4.2)	(684.2)
Buildings	(1,318.9)	(100.5)	16.1	18.2	(1,385.0)
Infrastructure	(452.2)	(27.6)	2.6	-	(477.2)
Total accumulated depreciation	<u>(2,441.8)</u>	<u>(202.2)</u>	<u>30.7</u>	<u>14.0</u>	<u>(2,599.2)</u>
Total capital assets, being depreciated, net	<u>2,669.2</u>	<u>73.5</u>	<u>(7.6)</u>	<u>(4.3)</u>	<u>2,730.8</u>
Governmental activity capital assets, net	<u>\$ 19,839.2</u>	<u>\$ 667.6</u>	<u>\$ (432.8)</u>	<u>\$ 7.7</u>	<u>\$ 20,081.6</u>

The Department of Corrections has closed several prisons during fiscal year 2009. The total impairment loss was \$15.0 million. The impairments pertained to buildings. The Department does not plan to reopen these prisons. The historical cost of the buildings has been adjusted to the lower of carrying value or fair value in the above table.

The Departments of Human Services and Corrections have temporarily idled one campus during fiscal year 2009. The impairments pertained to buildings and depreciable land improvements. No impairment losses were reported because the impairment is temporary in nature. Future plans for both campuses is uncertain. The historical cost of the buildings and depreciable land improvements was unchanged.

Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclass- ifications	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 4.6	\$.2	\$ -	\$ -	\$ 4.7
Total capital assets, being depreciated	<u>4.6</u>	<u>.2</u>	<u>-</u>	<u>-</u>	<u>4.7</u>
Less accumulated depreciation for:					
Equipment	(3.8)	(.2)	-	-	(4.0)
Total accumulated depreciation	<u>(3.8)</u>	<u>(.2)</u>	<u>-</u>	<u>-</u>	<u>(4.0)</u>
Total capital assets, being depreciated, net	<u>.8</u>	<u>(.1)</u>	<u>-</u>	<u>-</u>	<u>.7</u>
Business-type activity capital assets, net	<u>\$.8</u>	<u>\$ (.1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$.7</u>

Michigan
Notes to the Financial Statements

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

	Amount
Governmental Activities:	
General government	\$ 27.5
Education	.2
Human services	7.9
Public safety and corrections	47.6
Conservation, environment, recreation, and agriculture	10.9
Labor, commerce, and regulatory	2.6
Health services	7.1
Transportation	38.3
Depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets.	60.0
Total Depreciation Expense – Governmental Activities	\$ 202.2
Business-type Activities:	
Enterprise	.2
Total Depreciation Expense – Business-type Activities	\$.2

Discretely Presented Component Units

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

	Amount
State Universities:	
Land and other non-depreciable assets	\$ 116.3
Buildings, equipment, and other depreciable assets	4,856.7
Construction in progress	98.9
Total	5,071.9
Less accumulated depreciation	(1,925.7)
Capital Assets, net – State Universities	3,146.1
Capital Assets, net – Authorities	142.1
Capital Assets, Total – Discretely Presented Component Units	\$ 3,288.2

NOTE 10 – PENSION BENEFITS

Defined Benefit Pension Plans

PLAN DESCRIPTION

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

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single Employer	1
State Police Retirement System (SPRS)	Single Employer	1
State Employees' Retirement System (SERS)	Single Employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	721
Judges' Retirement System (JRS)	Cost sharing multi-employer	125
Military Retirement Plan (MRP)	Single Employer	1

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

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

Methods Used to Value Investments

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

Description of Benefits

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

Contributions and Reserves

SERS members are allowed to purchase service credits by entering into a contract with duration of up to 20 years. At September 30, 2009, the short term receivable was \$10.0 million and the discounted long term receivable was \$48.5 million.

Significant Investments

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

FUNDING POLICY

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

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

For MRP, there is no underlying payroll of participants. Except for five special duty members, retirants receive \$600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll. For fiscal year ending September 30, 2009, this amount was \$3.8 million.

For LRS, SERS, and SPRS, statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the system's actuary and are based upon level-dollar value funding or a level-percent-of-payroll principles so the contribution rates do not have to increase over time. The following are the required contribution rates for the fiscal year ending September 30, 2009: SPRS, 29.37% of annual active payroll; SERS, \$351.65 million; LRS, \$.3 million.

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

Year Ended September 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ -	- %
2008	-	-
2007	.2	124.0
2006	.6	108.0

ANNUAL PENSION COST AND OTHER RELATED INFORMATION

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

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>MRP*</u>
Annual Pension Cost and Net Pension Obligation:				
Annual required contribution	\$.27	\$ 36.70	\$ 351.65	\$ 3.81
Interest on net pension (asset) obligation	(.07)	3.35	38.74	.90
Adjustment to annual required contribution	(.24)	(2.61)	(42.15)	(.98)
Annual pension cost	<u>.44</u>	<u>37.44</u>	<u>348.23</u>	<u>3.73</u>
Contributions made	.27	35.43	343.79	3.38
Change in net pension asset/obligation	.17	2.01	4.44	.35
Net pension (asset) obligation at beginning of fiscal year	(.99)	41.91	484.19	11.25
Net pension (asset) obligation at end of fiscal year	<u>\$ (.82)</u>	<u>\$ 43.92</u>	<u>\$ 488.64</u>	<u>\$ 11.60</u>

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

Actuarial Valuations and Assumptions

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

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

Michigan
Notes to the Financial Statements

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

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>MRP</u>
Latest actuarial valuation date	9/30/2009	9/30/2008	9/30/2008	9/30/2009
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percent of payroll open	Level percent of payroll closed	Level dollar closed	Level dollar closed
Remaining amortization period	5 years	28 years	28 years	27 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	Market value
Actuarial assumption: Investment rate of return	7%	8%	8%	8%
Projected salary increases	4%	3.5-93.5%	3.5-14.4%	3.5%
Includes inflation at	4%	3.5%	3.5%	3.5%
Cost-of-living adjustments	4% annual compounded (non-compounded for legislators who first became members after 1/1/95)	2% annual non- compounded with maximum annual increase \$500	3% annual non- compounded with maximum annual increase \$300	3.5% for special duty retirants

THREE YEAR HISTORICAL TREND INFORMATION

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

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS	9/30/09	\$ 165.8	\$ 171.4	\$ 5.6	96.7%	\$ 1.2	466.7%
	9/30/08	170.0	169.4	(0.6)	100.3	1.3	(44.3)
	9/30/07	167.8	163.3	(4.4)	102.7	1.3	(338.5)
SPRS**	9/30/08	1,265.7	1,496.3	230.6	84.6	120.7	191.0
	9/30/07	1,259.1	1,451.9	192.7	86.7	118.2	163.0
	9/30/06	1,204.2	1,385.9	181.7	86.9	115.9	156.8
SERS**	9/30/08	11,402.9	13,765.6	2,362.8	82.8	1,763.7	134.0
	9/30/07	11,343.5	13,161.7	1,818.1	86.2	1,825.9	99.6
	9/30/06	10,889.9	12,798.5	1,908.6	85.1	1,847.7	103.3
MRP*	9/30/09	-	42.3	42.3	-	.4	10,575.0
	9/30/07	-	41.9	41.9	-	.6	6,983.3
	9/30/05	-	40.6	40.6	-	.5	8,120.0

*Actuarial valuation performed biennially.

**The most recent actuarial valuation was performed as of September 30, 2008.

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Notes to the Financial Statements

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

	Year Ended September 30	Annual Cost	Percentage Contributed	Net Pension Obligation (Asset)
LRS	2009	\$.4	61.0%	\$ (0.8)
	2008	.2	-	(1.0)
	2007	.6	60.9	(1.2)
SPRS	2009	37.4	94.6	43.9
	2008	34.5	99.7	41.9
	2007	33.1	73.6	41.8
SERS	2009	348.2	98.7	488.6
	2008	304.7	116.7	484.2
	2007	313.9	61.2	535.2
MRP	2009	3.7	90.6	11.6
	2008	3.7	85.4	11.2
	2007	3.6	88.5	10.7

Defined Contribution Pension Plans

State of Michigan Defined Contribution Retirement Plan

The Plan was established to provide benefits at retirement to employees of the State (except Michigan State Police officers) who were hired after March 31, 1997, and to those members of the State Employees' Retirement System (defined benefit), Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. The Plan is administered by the Department of Management and Budget. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. Employer contributions to the plan for the year totaled \$89.9 million. Participant contributions to the Plan were \$32.8 million. The reports may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-5103.

The following investments represent 5% or more of net plan assets at September 30, 2009: Common Trust Funds: Global Wrap Synthetic Contracts, \$420.2 million; SSGA Daily Bond Market Index Fund, \$135.3 million; Money Market Funds, \$239.5 million; PIMCO Total Return Fund, \$59.3 million.

Component Units

In addition to the PSERS, the State university component units participate in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was \$79.1 million for the year ending June 30, 2009.

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

Effective January 1, 2004, the State Bar of Michigan assumed responsibility for the retirement plans of State Bar employees who participated in the Plan. All monies held in the Plan on behalf of participating State Bar employees were subsequently transferred to the newly established State Bar 401(a) retirement plan and the 457(b) retirement plan. The State Bar of Michigan is required to make minimum contributions and may establish other benefit provisions for their retirement plans. The State Bar of Michigan's contribution to the new plans was \$.4 million for the year ended September 30, 2009.

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefit Plans

PLAN DESCRIPTION

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

Name	Type of Plan	Participating Employers
Legislative Retirement System (LRS)	Single Employer	1
State Police Retirement System (SPRS)	Single Employer	1
State Employees' Retirement System (SERS)	Single Employer	1
Public School Employees' Retirement System (PSERS)	Cost sharing multi-employer	721
Judges' Retirement System (JRS)	Cost sharing multi-employer	125
Life Insurance	Single Employer	1

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

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

Methods Used to Value Investments

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

Description of Benefits

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

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan. The State is not required to fund the plans other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended September 30, 2009, the State paid the following amounts (in millions) on the behalf of the following plans: \$384.4, SERS; \$30.2, SPRS; \$4.5, LRS; \$21.2, life insurance.

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

ANNUAL OPEB COST AND OTHER RELATED INFORMATION

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

	LRS	SPRS	SERS	Life Insurance
Annual OPEB Cost and Net OPEB Obligation:				
Annual required contribution	\$ 7.98	\$ 63.93	\$ 922.79	\$ 57.40
Interest on net OPEB (asset) obligation	.14	1.20	21.48	1.57
Adjustment to annual required contribution	(.12)	(1.16)	(20.86)	(1.47)
Annual OPEB cost	8.00	63.96	923.42	57.50
Contributions made	4.46	30.21	384.41	21.24
Adjustments	.17	.28	23.00	-
Change in net OPEB asset/obligation	3.37	33.47	516.01	36.25
Net OPEB (asset) obligation at beginning of fiscal year*	3.34	29.90	537.06	39.19
Net OPEB (asset) obligation at end of fiscal year	<u>\$ 6.71</u>	<u>\$ 63.37</u>	<u>\$ 1,053.06</u>	<u>\$ 75.45</u>

*Effective October 1, 2007, the State implemented GASB Statement No. 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The net OPEB obligation at transition was zero.

Actuarial Valuations and Assumptions

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

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

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

	LRS	SPRS	SERS	Life Insurance
Latest actuarial valuation date	9/30/2009	9/30/2008	9/30/2008	9/30/2007
Actuarial cost method	Projected Unit Credit	Entry Age	Entry Age	Entry Age
Amortization method	Level percent open	Level percent of payroll closed	Level percent of payroll closed	Level percent of payroll closed
Remaining amortization period	30 years	28 years	28 years	29 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	4.5%	4%	4%	4%
Includes inflation at	4%	3.5%	3.5%	3.5%
Healthcare cost trend rate	9% in 2009 grading to 4% in 2019	10% Year 1 graded to 3.5% Year 12	10% Year 1 graded to 3.5% Year 12	N/A

Michigan
Notes to the Financial Statements

THREE YEAR HISTORICAL TREND INFORMATION*

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

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS	9/30/2009	\$ 14.6	\$ 136.9	\$ 122.3	10.7%	\$ 11.7	1,044.3%
	9/30/2008	14.3	132.6	118.3	10.8	11.9	994.1
	9/30/2005	11.9	111.4	99.5	11.0	11.9	838.0
SPRS	9/30/2008	-	963.0	963.0	-	120.7	797.7
	9/30/2007	-	918.1	918.1	-	118.2	776.7
	9/30/2006	-	944.4	944.4	-	115.9	814.9
SERS	9/30/2008	-	13,542.0	13,542.0	-	2,822.0	479.9
	9/30/2007	-	12,966.0	12,966.0	-	2,949.0	439.6
	9/30/2006	-	13,499.0	13,499.0	-	2,848.0	474.0
Life Insurance**	9/30/2007	-	912.5	912.5	-	3,131.9	29.1

*This schedule will be expanded to include three years as actuarial information becomes available.

**The most recent actuarial valuation was performed as of September 30, 2007 and will be performed biennially.

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

	Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
LRS	2009	\$ 8.0	55.8%	\$ 6.7
	2008	8.0	60.2	3.3
SPRS	2009	64.0	47.2	63.4
	2008	59.0	49.8	29.9
SERS	2009	923.4	41.6	1,053.1
	2008	879.2	41.5	537.1
Life Insurance	2009	57.5	36.9	75.5
	2008	57.4	31.7	39.2

*This table will be expanded to include three years as actuarial information becomes available.

NOTE 12 – LEASES

Accounting Policy

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

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

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

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

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

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

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

Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled \$65.1 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled \$20.4 million, \$35.2 million, and \$26.4 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling \$310 thousand, \$3.8 million, and \$267 thousand, respectively.

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

Year Ended September 30	Operating Leases	Capital Leases			Total
		Principal	Interest	Executory Costs	
2010	\$ 35.1	\$ 17.6	\$ 33.6	\$ 26.6	\$ 77.8
2011	26.6	17.8	31.9	25.3	75.0
2012	18.1	15.7	30.5	24.2	70.4
2013	11.3	14.7	29.1	23.2	67.0
2014	8.4	15.6	27.6	22.6	65.8
2015-2019	19.6	85.4	113.2	103.6	302.1
2020-2024	2.9	83.4	71.8	88.3	243.5
2025-2029	-	59.0	31.0	78.4	168.4
Thereafter	-	20.5	2.8	22.1	45.3
Total	\$ 122.1	\$ 329.6	\$ 371.4	\$ 414.3	\$ 1,115.3

The above capital leases relate to governmental activities which include the General Fund, special revenue funds, and the internal service funds. A liability of \$329.6 million has been recorded in the government-wide financial statements for the capital lease principal. Included in this liability is the capital lease between the State and MSF totaling \$84.0 million.

Michigan
Notes to the Financial Statements

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

Buildings	\$ 396.5
Equipment	84.1
Total	480.6
Accumulated Depreciation	(199.8)
Net Land, Buildings, and Equipment	\$ 280.8

Included in the table above is the historical cost and accumulated depreciation for the capital lease between the State and MSF of \$85.0 million and \$8.0 million, respectively.

Primary Government – Business-Type Activities

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

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

Year Ended September 30	Operating Leases
2010	\$.5
2011	.5
2012	.3
2013	.3
2014	.3
2015-2019	.6
	\$ 2.5

Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled \$59.6 million. Total capital lease obligations were \$8.6 million, \$1.3 million, and \$0 for principal, interest, and executory costs, respectively, during the fiscal year.

NOTE 13 – BONDS AND NOTES PAYABLE – PRIMARY GOVERNMENT

General Information

General Obligation Bonds and Notes

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

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. In fiscal year 2009, the State issued general obligation notes to meet cash flow requirements of the General Fund.

Short-term debt activity for the fiscal year ended September 30, 2009, was as follows (in billions):

	Beginning Balance	Draws	Repayments	Ending Balance
General Obligation Notes	\$ -	\$1.4	\$1.4	\$ -

Revenue Dedicated Bonds and Notes

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

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Notes to the Financial Statements

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. In addition, SBA issues commercial paper notes to fund capital projects prior to bonding. Short-term debt activity for the fiscal year ended September 30, 2009, follows (in millions):

	Beginning Balance	Draws	Repayments	Ending Balance
Commercial Paper Notes	\$210.3	\$85.8	\$134.9	\$161.2

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

Bonds Issued and Outstanding

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

	Amounts Issued	Outstanding 9/30/2009	Fiscal Year Maturities		Average Interest Rate Percentage
			First Year	Last Year	
General Obligation Bonded Debt					
General Obligation Refunding Debt:					
Series 2001 (Refunding)	\$ 183.3	\$ 124.0	2002	2016	4.76%
Series 2002 (Refunding)	300.7	236.4	2004	2017	4.41
Series 2005 A (Refunding) (3)	86.8	86.8	2017	2021	5.00
Series 2005 B (Refunding) (3)	82.8	82.8	2013	2021	5.00
Series 2005 C (Refunding) (3)	21.1	9.5	2008	2013	4.17
Series 2008 A (Refunding)	200.8	200.8	2011	2019	4.94
Series 2008 B (Refunding)	19.4	19.4	2011	2019	4.33
Series 2008 C (Refunding)	12.2	12.2	2011	2012	5.00
Series 2008 D (Refunding)	1.4	1.4	2011	2011	3.96
Series 2009 A (Refunding) (3)	64.1	64.1	2022	2026	5.65
Series 2009 B (Refunding) (3)	33.7	33.7	2012	2012	4.60
Recreation and Environmental Protection:					
Series 1989 (1)	75.0	9.4	1991	2012	6.81
Series 1992 (1)	246.3	58.9	1994	2013	5.86
College Savings Bonds - Series 1992 Mini-bonds (1)	.5	1.4	2012	2012	6.50
Series 1992 A (1)(2)	13.9	3.4	1995	2013	6.17
Series 1993 (1)(2)	16.7	5.3	1996	2014	5.00
Series 2000 (1)	60.0	2.8	2002	2011	5.24
Series 2001 (3)	56.8	13.1	2004	2012	4.82
Series 2003 (5)	10.0	6.0	2054	2054	0.00
Series 2003 A (1)(3)	200.0	71.5	2007	2021	5.00
Series 2006 A (1)(3)	105.0	105.0	2014	2026	4.58
School Loan Bonds (4):					
Series 2008 A (Refunding)	143.0	125.4	2010	2023	4.54
Series 2009 A (Refunding)	204.1	204.1	2016	2021	6.53
Series 2009 B (Refunding)	193.7	196.2	2010	2030	5.58
Total General Obligation Bonded Debt	2,331.1	1,673.5			

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	Amounts Issued	Outstanding 9/30/2009	Fiscal Year Maturities		Average Interest Rate Percentage
			First Year	Last Year	
Revenue Dedicated Bonded Debt					
<u>State Park Related:</u>					
2002 – Gross Revenue Bonds	15.5	12.2	2004	2023	3.58
Total Revenue Dedicated Bonded Debt – State Park Related	15.5	12.2			
<u>Transportation Related:</u>					
Tax Dedicated Bonds:					
Comprehensive Transportation Fund Bonds:					
Series 2001 (Series A Refunding)	27.8	25.1	2008	2022	5.01
Series 2002 (Series A Refunding)	89.6	13.9	2003	2011	5.07
Series 2002 (Series B)	82.3	4.9	2004	2012	5.13
Series 2003	35.0	15.9	2004	2023	3.61
Series 2005 (Refunding)	62.2	62.2	2009	2023	5.15
Series 2006 (Revenue and Refunding)	53.7	51.8	2007	2031	4.54
Series 2009 (Refunding)	42.3	42.3	2012	2019	4.11
State Trunkline Fund Bonds:					
Series 1992 A	253.6	44.2	2000	2013	5.76
Series 1992 (Series B Refunding)	99.6	5.8	2000	2013	5.68
Series 1998 (Series A Refunding)	377.9	364.9	2006	2027	5.03
Series 2001 (Series A)	308.2	20.6	2003	2012	4.96
Series 2002 (Refunding)	97.9	62.2	2004	2022	4.71
Series 2004 (Refunding)	103.5	98.4	2006	2022	4.13
Series 2004	185.7	76.2	2008	2019	4.36
Series 2005 (Refunding)	223.0	223.0	2010	2023	5.10
Series 2005 B (Refunding)	378.3	378.3	2010	2019	4.81
Series 2006	244.5	221.2	2008	2022	4.74
Grant Anticipation Bonds:					
Series 2007	485.1	481.6	2009	2027	4.87
Series 2009 B	281.9	281.9	2012	2027	7.63
Total Revenue Dedicated Bonded Debt –Transportation Related	3,432.1	2,474.5			
<u>State Building Authority:</u>					
2001 Series I Bonds (Refunding)	419.7	318.2	2003	2026	5.26
2003 Series I (Refunding)	659.4	440.9	2004	2018	3.64
2003 Series II (Refunding)	392.6	174.5	2005	2030	4.42
2004 Series I	155.4	109.5	2005	2020	4.08
2005 Series I (Refunding)	293.4	271.3	2006	2034	4.84
2005 Series II (Refunding)	242.8	239.0	2007	2037	4.66
2006 Series I A Serial	438.3	438.3	2014	2037	4.80
2006 Series I A Capital Appreciation	395.3	456.7	2014	2037	4.80
2006 Series I B	13.7	11.3	2009	2014	4.80
2007 Series I Multi-modal (7)	96.5	94.7	2009	2032	7.92
2008 Series I (Revenue and Refunding)	192.3	192.3	2010	2039	6.05
2009 Series I (Refunding)	222.1	222.1	2010	2026	4.85
Total State Building Authority Bonded Debt	3,521.5	2,968.7			
<u>Michigan Tobacco Settlement Finance Authority (6):</u>					
Series 2006 A	363.1	348.1	2008	2034	7.31
Series 2007 A	480.1	480.1	2010	2047	5.86
Series 2007 B	35.6	41.5	2052	2052	7.25
Series 2007 C	7.2	8.4	2052	2052	7.50
Series 2008 A	114.9	114.9	2035	2042	6.88
Series 2008 B	29.9	33.1	2046	2046	8.50
Series 2008 C	57.7	64.3	2058	2058	8.25
Total Michigan Tobacco Settlement Finance Authority Bonded Debt	1,088.5	1,090.4			
Total Revenue Dedicated Bonded Debt	8,057.6	6,545.8			
Total General Obligation and Revenue Dedicated Bonded Debt	<u>\$ 10,388.7</u>	<u>\$ 8,219.3</u>			

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Notes to the Financial Statements

- (1) Sections 324.19301 and 324.71301 of the Michigan Compiled Laws authorized the issuance of bonds totaling \$800.0 million. As of September 30, 2009, \$791.5 million of such bond proceeds had been received, leaving remaining authorization of \$8.5 million. The sum of the amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.
- (2) The \$13.9 million Series 1992A and the \$16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Municipal Bond Authority (MMBA), a discretely presented component unit. An outside trustee for MMBA is holding the bonds as an investment of MMBA; no immediate cash proceeds were provided. The trustee receives the debt service payments on the bonds, which are negotiable instruments held to subsidize water pollution control financing provided by MMBA.
- (3) MCL Section 324.95102 authorized the issuance of bonds totaling \$675.0 million. As of September 30, 2009, \$569.4 million of such bond proceeds had been received, leaving remaining authorization of \$105.6 million. The sum of amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.
- (4) The Multi-Modal School Loan Bond Series, bear interest at a commercial paper rate and are remarketed at each maturity. For the future debt service requirements, interest is estimated at the interest rate in effect at year-end. There were no Multi-Modal School Loan Bonds outstanding at September 30, 2009.
- (5) November 2002, voters approved a ballot proposal in which the State would issue \$1.0 billion in general obligations bonds to provide capital, which is then loaned to local units of government for water quality improvement projects. As of September 30, 2009, \$145.6 million of such bond proceeds had been recognized as received, leaving remaining authorization of \$854.4 million. Included in the amount recognized as received is \$100.0 million in bonds issued to a discretely presented component unit, MMBA. Although no cash traded hands, MMBA (the registered owner of the bonds) is holding the bond document as collateral and issuing their own revenue bonds to generate the capital. This transaction allows the State's General Fund to defer principal and interest costs until future years when the bond is repurchased/redeemed. MMBA will fund the principal and interest costs of the revenue bonds until such time that they request the State to honor the general obligation bond document.

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

- (6) Michigan Tobacco Settlement Finance Authority (MTSFA) issued taxable Tobacco Settlement Asset-Backed Bonds as follows: \$363.1 million Series 2006 A Fixed Rate Turbo Bonds; \$72.6 million Series 2006 B Indexed Floating Rate Turbo Term Bonds; \$54.8 million Series 2006 C Capital Appreciation Turbo Term Bonds; \$480.1 million Series 2007 A Senior Current Interest Bonds; \$35.6 million Series 2007 B First Subordinate Capital Appreciation Bonds; \$7.2 million Series 2007 C Second Subordinate Capital Appreciation Bonds; \$114.9 million Series 2008 A Current Interest Turbo Terms Bonds; \$29.9 million Series 2008 B Taxable Capital Appreciation Turbo Term Bonds; and \$57.7 million Series 2008 C Capital Appreciation Turbo Term Bonds.

MTSFA was created by MCL Section 129.264, the Michigan Tobacco Settlement Finance Authority Act. As a public body corporate and politic within the Department of Treasury, it is a separate legal entity with separate corporate purposes, exercising public and essential governmental functions. MTSFA is authorized to issue bonds as needed to provide sufficient funds to purchase all or a portion of the State's Tobacco Settlement Revenues (TSRs) payable to the State under the Master Settlement Agreement (MSA) entered into by participating cigarette manufacturers in 1998. Refunding bonds may also be issued. Net proceeds of the sale of TSRs are deposited in the 21st Century Jobs Trust Fund, the School Aid Fund, the General Fund, and in a reserve fund.

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Notes to the Financial Statements

The bonds were issued in accordance with the Purchase and Sale Agreement (the Agreement), dated May 1, 2006, between the State and MTSFA. Pursuant to the Agreement, MTSFA is purchasing the right, title, and interest in and to 13.3% of all the State's future TSRs payable to the State on or after April 1, 2008, as required under the terms of the MSA. In 2007, an additional 10.77% of future tobacco settlement revenue was purchased by MTSFA on amounts payable on or after May 15, 2009. In fiscal year 2008, Series 2008 bonds were issued to refund the MTSFA's outstanding Series 2006 B Indexed Floating Rate Turbo Term Bonds and to refund the MTSFA's outstanding 2006 C Capital Appreciation Turbo Term Bonds. The General Fund received \$60 million from the net proceeds.

Every issue of bonds shall be special revenue obligations payable from and secured by a pledge of TSRs and other assets, including without limitation the proceeds of the bonds deposited in a reserve fund for the benefit of the owners of the bonds, earnings on funds of the authority and other funds as may become available, upon the terms and conditions as specified by the authority in the authority resolution under which the bonds are issued or in a related trust agreement of trust indenture.

The issuance of bonds under the provisions of this law shall not directly, indirectly, or contingently obligate the State or any political subdivision of this State to pay any amounts to the MTSFA or owners of bonds or benefited parties, or levy or pledge any form of taxation whatsoever for the bonds. The bonds are not a debt or liability of the State or any agency or instrumentality of the State, other than MTSFA. MTSFA is not authorized to incur any indebtedness on behalf of or in any way obligate the State or any political subdivision of the State.

- (7) SBA Multi-Modal bears interest at a remarketed weekly rate. Estimated interest was computed using the weekly rates as of September 30, 2009. These unusually high rates were due to the market and economic aberrations.

Capital Appreciation Bonds

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

	Accreted Book Value	Ultimate Maturity Value	Fiscal Year Maturities	
			First Year	Last Year
General Obligation Bonds:				
Series 1989	\$ 9.4	\$ 10.1	1999	2012
Series 1992	4.8	5.6	2000	2012
College Savings Bonds - Series 1992 Mini-bonds	1.4	1.7	2012	2012
Series 2009 B	196.2	249.4	2010	2030
Revenue Dedicated – Transportation Related:				
State Trunkline – Series 1992 A	44.2	48.4	2006	2013
State Trunkline – Series 1992 B	5.8	6.4	2006	2013
Revenue Dedicated – State Building Authority:				
2006 Series I A	456.7	891.8	2017	2030
Revenue Dedicated – Michigan Tobacco Settlement Finance Authority:				
Series 2007 B	41.5	865.3	2052	2052
Series 2007 C	8.4	195.1	2052	2052
Series 2008 B	33.1	700.6	2046	2046
Series 2008 C	64.3	4,395.9	2058	2058

Advance Refundings and Defeasances

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

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

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

General Obligation

During the year, the State of Michigan issued \$97.8 million of General Obligation Bonds, Environmental program Series 2009A and B, maturing in years 2012 through 2026 with fixed interest rates. The bonds were issued for the purpose of providing financing for certain environmental programs and refunding certain maturities and interest payments. From the debt proceeds, \$50.5 million was deposited to the Clean Michigan Initiative Bond Fund and \$47.8 million was used to refund Environmental Program Series 2006B. These refundings did not generate an economic gain or loss for the State.

Also during the year, the State issued \$347.1 million of School Loan Bonds Series (SLBS) 2008A and 2009A maturing in years 2009 through 2021 with fixed interest rates. From the debt proceeds, \$240.9 million was used to refund principal and interest on SLBS 1998, 2005B and C; \$27.5 million was used for payment of capitalized interest; and \$75.0 million was deposited to the School Loan Revolving Fund (SLRF) to make loans to local school districts. Series 2009B Capital Appreciation Bonds were issued in the amount of \$193.7 million, maturing in years 2010 through 2030. From the debt proceeds, \$172.9 million was used to refund principal on SLBS 2005B and 2008A, as well as General Obligation Bonds Series 2001 and 2002; \$3.2 million was used for payment of capitalized interest; and \$16.9 million was deposited to the SLRF. These refundings did not generate an economic gain or loss for the State.

Revenue Dedicated

During the year, the State of Michigan issued fixed rate Comprehensive Transportation Refunding Bonds Series 2009 for \$42.3 million, maturing in years 2012 through 2019. The bonds were issued for the purpose of refunding certain maturities and interest payments. From the debt proceeds, \$44.2 million was used to refund Comprehensive Transportation Bonds Series 1998A, 2002A, 2002B, and 2003.

On November 20, 2008, the State Building Authority (SBA) issued 2008 Series I Revenue and Refunding Bonds for \$192.3 million. From the proceeds, \$134.9 million was used to refund commercial paper notes, \$11.2 million was deposited to the Acquisition Fund, and \$1.0 million was deposited to the Debt Service Reserve Fund. Also, \$46.7 million was deposited to the escrow agent to refund 2005 Series II A and B.

On August 19, 2009, SBA issued 2009 Series I Refunding Bonds for \$222.1 million. From the proceeds, along with funds available under the indentures for the prior bonds, \$246.2 million was deposited to the escrow agent to refund 1998 Series I and 2001 Series I Bonds and \$4.7 million was deposited to the Debt Service Reserve Fund.

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Notes to the Financial Statements

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

	<u>Amounts Outstanding</u>
General Obligation Refunding:	
Series 2001 (Refunding)	\$ 21.1
Series 2002 (Refunding)	.2
Total General Obligation Refunding	<u>\$ 21.2</u>
Recreation and Environmental Protection:	
Series 1992	\$ 16.5
Series 1995	2.4
Series 1999 A	60.3
Series 2000 (partial)	40.0
Series 2001	27.5
Series 2003 A	99.2
Series 2005 C	1.2
Total Recreation and Environmental	<u>\$ 247.2</u>
School Loan Bonds:	
Series 2008 A	\$ 17.6
Series 2009 B	4.3
Total School Loan Bonds	<u>\$ 21.9</u>
Comprehensive Transportation Fund Bonds:	
Series 2002 B (partial)	\$ 59.3
Series 2003	10.9
	<u>70.1</u>
State Trunkline Fund Bonds:	
Series 2001 A (partial)	245.8
Series 2004 (partial)	85.2
	<u>331.1</u>
Total Transportation Related	<u>\$ 401.2</u>
State Building Authority:	
1994 Series II	\$ 1.8
1997 Series II	25.8
1998 Series I (Refunding)	221.9
2000 (MSP Phase II)	12.9
2001 (MSP Phase III)	23.0
2002 (MSP Phase IV)	17.6
1999 Series I	39.9
2001 Series I	74.1
2001 Series I (Refunding)	17.0
2001 Series II	114.4
2000 Series I	101.2
2002 Series III (Refunding)	178.0
2003 Series II (Refunding)	176.2
Total State Building Authority	<u>\$ 1,003.8</u>

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Notes to the Financial Statements

Debt Service Requirements

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

Fiscal Years Ending	General Obligation		State Park and Transportation Related		State Building Authority		Michigan Tobacco Settlement Finance Authority		Total Principal And Interest
	Principal	Fixed Interest	Principal	Fixed Interest	Principal	Interest	Principal	Interest	
2010	\$ 62.1	\$ 50.6	\$ 105.9	\$ 134.0	\$ 96.2	\$ 118.3	\$ 6.4	\$ 61.5	\$ 635.0
2011	130.7	48.6	110.1	124.7	97.7	117.4	7.5	61.1	697.7
2012	181.3	70.1	118.3	119.8	103.3	112.3	8.6	60.6	774.4
2013	151.9	63.4	123.4	114.7	106.7	106.9	9.8	60.1	736.9
2014	131.0	57.1	129.2	108.9	112.6	101.3	11.2	59.4	710.7
2015-2019	617.5	195.0	753.0	437.7	622.9	418.8	77.0	284.7	3,406.6
2020-2024	381.0	50.0	712.5	243.5	674.6	321.7	215.1	253.6	2,852.0
2025-2029	56.2	3.1	433.5	58.7	578.6	235.7	133.5	179.4	1,678.7
2030-2034	10.9	-	5.7	.4	570.9	159.9	183.8	126.8	1,058.3
2035-2039	-	-	-	-	363.8	47.9	87.8	77.1	576.6
2040-2044	-	-	-	-	76.6	.4	118.3	47.3	242.5
2045-2049	-	-	-	-	-	-	784.6	10.2	794.8
2050-2054	-	-	-	-	-	-	1,060.4	-	1,060.4
Thereafter	6.0	-	-	-	-	-	4,395.9	-	4,401.9
Total	\$ 1,728.5	\$ 537.9	\$ 2,491.5	\$ 1,342.5	\$ 3,403.7	\$ 1,740.8	\$ 7,100.0	\$ 1,281.6	\$ 19,626.5

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

Changes in Bonds and Notes Payable

Changes in bonds and notes payable for the year ended September 30, 2009, was as follows (in millions):

Governmental Activities	Beginning Balance*	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
General obligation debt	\$ 1,487.4	\$ 638.5	\$ (452.5)	\$ 1,673.5	\$ 62.1	\$ 1,611.4
Revenue bonds	2,269.7	324.2	(107.3)	2,486.7	105.9	2,380.8
State Building Authority	2,919.0	435.4	(385.7)	2,968.7	96.2	2,872.5
Michigan Tobacco Settlement Finance Authority	1,082.6	7.8	-	1,090.4	6.4	1,084.0
Deferred Loss on Refundings:						
General obligation debt	(57.8)	(50.3)	21.1	(87.1)	-	(87.1)
Revenue dedicated debt	(26.4)	(.3)	10.9	(15.9)	-	(15.9)
State Building Authority	(23.9)	(3.1)	5.3	(21.7)	-	(21.7)
Michigan Tobacco Settlement Finance Authority	(2.7)	-	1.6	(1.2)	-	(1.2)
Unamortized Discounts:						
General obligation debt	-	(1.1)	-	(1.0)	-	(1.0)
Revenue dedicated debt	-	(1.9)	-	(1.9)	-	(1.9)
State Building Authority	-	(.8)	-	(.8)	-	(.8)
Michigan Tobacco Settlement Finance Authority	(18.2)	-	.1	(18.0)	-	(18.0)
Unamortized Premiums:						
General obligation debt	67.0	1.9	(14.6)	54.3	-	54.3
Revenue dedicated debt	109.3	2.3	(20.6)	91.0	-	91.0
State Building Authority	102.2	6.1	(7.8)	100.5	-	100.5
Total bonds and notes payable	\$ 7,908.3	\$ 1,358.7	\$ (949.4)	\$ 8,317.6	\$ 270.6	\$ 8,047.0
Plus State Building Authority commercial paper notes reported as "Current Liabilities: Bonds and Notes Payable" on the Statement of Net Assets				161.2	161.2	-
As reported on the Statement of Net Assets				\$ 8,478.7	\$ 431.7	\$ 8,047.0

*The State Building Authority beginning balances were restated to properly report the accreted book value at September 30, 2008.

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

Bonds and Notes Payable

Bonds Payable

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

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

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

<u>Fiscal Years Ending In</u>	<u>Principal</u>	<u>Fixed Interest</u>	<u>Estimated Interest</u>	<u>Total</u>
2010	\$ 389.0	\$ 378.8	\$ 13.5	\$ 781.2
2011	345.2	366.4	13.3	724.9
2012	365.3	351.9	13.1	730.2
2013	353.6	336.4	12.8	702.9
2014	434.1	319.4	12.6	766.0
Total five years	1,887.2	1,752.8	65.3	3,705.2
2015-2019	1,696.9	1,337.8	57.8	3,092.5
2020-2024	1,483.1	933.2	50.6	2,466.9
2025-2029	1,130.3	652.9	43.0	1,826.1
2030-2034	903.7	449.4	34.0	1,387.0
2035-2039	1,323.4	323.9	31.5	1,678.8
2040-2044	697.7	216.7	23.1	937.4
Thereafter	607.4	164.7	9.2	781.3
	<u>7,842.3</u>	<u>4,078.5</u>	<u>249.2</u>	<u>12,170.1</u>
Total	9,729.5	<u>\$ 5,831.3</u>	<u>\$ 314.5</u>	<u>\$ 15,875.3</u>
Deferred amount on refunding	(70.1)			
Unamortized discount	-			
Unamortized premium	123.3			
Total principal	<u>\$ 9,782.7</u>			

Included in the table above is \$1.8 billion of demand bonds comprised of \$56.4 million issued by the Michigan Higher Education Student Loan Authority (MHESLA), \$1.4 billion issued by MSHDA, and \$270.3 million issued by the State universities. Defeased bonds outstanding of the Michigan Municipal Bond Authority (MMBA), MHESLA, and MSHDA are not reflected in the table above.

Notes Payable

As of September 30, 2009, the MMBA has short-term notes outstanding of \$1.1 billion, the Michigan Public Education Facilities Authority (MPEFA) has short-term notes outstanding of \$41.4 million, and the Land Bank Fast Track Authority has \$25 thousand remaining in short-term notes outstanding.

State universities have short-term notes outstanding of \$.7 million and long-term notes outstanding of \$16.7 million as of June 30, 2009.

Unrecorded Limited Obligation Debt

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

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2009, MHEFA had bonds outstanding of \$630.5 million. Of this amount, \$27.8 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$602.7 million.

The Michigan Strategic Fund (MSF) issues, taxable and tax exempt, industrial development revenue bonds (IDRBs), which are not recorded as liabilities. The total amount of IDRBs issued by MSF and its predecessor entity for the period January 1, 1979 through September 30, 2009, was \$8.7 billion. The amount of tax-exempt bonds issued during fiscal year 2009 was \$324.5 million. In fiscal year 2009, bonds were issued in the amount of \$42.4 million by MSF under the Taxable Bond Program. These borrowings are in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$6.7 billion of no commitment bonds as of September 30, 2009. Of the above amount, \$1.1 billion has been defeased in substance, leaving a remaining undefeased balance of \$5.6 billion. Economic gains and accounting gains and losses resulting from in-substance defeasance inure to the benefit of the facility for which the bonds were issued and, accordingly, are not reflected in MSHFA's financial statements.

MSHDA has been authorized to issue up to \$800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2009, limited obligation bonds had been issued totaling \$787.3 million, of which 28 issues totaling \$319.4 million had been retired.

MSHDA entered into several interest rate exchange agreements for a total of \$1.3 billion as of June 30, 2009, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.4% to 5.4%.

MPEFA issues limited obligation bonds to finance loans to qualified public educational facilities for capital improvements. As of September 30, 2009, MPEFA had bonds outstanding of \$225.5 million, all of which are undefeased.

NOTE 15 – OTHER LONG-TERM OBLIGATIONS

Primary Government

Other Long-Term Obligations

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

Capital Leases

This liability is described in more detail in Note 12.

Compensated Absences

This liability is described in more detail in Note 1.

Workers' Compensation

The gross amount of workers' compensation liability, \$160.5 million at September 30, 2009, has been recorded at its discounted present value of \$107.9 million, using a discount rate of approximately 8%. The present value of the current portion of this liability is \$24.0 million. In fiscal year 2009, State agencies paid reimbursement for actual workers' compensation claims and administrative fees totaling \$37.1 million.

Net Pension Obligation

This liability is described in more detail in Note 10.

Net Other Postemployment Benefits (OPEB) Obligation

This liability is described in more detail in Note 11.

Pollution Remediation

This liability is measured in accordance with the obligating event criteria defined in Governmental Accounting Standards Boards (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The State's pollution remediation obligation at September 30, 2009, is \$174.3 million (\$16.3 million of which is the current portion). This estimate is based on professional judgment, experience, and historical cost data. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time due to changes in technology, prices, and regulations.

Superfund sites account for approximately \$141.7 million of this total. The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. Under this program, the State is required to pay or ensure payment of 10% of the cost of remediation action and 100% of the cost of operations and maintenance.

Other pollution obligations include funds committed for remediation activities for publicly-funded response activities and state-liable sites. Not included in the liability is approximately \$26.0 million for state-owned sites where a legal obligation exists but the GASB Statement No. 49 criteria for accruing a liability has not been met.

Financed Infrastructure Projects

This liability represents contracts entered into by the Department of Transportation for the design, building, and financing of construction projects. The liability of \$41.8 million at September 30, 2009, represents the amount of work completed at year-end.

Other Claims & Judgments

The governmental activities estimated liability for other claims and litigation losses, \$348.0 million at September 30, 2009, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that costs will be incurred. Also included is an estimated liability totaling \$.8 million for arbitrage payable to the federal government for interest earned on bond proceeds. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities includes overpayments by employers to the Michigan Unemployment Compensation Funds totaling \$56.0 million. Also included is the OPEB obligation for Attorney Discipline System totaling \$.6 million.

Durant Settlement

The reported estimated liability for litigation losses includes the Donald Durant, et al v State of Michigan, et al consolidated cases, which totaled \$201.8 million at September 30, 2009. This amount will, over time, be paid to each "non-Durant" school district for its underfunded State mandated program costs if certain requirements are met. See Note 24 for additional disclosure regarding the Durant case and other contingencies.

Federal Advances

During fiscal year 2009, the Michigan Unemployment Compensation Funds obtained repayable federal advances in the amount of \$2.3 billion from the U.S. Department of Labor in accordance with provisions of Section 1201 of the Social Security Act (also referred to as Title XII Advances). Federal advances of \$2.6 billion were outstanding at September 30, 2009.

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Changes in Other Long-Term Obligations

Changes in long-term liabilities for the year ended September 30, 2009, are summarized as follows (in millions):

Governmental Activities	Beginning Balance (Restated)**	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Other Long-term Obligations:						
Capital lease obligations:						
Component units	\$ 82.9	\$ 1.4	\$.3	\$ 84.0	\$.3	\$ 83.7
Others	237.6	26.2	18.2	245.6	17.3	228.3
Compensated absences	495.4	346.1	348.2	493.3	329.8	163.6
Workers' compensation	111.5	21.1	24.8	107.9	24.0	83.9
Net pension obligations	537.4	6.8	-	544.2	-	544.2
Net OPEB obligations	609.5	589.1	-	1,198.6	-	1,198.6
Pollution Remediation	176.6	13.0	15.2	174.3	16.3	158.0
Financed Infrastructure Projects	-	41.8	-	41.8	2.8	39.1
Other claims & judgments	417.0	156.9	225.9	348.0	103.1	244.9
Durant settlement	230.6	-	28.8	201.8	38.8	163.0
Total Governmental Activities	\$ 2,898.5	\$ 1,202.5	\$ 661.5	\$ 3,439.5	\$ 532.3	\$ 2,907.1
Business-type Activities						
Other Long-term Obligations:						
Advances from Federal government	\$ 362.4	\$ 2,281.9	\$ -	\$ 2,644.3	\$ -	\$ 2,644.3
Lottery prize awards*	286.4	57.7	71.2	272.9	57.6	215.3
Compensated absences	3.3	1.7	1.6	3.3	1.5	1.8
Other claims & judgments	55.5	1.1	-	56.6	-	56.6
Total Business-type Activities	\$ 707.6	\$ 2,342.3	\$ 72.9	\$ 2,977.1	\$ 59.0	\$ 2,918.1

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

**Beginning balance has been restated. More detailed information can be found in Note 4.

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

Discretely Presented Component Units

Michigan Education Trust

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

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

The actuarial report on the status of MET Plans B and C, as of September 30, 2009, shows the actuarial present value of future tuition obligations to be \$276.7 million, as compared to the actuarially determined market value of assets available of \$299.2 million. The actuarial assumptions used include: a projected tuition increase rate of 6.5% for all future years; and a discount rate of 2.2%.

The actuarial report on the status of MET Plan D, as of September 30, 2009, shows the actuarial present value of future tuition obligations to be \$642.3 million, as compared to the actuarially determined market value of assets available of \$589.6 million. The actuarial assumptions used include: a projected tuition increase rate of 6.5% for all future years; and a discount rate of 9.5%.

The actuarial assumptions used were changed since the prior valuations. The change in valuation resulted in the recognition of a tuition benefit expense credit for MET Plan D in the fiscal year ending September 30, 2009.

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

NOTE 16 – INCOME TAX CREDITS AND REFUNDS

Income Tax Credits

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

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

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

Property tax credits:	
General homestead	\$ 523.0
Senior citizens	349.8
Blind and disabled	52.9
Farmland preservation	35.8
Veterans	1.2
Subtotal - property tax credits	<u>962.7</u>
Adoption credit	.8
Home heating (excluding federal share)	.2
Total tax credits	<u>\$ 963.8</u>

Income Tax Refunds Payable

The \$822.7 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

NOTE 17 – DEFERRED COMPENSATION PLANS

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

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

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

Net assets available for plan benefits for the 457 plan and the 401k plan at September 30, 2009, were \$1.7 and \$1.8 billion, respectively.

NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES

Primary Government

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

<u>Due From</u>	<u>Due To</u>					Total
	General Fund	Non-Major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ 3.9	\$ 17.1	\$ 44.3	\$ 65.2
School Aid Fund	575.0	722.3	-	-	-	1,297.3
Non-major Governmental Funds	30.4	66.6	-	2.2	5.6	104.9
State Lottery Fund	-	-	-	-	.2	.2
Unemployment Compensation Funds	-	.4	5.1	-	-	5.5
Non-major Enterprise Funds	-	-	-	-	.1	.2
Internal Service Funds	-	-	-	17.3	2.2	19.5
Fiduciary Funds	.8	-	-	-	-	.8
Total	<u>\$ 606.2</u>	<u>\$ 789.3</u>	<u>\$ 9.0</u>	<u>\$ 36.6</u>	<u>\$ 52.4</u>	<u>\$ 1,493.6</u>

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

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$7.0 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction.

Discretely Presented Component Units

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

NOTE 19 – INTERFUND COMMITMENTS

Michigan Conservation and Recreation Legacy Fund

In fiscal year 2003, P.A. 746 of 2002, required the transfer of \$7.8 million from the Michigan State Waterways Fund (now accounted for within the Michigan Conservation and Recreation Legacy Fund) to the General Fund. The Act states that in the future the General Fund is to provide reimbursement. Interfund receivables and payables are not recorded for this commitment, because there is no repayment schedule and the repayment is considered long-term and budgetary in nature.

Mackinac Bridge Authority

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

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

As of September 30, 2009, MBA has repaid a total of \$11.5 million of the advance from the Michigan Transportation Fund, leaving a balance of \$51.5 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 20 – TRANSFERS

Interfund transfers for the year ended September 30, 2009, consisted of the following (in millions):

<u>Transferred From</u>	<u>Transferred To</u>			<u>Total</u>
	<u>General Fund</u>	<u>School Aid Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 76.5	\$ 305.6	\$ 382.1
School Aid Fund	-	-	39.0	39.0
Non-major Governmental Funds	88.5	-	1,253.2	1,341.7
State Lottery Fund	12.8	724.5	-	737.2
Unemployment Compensation Funds	3.7	-	1.1	4.7
Non-major Enterprise Funds	163.6	-	-	163.6
Internal Service Funds	3.0	-	-	3.0
Fiduciary Funds	.2	-	-	.2
Total	<u>\$ 271.7</u>	<u>\$ 801.0</u>	<u>\$ 1,598.9</u>	<u>\$ 2,671.6</u>

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

NOTE 21 – FUND DEFICITS

Primary Government

Governmental Funds

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$34.8 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 \$149.9 million. The fund deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

Proprietary Funds

The Office Services Revolving Fund, an internal service fund, had a net asset deficit of \$3.8 million. The fund deficit is expected to be eliminated over the next several fiscal years with rate increases as well as various cost saving initiatives.

The Michigan Unemployment Compensation Funds, an enterprise fund, had a net asset deficit of \$2.3 billion. The fund deficit was the result of increased unemployment benefits. Unemployment benefits paid totaled \$3.8 billion, which exceeded the \$1.4 billion collected from employers.

Discretely Presented Component Units

All discretely presented component units have positive net asset balances as of September 30, 2009, with the exception of the Michigan Education Trust (MET). MET's net asset deficit of \$30.2 million was caused primarily by the decrease in the fair value of investments.

NOTE 22 – FUND BALANCES AND NET ASSETS

Reservations - Primary Government

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

	General Fund	School Aid Fund	Other Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
Budgetary carry-forwards:						
Encumbrances	\$ 47.7	\$ 3.2	\$ 120.9	\$ -	\$ 27.5	\$ 199.4
Restricted revenues	447.6	246.3	227.3	-	1.4	922.6
Multi-year projects (capital outlay and work projects)	36.1	-	287.7	-	53.5	377.4
Construction and debt service	-	-	116.5	-	-	116.5
Revolving loan programs	5.0	-	69.8	-	-	74.8
Funds held as permanent investments	-	-	153.2	-	608.2	761.4
Noncurrent assets	258.1	1.6	23.6	-	-	283.4
Other purposes	-	-	-	.3	-	.3
Total Reserved Fund Balances	\$ 794.5	\$ 251.1	\$ 999.1	\$.3	\$ 690.7	\$ 2,735.7

Budgetary carry-forwards represent unused spending authorization that continues to be available in the new year. Restricted revenue carry-forwards include revenues restricted by law for specified purposes. The largest restricted revenue carry-forward in the General Fund is related to the Medicaid Benefits Trust Fund in the amount of \$38.6 million. The \$36.1 million of multi-year projects in the General Fund includes \$300 thousand of capital outlay and \$35.8 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

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

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

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

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

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

Net Asset Designations - Primary Government

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

The State Sponsored Group Insurance Fund, an internal service fund described in Note 25, designated \$46.2 million for future catastrophic losses.

Restricted Net Assets - Primary Government

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

	Restricted by Enabling Legislation	External or Constitutional Restrictions	Total
Governmental Activities:			
Restricted For:			
Education	\$ 1.6	\$ 497.2	\$ 498.8
Public safety and corrections	11.3	4.5	15.7
Conservation, environment, recreation, and agriculture	192.1	186.4	378.5
Health and human services	19.3	25.3	44.6
Transportation	-	699.1	699.1
Labor and economic growth	95.1	-	95.1
Other purposes	93.4	12.2	105.6
Funds Held as Permanent Investments:			
Expendable	-	123.0	123.0
Nonexpendable	8.7	608.2	616.9
Total Restricted Net Assets - Governmental	\$ 421.5	\$ 2,155.7	\$ 2,577.2
Business-Type Activities:			
Restricted For:			
Unemployment compensation	\$ 129.4	\$ -	\$ 129.4
Other purposes	7.6	-	7.6
Total Restricted Net Assets - Business-Type	\$ 137.1	\$ -	\$ 137.1
Total Primary Government:			
Restricted For:			
Education	\$ 1.6	\$ 497.2	\$ 498.8
Public safety and corrections	11.3	4.5	15.7
Conservation, environment, recreation, and agriculture	192.1	186.4	378.5
Health and human services	19.3	25.3	44.6
Transportation	-	699.1	699.1
Unemployment compensation	129.4	-	129.4
Labor and economic growth	95.1	-	95.1
Other purposes	101.0	12.2	113.2
Funds Held as Permanent Investments:			
Expendable	-	123.0	123.0
Nonexpendable	8.7	608.2	616.9
Total Restricted Net Assets - Primary Government	\$ 558.6	\$ 2,155.7	\$ 2,714.3

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NOTE 23 – DISAGGREGATION OF PAYABLES

The line "Current Liabilities: Accounts payable and other liabilities," as presented on the government-wide Statement of Net Assets as of September 30, 2009, consisted of the following (in millions):

	General Fund	School Aid Fund	Non-major Governmental Funds	Other Funds	State Lottery Fund	Michigan Unemployment Compensation Funds	Non-major Enterprise Funds	Total
Medicaid programs	\$ 613.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 613.4
Non-Medicaid health programs	171.5	-	-	-	-	-	-	171.5
Human Services programs	211.8	-	.6	-	-	-	-	212.3
Transportation programs	-	-	470.6	-	-	-	-	470.6
School Aid programs	-	152.3	-	-	-	-	-	152.3
Other state programs	306.2	-	38.5	-	-	-	-	344.7
Merit Award scholarships	-	-	2.1	-	-	-	-	2.1
Payroll and withholdings	202.1	-	28.3	-	.9	-	.6	231.8
Tax refunds other than income tax	237.2	4.3	5.0	-	-	-	-	246.6
Unearned receipts	99.4	-	.3	-	-	-	-	99.7
Amounts held for others	27.5	-	49.5	-	2.2	-	-	79.2
Capital project related	-	-	13.5	-	-	-	-	13.5
Prize awards	-	-	-	-	117.8	-	-	117.8
Liquor purchase	-	-	-	-	-	-	64.9	64.9
Unemployment payments	-	-	-	-	-	77.3	-	77.3
Internal Service Fund liabilities	-	-	-	78.2	-	-	-	78.2
Due to fiduciary funds*	-	-	-	52.4	-	-	-	52.4
Miscellaneous	-	-	-	-	9.7	-	.3	10.0
Total	\$ 1,869.1	\$ 156.6	\$ 608.4	\$ 130.6	\$ 130.6	\$ 77.3	\$ 65.7	\$ 3,038.3

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

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

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Primary Government

Litigation

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

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

Michigan
Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Following the submission of briefs, the Michigan Supreme Court heard oral arguments on October 6, 2009. No decision has been issued to date.

If the State is unsuccessful, it is reasonably possible that the State will pay substantial amounts to school districts for the unfunded mandates. Plaintiffs claim that they are owed approximately \$30 million, plus ongoing costs. After oral argument, plaintiffs' counsel stated to the press that the cost to districts was \$100 million. Additionally, Plaintiffs claim they are owed over \$1 million in attorney fees.

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

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

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

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

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

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, 2009, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

Gain Contingencies

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

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

Construction Projects

The Department of Transportation has entered into construction contracts that will be paid with transportation related funds. As of September 30, 2009, the balances remaining in these contracts equaled \$888.9 million.

Contingent Liability for Local School District Bonds

Article 9, Section 16, of the Michigan Constitution resulted in a contingent liability for the bonds of any school district which are "qualified" by the State Treasurer. If, for any reason, a qualified school district will be, or is unable, to pay the principal and interest on its qualified bonds when due, the school district shall borrow, and the State shall lend to it, any amount necessary for the school district to avoid a default on its qualified bonds. In the event that adequate funds are not available in the School Loan Revolving Fund to make such a loan, the State is required to make loans from the General Fund. As of September 30, 2009, the principal amount of qualified bonds outstanding was \$13.7 billion. Total debt service requirements on these bonds including interest will approximate \$1.4 billion in 2010. 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, 2009, is \$761.7 million. Interest due on these loans as of September 30, 2009, is \$192.4 million.

Discretely Presented Component Units

Student Loan Guarantees

The Michigan Higher Education Assistance Authority (MHEAA) is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State, other than MHEAA, is not liable for these loans. The default ratio for loans guaranteed by MHEAA is currently below 5% for the fiscal year ended September 30, 2009. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2008, is 100% for loans made prior to October 1, 1993, and 98% for loans made from October 1, 1993, to September 30, 1998. In the event of future adverse default experience, MHEAA could be liable for up to 25% of defaulted loans. Management does not expect that all guaranteed loans could default in one year. At the beginning of each fiscal year, MHEAA's reinsurance rate returns to 98%.

For loans made on or after October 1, 1998, the reinsurance rate is 95%. In the event of future adverse default experience, MHEAA could be liable for up to 25% of such defaulted loans. Accordingly, MHEAA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 2009, is \$1.1 billion.

The MHEAA entered into commitment agreements with all lenders that provide, among other things, that the MHEAA will maintain cash and marketable securities at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended. The MHEAA was in compliance with this requirement as of September 30, 2009.

Multi-Family Mortgage Loans

As of June 30, 2009, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of \$57.9 million and single-family mortgage loans in the amount of \$3.4 million.

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

NOTE 25 – RISK MANAGEMENT

Primary Government

General

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

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

For unemployment claims, the Unemployment Insurance Agency (UIA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UIA through September 30. During fiscal year 2009, expenditures for payments to former State employees (not including university employees) totaled \$18.6 million. The potential liability for future payments cannot be estimated.

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

Risk Management Fund

This fund was established during fiscal year 1990 to account for insurance management activities implemented within the Department of Management and Budget. The automobile liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of \$7.1 million. This includes a long-term portion, which is recorded at \$5.6 million. Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2009 and 2008 are as follows (in millions):

	2009	2008
Balance - beginning	\$ 5.1	\$ 5.8
Current year claims and changes in estimates	3.4	.6
Claim payments	(1.4)	(1.3)
Balance - ending	\$ 7.1	\$ 5.1

Workers' compensation payments for State agencies are processed centrally through the Risk Management Fund. Changes in Workers' compensation claims for the fiscal years ending September 30, 2009 and 2008 are as follows (in millions):

	2009	2008
Balance - beginning	\$ 111.5	\$ 112.9
Current year claims and changes in estimates	21.1	23.7
Claim payments	(24.8)	(25.1)
Balance - ending	\$ 107.9	\$ 111.5

Workers' compensation is further described in Note 15.

State Sponsored Group Insurance Fund

The Department of Management and Budget and the Civil Service Commission use this fund to account for employee benefit programs, which are largely self-funded. In compliance with Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the retiree insurance benefits programs are no longer reported in this fund. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of \$135.0 million. This includes a long-term portion, which is recorded at a discounted present value of \$86.7 million. For all claims incurred prior to October 1, 2009, the discounted present value of the long-term disability liability was calculated over a 20-year period using a discount rate of approximately .5%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net assets has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was \$46.2 million at September 30, 2009. Unrestricted net assets totaled \$58.2 million at September 30, 2009.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2009 and 2008 are as follows (in millions):

	2009	2008
Balance - beginning	\$ 132.9	\$ 134.3
Current year claims and changes in estimates	665.6	643.9
Claim payments	(663.5)	(645.3)
Balance - ending	\$ 135.0	\$ 132.9

Discretely Presented Component Units

State Universities

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

NOTE 26 – SUBSEQUENT EVENTS

Long-Term Borrowing

On November 3, 2009, the State issued its Michigan Department of Transportation State Trunkline Fund and Refunding Bonds, Series 2009, in the aggregated principal amount of \$146.2 million as fully registered bonds bearing interest which is payable semi-annually commencing May 1, 2010. Proceeds of this issuance were used to refund \$149.1 million of State Trunkline Fund Refunding Bonds, Series 1998A, and to fund certain transportation projects and issuance costs.

On December 10, 2009, the State Building Authority (SBA) issued its 2009 Revenue Bonds, Series II for \$113.5 million. This issuance funded new projects temporarily financed under SBA's commercial paper program, a reserve debt service account, and issuance costs.

Short-Term Borrowing

On December 10, 2009, the State issued its \$1.3 billion State of Michigan Full Faith and Credit General Obligation Notes, Fiscal Year 2010 Series A. The notes will mature on September 30, 2010, with an interest rate of 2.0%.

On November 5, 2009, SBA issued \$163.0 million of commercial paper notes; \$105.4 million at a rate of .25% which matured on December 10, 2009, and \$57.7 million at a rate of .30% which matured on January 7, 2010.

On January 7, 2010, SBA issued \$59.1 million of commercial paper notes at an interest rate of .25%. The notes will mature on March 25, 2010.

Michigan
Notes to the Financial Statements

Long-Term Borrowing - Discretely Presented Component Units

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

	<u>Bonds Issued</u>
Michigan Higher Education Facilities Authority	\$ 9.1
Michigan Public Educational Facilities Authority	22.4
Michigan State Hospital Finance Authority	433.6
Michigan State Housing Development Authority	350.0
Central Michigan University	32.3
Michigan Technological University	18.2
Oakland University	33.7
Total	<u>\$ 899.2</u>

Short-Term Borrowing - Discretely Presented Component Units

On February 10, 2010, the Michigan Municipal Bond Authority (MMBA) issued \$15.8 million of State Aid Notes maturing on August 23, 2010.

Disbursements to Local Units of Government - Discretely Presented Component Units

On October 23, 2009, funds totaling \$19.2 million were disbursed to 39 qualified schools from the Michigan Municipal Bond Authority's School Loan Revolving Fund.

Executive Reorganization

Under Executive Order 2009-4, effective October 1, 2009, the Michigan Exposition and Fairgrounds Authority (MEFA), will be abolished. The authority, duties, and responsibilities of MEFA will be transferred to the Department of Management and Budget.

Under Executive Order (EO) 2009-36, effective October 1, 2009, the Department of History, Arts and Libraries, a principal department, will be abolished. The authority, duties, and responsibilities of the department will be transferred to various existing State departments.

EO 2009-45, effective January 17, 2010, will merge the Department of Natural Resources and the Department of Environmental Quality into a new principal department, the Department of Natural Resources and Environment.

EO 2009-55, effective March 21, 2010, will merge the Department of Information Technology and the Department of Management and Budget into a new principal department, the Department of Technology, Management, and Budget.



II. FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009
(In Thousands)

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Beginning budgetary fund balance	\$ 937,178	\$ 937,178	\$ 937,178	\$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	9,106,000	7,695,706	7,695,706	-
Federal	20,000	31,151	31,151	-
Local	700	968	968	-
Licenses and permits	29,000	45,349	45,349	-
Services	8,100	9,410	9,410	-
Miscellaneous	210,500	175,317	175,317	-
Proceeds from sale of capital assets	-	657	657	-
Transfers in	186,000	214,854	214,854	-
Restricted Revenues:				
Taxes	3,054,007	3,562,490	3,562,490	-
Federal	11,554,304	13,698,001	13,698,001	-
Local	336,262	235,455	235,455	-
Licenses and permits	345,023	252,314	252,314	-
Services	293,955	275,639	275,639	-
Miscellaneous	804,361	573,001	573,001	-
Proceeds from sale of capital assets	-	1,547	1,547	-
Transfers in	39,851	56,843	56,843	-
Total Revenue Inflows	<u>25,988,062</u>	<u>26,828,700</u>	<u>26,828,700</u>	<u>-</u>
Amounts Available for Appropriation	<u>26,925,240</u>	<u>27,765,879</u>	<u>27,765,879</u>	<u>-</u>
Charges to Appropriations (outflows):				
Legislative Branch	143,972	126,973	126,727	246
Judicial Branch	261,904	241,823	241,569	254
Executive Branch:				
Agriculture	95,182	73,029	73,019	10
Attorney General	75,439	67,953	67,727	226
Civil Rights	14,475	13,780	13,492	288
Colleges and Universities Grants	1,949,974	2,019,945	2,018,339	1,606
Community Health	12,475,814	12,769,100	12,707,999	61,101
Corrections	2,019,694	1,998,009	1,996,695	1,315
Education	136,123	142,662	141,102	1,560
Energy, Labor and Economic Growth	993,180	959,017	957,837	1,180
Environmental Quality	327,782	186,230	186,152	79
Executive Office	5,317	5,038	4,978	60
History, Arts & Libraries	52,847	51,554	50,163	1,391
Human Services	4,579,311	5,266,261	5,242,966	23,295
Management and Budget	490,090	498,130	496,108	2,022
Military and Veterans Affairs	177,296	122,213	121,703	510
Natural Resources	76,581	60,379	60,376	3
State	221,942	192,660	188,516	4,143
State Police	530,293	483,736	483,562	174
Transportation	-	-	-	-
Treasury	1,545,011	2,539,482	2,494,609	44,872
Intrafund expenditure reimbursements	-	(572,656)	(572,656)	-
Total Charges to Appropriations	<u>26,172,227</u>	<u>27,245,318</u>	<u>27,100,983</u>	<u>144,335</u>
Reconciling Items:				
Change in noncurrent assets	-	1,009	1,009	-
Net Reconciling Items	-	1,009	1,009	-
Ending Budgetary Fund Balance	<u>\$ 753,014</u>	<u>\$ 521,570</u>	<u>\$ 665,905</u>	<u>\$ 144,335</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
 SEPTEMBER 30, 2009
 (In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 27,765,879	\$ 2,179	\$ 13,382,292
Differences - budget to GAAP:			
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(937,178)	(2,156)	(250,005)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,204)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(271,696)	-	(800,980)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 26,554,800</u>	<u>\$ 23</u>	<u>\$ 12,331,307</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 27,100,983	\$ -	\$ 13,138,553
Differences - budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	46,984	-	(2,790)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(382,137)	-	(39,000)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP.	40,283	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 26,806,113</u>	<u>\$ -</u>	<u>\$ 13,096,763</u>

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Statutory/Budgetary Presentation

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

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

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

The budgetary comparison schedule presented for the General Fund, the Budget Stabilization Fund, and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2009, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2008, and includes multi-year projects budgetary carry-forwards from the prior fiscal year.

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

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

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

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

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

Statutory/Budgetary Reconciliation

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

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

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

Statewide Authorization Dispositions

Subsequent to the release of this report, the State publishes "Statewide Authorization Dispositions" to demonstrate its compliance with the legal level of budgetary control. The report includes line-item appropriation details for the General Fund and budgeted operating funds, and is available by contacting the Office of Financial Management at (517) 373-3029.

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State’s network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,438 lane miles of roads and 4,762 bridges (spans in excess of 20 feet).

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

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

Roads

Measurement Scale

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

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

Established Condition Level

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

Assessed Conditions

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

Rating	2008	2007	2006
Good	82.7%	83.6%	83.2%
Poor	17.3%	16.4%	16.8%

Michigan

Bridges

Measurement Scale

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

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

Established Condition Level

No more than 35% of the highway bridges shall be rated as "structurally deficient."

Assessed Conditions

"Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements (e.g. the deck, superstructure, or substructure). The following table reports the percentage of bridges whose condition was assessed as "structurally deficient," in the stated year:

Calendar Year	Structurally Deficient
2008	9.9%
2007	11.4%
2006	12.8%

Bridges that do not carry highway traffic are not included in MDOT's condition assessment. As a result, the number of bridges that were evaluated (4,404) in calendar year 2008 is less than the total (4,762) maintained by the department.

Estimated and Actual Costs to Maintain

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

Fiscal Year	Estimated Spending	Actual Spending
2010	\$1,162.0	\$ -
2009	\$1,081.7	\$1,028.7
2008	\$ 829.0	\$1,003.7
2007	\$1,013.0	\$1,139.0
2006	\$1,109.0	\$1,131.4
2005	\$ 932.0	\$1,072.3





II. FINANCIAL SECTION

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

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 SEPTEMBER 30, 2009
 (In Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTALS
ASSETS					
Current Assets:					
Cash	\$ 446	\$ -	\$ -	\$ -	\$ 447
Equity in common cash	785,673	1,328	1,881	186,486	975,369
Taxes, interest, and penalties receivable	108,762	-	-	-	108,762
Amounts due from other funds	784,754	-	4,563	-	789,317
Amounts due from component units	1,588	-	3,677	-	5,265
Amounts due from federal agencies	287,723	-	-	-	287,723
Amounts due from local units	96,266	-	908	48	97,222
Inventories	8,633	-	-	-	8,633
Investments	31,587	207,124	15,854	-	254,565
Other current assets	230,486	1	159	8,735	239,382
Total Current Assets	<u>2,335,918</u>	<u>208,453</u>	<u>27,042</u>	<u>195,270</u>	<u>2,766,683</u>
Taxes, interest, and penalties receivable	5,861	-	-	-	5,861
Amounts due from local units	51,002	-	-	-	51,002
Investments	213,396	-	-	546,300	759,697
Other noncurrent assets	4,230	-	-	-	4,230
Total Assets	<u>\$ 2,610,407</u>	<u>\$ 208,453</u>	<u>\$ 27,042</u>	<u>\$ 741,571</u>	<u>\$ 3,587,473</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 7,025	\$ 1	\$ 88	\$ 144	\$ 7,257
Accounts payable and other liabilities	584,472	237	13,455	10,198	608,362
Amounts due to other funds	69,858	-	34,983	98	104,938
Bonds and notes payable	-	-	161,170	-	161,170
Interest payable	-	-	134	-	134
Deferred revenue	233,797	-	-	-	233,797
Total Current Liabilities	<u>895,152</u>	<u>237</u>	<u>209,828</u>	<u>10,440</u>	<u>1,115,657</u>
Long-Term Liabilities:					
Deferred revenue	9,444	-	-	-	9,444
Total Liabilities	<u>904,596</u>	<u>237</u>	<u>209,828</u>	<u>10,440</u>	<u>1,125,101</u>
Fund Balances:					
Reserved fund balance	999,125	300	-	690,658	1,690,083
Unreserved fund balance (deficit)	706,686	207,916	(182,786)	40,473	772,288
Total Fund Balances	<u>1,705,811</u>	<u>208,216</u>	<u>(182,786)</u>	<u>731,131</u>	<u>2,462,372</u>
Total Liabilities and Fund Balances	<u>\$ 2,610,407</u>	<u>\$ 208,453</u>	<u>\$ 27,042</u>	<u>\$ 741,571</u>	<u>\$ 3,587,473</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>PERMANENT FUNDS</u>	<u>TOTALS</u>
REVENUES					
Taxes	\$ 1,892,499	\$ -	\$ -	\$ -	\$ 1,892,499
From federal agencies	1,547,212	-	-	-	1,547,212
From local agencies	17,434	-	-	-	17,434
From services	3,827	-	-	-	3,827
From licenses and permits	157,319	-	-	-	157,319
Miscellaneous	682,000	635	1,030	102,704	786,370
Total Revenues	4,300,290	635	1,030	102,704	4,404,660
EXPENDITURES					
Current:					
General government	392,591	4,424	-	491	397,506
Education	20,970	4,044	51,556	-	76,570
Human services	75,458	-	-	-	75,458
Public safety and corrections	357	-	-	1,916	2,273
Conservation, environment, recreation, and agriculture	224,784	-	-	17,780	242,565
Labor, commerce, and regulatory	214,468	-	-	-	214,468
Health services	81,764	-	-	-	81,764
Transportation	2,195,295	426	-	-	2,195,721
Capital outlay	1,178,637	-	37,210	39,114	1,254,961
Debt Service:					
Bond principal retirement	-	222,000	-	-	222,000
Bond interest and fiscal charges	-	402,384	-	-	402,384
Capital lease payments	2,035	-	-	-	2,035
Total Expenditures	4,386,359	633,277	88,767	59,301	5,167,704
Excess of Revenues over (under) Expenditures	(86,069)	(632,643)	(87,736)	43,403	(763,045)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	424,864	30,935	145,702	-	601,500
Refunding bonds issued	-	775,640	-	-	775,640
Premium on bond issuance	1,272	9,476	-	-	10,748
Discount on bond issuance	(2,500)	(1,127)	(635)	-	(4,263)
Payment to refunded bond escrow agent	-	(777,179)	-	-	(777,179)
Capital lease acquisitions	921	-	-	-	921
Proceeds from sale of capital assets	804	-	-	19	823
Transfers from other funds	987,536	582,805	18,559	10,000	1,598,901
Transfers to other funds	(1,311,108)	(509)	(19,956)	(10,169)	(1,341,742)
Total Other Financing Sources (Uses)	101,790	620,041	143,669	(150)	865,349
Excess of Revenues and Other Sources over (under) Expenditures Other Uses	15,721	(12,602)	55,932	43,253	102,305
Fund Balances - Beginning of fiscal year	1,690,090	220,817	(238,718)	687,878	2,360,067
Fund Balances - End of fiscal year	\$ 1,705,811	\$ 208,216	\$ (182,786)	\$ 731,131	\$ 2,462,372

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
 SEPTEMBER 30, 2009
 (In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
ASSETS					
Current Assets:					
Cash	\$ 335	\$ 90	\$ -	\$ 22	\$ 446
Equity in common cash	319,487	213,806	59,175	193,204	785,673
Taxes, interest, and penalties receivable	108,571	191	-	-	108,762
Amounts due from other funds	735,347	12	10,539	38,856	784,754
Amounts due from component units	1,576	12	-	-	1,588
Amounts due from federal agencies	265,834	1,119	20,770	-	287,723
Amounts due from local units	95,662	604	-	-	96,266
Inventories	8,184	449	-	-	8,633
Investments	-	-	-	31,587	31,587
Other current assets	4,712	9,753	3,945	212,076	230,486
Total Current Assets	<u>1,539,708</u>	<u>226,036</u>	<u>94,429</u>	<u>475,745</u>	<u>2,335,918</u>
Taxes, interest, and penalties receivable	5,861	-	-	-	5,861
Amounts due from local units	36,652	14,350	-	-	51,002
Investments	-	122,066	-	91,330	213,396
Other noncurrent assets	1,456	1,275	-	1,499	4,230
Total Assets	<u>\$ 1,583,676</u>	<u>\$ 363,727</u>	<u>\$ 94,429</u>	<u>\$ 568,575</u>	<u>\$ 2,610,407</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 4,033	\$ 1,783	\$ 1,186	\$ 23	\$ 7,025
Accounts payable and other liabilities	525,751	28,958	26,930	2,833	584,472
Amounts due to other funds	55,945	1,883	11,992	37	69,858
Deferred revenue	15,526	1,878	5,709	210,685	233,797
Total Current Liabilities	<u>601,255</u>	<u>34,502</u>	<u>45,816</u>	<u>213,578</u>	<u>895,152</u>
Long-Term Liabilities:					
Deferred revenue	7,317	1,275	-	852	9,444
Total Liabilities	<u>608,572</u>	<u>35,777</u>	<u>45,816</u>	<u>214,430</u>	<u>904,596</u>
Fund Balances:					
Reserves For:					
Budgetary Carry-Forwards:					
Encumbrances	105,520	15,250	22	150	120,943
Restricted revenues	148,328	71,112	7,883	-	227,322
Multi-year projects	270,730	17,006	-	-	287,736
Construction and debt service	116,470	-	-	-	116,470
Revolving loan programs	37,841	31,990	-	-	69,831
Funds held as permanent investments	-	132,388	-	20,789	153,177
Noncurrent assets	22,998	-	-	647	23,646
Total Reserved	<u>701,888</u>	<u>267,746</u>	<u>7,905</u>	<u>21,586</u>	<u>999,125</u>
Unreserved	273,216	60,204	40,708	332,558	706,686
Total Fund Balances	<u>975,104</u>	<u>327,950</u>	<u>48,613</u>	<u>354,145</u>	<u>1,705,811</u>
Total Liabilities and Fund Balances	<u>\$ 1,583,676</u>	<u>\$ 363,727</u>	<u>\$ 94,429</u>	<u>\$ 568,575</u>	<u>\$ 2,610,407</u>

Michigan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
 FISCAL YEAR ENDED SEPTEMBER 30, 2009
 (In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
REVENUES					
Taxes	\$ 1,892,277	\$ 222	\$ -	\$ -	\$ 1,892,499
From federal agencies	1,370,423	4,784	171,006	999	1,547,212
From local agencies	17,434	-	-	-	17,434
From services	3,827	-	-	-	3,827
From licenses and permits	34,970	113,757	8,591	-	157,319
Miscellaneous	59,448	73,323	68,688	480,541	682,000
Total Revenues	<u>3,378,379</u>	<u>192,086</u>	<u>248,285</u>	<u>481,540</u>	<u>4,300,290</u>
EXPENDITURES					
Current:					
General government	-	1,832	22,033	368,726	392,591
Education	-	-	-	20,970	20,970
Human services	-	-	-	75,458	75,458
Public safety and corrections	-	-	-	357	357
Conservation, environment, recreation, and agriculture	-	224,784	-	-	224,784
Labor, commerce, and regulatory	-	-	214,468	-	214,468
Health services	-	-	-	81,764	81,764
Transportation	2,195,295	-	-	-	2,195,295
Capital outlay	1,163,502	15,135	-	-	1,178,637
Debt Service:					
Capital lease payments	171	-	1,863	-	2,035
Total Expenditures	<u>3,358,968</u>	<u>241,751</u>	<u>238,365</u>	<u>547,275</u>	<u>4,386,359</u>
Excess of Revenues over (under) Expenditures	<u>19,410</u>	<u>(49,664)</u>	<u>9,921</u>	<u>(65,735)</u>	<u>(86,069)</u>
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	281,910	49,890	-	93,064	424,864
Premium on bond issuance	-	1,272	-	-	1,272
Discount on bond issuance	(1,914)	(211)	-	(375)	(2,500)
Capital lease acquisitions	-	-	921	-	921
Proceeds from sale of capital assets	800	5	-	-	804
Transfers from other funds	952,520	30,871	4,066	79	987,536
Transfers to other funds	(1,164,295)	(19,342)	(16,042)	(111,429)	(1,311,108)
Total Other Financing Sources (Uses)	<u>69,021</u>	<u>62,484</u>	<u>(11,054)</u>	<u>(18,661)</u>	<u>101,790</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>88,431</u>	<u>12,819</u>	<u>(1,133)</u>	<u>(84,396)</u>	<u>15,721</u>
Fund Balances - Beginning of fiscal year	<u>886,673</u>	<u>315,131</u>	<u>49,746</u>	<u>438,541</u>	<u>1,690,090</u>
Fund Balances - End of fiscal year	<u>\$ 975,104</u>	<u>\$ 327,950</u>	<u>\$ 48,613</u>	<u>\$ 354,145</u>	<u>\$ 1,705,811</u>

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>TRANSPORTATION RELATED</u>			<u>CONSERVATION, ENVIRONMENT, AND RECREATION RELATED</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES						
Taxes	\$ 1,892,277	\$ 1,892,277	\$ -	\$ 222	\$ 222	\$ -
From federal agencies	1,066,501	1,066,501	-	4,470	4,470	-
From local agencies	16,299	16,299	-	-	-	-
From services	3,827	3,827	-	-	-	-
From licenses and permits	34,970	34,970	-	113,757	113,757	-
Miscellaneous	56,078	56,078	-	33,440	33,440	-
Proceeds from sale of capital assets	800	800	-	5	5	-
Transfers in	937,142	937,142	-	27,371	27,371	-
Total Revenues and Other Sources	<u>4,007,894</u>	<u>4,007,894</u>	<u>-</u>	<u>179,265</u>	<u>179,265</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Energy, Labor and Economic Growth	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Natural Resources	-	-	-	225,825	208,510	17,314
Transportation	4,308,278	4,186,609	121,669	-	-	-
Treasury	-	-	-	1,850	1,664	187
Total Expenditures, Transfers Out, and Encumbrances	<u>4,308,278</u>	<u>4,186,609</u>	<u>121,669</u>	<u>227,675</u>	<u>210,174</u>	<u>17,501</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (300,384)</u>	<u>(178,715)</u>	<u>\$ 121,669</u>	<u>\$ (48,410)</u>	<u>(30,909)</u>	<u>\$ 17,501</u>
Reconciling Items:						
Encumbrances at September 30		105,520			15,250	
Funds not annually budgeted		161,625			28,478	
Net Reconciling Items		<u>267,145</u>			<u>43,729</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>88,431</u>			<u>12,819</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances		<u>886,673</u>			<u>315,131</u>	
Ending balances (GAAP Basis)		<u>\$ 975,104</u>			<u>\$ 327,950</u>	

Michigan

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,892,499	\$ 1,892,499	\$ -
171,006	171,006	-	999	999	-	1,242,976	1,242,976	-
-	-	-	-	-	-	16,299	16,299	-
-	-	-	-	-	-	3,827	3,827	-
8,591	8,591	-	-	-	-	157,319	157,319	-
43,238	43,238	-	325,431	325,431	-	458,186	458,186	-
-	-	-	-	-	-	804	804	-
4,066	4,066	-	-	-	-	968,580	968,580	-
<u>226,901</u>	<u>226,901</u>	<u>-</u>	<u>326,430</u>	<u>326,430</u>	<u>-</u>	<u>4,740,490</u>	<u>4,740,490</u>	<u>-</u>
-	-	-	404	239	165	404	239	165
-	-	-	28,310	22,479	5,831	28,310	22,479	5,831
-	-	-	81,764	81,764	-	81,764	81,764	-
-	-	-	77,284	75,458	1,826	77,284	75,458	1,826
200,043	193,553	6,490	-	-	-	200,043	193,553	6,490
-	-	-	1,000	209	791	1,000	209	791
-	-	-	153	148	5	153	148	5
-	-	-	-	-	-	225,825	208,510	17,314
-	-	-	-	-	-	4,308,278	4,186,609	121,669
35,834	35,834	-	526,028	230,538	295,490	563,712	268,036	295,677
<u>235,878</u>	<u>229,387</u>	<u>6,490</u>	<u>714,942</u>	<u>410,835</u>	<u>304,108</u>	<u>5,486,773</u>	<u>5,037,005</u>	<u>449,768</u>
<u>\$ (8,977)</u>	<u>(2,486)</u>	<u>\$ 6,490</u>	<u>\$ (388,513)</u>	<u>(84,405)</u>	<u>\$ 304,108</u>	<u>\$ (746,283)</u>	<u>(298,515)</u>	<u>\$ 449,768</u>
	22			150			120,943	
	<u>1,332</u>			<u>(141)</u>			<u>191,294</u>	
	<u>1,353</u>			<u>9</u>			<u>312,236</u>	
	<u>(1,133)</u>			<u>(84,396)</u>			<u>15,721</u>	
	<u>49,746</u>			<u>438,541</u>			<u>1,690,090</u>	
	<u>\$ 48,613</u>			<u>\$ 354,145</u>			<u>\$ 1,705,811</u>	



SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

STATE AERONAUTICS FUND

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

STATE TRUNKLINE FUND

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

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

MICHIGAN TRANSPORTATION FUND

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

COMPREHENSIVE TRANSPORTATION FUND

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

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

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

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

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

TRANSPORTATION RELATED TRUST FUNDS

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
 SEPTEMBER 30, 2009
 (In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
ASSETS				
Current Assets:				
Cash	\$ 9	\$ 75	\$ -	\$ 26
Equity in common cash	15,705	-	-	43,859
Taxes, interest, and penalties receivable	527	-	108,044	-
Amounts due from other funds	-	579,016	129,604	26,728
Amounts due from component units	-	1,576	-	-
Amounts due from federal agencies	53,009	153,944	-	13,908
Amounts due from local units	25,410	43,826	-	1,048
Inventories	-	8,184	-	-
Other current assets	37	4,603	1	71
Total Current Assets	<u>94,697</u>	<u>791,223</u>	<u>237,649</u>	<u>85,639</u>
Taxes, interest, and penalties receivable	234	-	5,627	-
Amounts due from local units	223	31,373	-	5,055
Other noncurrent assets	-	622	-	834
Total Assets	<u>\$ 95,154</u>	<u>\$ 823,218</u>	<u>\$ 243,276</u>	<u>\$ 91,528</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 28	\$ 3,169	\$ 363	\$ 212
Accounts payable and other liabilities	72,432	178,698	192,398	24,074
Amounts due to other funds	83	3,807	32,389	107
Deferred revenue	7	2,380	12,500	2
Total Current Liabilities	<u>72,550</u>	<u>188,054</u>	<u>237,649</u>	<u>24,395</u>
Long-Term Liabilities:				
Deferred revenue	234	622	5,627	834
Total Liabilities	<u>72,784</u>	<u>188,676</u>	<u>243,276</u>	<u>25,229</u>
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	6,434	62,034	-	37,052
Restricted revenues	788	146,360	-	1,180
Multi-year projects	6,244	264,486	-	-
Construction and debt service	-	116,470	-	-
Revolving loan programs	2,200	22,193	-	13,448
Noncurrent assets	-	22,998	-	-
Total Reserved	<u>15,666</u>	<u>634,542</u>	<u>-</u>	<u>51,680</u>
Unreserved	6,704	-	-	14,620
Total Fund Balances	<u>22,370</u>	<u>634,542</u>	<u>-</u>	<u>66,300</u>
Total Liabilities and Fund Balances	<u>\$ 95,154</u>	<u>\$ 823,218</u>	<u>\$ 243,276</u>	<u>\$ 91,528</u>

Michigan

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS
\$ -	\$ -	\$ 224	\$ 335
197,174	62,749	-	319,487
-	-	-	108,571
-	-	-	735,347
-	-	-	1,576
195	-	44,779	265,834
615	-	24,763	95,662
-	-	-	8,184
-	-	-	4,712
<u>197,985</u>	<u>62,749</u>	<u>69,766</u>	<u>1,539,708</u>
-	-	-	5,861
-	-	-	36,652
-	-	-	1,456
<u>\$ 197,985</u>	<u>\$ 62,749</u>	<u>\$ 69,766</u>	<u>\$ 1,583,676</u>
\$ -	\$ -	\$ 261	\$ 4,033
6,359	1,846	49,944	525,751
-	-	19,560	55,945
637	-	-	15,526
<u>6,996</u>	<u>1,846</u>	<u>69,766</u>	<u>601,255</u>
-	-	-	7,317
<u>6,996</u>	<u>1,846</u>	<u>69,766</u>	<u>608,572</u>
-	-	-	105,520
-	-	-	148,328
-	-	-	270,730
-	-	-	116,470
-	-	-	37,841
-	-	-	22,998
-	-	-	701,888
<u>190,989</u>	<u>60,903</u>	<u>-</u>	<u>273,216</u>
<u>190,989</u>	<u>60,903</u>	<u>-</u>	<u>975,104</u>
<u>\$ 197,985</u>	<u>\$ 62,749</u>	<u>\$ 69,766</u>	<u>\$ 1,583,676</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	\$ 5,692	\$ -	\$ 1,803,699	\$ 82,887
From federal agencies	115,840	916,841	-	33,820
From local agencies	44	16,254	-	-
From services	488	17	3,323	-
From licenses and permits	318	4,654	29,676	323
Miscellaneous	3,508	49,481	1,995	1,094
Total Revenues	125,889	987,248	1,838,692	118,124
EXPENDITURES				
Current:				
Transportation	128,518	630,774	894,325	243,259
Capital outlay	527	1,042,003	-	-
Debt service:				
Capital lease payments	-	171	-	-
Total Expenditures	129,045	1,672,948	894,325	243,259
Excess of Revenues over (under) Expenditures	(3,156)	(685,700)	944,367	(125,136)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	-
Discount on bond issuance	-	-	-	-
Proceeds from sale of capital assets	-	800	-	-
Transfers from other funds	6,000	773,874	299	156,970
Transfers to other funds	(3,486)	(163,374)	(944,666)	(29,985)
Total Other Financing Sources (Uses)	2,514	611,299	(944,367)	126,984
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(642)	(74,401)	-	1,849
Fund Balances - Beginning of fiscal year	23,012	708,943	-	64,451
Fund Balances - End of fiscal year	<u>\$ 22,370</u>	<u>\$ 634,542</u>	<u>\$ -</u>	<u>\$ 66,300</u>

Michigan

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS
\$ -	\$ -	\$ -	\$ 1,892,277
27,076	-	276,845	1,370,423
1,135	-	-	17,434
-	-	-	3,827
-	-	-	34,970
987	1,863	519	59,448
<u>29,198</u>	<u>1,863</u>	<u>277,365</u>	<u>3,378,379</u>
10,232	10,823	277,365	2,195,295
120,608	364	-	1,163,502
-	-	-	171
<u>130,841</u>	<u>11,186</u>	<u>277,365</u>	<u>3,358,968</u>
<u>(101,642)</u>	<u>(9,323)</u>	<u>-</u>	<u>19,410</u>
281,910	-	-	281,910
(1,914)	-	-	(1,914)
-	-	-	800
-	15,378	-	952,520
(22,783)	-	-	(1,164,295)
<u>257,213</u>	<u>15,378</u>	<u>-</u>	<u>69,021</u>
155,570	6,054	-	88,431
35,418	54,849	-	886,673
<u>\$ 190,989</u>	<u>\$ 60,903</u>	<u>\$ -</u>	<u>\$ 975,104</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	<u>STATE AERONAUTICS FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES			
Taxes	\$ 5,692	\$ 5,692	\$ -
From federal agencies	115,840	115,840	-
From local agencies	44	44	-
From services	488	488	-
From licenses and permits	318	318	-
Miscellaneous	3,508	3,508	-
Proceeds from sale of capital assets	-	-	-
Transfers in	6,000	6,000	-
Total Revenues and Other Sources	<u>131,889</u>	<u>131,889</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	<u>143,189</u>	<u>138,966</u>	<u>4,223</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>143,189</u>	<u>138,966</u>	<u>4,223</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (11,299)</u>	<u>(7,076)</u>	<u>\$ 4,223</u>
Reconciling Items:			
Encumbrances at September 30		6,434	
Funds not annually budgeted		-	
Net Reconciling Items		<u>6,434</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(642)</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances		<u>23,012</u>	
Ending balances (GAAP Basis)		<u>\$ 22,370</u>	

Michigan

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ 1,803,699	\$ 1,803,699	\$ -
916,841	916,841	-	-	-	-
16,254	16,254	-	-	-	-
17	17	-	3,323	3,323	-
4,654	4,654	-	29,676	29,676	-
49,481	49,481	-	1,995	1,995	-
800	800	-	-	-	-
<u>773,874</u>	<u>773,874</u>	<u>-</u>	<u>299</u>	<u>299</u>	<u>-</u>
<u>1,761,921</u>	<u>1,761,921</u>	<u>-</u>	<u>1,838,990</u>	<u>1,838,990</u>	<u>-</u>
<u>1,941,934</u>	<u>1,898,356</u>	<u>43,578</u>	<u>1,909,103</u>	<u>1,838,990</u>	<u>70,113</u>
<u>1,941,934</u>	<u>1,898,356</u>	<u>43,578</u>	<u>1,909,103</u>	<u>1,838,990</u>	<u>70,113</u>
<u>\$ (180,013)</u>	<u>(136,435)</u>	<u>\$ 43,578</u>	<u>\$ (70,113)</u>	<u>-</u>	<u>\$ 70,113</u>
	62,034			-	
	<u>-</u>			<u>-</u>	
	<u>62,034</u>			<u>-</u>	
	<u>(74,401)</u>			<u>-</u>	
	<u>708,943</u>			<u>-</u>	
	<u>\$ 634,542</u>			<u>\$ -</u>	

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

Statutory/Budgetary Basis	COMPREHENSIVE TRANSPORTATION FUND		
	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	\$ 82,887	\$ 82,887	\$ -
From federal agencies	33,820	33,820	-
From local agencies	-	-	-
From services	-	-	-
From licenses and permits	323	323	-
Miscellaneous	1,094	1,094	-
Proceeds from sale of capital assets	-	-	-
Transfers in	156,970	156,970	-
Total Revenues and Other Sources	<u>275,093</u>	<u>275,093</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	<u>314,052</u>	<u>310,297</u>	<u>3,756</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>314,052</u>	<u>310,297</u>	<u>3,756</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (38,959)</u>	<u>(35,203)</u>	<u>\$ 3,756</u>
Reconciling Items:			
Encumbrances at September 30		37,052	
Funds not annually budgeted		<u>-</u>	
Net Reconciling Items		<u>37,052</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>1,849</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances		<u>64,451</u>	
Ending balances (GAAP Basis)		<u>\$ 66,300</u>	

FUNDS NOT ANNUALLY BUDGETED

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS		
			BUDGET	ACTUAL	VARIANCE
ACTUAL	ACTUAL	ACTUAL			
\$ -	\$ -	\$ -	\$ 1,892,277	\$ 1,892,277	\$ -
-	-	-	1,066,501	1,066,501	-
-	-	-	16,299	16,299	-
-	-	-	3,827	3,827	-
-	-	-	34,970	34,970	-
-	-	-	56,078	56,078	-
-	-	-	800	800	-
-	-	-	937,142	937,142	-
-	-	-	4,007,894	4,007,894	-
-	-	-	4,308,278	4,186,609	121,669
-	-	-	4,308,278	4,186,609	121,669
-	-	-	\$ (300,384)	(178,715)	\$ 121,669
-	-	-	-	105,520	-
155,570	6,054	-	-	161,625	-
155,570	6,054	-	-	267,145	-
155,570	6,054	-	-	88,431	-
35,418	54,849	-	-	886,673	-
\$ 190,989	\$ 60,903	\$ -	-	\$ 975,104	-

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-the-road vehicles, recreation trails, and State forest recreation.

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

MICHIGAN GAME AND FISH PROTECTION TRUST FUND

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

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

COMBINED RECREATION BOND FUND - LOCAL PROJECTS

Established in 1988, this fund operates under Sections 324.19606 - 324.19612, 324.19615, 324.71303, and 324.71506 - 324.71508 of the Michigan Compiled Laws (MCL). The residual balances in this fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988, as part of a \$140 million bond package for financing state and local public recreation projects, and \$50 million of general obligation bonds approved by voters in November of 1998, as part of a \$675 million bond package known as the "Clean Michigan Initiative." Proceeds from the 1988 bond package provided grants and loans to local units of government in the amounts of \$65 million for local recreation projects and \$5 million to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package also provided grants to local units of government for local recreation projects pursuant to MCL Section 324.71602.

COMBINED ENVIRONMENTAL PROTECTION BOND FUND

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

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

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

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND

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

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

**MICHIGAN CIVILIAN CONSERVATION CORPS
ENDOWMENT FUND**

Michigan Compiled Laws Section 409.312a established this fund for the purpose of conserving, improving, and developing the State's natural resources, and for enhancing, preserving, and maintaining public lands and waters through the employment of residents of this State in work training programs.

FOREST DEVELOPMENT FUND

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

BOTTLE DEPOSITS FUND

Michigan Compiled Laws (MCL) Section 445.573c created the Bottle Deposits Fund to provide for the disposition of unredeemed bottle deposits. The Department of Treasury and the Department of 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.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2009
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS
ASSETS			
Current Assets:			
Cash	\$ 69	\$ 1	\$ -
Equity in common cash	68,025	5,930	2,147
Taxes, interest, and penalties receivable	191	-	-
Amounts due from other funds	-	-	-
Amounts due from component units	-	-	-
Amounts due from federal agencies	970	-	-
Amounts due from local units	-	-	-
Inventories	449	-	-
Other current assets	6,838	1,379	-
Total Current Assets	76,543	7,309	2,147
Amounts due from local units	-	-	-
Investments	1,675	114,349	-
Other noncurrent assets	-	-	-
Total Assets	\$ 78,218	\$ 121,659	\$ 2,147
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 345	\$ -	\$ -
Accounts payable and other liabilities	13,381	-	1
Amounts due to other funds	1,308	-	-
Deferred revenue	1,069	-	-
Total Current Liabilities	16,102	-	1
Long-Term Liabilities:			
Deferred revenue	-	-	-
Total Liabilities	16,102	-	1
Fund Balances:			
Reserves for:			
Budgetary Carry-Forwards:			
Encumbrances	14,653	-	-
Restricted revenues	21,797	-	-
Multi-year projects	15,078	-	-
Revolving loan programs	-	-	-
Funds held as permanent investments	1,747	115,659	-
Total Reserved	53,274	115,659	-
Unreserved	8,842	6,000	2,146
Total Fund Balances	62,115	121,659	2,146
Total Liabilities and Fund Balances	\$ 78,218	\$ 121,659	\$ 2,147

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COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ -	\$ -	\$ 19	\$ -	\$ 90
52,368	489	318	7,841	76,688	213,806
-	-	-	-	-	191
12	-	-	-	-	12
12	-	-	-	-	12
-	-	-	149	-	1,119
-	-	-	-	604	604
-	-	-	-	-	449
-	52	2	93	1,390	9,753
<u>52,392</u>	<u>541</u>	<u>320</u>	<u>8,102</u>	<u>78,682</u>	<u>226,036</u>
-	-	-	-	14,350	14,350
-	6,042	-	-	-	122,066
-	-	-	-	1,275	1,275
<u>\$ 52,392</u>	<u>\$ 6,583</u>	<u>\$ 320</u>	<u>\$ 8,102</u>	<u>\$ 94,307</u>	<u>\$ 363,727</u>
\$ 952	\$ -	\$ 1	\$ 30	\$ 455	\$ 1,783
11,282	64	31	2,411	1,788	28,958
13	3	3	376	180	1,883
-	-	-	241	568	1,878
<u>12,247</u>	<u>67</u>	<u>34</u>	<u>3,059</u>	<u>2,990</u>	<u>34,502</u>
-	-	-	-	1,275	1,275
<u>12,247</u>	<u>67</u>	<u>34</u>	<u>3,059</u>	<u>4,265</u>	<u>35,777</u>
-	18	-	580	-	15,250
-	-	-	-	49,315	71,112
-	-	-	1,929	-	17,006
-	-	-	-	31,990	31,990
-	6,245	-	-	8,737	132,388
-	6,263	-	2,509	90,042	267,746
<u>40,145</u>	<u>253</u>	<u>285</u>	<u>2,534</u>	<u>-</u>	<u>60,204</u>
<u>40,145</u>	<u>6,516</u>	<u>285</u>	<u>5,042</u>	<u>90,042</u>	<u>327,950</u>
<u>\$ 52,392</u>	<u>\$ 6,583</u>	<u>\$ 320</u>	<u>\$ 8,102</u>	<u>\$ 94,307</u>	<u>\$ 363,727</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND	MICHIGAN GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS
REVENUES			
Taxes	\$ 222	\$ -	\$ -
From federal agencies	4,372	-	-
From licenses and permits	113,756	-	-
Miscellaneous	5,360	17,721	23
	<u>123,710</u>	<u>17,721</u>	<u>23</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	1,663	2	-
Conservation, environment, recreation, and agriculture	143,535	62	25
Capital outlay	14,612	-	-
	<u>159,811</u>	<u>63</u>	<u>25</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>(36,101)</u>	<u>17,658</u>	<u>(2)</u>
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	-	-	-
Premium on bond issuance	-	-	-
Discount on bond issuance	-	-	-
Proceeds from sale of capital assets	5	-	-
Transfers from other funds	27,371	-	-
Transfers to other funds	(2,749)	(10,766)	(1)
	<u>24,626</u>	<u>(10,766)</u>	<u>(1)</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(11,474)</u>	<u>6,892</u>	<u>(3)</u>
Fund Balances - Beginning of fiscal year	<u>73,590</u>	<u>114,766</u>	<u>2,149</u>
Fund Balances - End of fiscal year	<u>\$ 62,115</u>	<u>\$ 121,659</u>	<u>\$ 2,146</u>

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COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222
-	-	-	98	314	4,784
-	-	-	1	-	113,757
2,086	858	7	27,214	20,053	73,323
<u>2,086</u>	<u>858</u>	<u>7</u>	<u>27,314</u>	<u>20,367</u>	<u>192,086</u>
167	-	-	-	-	1,832
32,920	597	495	30,383	16,767	224,784
-	-	-	523	-	15,135
<u>33,086</u>	<u>598</u>	<u>495</u>	<u>30,906</u>	<u>16,767</u>	<u>241,751</u>
(31,001)	261	(488)	(3,592)	3,600	(49,664)
49,890	-	-	-	-	49,890
1,272	-	-	-	-	1,272
(211)	-	-	-	-	(211)
-	-	-	-	-	5
-	-	-	-	3,500	30,871
<u>(3,501)</u>	<u>(7)</u>	<u>(2)</u>	<u>(357)</u>	<u>(1,960)</u>	<u>(19,342)</u>
47,450	(7)	(2)	(357)	1,540	62,484
16,449	254	(490)	(3,949)	5,140	12,819
<u>23,696</u>	<u>6,262</u>	<u>775</u>	<u>8,991</u>	<u>84,902</u>	<u>315,131</u>
<u>\$ 40,145</u>	<u>\$ 6,516</u>	<u>\$ 285</u>	<u>\$ 5,042</u>	<u>\$ 90,042</u>	<u>\$ 327,950</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

Statutory/Budgetary Basis	MICHIGAN CONSERVATION AND RECREATION LEGACY FUND			MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	\$ 222	\$ 222	\$ -	\$ -	\$ -	\$ -
From federal agencies	4,372	4,372	-	-	-	-
From licenses and permits	113,756	113,756	-	-	-	-
Miscellaneous	5,360	5,360	-	858	858	-
Proceeds of sale of capital assets	5	5	-	-	-	-
Transfers in	27,371	27,371	-	-	-	-
Total Revenues and Other Sources	<u>151,086</u>	<u>151,086</u>	<u>-</u>	<u>858</u>	<u>858</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	191,592	175,549	16,043	833	622	212
Treasury	1,850	1,663	187	-	-	-
Total Expenditures, Transfers Out and Encumbrances	<u>193,442</u>	<u>177,212</u>	<u>16,230</u>	<u>833</u>	<u>622</u>	<u>212</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (42,356)</u>	<u>(26,127)</u>	<u>\$ 16,230</u>	<u>\$ 25</u>	<u>236</u>	<u>\$ 212</u>
Reconciling Items:						
Encumbrances at September 30		14,653			18	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>14,653</u>			<u>18</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(11,474)</u>			<u>254</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances		<u>73,590</u>			<u>6,262</u>	
Ending balances (GAAP Basis)		<u>\$ 62,115</u>			<u>\$ 6,516</u>	

Michigan

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			FOREST DEVELOPMENT FUND		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	98	98	-
-	-	-	1	1	-
7	7	-	27,214	27,214	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7</u>	<u>7</u>	<u>-</u>	<u>27,314</u>	<u>27,314</u>	<u>-</u>
509	497	12	32,890	31,843	1,048
-	-	-	-	-	-
<u>509</u>	<u>497</u>	<u>12</u>	<u>32,890</u>	<u>31,843</u>	<u>1,048</u>
<u>\$ (502)</u>	<u>(490)</u>	<u>\$ 12</u>	<u>\$ (5,577)</u>	<u>(4,529)</u>	<u>\$ 1,048</u>
-	-	-	-	580	-
-	-	-	-	<u>580</u>	-
-	(490)	-	-	<u>(3,949)</u>	-
-	<u>775</u>	-	-	<u>8,991</u>	-
<u>\$ 285</u>	<u>285</u>	-	<u>\$ 5,042</u>	<u>5,042</u>	-

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			
	MICHIGAN GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	BOTTLE DEPOSITS FUND
	ACTUAL	ACTUAL	ACTUAL	ACTUAL
<u>Statutory/Budgetary Basis</u>				
REVENUES AND OTHER SOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	-	-	-
From licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Proceeds of sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Total Revenues and Other Sources	-	-	-	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY				
Natural Resources	-	-	-	-
Treasury	-	-	-	-
Total Expenditures, Transfers Out and Encumbrances	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	-
Reconciling Items:				
Encumbrances at September 30	-	-	-	-
Funds not annually budgeted	6,892	(3)	16,449	5,140
Net Reconciling Items	6,892	(3)	16,449	5,140
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	6,892	(3)	16,449	5,140
FUND BALANCES (GAAP BASIS)				
Beginning balances	114,766	2,149	23,696	84,902
Ending balances (GAAP Basis)	\$ 121,659	\$ 2,146	\$ 40,145	\$ 90,042

TOTALS		
BUDGET	ACTUAL	VARIANCE
\$ 222	\$ 222	\$ -
4,470	4,470	-
113,757	113,757	-
33,440	33,440	-
5	5	-
<u>27,371</u>	<u>27,371</u>	<u>-</u>
179,265	179,265	-
225,825	208,510	17,314
<u>1,850</u>	<u>1,664</u>	<u>187</u>
<u>227,675</u>	<u>210,174</u>	<u>17,501</u>
<u>\$ (48,410)</u>	<u>(30,909)</u>	<u>\$ 17,501</u>
	15,250	
	<u>28,478</u>	
	<u>43,729</u>	
	<u>12,819</u>	
	<u>315,131</u>	
	<u>\$ 327,950</u>	



SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

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

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

SAFETY EDUCATION AND TRAINING FUND

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

STATE CONSTRUCTION CODE FUND

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

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Established by Michigan Compiled Laws Section 570.1201, the Homeowner Construction Lien Recovery Fund allows contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers.

STATE CASINO GAMING FUND

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

SECOND INJURY FUND

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

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

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

SELF-INSURERS' SECURITY FUND

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

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

UTILITY CONSUMER REPRESENTATION FUND

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 2009
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
ASSETS				
Current Assets:				
Equity in common cash	\$ -	\$ 6,321	\$ 2,174	\$ 924
Amounts due from other funds	426	-	-	-
Amounts due from federal agencies	20,770	-	-	-
Other current assets	94	20	105	-
Total Current Assets	<u>21,290</u>	<u>6,341</u>	<u>2,279</u>	<u>924</u>
Total Assets	<u>\$ 21,290</u>	<u>\$ 6,341</u>	<u>\$ 2,279</u>	<u>\$ 924</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 16	\$ 1	\$ 5	\$ 98
Accounts payable and other liabilities	9,616	564	393	258
Amounts due to other funds	11,657	71	101	1
Deferred revenue	-	-	-	-
Total Current Liabilities	<u>21,290</u>	<u>637</u>	<u>499</u>	<u>357</u>
Total Liabilities	<u>21,290</u>	<u>637</u>	<u>499</u>	<u>357</u>
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	-	16	5	-
Restricted revenues	-	-	-	-
Total Reserved	<u>-</u>	<u>16</u>	<u>5</u>	<u>-</u>
Unreserved	<u>-</u>	<u>5,688</u>	<u>1,775</u>	<u>568</u>
Total Fund Balances	<u>-</u>	<u>5,704</u>	<u>1,780</u>	<u>568</u>
Total Liabilities and Fund Balances	<u>\$ 21,290</u>	<u>\$ 6,341</u>	<u>\$ 2,279</u>	<u>\$ 924</u>

STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	TOTALS
\$ 10,886	\$ 6,169	\$ 2,119	\$ 26,818	\$ 3,764	\$ 59,175
-	10,113	-	-	-	10,539
-	-	-	-	-	20,770
179	2,003	180	1,364	-	3,945
<u>11,065</u>	<u>18,284</u>	<u>2,299</u>	<u>28,182</u>	<u>3,764</u>	<u>94,429</u>
<u>\$ 11,065</u>	<u>\$ 18,284</u>	<u>\$ 2,299</u>	<u>\$ 28,182</u>	<u>\$ 3,764</u>	<u>\$ 94,429</u>
\$ 334	\$ 506	\$ 105	\$ 119	\$ 2	\$ 1,186
927	1,803	354	12,797	216	26,930
115	22	8	13	3	11,992
29	3,180	310	2,189	-	5,709
<u>1,405</u>	<u>5,512</u>	<u>777</u>	<u>15,118</u>	<u>222</u>	<u>45,816</u>
<u>1,405</u>	<u>5,512</u>	<u>777</u>	<u>15,118</u>	<u>222</u>	<u>45,816</u>
-	-	-	-	-	22
7,883	-	-	-	-	7,883
<u>7,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,905</u>
1,777	12,773	1,522	13,064	3,543	40,708
9,660	12,773	1,522	13,064	3,543	48,613
<u>11,065</u>	<u>18,284</u>	<u>2,299</u>	<u>28,182</u>	<u>3,764</u>	<u>94,429</u>

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
REVENUES				
From federal agencies	\$ 171,006	\$ -	\$ -	\$ -
From licenses and permits	-	-	7,522	-
Miscellaneous	559	9,201	16	753
Total Revenues	171,565	9,201	7,537	753
EXPENDITURES				
Current:				
General government	-	-	-	-
Labor, commerce, and regulatory	170,204	8,660	9,603	2,403
Debt Service:				
Capital lease payments	1,863	-	-	-
Total Expenditures	172,067	8,660	9,603	2,403
Excess of Revenues over (under) Expenditures	(502)	541	(2,065)	(1,650)
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions	921	-	-	-
Transfers from other funds	1,066	-	3,000	-
Transfers to other funds	(1,486)	(89)	(143)	(2)
Total Other Financing Sources (Uses)	502	(89)	2,857	(2)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	451	791	(1,652)
Fund Balances - Beginning of fiscal year	-	5,253	988	2,219
Fund Balances - End of fiscal year	\$ -	\$ 5,704	\$ 1,780	\$ 568

Michigan

STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,006
1,069	-	-	-	-	8,591
<u>32,709</u>	<u>14,128</u>	<u>1,742</u>	<u>8,457</u>	<u>1,124</u>	<u>68,688</u>
<u>33,779</u>	<u>14,128</u>	<u>1,742</u>	<u>8,457</u>	<u>1,124</u>	<u>248,285</u>
21,563	-	-	-	470	22,033
-	14,014	1,973	6,989	623	214,468
-	-	-	-	-	1,863
<u>21,563</u>	<u>14,014</u>	<u>1,973</u>	<u>6,989</u>	<u>1,093</u>	<u>238,365</u>
<u>12,216</u>	<u>114</u>	<u>(231)</u>	<u>1,468</u>	<u>31</u>	<u>9,921</u>
-	-	-	-	-	921
-	-	-	-	-	4,066
<u>(14,272)</u>	<u>(24)</u>	<u>(8)</u>	<u>(14)</u>	<u>(4)</u>	<u>(16,042)</u>
<u>(14,272)</u>	<u>(24)</u>	<u>(8)</u>	<u>(14)</u>	<u>(4)</u>	<u>(11,054)</u>
(2,056)	89	(239)	1,454	27	(1,133)
<u>11,716</u>	<u>12,683</u>	<u>1,761</u>	<u>11,610</u>	<u>3,515</u>	<u>49,746</u>
<u>\$ 9,660</u>	<u>\$ 12,773</u>	<u>\$ 1,522</u>	<u>\$ 13,064</u>	<u>\$ 3,543</u>	<u>\$ 48,613</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

Statutory/Budgetary Basis	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND			SAFETY EDUCATION AND TRAINING FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ 171,006	\$ 171,006	\$ -	\$ -	\$ -	\$ -
From licenses and permits	-	-	-	-	-	-
Miscellaneous	559	559	-	9,201	9,201	-
Transfers in	1,066	1,066	-	-	-	-
Total Revenues and Other Sources	172,631	172,631	-	9,201	9,201	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Energy, Labor and Economic Growth	172,631	172,631	-	9,629	8,766	863
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	172,631	172,631	-	9,629	8,766	863
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ -	-	\$ -	\$ (428)	435	\$ 863
Reconciling Items:						
Encumbrances at September 30		-			16	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			16	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-			451	
FUND BALANCES (GAAP BASIS)						
Beginning balances		-			5,253	
Ending balances (GAAP Basis)		\$ -			\$ 5,704	

Michigan

STATE CONSTRUCTION CODE FUND			HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,522	7,522	-	-	-	-
16	16	-	753	753	-
<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,537</u>	<u>10,537</u>	<u>-</u>	<u>753</u>	<u>753</u>	<u>-</u>
15,356	9,751	5,605	2,427	2,405	22
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,356</u>	<u>9,751</u>	<u>5,605</u>	<u>2,427</u>	<u>2,405</u>	<u>22</u>
<u>\$ (4,819)</u>	<u>786</u>	<u>\$ 5,605</u>	<u>\$ (1,674)</u>	<u>(1,652)</u>	<u>\$ 22</u>
	5			-	
	<u>-</u>			<u>-</u>	
	<u>5</u>			<u>-</u>	
	<u>791</u>			<u>(1,652)</u>	
	<u>988</u>			<u>2,219</u>	
	<u>\$ 1,780</u>			<u>\$ 568</u>	

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

Statutory/Budgetary Basis	STATE CASINO GAMING FUND		
	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	\$ -	\$ -	\$ -
From licenses and permits	1,069	1,069	-
Miscellaneous	32,709	32,709	-
Transfers in	-	-	-
Total Revenues and Other Sources	<u>33,779</u>	<u>33,779</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Energy, Labor and Economic Growth	-	-	-
Treasury	35,834	35,834	-
Total Expenditures, Transfers Out, and Encumbrances	<u>35,834</u>	<u>35,834</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (2,056)</u>	<u>(2,056)</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>(2,056)</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances		11,716	
Ending balances (GAAP Basis)		<u>\$ 9,660</u>	

FUNDS NOT ANNUALLY BUDGETED

SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	TOTALS		
				BUDGET	ACTUAL	VARIANCE
ACTUAL	ACTUAL	ACTUAL	ACTUAL			
\$ -	\$ -	\$ -	\$ -	\$ 171,006	\$ 171,006	\$ -
-	-	-	-	8,591	8,591	-
-	-	-	-	43,238	43,238	-
-	-	-	-	4,066	4,066	-
-	-	-	-	226,901	226,901	-
-	-	-	-	200,043	193,553	6,490
-	-	-	-	35,834	35,834	-
-	-	-	-	235,878	229,387	6,490
-	-	-	-	<u>\$ (8,977)</u>	<u>(2,486)</u>	<u>\$ 6,490</u>
-	-	-	-		22	
89	(239)	1,454	27		1,332	
89	(239)	1,454	27		1,353	
89	(239)	1,454	27		(1,133)	
12,683	1,761	11,610	3,515		49,746	
<u>\$ 12,773</u>	<u>\$ 1,522</u>	<u>\$ 13,064</u>	<u>\$ 3,543</u>		<u>\$ 48,613</u>	



SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

SCHOOL BOND LOAN FUND

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

21st CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21st Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. 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 2015, the fund will also receive a portion of the tobacco settlement revenue received by the State.

MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY

Michigan Compiled Laws Section 129.264 created the Michigan Tobacco Settlement Finance Authority (MTSFA) to issue bonds necessary to provide sufficient funds to purchase all or a portion of the State's tobacco receipts from the master settlement agreement between tobacco manufacturers and the State. MTSFA may also issue refunding bonds. Bonds are special revenue obligations that are payable primarily from and secured by a pledge of encumbered tobacco revenue and other assets. These bonds are not a general obligation of the State. MTSFA is required to disburse the net proceeds of the bonds to the 21st Century Jobs Trust Fund. The MTSFA special revenue fund receives bond proceeds and disburses those for the intended purposes stated in the official statement of each bond series.

MTSFA is administered by a seven-member board of directors, including the State Treasurer; the Director of the Department of Energy, Labor and Economic Growth; and five other members appointed by the Governor with varying levels of consent from the members of the Legislature.

MICHIGAN MERIT AWARD TRUST FUND

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

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

CHILDREN'S TRUST FUND

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

ASSIGNED CLAIMS FACILITY AND PLAN FUND

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

MILITARY FAMILY RELIEF FUND

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

MISCELLANEOUS SPECIAL REVENUE FUNDS

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
 SEPTEMBER 30, 2009
 (In Thousands)

	SCHOOL BOND LOAN FUND	21ST CENTURY JOBS TRUST FUND	MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY	MICHIGAN MERIT AWARD TRUST FUND
ASSETS				
Current Assets:				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in common cash	748	152,764	146	32,637
Amounts due from other funds	-	38,856	-	-
Investments	-	-	31,587	-
Other current assets	-	56,250	51,335	103,054
Total Current Assets	<u>748</u>	<u>247,869</u>	<u>83,069</u>	<u>135,691</u>
Investments	-	-	70,802	-
Other noncurrent assets	-	-	-	500
Total Assets	<u>\$ 748</u>	<u>\$ 247,869</u>	<u>\$ 153,870</u>	<u>\$ 136,191</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ -	\$ -	\$ 6
Accounts payable and other liabilities	-	-	4	2,150
Amounts due to other funds	-	-	1	21
Deferred revenue	-	56,250	50,513	102,747
Total Current Liabilities	<u>-</u>	<u>56,250</u>	<u>50,518</u>	<u>104,924</u>
Deferred revenue	-	-	-	500
Total Liabilities	<u>-</u>	<u>56,250</u>	<u>50,518</u>	<u>105,424</u>
Fund Balances:				
Reserves for:				
Encumbrances	-	-	-	150
Funds held as permanent investments	-	-	-	-
Noncurrent assets	-	-	-	-
Total Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>
Unreserved	<u>748</u>	<u>191,619</u>	<u>103,352</u>	<u>30,617</u>
Total Fund Balances	<u>748</u>	<u>191,619</u>	<u>103,352</u>	<u>30,767</u>
Total Liabilities and Fund Balances	<u>\$ 748</u>	<u>\$ 247,869</u>	<u>\$ 153,870</u>	<u>\$ 136,191</u>

Michigan

<u>CHILDREN'S TRUST FUND</u>	<u>ASSIGNED CLAIMS FACILITY AND PLAN FUND</u>	<u>MILITARY FAMILY RELIEF FUND</u>	<u>MISCELLANEOUS SPECIAL REVENUE FUNDS</u>	<u>TOTALS</u>
\$ 17	\$ 5	\$ -	\$ -	\$ 22
1,770	272	2,372	2,496	193,204
-	-	-	-	38,856
-	-	-	-	31,587
358	934	-	144	212,076
<u>2,145</u>	<u>1,211</u>	<u>2,372</u>	<u>2,640</u>	<u>475,745</u>
20,529	-	-	-	91,330
-	-	-	999	1,499
<u>\$ 22,674</u>	<u>\$ 1,211</u>	<u>\$ 2,372</u>	<u>\$ 3,640</u>	<u>\$ 568,575</u>
\$ 13	\$ -	\$ 5	\$ -	\$ 23
591	27	2	58	2,833
7	8	-	-	37
-	1,176	-	-	210,685
<u>610</u>	<u>1,211</u>	<u>6</u>	<u>58</u>	<u>213,578</u>
-	-	-	352	852
<u>610</u>	<u>1,211</u>	<u>6</u>	<u>410</u>	<u>214,430</u>
-	-	-	-	150
20,789	-	-	-	20,789
-	-	-	647	647
<u>20,789</u>	<u>-</u>	<u>-</u>	<u>647</u>	<u>21,586</u>
1,275	-	2,365	2,582	332,558
<u>22,064</u>	<u>-</u>	<u>2,365</u>	<u>3,229</u>	<u>354,145</u>
<u>\$ 22,674</u>	<u>\$ 1,211</u>	<u>\$ 2,372</u>	<u>\$ 3,640</u>	<u>\$ 568,575</u>

Michigan

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

SPECIAL REVENUE FUNDS - OTHER STATE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	SCHOOL BOND LOAN FUND	21ST CENTURY JOBS TRUST FUND	MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY	MICHIGAN MERIT AWARD TRUST FUND
REVENUES				
From federal agencies	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	75,000	43,086	204,366
Total Revenues	-	75,000	43,086	204,366
EXPENDITURES				
Current:				
General government	92,735	118,049	240	2,501
Education	-	-	-	20,970
Human services	-	-	-	72,490
Public safety and corrections	-	-	-	148
Health services	-	-	-	81,764
Total Expenditures	92,735	118,049	240	177,872
Excess of Revenues over (under) Expenditures	(92,735)	(43,049)	42,846	26,494
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	93,064	-	-	-
Discount on bond issuance	(375)	-	-	-
Transfers from other funds	79	-	-	-
Transfers to other funds	-	(42,000)	(67,812)	(1,535)
Total Other Financing Sources (Uses)	92,768	(42,000)	(67,812)	(1,535)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	33	(85,049)	(24,965)	24,959
Fund Balances - Beginning of fiscal year	715	276,668	128,317	5,808
Fund Balances - End of fiscal year	<u>\$ 748</u>	<u>\$ 191,619</u>	<u>\$ 103,352</u>	<u>\$ 30,767</u>

Michigan

<u>CHILDREN'S TRUST FUND</u>	<u>ASSIGNED CLAIMS FACILITY AND PLAN FUND</u>	<u>MILITARY FAMILY RELIEF FUND</u>	<u>MISCELLANEOUS SPECIAL REVENUE FUNDS</u>	<u>TOTALS</u>
\$ 999	\$ -	\$ -	\$ -	\$ 999
2,530	154,921	448	190	480,541
<u>3,529</u>	<u>154,921</u>	<u>448</u>	<u>190</u>	<u>481,540</u>
-	154,837	-	364	368,726
-	-	-	-	20,970
2,968	-	-	-	75,458
-	-	209	-	357
-	-	-	-	81,764
<u>2,968</u>	<u>154,837</u>	<u>209</u>	<u>364</u>	<u>547,275</u>
<u>561</u>	<u>83</u>	<u>239</u>	<u>(174)</u>	<u>(65,735)</u>
-	-	-	-	93,064
-	-	-	-	(375)
-	-	-	-	79
-	(83)	-	-	(111,429)
-	(83)	-	-	(18,661)
561	-	239	(174)	(84,396)
<u>21,503</u>	<u>-</u>	<u>2,126</u>	<u>3,404</u>	<u>438,541</u>
<u>\$ 22,064</u>	<u>\$ -</u>	<u>\$ 2,365</u>	<u>\$ 3,229</u>	<u>\$ 354,145</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>21ST CENTURY JOBS TRUST FUND</u>			<u>MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	75,000	75,000	-	43,086	43,086	-
Total Revenues and Other Sources	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>43,086</u>	<u>43,086</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Treasury	351,668	160,049	191,619	171,403	68,052	103,352
Total Expenditures, Transfers Out, and Encumbrances	<u>351,668</u>	<u>160,049</u>	<u>191,619</u>	<u>171,403</u>	<u>68,052</u>	<u>103,352</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (276,668)</u>	<u>(85,049)</u>	<u>\$ 191,619</u>	<u>\$ (128,317)</u>	<u>(24,965)</u>	<u>\$ 103,352</u>
Reconciling Items:						
Encumbrances at September 30		-			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(85,049)</u>			<u>(24,965)</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances		<u>276,668</u>			<u>128,317</u>	
Ending balances (GAAP Basis)		<u>\$ 191,619</u>			<u>\$ 103,352</u>	

Michigan

MICHIGAN MERIT AWARD TRUST FUND			CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ 999	\$ 999	\$ -	\$ -	\$ -	\$ -
204,366	204,366	-	2,530	2,530	-	448	448	-
<u>204,366</u>	<u>204,366</u>	<u>-</u>	<u>3,529</u>	<u>3,529</u>	<u>-</u>	<u>448</u>	<u>448</u>	<u>-</u>
404	239	165	-	-	-	-	-	-
28,310	22,479	5,831	-	-	-	-	-	-
81,764	81,764	-	-	-	-	-	-	-
72,490	72,490	-	4,794	2,968	1,826	-	-	-
-	-	-	-	-	-	1,000	209	791
153	148	5	-	-	-	-	-	-
2,956	2,437	519	-	-	-	-	-	-
<u>186,077</u>	<u>179,557</u>	<u>6,520</u>	<u>4,794</u>	<u>2,968</u>	<u>1,826</u>	<u>1,000</u>	<u>209</u>	<u>791</u>
<u>\$ 18,289</u>	<u>24,809</u>	<u>\$ 6,520</u>	<u>\$ (1,265)</u>	<u>561</u>	<u>\$ 1,826</u>	<u>\$ (552)</u>	<u>239</u>	<u>\$ 791</u>
	150			-			-	
	<u>150</u>			<u>-</u>			<u>-</u>	
	24,959			561			239	
	<u>5,808</u>			<u>21,503</u>			<u>2,126</u>	
	<u>\$ 30,767</u>			<u>\$ 22,064</u>			<u>\$ 2,365</u>	

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

Statutory/Budgetary Basis	FUNDS NOT ANNUALLY BUDGETED					
	SCHOOL BOND LOAN FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ -	\$ -	\$ -	\$ 999	\$ 999	\$ -
Miscellaneous	-	-	-	325,431	325,431	-
Total Revenues and Other Sources	-	-	-	326,430	326,430	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	404	239	165
Colleges and Universities Grants	-	-	-	28,310	22,479	5,831
Community Health	-	-	-	81,764	81,764	-
Human Services	-	-	-	77,284	75,458	1,826
Military and Veterans Affairs	-	-	-	1,000	209	791
State Police	-	-	-	153	148	5
Treasury	-	-	-	526,028	230,538	295,490
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	714,942	410,835	304,108
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	<u>\$ (388,513)</u>	<u>(84,405)</u>	<u>\$ 304,108</u>
Reconciling Items:						
Encumbrances at September 30	-	-	-		150	
Funds not annually budgeted	33	-	(174)		(141)	
Net Reconciling Items	33	-	(174)		9	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	33	-	(174)		(84,396)	
FUND BALANCES (GAAP BASIS)						
Beginning balances	715	-	3,404		438,541	
Ending balances (GAAP Basis)	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ 3,229</u>		<u>\$ 354,145</u>	

DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all State Trunkline Fund (STF) related bond issues allowed for under Michigan Compiled Laws Section 247.661. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in STF. Debt service requirements are funded by annual appropriations in STF.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all Comprehensive Transportation Fund (CTF) related bond issues allowed for under Michigan Compiled Laws Section 247.660b. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in CTF. Debt service requirements are funded by annual appropriations in CTF.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Sections 324.19506 and 324.71506 of the Michigan Compiled Laws (MCL) established this fund to service bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Also pursuant to MCL Section 324.95102, the fund services bond issues of the Clean Michigan Initiative Bond Fund-Local Projects, Clean Michigan Initiative Bond Fund-State Projects, and Clean Michigan Initiative Bond Fund-Environmental Projects. This fund also reflects debt service transactions related to State Park Improvement Fund (SPIF) revenue bonds, issued pursuant to MCL Section 324.74106.

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

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

SCHOOL LOAN BOND REDEMPTION FUND

Michigan Compiled Laws Section 388.922 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund or School Aid Fund.

MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY

The Michigan Tobacco Settlement Finance Authority (MTSFA) was created by Michigan Compiled Laws Section 129.264. The debt service fund was established to account for debt service payment on bonds issued by MTSFA. The MTSFA special revenue fund receives bond proceeds and disburses those for the intended purposes stated in the Official Statement of each bond series. Debt service financing is provided by pledged tobacco settlement revenues, as described in the bond indentures of MTSFA, that are received by the special revenue fund. These bonds are not a general obligation of the State.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment.

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

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
 SEPTEMBER 30, 2009
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in common cash	\$ -	\$ -	\$ 1,328
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	<u>-</u>	<u>-</u>	<u>1,328</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,328</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ -	\$ -	\$ 1
Accounts payable and other liabilities	-	-	1
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>1</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1</u>
Fund Balances:			
Reserved for other purposes	-	-	300
Unreserved	-	-	1,026
Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,326</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,328</u>

<u>SCHOOL LOAN BOND REDEMPTION FUND</u>	<u>MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY</u>	<u>STATE BUILDING AUTHORITY</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ 1,328
-	-	207,124	207,124
-	-	1	1
-	-	207,125	208,453
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,125</u>	<u>\$ 208,453</u>
\$ -	\$ -	\$ -	\$ 1
-	-	236	237
-	-	236	237
-	-	236	237
-	-	-	300
-	-	206,889	207,916
-	-	206,889	208,216
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,125</u>	<u>\$ 208,453</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2009
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	\$ -	\$ -	\$ 8
Total Revenues	-	-	8
EXPENDITURES			
Current:			
General government	-	-	442
Education	-	-	-
Transportation	-	426	-
Debt Service:			
Bond principal retirement	48,385	7,515	22,066
Bond interest and fiscal charges	110,073	10,430	45,251
Total Expenditures	158,458	18,370	67,759
Excess of Revenues over (under) Expenditures	(158,458)	(18,370)	(67,752)
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	-	-	-
Refunding bonds issued	-	42,335	47,905
Premium on bond issuance	-	2,268	488
Discount on bond issuance	-	-	(106)
Payment to refunded bond escrow agent	-	(44,177)	(47,845)
Transfers from other funds	158,458	17,945	67,338
Transfers to other funds	-	-	-
Total Other Financing Sources (Uses)	158,458	18,370	67,780
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	28
Fund Balances - Beginning of fiscal year	-	-	1,299
Fund Balances - End of fiscal year	\$ -	\$ -	\$ 1,326

Michigan

SCHOOL LOAN BOND REDEMPTION FUND	MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY	STATE BUILDING AUTHORITY	TOTALS
\$ -	\$ -	\$ 627	\$ 635
-	-	627	635
3,982	-	-	4,424
-	-	4,044	4,044
-	-	-	426
15,890	6,620	121,524	222,000
53,189	61,190	122,250	402,384
73,061	67,810	247,818	633,277
(73,061)	(67,810)	(247,191)	(632,643)
30,935	-	-	30,935
416,746	-	268,653	775,640
587	-	6,135	9,476
(819)	-	(203)	(1,127)
(413,309)	-	(271,848)	(777,179)
39,000	67,810	232,254	582,805
(79)	-	(430)	(509)
73,061	67,810	234,562	620,041
-	-	(12,629)	(12,602)
-	-	219,518	220,817
\$ -	\$ -	\$ 206,889	\$ 208,216



CAPITAL PROJECTS FUNDS

COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund operates under Sections 324.19601 – 324.19616, 324.71501 – 324.71514, and 324.74106 – 324.74113 of the Michigan Compiled Laws. The balances in the fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988 as part of a \$140 million bond package for financing State and local public recreation projects and \$50 million of general obligation bonds approved by voters in November 1998 as part of a \$675 million bond package known as the "Clean Michigan Initiative."

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

ADVANCE FINANCING FUNDS

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

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

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

The Site Preparation Economic Development Fund is created through the annual appropriations process to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment. The SBA's five-member board is appointed by the Governor.

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

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2009
(In Thousands)

	COMBINED RECREATION BOND FUND - STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS
ASSETS				
Current Assets:				
Equity in common cash	\$ 1,881	\$ -	\$ -	\$ 1,881
Amounts due from other funds	-	4,563	-	4,563
Amounts due from component units	-	3,677	-	3,677
Amounts due from local units	-	908	-	908
Investments	-	-	15,854	15,854
Other current assets	-	-	159	159
Total Current Assets	<u>1,881</u>	<u>9,148</u>	<u>16,013</u>	<u>27,042</u>
Total Assets	<u>\$ 1,881</u>	<u>\$ 9,148</u>	<u>\$ 16,013</u>	<u>\$ 27,042</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ 88	\$ -	\$ 88
Accounts payable and other liabilities	-	13,435	20	13,455
Amounts due to other funds	-	30,420	4,563	34,983
Bonds and notes payable	-	-	161,170	161,170
Interest payable	-	-	134	134
Total Current Liabilities	<u>-</u>	<u>43,942</u>	<u>165,886</u>	<u>209,828</u>
Total Liabilities	<u>-</u>	<u>43,942</u>	<u>165,886</u>	<u>209,828</u>
Fund Balances:				
Unreserved	<u>1,881</u>	<u>(34,795)</u>	<u>(149,873)</u>	<u>(182,786)</u>
Total Fund Balances	<u>1,881</u>	<u>(34,795)</u>	<u>(149,873)</u>	<u>(182,786)</u>
Total Liabilities and Fund Balances	<u>\$ 1,881</u>	<u>\$ 9,148</u>	<u>\$ 16,013</u>	<u>\$ 27,042</u>

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

CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	COMBINED RECREATION BOND FUND - STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS
REVENUES				
Miscellaneous	\$ 20	\$ -	\$ 1,010	\$ 1,030
Total Revenues	20	-	1,010	1,030
EXPENDITURES				
Current:				
Education	-	1,401	50,155	51,556
Conservation, environment, recreation, and agriculture	-	-	-	-
Capital outlay	-	21,991	15,220	37,210
Total Expenditures	-	23,391	65,375	88,767
Excess of Revenues over (under) Expenditures	20	(23,391)	(64,365)	(87,736)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	145,702	145,702
Discount on bond issuance	-	-	(635)	(635)
Transfers from other funds	-	18,129	430	18,559
Transfers to other funds	-	-	(19,956)	(19,956)
Total Other Financing Sources (Uses)	-	18,129	125,539	143,669
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	20	(5,262)	61,175	55,932
Fund Balances - Beginning of fiscal year	1,862	(29,533)	(211,047)	(238,718)
Fund Balances - End of fiscal year	\$ 1,881	\$ (34,795)	\$ (149,873)	\$ (182,786)



PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Sections 324.1901 - 324.1910 of the Michigan Compiled Laws. Most "royalty revenues" (i.e. rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned lands) are credited to the fund. A portion (50%, up to \$10 million per year) of these revenues are transferred to the Michigan State Parks Endowment Fund (MSPEF). The State Treasurer directs the investments of the fund, which include fixed income and equity investments.

The interest and investment earnings and one-third of royalty revenues are available for appropriation. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to fund payments in lieu of property taxes on State lands acquired by the fund. Two-thirds of royalty revenues, less the portion transferred to MSPEF, are added to the accumulated principal until the accumulated principal reaches \$500 million. After that time, all royalties will be deposited into MSPEF and only investment earnings and interest will be available for appropriation in this fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund is governed by the provisions of Michigan Compiled Laws Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to \$10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land are deposited into this fund until the Michigan Natural Resources Trust Fund reaches an accumulated principal of \$500 million after which time all revenue previously going to that fund will go to this fund. The fund's investment reserve will be capped at \$800 million.

The legislature is limited to appropriating no more than 50% of the amount transferred from the Michigan Natural Resources Trust Fund plus interest and investment earnings. When the fund's reserve reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit, annually adjusted for inflation, may be expended.

MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

COMBINING BALANCE SHEET
PERMANENT FUNDS
SEPTEMBER 30, 2009
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
ASSETS				
Current Assets:				
Equity in common cash	\$ 161,941	\$ 16,441	\$ 8,105	\$ 186,486
Amounts due from local units	-	-	48	48
Other current assets	7,434	942	359	8,735
Total Current Assets	<u>169,375</u>	<u>17,383</u>	<u>8,513</u>	<u>195,270</u>
Investments	<u>374,963</u>	<u>130,641</u>	<u>40,697</u>	<u>546,300</u>
Total Assets	<u>\$ 544,338</u>	<u>\$ 148,024</u>	<u>\$ 49,209</u>	<u>\$ 741,571</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 109	\$ 35	\$ -	\$ 144
Accounts payable and other liabilities	9,041	1,123	35	10,198
Amounts due to other funds	28	65	5	98
Total Current Liabilities	<u>9,177</u>	<u>1,222</u>	<u>40</u>	<u>10,440</u>
Total Liabilities	<u>9,177</u>	<u>1,222</u>	<u>40</u>	<u>10,440</u>
Fund Balances:				
Reserves For:				
Budgetary Carry-Forwards:				
Encumbrances	27,493	39	-	27,533
Restricted revenues	-	1,429	-	1,429
Multi-year projects	53,517	-	-	53,517
Funds held as permanent investments	418,491	140,690	49,000	608,180
Total Reserved	<u>499,501</u>	<u>142,157</u>	<u>49,000</u>	<u>690,658</u>
Unreserved	<u>35,660</u>	<u>4,644</u>	<u>169</u>	<u>40,473</u>
Total Fund Balances	<u>535,161</u>	<u>146,801</u>	<u>49,169</u>	<u>731,131</u>
Total Liabilities and Fund Balances	<u>\$ 544,338</u>	<u>\$ 148,024</u>	<u>\$ 49,209</u>	<u>\$ 741,571</u>

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

PERMANENT FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
REVENUES				
Miscellaneous	\$ 86,964	\$ 11,638	\$ 4,102	\$ 102,704
Total Revenues	<u>86,964</u>	<u>11,638</u>	<u>4,102</u>	<u>102,704</u>
EXPENDITURES				
Current:				
General government	488	2	1	491
Public safety and corrections	-	-	1,916	1,916
Conservation, environment, recreation, and agriculture	2,695	15,085	-	17,780
Capital outlay	38,879	236	-	39,114
Total Expenditures	<u>42,062</u>	<u>15,322</u>	<u>1,917</u>	<u>59,301</u>
Excess of Revenues over (under) Expenditures	<u>44,902</u>	<u>(3,684)</u>	<u>2,186</u>	<u>43,403</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	19	-	-	19
Transfers from other funds	-	10,000	-	10,000
Transfers to other funds	(10,025)	(136)	(8)	(10,169)
Total Other Financing Sources (Uses)	<u>(10,006)</u>	<u>9,864</u>	<u>(8)</u>	<u>(150)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	34,896	6,180	2,178	43,253
Fund Balances - Beginning of fiscal year	<u>500,265</u>	<u>140,622</u>	<u>46,991</u>	<u>687,878</u>
Fund Balances - End of fiscal year	<u>\$ 535,161</u>	<u>\$ 146,801</u>	<u>\$ 49,169</u>	<u>\$ 731,131</u>

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

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

Statutory/Budgetary Basis	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Miscellaneous	\$ 86,964	\$ 86,964	\$ -	\$ 11,638	\$ 11,638	\$ -
Proceeds from sale of capital assets	19	19	-	-	-	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	<u>86,983</u>	<u>86,983</u>	<u>-</u>	<u>21,638</u>	<u>21,638</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	80,725	79,092	1,633	16,222	15,495	726
Treasury	506	488	18	2	2	-
Total Expenditures, Transfers Out, and Encumbrances	<u>81,231</u>	<u>79,581</u>	<u>1,650</u>	<u>16,224</u>	<u>15,497</u>	<u>726</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ 5,752</u>	<u>7,402</u>	<u>\$ 1,650</u>	<u>\$ 5,414</u>	<u>6,141</u>	<u>\$ 726</u>
Reconciling Items:						
Encumbrances at September 30		<u>27,493</u>			<u>39</u>	
Net Reconciling Items		<u>27,493</u>			<u>39</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>34,896</u>			<u>6,180</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances		<u>500,265</u>			<u>140,622</u>	
Ending balances (GAAP Basis)		<u>\$ 535,161</u>			<u>\$ 146,801</u>	

MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 4,102	\$ 4,102	\$ -	\$ 102,704	\$ 102,704	\$ -
-	-	-	19	19	-
-	-	-	10,000	10,000	-
<u>4,102</u>	<u>4,102</u>	<u>-</u>	<u>112,723</u>	<u>\$ 112,723</u>	<u>\$ -</u>
4,966	1,924	3,042	4,966	1,924	3,042
-	-	-	96,947	94,588	2,359
1	1	-	508	491	18
<u>4,967</u>	<u>1,925</u>	<u>3,042</u>	<u>102,422</u>	<u>97,003</u>	<u>5,419</u>
<u>\$ (865)</u>	<u>2,178</u>	<u>\$ 3,042</u>	<u>\$ 10,302</u>	<u>15,721</u>	<u>\$ 5,419</u>
	<u>-</u>			<u>27,533</u>	
	<u>-</u>			<u>27,533</u>	
	<u>2,178</u>			<u>43,253</u>	
	<u>46,991</u>			<u>687,878</u>	
	<u>\$ 49,169</u>			<u>\$ 731,131</u>	



ENTERPRISE FUNDS

LIQUOR PURCHASE REVOLVING FUND

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, within the Department of Energy, Labor and Economic Growth, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

ATTORNEY DISCIPLINE SYSTEM

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

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

COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2009
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
ASSETS			
Current Assets:			
Cash	\$ 1	\$ 1,280	\$ 1,281
Equity in common cash	56,138	-	56,138
Inventories	7,008	-	7,008
Investments	-	4,585	4,585
Other current assets	6,401	184	6,584
Total Current Assets	<u>69,547</u>	<u>6,049</u>	<u>75,596</u>
Capital Assets:			
Buildings and equipment	-	371	371
Allowance for depreciation	-	(361)	(361)
Total capital assets	<u>-</u>	<u>9</u>	<u>9</u>
Total Assets	<u>\$ 69,547</u>	<u>\$ 6,058</u>	<u>\$ 75,606</u>
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ 1,909	\$ -	\$ 1,909
Accounts payable and other liabilities	65,457	293	65,750
Amounts due to other funds	179	-	179
Deferred revenue	-	720	720
Current portion of other long-term obligations	635	-	635
Total Current Liabilities	<u>68,179</u>	<u>1,013</u>	<u>69,193</u>
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	492	614	1,106
Total Liabilities	<u>68,672</u>	<u>1,627</u>	<u>70,298</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 9	\$ 9
Unrestricted	876	4,422	5,298
Total Net Assets	<u>\$ 876</u>	<u>\$ 4,432</u>	<u>\$ 5,307</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2009
 (In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
OPERATING REVENUES			
Operating revenues	\$ 781,896	\$ 4,943	\$ 786,838
Total Operating Revenues	781,896	4,943	786,838
OPERATING EXPENSES			
Salaries, wages, and other administrative	61,053	5,018	66,071
Depreciation	-	8	8
Purchases for resale	570,936	-	570,936
Premiums and claims	23	-	23
Other operating expenses	1,081	-	1,081
Total Operating Expenses	633,093	5,026	638,119
Operating Income (Loss)	148,802	(83)	148,719
NONOPERATING REVENUES (EXPENSES)			
Specific tax on spirits	14,093	-	14,093
Interest revenue	664	98	763
Total Nonoperating Revenues (Expenses)	14,758	98	14,856
Income (Loss) Before Transfers	163,560	15	163,575
TRANSFERS			
Transfers to other funds	(163,560)	-	(163,560)
Change in net assets	-	15	15
Total net assets - Beginning of fiscal year	876	4,417	5,293
Total net assets - End of fiscal year	\$ 876	\$ 4,432	\$ 5,307

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 781,896	\$ -	\$ 781,896
Membership dues	-	5,138	5,138
Payments to employees	(14,132)	(3,651)	(17,783)
Payments to suppliers	(615,172)	(632)	(615,805)
Other receipts	144	84	227
Other payments	(1,104)	(427)	(1,532)
Net cash provided (used) by operating activities	<u>\$ 151,631</u>	<u>\$ 511</u>	<u>\$ 152,142</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Specific tax on spirits	\$ 14,093	\$ -	\$ 14,093
Transfers to other funds	(163,560)	-	(163,560)
Net cash provided (used) by noncapital financing activities	<u>\$ (149,467)</u>	<u>\$ -</u>	<u>\$ (149,467)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment securities	\$ -	\$ (221)	\$ (221)
Interest and dividends on investments	664	98	763
Net cash provided (used) by investing activities	<u>\$ 664</u>	<u>\$ (123)</u>	<u>\$ 542</u>
Net cash provided (used) - all activities	\$ 2,829	\$ 388	\$ 3,217
Cash and cash equivalents at beginning of year	51,401	892	52,293
Cash and cash equivalents at end of year	<u><u>\$ 54,230</u></u>	<u><u>\$ 1,280</u></u>	<u><u>\$ 55,510</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	\$ 1	\$ 1,280	\$ 1,281
Equity in common cash	56,138	-	56,138
Warrants outstanding	(1,909)	-	(1,909)
Cash and cash equivalents at end of year	<u>\$ 54,230</u>	<u>\$ 1,280</u>	<u>\$ 55,510</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 148,802	\$ (83)	\$ 148,719
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	-	8	8
Net Changes in Assets and Liabilities:			
Inventories	1,764	-	1,764
Other assets (net)	(1,657)	(99)	(1,756)
Accounts payable and other liabilities	2,721	378	3,099
Deferred revenue	-	307	307
Net cash provided (used) by operating activities	<u>\$ 151,631</u>	<u>\$ 511</u>	<u>\$ 152,142</u>

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 2009.

MOTOR TRANSPORT FUND

This fund was created by Michigan Compiled Laws Section 18.1213 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

OFFICE SERVICES REVOLVING FUND

Created in 1952, this fund operates under Michigan Compiled Laws Section 18.1269 to provide services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

INFORMATION TECHNOLOGY FUND

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

RISK MANAGEMENT FUND

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

STATE SPONSORED GROUP INSURANCE FUND

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

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

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2009
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ 1
Equity in common cash	-	1,184	780
Amounts due from other funds	-	3,569	-
Amounts due from component units	-	-	-
Amounts due from federal agencies	-	-	-
Inventories	10,666	333	2,754
Other current assets	379	4,095	4,497
Total Current Assets	<u>11,045</u>	<u>9,182</u>	<u>8,032</u>
Capital Assets:			
Land and other non-depreciable assets	-	-	-
Buildings and equipment	50,168	9,640	18,109
Allowance for depreciation	(27,891)	(8,946)	(12,793)
Construction in progress	192	-	-
Total capital assets	<u>22,470</u>	<u>693</u>	<u>5,317</u>
Other noncurrent assets	-	-	-
Total Assets	<u>\$ 33,515</u>	<u>\$ 9,875</u>	<u>\$ 13,349</u>
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ 63	\$ 5	\$ 11
Accounts payable and other liabilities	2,094	1,727	8,935
Amounts due to other funds	3,811	45	5,863
Deferred revenue	-	-	80
Current portion of other long-term obligations	900	189	875
Total Current Liabilities	<u>6,868</u>	<u>1,966</u>	<u>15,763</u>
Long-Term Liabilities:			
Advances from other funds	6,970	-	-
Deferred revenue	-	-	117
Noncurrent portion of other long-term obligations	525	267	1,297
Total Liabilities	<u>\$ 14,363</u>	<u>\$ 2,233</u>	<u>\$ 17,177</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 22,470	\$ 693	\$ 5,317
Restricted for other purposes	-	6,949	-
Unrestricted	(3,318)	-	(9,144)
Total Net Assets	<u>\$ 19,151</u>	<u>\$ 7,642</u>	<u>\$ (3,828)</u>

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
\$ -	\$ -	\$ -	\$ 2
-	1,178	178,584	181,726
-	7,215	25,864	36,649
-	-	181	181
-	-	208	208
21	-	-	13,774
69	-	6,109	15,148
<u>90</u>	<u>8,393</u>	<u>210,945</u>	<u>247,687</u>
9,170	-	-	9,170
742,220	-	-	820,137
(494,894)	-	-	(544,524)
-	-	-	192
<u>256,496</u>	<u>-</u>	<u>-</u>	<u>284,976</u>
-	1,550	1,100	2,650
<u>\$ 256,586</u>	<u>\$ 9,943</u>	<u>\$ 212,045</u>	<u>\$ 535,313</u>
\$ 464	\$ -	\$ 40	\$ 582
46,188	530	18,697	78,171
9,749	13	-	19,480
84,067	-	152	84,299
12,230	1,550	48,251	63,994
<u>152,697</u>	<u>2,093</u>	<u>67,140</u>	<u>246,526</u>
-	-	-	6,970
-	-	-	117
<u>16,383</u>	<u>5,647</u>	<u>86,702</u>	<u>110,821</u>
<u>\$ 169,080</u>	<u>\$ 7,740</u>	<u>\$ 153,842</u>	<u>\$ 364,434</u>
\$ 251,575	\$ -	\$ -	\$ 280,055
-	-	-	6,949
(164,069)	2,203	58,203	(116,125)
<u>\$ 87,506</u>	<u>\$ 2,203</u>	<u>\$ 58,203</u>	<u>\$ 170,879</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2009
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
OPERATING REVENUES			
Operating revenues	\$ 36,215	\$ 55,539	\$ 112,944
Total Operating Revenues	<u>36,215</u>	<u>55,539</u>	<u>112,944</u>
OPERATING EXPENSES			
Salaries, wages, and other administrative	24,143	5,704	26,250
Interest expense	-	-	-
Depreciation	1,412	221	1,000
Purchases for resale	-	-	81,990
Purchases for prison industries	14,443	-	-
Premiums and claims	-	2,120	-
Other operating expenses:			
Leased vehicles expense	-	22,247	-
Vehicle maintenance expense	-	22,678	-
Total other operating expenses	<u>-</u>	<u>44,925</u>	<u>-</u>
Total Operating Expenses	<u>39,998</u>	<u>52,970</u>	<u>109,242</u>
Operating Income (Loss)	<u>(3,783)</u>	<u>2,569</u>	<u>3,702</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	-	-
Other nonoperating revenues	-	190	-
Interest expense	(94)	-	(21)
Other nonoperating expense	(19)	-	(64)
Total Nonoperating Revenues (Expenses)	<u>(113)</u>	<u>190</u>	<u>(85)</u>
Income (Loss) Before Transfers	<u>(3,896)</u>	<u>2,759</u>	<u>3,617</u>
TRANSFERS			
Transfers to other funds	<u>(277)</u>	<u>(57)</u>	<u>(216)</u>
Total Transfers In (Out)	<u>(277)</u>	<u>(57)</u>	<u>(216)</u>
Change in net assets	(4,173)	2,702	3,402
Total net assets - Beginning of fiscal year	<u>23,324</u>	<u>4,940</u>	<u>(7,229)</u>
Total net assets - End of fiscal year	<u>\$ 19,151</u>	<u>\$ 7,642</u>	<u>\$ (3,828)</u>

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
\$ 516,877	\$ 5,298	\$ 719,427	\$ 1,446,300
516,877	5,298	719,427	1,446,300
474,735	2,788	23,859	557,479
11	-	-	12
57,380	-	-	60,013
-	-	-	81,990
-	-	-	14,443
6	3,278	679,359	684,763
-	-	-	22,247
-	-	-	22,678
-	-	-	44,926
532,133	6,066	703,217	1,443,626
(15,256)	(768)	16,210	2,675
-	-	1,596	1,596
2	-	-	193
(243)	-	-	(358)
-	-	-	(83)
(241)	-	1,596	1,347
(15,497)	(768)	17,806	4,022
(2,407)	(32)	-	(2,988)
(2,407)	(32)	-	(2,988)
(17,904)	(799)	17,806	1,034
105,410	3,003	40,397	169,845
\$ 87,506	\$ 2,203	\$ 58,203	\$ 170,879

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 36,279	\$ 55,448	\$ 114,351
Payments to employees	(15,714)	(3,072)	(12,389)
Payments to suppliers	(15,261)	(49,470)	(102,396)
Claims paid	-	-	-
Other receipts	-	199	-
Other payments	(8,458)	-	-
Net cash provided (used) by operating activities	<u>\$ (3,154)</u>	<u>\$ 3,105</u>	<u>\$ (434)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	\$ 3,569	\$ -	\$ 5,635
Loans or loan repayments to other funds	(578)	(3,569)	(4,132)
Transfers to other funds	(277)	(57)	(216)
Net cash provided (used) by noncapital financing activities	<u>\$ 2,714</u>	<u>\$ (3,627)</u>	<u>\$ 1,288</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (543)	\$ -	\$ (882)
Interest paid	(94)	-	-
Capital lease payments (including imputed interest expense)	-	-	(276)
Proceeds from sale of capital assets	-	190	-
Net cash provided (used) by capital and related financing activities	<u>\$ (637)</u>	<u>\$ 190</u>	<u>\$ (1,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	\$ -	\$ -	\$ -
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net cash provided (used) - all activities	\$ (1,076)	\$ (331)	\$ (304)
Cash and cash equivalents at beginning of year	<u>1,013</u>	<u>1,511</u>	<u>1,075</u>
Cash and cash equivalents at end of year	<u>\$ (83)</u>	<u>\$ 1,180</u>	<u>\$ 771</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	\$ -	\$ -	\$ 1
Equity in common cash	-	1,184	780
Warrants outstanding	(63)	(5)	(11)
Cash and cash equivalents at end of year	<u>\$ (63)</u>	<u>\$ 1,180</u>	<u>\$ 771</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (3,783)	\$ 2,569	\$ 3,702
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,412	221	1,000
Net Changes in Assets and Liabilities:			
Inventories	(349)	300	1,937
Other assets (net)	64	1,100	1,234
Accounts payable and other liabilities	(498)	(1,085)	(8,308)
Net cash provided (used) by operating activities	<u>\$ (3,154)</u>	<u>\$ 3,105</u>	<u>\$ (434)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ -
Capital lease liabilities entered into during the year	-	-	-
Gain (loss) on disposal of capital assets	(19)	-	(64)
Total noncash investing, capital, and financing activities	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ (64)</u>

Michigan

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
\$ 551,532	\$ 5,298	\$ 716,990	\$ 1,479,898
(175,416)	(884)	-	(207,476)
(295,927)	(2,038)	(316,080)	(781,173)
-	(1,282)	(417,004)	(418,286)
-	-	251	451
-	-	-	(8,458)
<u>\$ 80,189</u>	<u>\$ 1,094</u>	<u>\$ (15,844)</u>	<u>\$ 64,957</u>
\$ 7,215	\$ -	\$ 4,132	\$ 20,551
-	(7,215)	(5,635)	(21,129)
(2,407)	(32)	-	(2,988)
<u>\$ 4,808</u>	<u>\$ (7,247)</u>	<u>\$ (1,503)</u>	<u>\$ (3,566)</u>
(112,159)	\$ -	\$ -	\$ (113,583)
-	-	-	(94)
(2,644)	-	-	(2,920)
-	-	-	190
<u>\$ (114,802)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (116,407)</u>
\$ -	\$ -	\$ 1,596	\$ 1,596
-	-	1,596	1,596
(29,805)	(6,153)	(15,751)	(53,420)
29,341	7,331	194,295	234,566
<u>\$ (463)</u>	<u>\$ 1,178</u>	<u>\$ 178,544</u>	<u>\$ 181,146</u>
\$ -	\$ -	\$ -	\$ 2
-	1,178	178,584	181,726
(464)	-	(40)	(582)
<u>\$ (463)</u>	<u>\$ 1,178</u>	<u>\$ 178,544</u>	<u>\$ 181,146</u>
\$ (15,256)	\$ (768)	\$ 16,210	\$ 2,675
57,380	-	-	60,013
55	-	-	1,944
104	1	(458)	2,044
37,907	1,861	(31,596)	(1,719)
<u>\$ 80,189</u>	<u>\$ 1,094</u>	<u>\$ (15,844)</u>	<u>\$ 64,957</u>
\$ 2,104	\$ -	\$ -	\$ 2,104
(2,104)	-	-	(2,104)
-	-	-	(83)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83)</u>

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

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

STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS

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

LEGISLATIVE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws (MCL) Section 38.1001. LRS's pension plan provides benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

MCL Section 38.1018 amended LRS's enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws Section 38.1001. LRS's health plan provides its members with health, dental, vision, and hearing insurance coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE POLICE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605, which is administered by a nine-member board under the direction of a chairperson elected from the membership. MSPRS's pension plan provides retirement, survivor and disability benefits to Michigan State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605. MSPRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

STATE EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws (MCL) Section 38.2, which is administered by a nine-member board under the direction of an Executive Secretary. SERS's pension plan provides retirement, survivor and disability benefits to State employees.

Effective March 31, 1997, MCL Section 38.13 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The law also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws Section 38.2. SERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPSERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

Employer contributions and investment earnings provide financing for the fund. Under MCL Section 38.1343a, employees may contribute additional amounts into a "member investment plan".

PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws Section 38.1321. MPSERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

JUDGES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws (MCL) Section 38.2201. MJRS's pension plan provides retirement, survivor and disability benefits to judges in the judicial branch of State government. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

MCL Section 38.2401a, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws Section 38.2201. MJRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by Michigan Compiled Laws Section 38.11 as a defined contribution pension plan for all State employees hired after March 31, 1997, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. Executive Order 1999-7 transferred administration of the fund from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer continues to oversee investment options.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**

SEPTEMBER 30, 2009

(In Thousands)

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in common cash	2,028	3,275	336	4,843
Receivables:				
From participants	119,970	-	-	-
From employer	-	246	25	653
Other	320	-	-	-
Interest and dividends	-	51	5	163
Due from other funds	-	-	-	4,457
Due from component unit	-	-	-	-
Due from other governmental	-	-	-	-
Sale of investments	-	729	75	-
Investments at Fair Value:				
Short-term investments	-	-	-	26,289
Fixed Income	-	-	-	179,184
Domestic equities	-	59,446	6,117	359,312
Real estate	-	-	-	92,494
Alternative investments	-	-	-	188,588
International equities	-	-	-	125,173
Absolute return	-	-	-	15,931
Mutual funds	1,422,151	78,650	8,094	-
Pooled investment funds	1,806,039	-	-	-
Money market funds	198,772	-	-	-
Securities lending collateral	-	-	-	133,869
Total Assets	\$ 3,549,281	\$ 142,396	\$ 14,653	\$ 1,130,955
LIABILITIES				
Warrants outstanding	\$ -	\$ 21	\$ 2	\$ 112
Accounts payable and other liabilities	-	607	63	347
Amounts due to other funds	-	5	-	-
Obligations under security lending	-	-	-	172,180
Total Liabilities	\$ -	\$ 633	\$ 65	\$ 172,639
NET ASSETS				
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits	<u>\$ 3,549,281</u>	<u>\$ 141,763</u>	<u>\$ 14,588</u>	<u>\$ 958,316</u>
Reconciliation of Net Assets Held in Trust:				
Pension benefits	\$ -	\$ 141,763	\$ -	\$ 958,316
Postemployment health-care benefits	-	-	14,588	-
Deferred compensation participants	<u>3,549,281</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets held in trust for benefits	\$ 3,549,281	\$ 141,763	\$ 14,588	\$ 958,316

Michigan

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
\$ -	\$ 15	\$ -	\$ 7	\$ -	\$ -
39	19,655	216	113,231	2,986	1,982
-	-	-	-	-	-
42	59,754	669	395,740	4,747	87
-	-	-	-	-	-
1	1,455	16	5,865	155	40
-	47,943	-	-	-	-
-	510	-	-	-	-
85	-	4,120	-	-	-
-	-	-	-	-	-
214	193,891	2,129	792,418	20,899	5,773
1,460	1,624,866	17,842	6,686,446	176,345	42,294
2,928	3,224,115	35,402	12,970,937	342,089	89,273
754	816,049	8,961	3,035,118	80,047	30,782
1,537	1,617,617	17,762	6,791,057	179,104	36,850
1,020	1,137,074	12,486	4,479,240	118,133	30,408
130	189,988	2,086	632,785	16,689	2,014
-	-	-	-	-	-
-	-	-	-	-	-
1,091	1,199,946	13,176	4,832,448	127,448	33,359
<u>\$ 9,301</u>	<u>\$ 10,132,878</u>	<u>\$ 114,864</u>	<u>\$ 40,735,293</u>	<u>\$ 1,068,641</u>	<u>\$ 272,863</u>
\$ 1	\$ 1,713	\$ 19	\$ 5,808	\$ 153	\$ 30
5,718	4,660	71,397	15,678	191,217	13
-	-	-	-	-	-
1,403	1,543,350	16,947	6,215,427	163,922	42,906
<u>\$ 7,122</u>	<u>\$ 1,549,724</u>	<u>\$ 88,363</u>	<u>\$ 6,236,914</u>	<u>\$ 355,292</u>	<u>\$ 42,949</u>
<u>\$ 2,179</u>	<u>\$ 8,583,155</u>	<u>\$ 26,501</u>	<u>\$ 34,498,380</u>	<u>\$ 713,349</u>	<u>\$ 229,914</u>
\$ -	\$ 8,583,155	\$ -	\$ 34,498,380	\$ -	\$ 229,914
2,179	-	26,501	-	713,349	-
-	-	-	-	-	-
<u>\$ 2,179</u>	<u>\$ 8,583,155</u>	<u>\$ 26,501</u>	<u>\$ 34,498,380</u>	<u>\$ 713,349</u>	<u>\$ 229,914</u>

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)
SEPTEMBER 30, 2009
(In Thousands)**

ASSETS	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
Cash	\$ -	\$ -	\$ 22
Equity in common cash	1	121	148,716
Receivables:			
From participants	-	87,979	207,949
From employer	-	-	461,963
Other	-	83	403
Interest and dividends	-	-	7,752
Due from other funds	-	-	52,399
Due from component unit	-	-	510
Due from other governmental	-	-	4,206
Sale of investments	-	-	804
Investments at Fair Value:			
Short-term investments	4	-	1,041,617
Fixed Income	29	-	8,728,466
Domestic equities	61	-	17,089,679
Real estate	21	-	4,064,225
Alternative investments	25	-	8,832,541
International equities	21	-	5,903,556
Absolute return	1	-	859,623
Mutual funds	-	368,457	1,877,352
Pooled investment funds	-	338,494	2,144,533
Money market funds	-	129,258	328,031
Securities lending collateral	23	-	6,341,360
Total Assets	\$ 185	\$ 924,392	\$ 58,095,702
LIABILITIES			
Warrants outstanding	\$ -	\$ -	\$ 7,860
Accounts payable and other liabilities	155	-	289,855
Amounts due to other funds	-	-	5
Obligations under security lending	29	-	8,156,165
Total Liabilities	\$ 184	\$ -	\$ 8,453,884
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits	<u>\$ 2</u>	<u>\$ 924,392</u>	<u>\$ 49,641,818</u>
Reconciliation of Net Assets Held in Trust:			
Pension benefits	\$ -	\$ 924,392	\$ 45,335,919
Postemployment health-care benefits	2	-	756,618
Deferred compensation participants	-	-	3,549,281
Total net assets held in trust for benefits	\$ 2	\$ 924,392	\$ 49,641,818



**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

	STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS	LEGISLATIVE PENSION BENEFITS FUND	LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE POLICE PENSION BENEFITS FUND
ADDITIONS				
Contributions:				
From participants	\$ 176,822	\$ 12	\$ 145	\$ 140
From employers	-	-	3,424	35,435
From other plans	1,145	-	-	-
From other governmental	-	-	161	-
Investment Income:				
Net appreciation (depreciation) in fair value of investments	(43,792)	119	10	(98,060)
Interest, dividends, and other	76,308	5,897	578	21,587
Securities lending income	-	-	-	3,536
Less Investment Expense:				
Investment activity expense	-	451	46	2,911
Securities lending expense	-	-	-	1,687
Net investment income (loss)	32,516	5,565	541	(77,536)
Miscellaneous income	1,165	308	1,187	11
Total Additions	211,649	5,884	5,458	(41,950)
DEDUCTIONS				
Benefits paid to participants or beneficiaries	219,615	11,289	-	88,492
Medical, dental, and life insurance for retirants	-	-	5,155	-
Refunds and transfers to other systems	11	108	-	-
Administrative expense	6,555	336	35	385
Transfers to other funds	-	-	-	2
Total Deductions	226,182	11,733	5,189	88,878
Net increase (decrease)	(14,533)	(5,849)	269	(130,828)
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - Beginning of fiscal year - restated	3,563,814	147,612	14,319	1,089,144
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - End of fiscal year	<u>\$ 3,549,281</u>	<u>\$ 141,763</u>	<u>\$ 14,588</u>	<u>\$ 958,316</u>
Reconciliation of Net Increase in Assets:				
Net increase (decrease) in assets held in trust for pension benefits	\$ -	\$ (5,849)	\$ -	\$ (130,828)
Net increase (decrease) in assets held in trust for postemployment benefits	-	-	269	-
Net increase (decrease) in assets held in trust for deferred compensation participants	(14,533)	-	-	-
Total net increase (decrease)	<u>\$ (14,533)</u>	<u>\$ (5,849)</u>	<u>\$ 269</u>	<u>\$ (130,828)</u>

Michigan

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND	STATE EMPLOYEES' PENSION BENEFITS FUND	STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND	PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND	JUDGES' PENSION BENEFITS FUND
\$ 1,244	\$ 6,995	\$ 20,983	\$ 357,249	\$ 77,034	\$ 1,645
29,841	343,787	362,419	1,000,375	705,464	-
-	93	-	15	55	-
372	-	21,987	-	-	-
(221)	(862,149)	(2,340)	(3,399,567)	(63,735)	(26,548)
66	192,303	3,723	723,472	80,130	5,386
8	31,681	86	128,379	2,407	867
7	25,302	69	103,918	1,948	635
4	15,121	41	61,207	1,148	414
<u>(158)</u>	<u>(678,588)</u>	<u>1,359</u>	<u>(2,712,841)</u>	<u>15,706</u>	<u>(21,344)</u>
<u>62</u>	<u>133</u>	<u>516</u>	<u>412</u>	<u>156</u>	<u>50</u>
<u>31,361</u>	<u>(327,579)</u>	<u>407,263</u>	<u>(1,354,790)</u>	<u>798,416</u>	<u>(19,650)</u>
-	870,279	-	3,278,118	-	19,897
30,007	-	392,135	-	726,235	-
-	366	2	33,958	63	0
1,625	4,837	20,897	22,636	68,552	159
-	28	-	157	-	-
<u>31,632</u>	<u>875,510</u>	<u>413,034</u>	<u>3,334,870</u>	<u>794,850</u>	<u>20,056</u>
(270)	(1,203,089)	(5,771)	(4,689,659)	3,566	(39,706)
<u>2,449</u>	<u>9,786,244</u>	<u>32,272</u>	<u>39,188,039</u>	<u>709,783</u>	<u>269,620</u>
<u>\$ 2,179</u>	<u>\$ 8,583,155</u>	<u>\$ 26,501</u>	<u>\$ 34,498,380</u>	<u>\$ 713,349</u>	<u>\$ 229,914</u>
\$ -	\$ (1,203,089)	\$ -	\$ (4,689,659)	\$ -	\$ (39,706)
(270)	-	(5,771)	-	3,566	-
-	-	-	-	-	-
<u>\$ (270)</u>	<u>\$ (1,203,089)</u>	<u>\$ (5,771)</u>	<u>\$ (4,689,659)</u>	<u>\$ 3,566</u>	<u>\$ (39,706)</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

	JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND	STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
ADDITIONS			
Contributions:			
From participants	\$ 528	\$ 32,764	\$ 675,561
From employers	-	89,883	2,570,629
From other plans	-	9	1,317
From other governmental	-	-	22,519
Investment Income:			
Net appreciation (depreciation) in fair value of investments	-	5,156	(4,491,128)
Interest, dividends, and other	1	14,854	1,124,304
Securities lending income	-	-	166,964
Less Investment Expense:			
Investment activity expense	-	-	135,288
Securities lending expense	-	-	79,622
Net investment income (loss)	1	20,011	(3,414,769)
Miscellaneous income	336	287	4,623
Total Additions	865	142,954	(140,119)
DEDUCTIONS			
Benefits paid to participants or beneficiaries	-	52,178	4,539,868
Medical, dental, and life insurance for retirants	821	-	1,154,353
Refunds and transfers to other systems	-	2,542	37,052
Administrative expense	45	2,019	128,080
Transfers to other funds	-	-	186
Total Deductions	866	56,739	5,859,539
Net increase (decrease)	(1)	86,215	(5,999,658)
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - Beginning of fiscal year - restated	3	838,178	55,641,476
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - End of fiscal year	<u>\$ 2</u>	<u>\$ 924,392</u>	<u>\$ 49,641,818</u>
Reconciliation of Net Increase in Assets:			
Net increase (decrease) in assets held in trust for pension benefits	\$ -	\$ 86,215	\$ (5,982,917)
Net increase (decrease) in assets held in trust for postemployment benefits	(1)	-	(2,208)
Net increase (decrease) in assets held in trust for deferred compensation participants	-	-	(14,533)
Total net increase (decrease)	\$ (1)	\$ 86,215	\$ (5,999,658)

PRIVATE PURPOSE TRUST FUNDS

ESCHEATS FUND

The Escheats Fund operates under the authority of Sections 567.221 – 567.265 of the Michigan Compiled Laws and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the laws are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the laws.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

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

HOSPITAL PATIENTS' TRUST FUND

The Hospital Patients' Trust Fund operates under the authority of Michigan Compiled Laws Section 330.1730 and is used to account for funds of patients receiving services in State hospitals. The Department of Community Health (DCH), in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. DCH distributes interest on a monthly basis to patients meeting minimum balance requirements.

MICHIGAN EDUCATION SAVINGS PROGRAM

Michigan Compiled Laws Section 390.1473 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes limited contributions into the program as prescribed by law. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
 SEPTEMBER 30, 2009
 (In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	TOTALS
ASSETS					
Cash	\$ -	\$ 987	\$ 16	\$ 114	\$ 1,116
Equity in common cash	77,299	13,910	126	-	91,335
Receivables:					
Interest and dividends	-	144	-	1,469	1,614
Investments at Fair Value:					
Fixed income	-	19,355	-	-	19,355
Mutual funds	-	8	-	1,777,182	1,777,190
Guaranteed funding agreements	-	-	-	235,065	235,065
Other current assets	10,177	2,730	22	888	13,817
Other noncurrent assets	-	675	-	-	675
Total Assets	\$ 87,476	\$ 37,809	\$ 164	\$ 2,014,717	\$ 2,140,167
LIABILITIES					
Warrants outstanding	\$ 1,810	\$ 339	\$ 30	\$ -	\$ 2,179
Accounts payable and other liabilities	79	1,510	5	2,656	4,249
Total Liabilities	\$ 1,889	\$ 1,849	\$ 35	\$ 2,656	\$ 6,428
NET ASSETS					
Net assets held in trust for other purposes	<u>\$ 85,588</u>	<u>\$ 35,960</u>	<u>\$ 129</u>	<u>\$ 2,012,062</u>	<u>\$ 2,133,739</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2009
 (In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	TOTALS
ADDITIONS					
Contributions:					
From participants	\$ -	\$ -	\$ -	\$ 665,089	\$ 665,089
From clients	-	62,199	1,465	-	63,663
From gifts, bequests, and endowments	-	33,331	-	-	33,331
Investment Income:					
Net appreciation (depreciation) in fair value of investments	-	391	-	(19,311)	(18,920)
Interest, dividends, and other	-	845	2	49,134	49,981
Net investment income (loss)	-	1,236	2	29,823	31,060
Escheated property	81,942	-	-	-	81,942
Miscellaneous income	-	69	-	-	69
Total Additions	81,942	96,834	1,466	694,912	875,154
DEDUCTIONS					
Benefits paid to participants or beneficiaries	-	-	-	515,759	515,759
Amounts distributed to clients, claimants, or third parties	71,880	98,383	1,503	-	171,766
Administrative expense	2,485	1	-	3,243	5,729
Total Deductions	74,365	98,385	1,503	519,002	693,254
Net increase (decrease)	7,577	(1,550)	(37)	175,910	181,900
Net assets held in trust for others - Beginning of fiscal year	78,010	37,511	166	1,836,152	1,951,839
Net assets held in trust for others End of fiscal year	\$ 85,588	\$ 35,960	\$ 129	\$ 2,012,062	\$ 2,133,739
Reconciliation of Net Increase in Assets:					
Net increase (decrease) in assets held in trust for other purposes	\$ 7,577	\$ (1,550)	\$ (37)	\$ 175,910	\$ 181,900
Total net increase (decrease)	\$ 7,577	\$ (1,550)	\$ (37)	\$ 175,910	\$ 181,900

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Environmental Quality has legal custody. The bonds held by this fund include bond deposits from the hazardous waste program and the solid waste program as provided by Sections 324.11141 and 324.11523 of the Michigan Compiled Laws (MCL) and from the scrap tire program as provided in MCL Section 324.16903.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by Michigan Compiled Laws Section 500.411, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals, which have defeased Michigan State Hospital Finance Authority bonds. As of September 30, 2009, all assets in this fund were depleted.

CHILD SUPPORT COLLECTION FUND

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

SEPTEMBER 30, 2009

(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	CHILD SUPPORT COLLECTION FUND	TOTALS
ASSETS				
Cash	\$ -	\$ -	\$ 47,283	\$ 47,283
Equity in common cash	2,789	3,375	-	6,164
Other current assets	-	-	4	4
Other noncurrent assets	-	373,858	-	373,858
Total Assets	<u>\$ 2,789</u>	<u>\$ 377,233</u>	<u>\$ 47,287</u>	<u>\$ 427,309</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 2,789	\$ 3,375	\$ 46,536	\$ 52,700
Amounts due to other funds	-	-	750	750
Other long-term liabilities	-	373,858	-	373,858
Total Liabilities	<u>\$ 2,789</u>	<u>\$ 377,233</u>	<u>\$ 47,287</u>	<u>\$ 427,309</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

	BALANCE OCTOBER 1, 2008	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2009
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	\$ 3,288	\$ 680	\$ 1,179	\$ 2,789
Total Assets	<u>\$ 3,288</u>	<u>\$ 680</u>	<u>\$ 1,179</u>	<u>\$ 2,789</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 3,288	\$ 680	\$ 1,179	\$ 2,789
Total Liabilities	<u>\$ 3,288</u>	<u>\$ 680</u>	<u>\$ 1,179</u>	<u>\$ 2,789</u>
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	\$ 2,320	\$ 82,850	\$ 81,795	\$ 3,375
Other noncurrent assets	380,831	123,447	130,420	373,858
Total Assets	<u>\$ 383,151</u>	<u>\$ 206,297</u>	<u>\$ 212,215</u>	<u>\$ 377,233</u>
LIABILITIES				
Warrants outstanding	\$ 273	\$ -	\$ 273	\$ -
Accounts payable and other liabilities	2,047	82,875	81,547	3,375
Other long-term liabilities	380,831	123,447	130,420	373,858
Total Liabilities	<u>\$ 383,151</u>	<u>\$ 206,322</u>	<u>\$ 212,240</u>	<u>\$ 377,233</u>
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Cash	\$ 149	\$ 7,410	\$ 7,558	\$ -
Investments at Fair Value:				
Short-term investments	6,866	17	6,883	-
Other current assets	217	306	523	-
Total Assets	<u>\$ 7,232</u>	<u>\$ 7,732</u>	<u>\$ 14,964</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 7,232	\$ 832	\$ 8,064	\$ -
Total Liabilities	<u>\$ 7,232</u>	<u>\$ 832</u>	<u>\$ 8,064</u>	<u>\$ -</u>

	BALANCE OCTOBER 1, 2008	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2009
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Cash	\$ 54,611	\$ 1,565,711	\$ 1,573,039	\$ 47,283
Other current assets	2	4	2	4
Total Assets	\$ 54,613	\$ 1,565,715	\$ 1,573,041	\$ 47,287
LIABILITIES				
Accounts payable and other liabilities	\$ 54,232	\$ 1,607,295	\$ 1,614,990	\$ 46,536
Amounts due to other funds	381	8,403	8,033	750
Total Liabilities	\$ 54,613	\$ 1,615,698	\$ 1,623,024	\$ 47,287
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 54,759	\$ 1,573,120	\$ 1,580,597	\$ 47,283
Equity in common cash	5,608	83,530	82,974	6,164
Investments at Fair Value:				
Short-term investments	6,866	17	6,883	-
Other current assets	219	309	525	4
Other noncurrent assets	380,831	123,447	130,420	373,858
Total Assets	\$ 448,283	\$ 1,780,423	\$ 1,801,398	\$ 427,309
LIABILITIES				
Warrants outstanding	\$ 273	-	\$ 273	-
Accounts payable and other liabilities	66,799	1,691,682	1,705,780	52,700
Amounts due to other funds	381	8,403	8,033	750
Other long-term liabilities	380,831	123,447	130,420	373,858
Total Liabilities	\$ 448,283	\$ 1,823,532	\$ 1,844,506	\$ 427,309

COMPONENT UNITS – AUTHORITIES

FARM PRODUCE INSURANCE AUTHORITY

Michigan Compiled Laws (MCL) Section 285.315 created the Farm Produce Insurance Authority (FPIA) as a public body corporate. Operating under Sections 285.311 – 285.331 of the MCL, FPIA is governed and administered by a nine-member board of directors. FPIA administers a program in which producers of dry beans, grain, or corn may contribute to the Farm Produce Insurance Fund, a percentage of their net proceeds from all farm produce sold by the producer to a licensee in this State. Under this program the producer may recover from the fund for losses caused by the licensed grain dealer's financial failure.

LAND BANK FAST TRACK AUTHORITY

Michigan Compiled Laws Section 124.765 created the Land Bank Fast Track Authority (LBFTA) to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of the property and to promote economic growth within the State. LBFTA receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

The LBFTA's seven-member governing board consists of the Director of the Department of Energy, Labor and Economic Growth, the Chief Executive Officer of the Michigan Economic Development Corporation or his or her designee, the Executive Director of the Michigan State Housing Development Authority or his or her designee, and four members appointed by the Governor.

MACKINAC BRIDGE AUTHORITY

Michigan Compiled Laws (MCL) Section 254.302 created the Mackinac Bridge Authority (MBA). MCL Section 254.314 empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MACKINAC ISLAND STATE PARK COMMISSION

Established in 1927, the Mackinac Island State Park Commission currently operates under Sections 324.76701 – 324.76709 of the Michigan Compiled Laws. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

The Michigan Early Childhood Investment Corporation was created by an interlocal agreement between the Department of Human Services and participating intermediate school districts. The interlocal agreement was entered into pursuant to Sections 124.501 – 124.512 of the Michigan Compiled Laws. The Corporation's primary objective is to administer activities related to early childhood development.

The governing body of each participant shall appoint one member of the Corporation Board to serve at the will of the participant. For each member of the Corporation Board appointed by the governing body of a participant, the Governor shall appoint up to two members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five participants, the Governor may appoint up to twelve additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participants. In addition, the Corporation shall have an Executive Committee of fifteen members, all appointed by the Governor. The committee shall exercise the powers of the Corporation.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article 7, Section 28 of the State Constitution of 1963 and Sections 124.501 – 124.512 of the Michigan Compiled Laws (MCL), is a public body corporate. Created by a ten-year contract (interlocal agreement) between participating local economic development corporations formed under Sections 125.1601 – 125.1636 of the MCL and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 20 members appointed to eight-year, staggered terms.

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY

Michigan Compiled Laws Section 285.164 created the Michigan Exposition and Fairgrounds Authority (MEFA) as a public body corporate within the Department of Management and Budget (DMB). MEFA is responsible for conducting an annual State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State. Fund revenues are derived from the annual State Fair and other exhibits, leases, rentals, or other charges for the use of the buildings and grounds scheduled during the year.

MEFA's eleven-member governing board consists of the directors of the Department of Agriculture and DMB, and nine members serving fixed terms appointed by the Governor with the advice and consent of the Senate.

Executive Order No. 2009-4 abolished MEFA and transferred the functions to DMB effective October 1, 2009.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

Michigan Compiled Laws Section 390.951 created the Michigan Higher Education Assistance Authority (MHEAA). It is governed by a sixteen-member board, appointed by the Governor, with the advice and consent of the Senate. MHEAA is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan and to administer scholarship and grant programs in accordance with State laws. The federal government reimburses MHEAA for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Michigan Compiled Laws Section 390.923 authorized the creation of the Michigan Higher Education Facilities Authority (MHEFA) for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. MHEFA consists of an eleven-member commission, nine are appointed by the Governor with the advice and consent of the Senate and two are ex-officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, however these bonds do not constitute an obligation of the State or MHEFA, therefore no liabilities have been recorded. Annual service fees to higher education institutions finance MHEFA's administrative operations.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Michigan Compiled Laws Section 390.1153 authorized the establishment of the Michigan Higher Education Student Loan Authority (MHESLA) to make loans to qualified students (or their parents) attending participating institutions of higher education. MHESLA may issue revenue-dedicated debt in principal amounts necessary to provide funds for achieving its purpose. A board comprised of the same members as Michigan Higher Education Assistance Authority governs MHESLA. The board is comprised of 15 members appointed by the Governor and one ex-officio member, the State Treasurer, who serves as chairman.

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

The Michigan Public Educational Facilities Authority (MPEFA) was organized by Michigan Compiled Laws Section 12.192. MPEFA was created in response to the passage of the federal Economic Growth and Tax Relief Reconciliation Act of 2001. This act authorizes the issuance of "qualified public educational facility bonds" as tax-exempt facility bonds.

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

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Michigan State Hospital Finance Authority (MSHFA) was organized under Sections 331.31 – 331.84 of the Michigan Compiled Laws to lend money to nonprofit, nonpublic hospitals and health-care corporations for capital improvements or debt refinancing. The law also empowers MSHFA to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The MSHFA's board is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex-officio (the State Treasurer and the Director of the Department of Community Health). Some of MSHFA's revenue and mortgage bonds have been defeased by the various borrowers by placing proceeds of new bonds in an escrow with the State Treasurer or trustee as escrow agent. Such defeased bonds and related investments have been reported in the State Treasurer's Escrow and Paying Agent Fund. Assets of this fund were depleted as of September 30, 2009.

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

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by Michigan Compiled Laws (MCL) Section 125.2005 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. MCL Section 408.40 transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF and placed MSF as an autonomous entity in the Department of Management and Budget (DMB). In 2003, MCL Section 445.2011 transferred MSF from DMB to the Department of Energy, Labor and Economic Growth (DELEG). As part of the tobacco securitization legislation passed November 21, 2005, MCL Section 125.2005 transferred MSF to the Department of Treasury. MSF is governed by a board of eleven members, consisting of the directors of DELEG and Treasury, and the Chief Executive Officer of the Michigan Economic Development Corporation. The Governor, with the advice and consent of the Senate, appoints the other eight members; none of those eight may be an employee of the State.

STATE BAR OF MICHIGAN

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

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
AUTHORITIES
SEPTEMBER 30, 2009
(In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	LAND BANK FAST TRACK AUTHORITY	MACKINAC BRIDGE AUTHORITY
ASSETS			
Current Assets:			
Cash	\$ 24	\$ -	\$ 734
Equity in common cash	-	2,725	-
Amounts due from component units	-	-	-
Amounts due from primary government	-	-	-
Amounts due from federal government	-	252	-
Amounts due from local units	-	-	-
Inventories	-	-	-
Investments	2,387	-	11,121
Other current assets	19	-	98
Total Current Assets	<u>2,430</u>	<u>2,977</u>	<u>11,954</u>
Restricted Assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Advances to primary government	-	-	-
Mortgages and loans receivable	-	-	-
Investments	3,815	-	31,217
Capital Assets:			
Land and other non-depreciable assets	-	8,645	125
Buildings, equipment, and other depreciable assets	-	-	8,300
Less accumulated depreciation	-	-	(4,264)
Infrastructure	-	-	102,722
Total capital assets	-	8,645	106,883
Other noncurrent assets	-	-	-
Total Assets	<u>\$ 6,245</u>	<u>\$ 11,622</u>	<u>\$ 150,054</u>
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ -	\$ -	\$ -
Accounts payable and other liabilities	-	212	529
Amounts due to component units	-	-	-
Amounts due to primary government	88	8	1,668
Bonds and notes payable	-	25	-
Interest payable	-	-	-
Deferred revenue	-	-	936
Current portion of other long-term obligations	-	763	159
Total Current Liabilities	<u>88</u>	<u>1,007</u>	<u>3,292</u>
Deferred revenue	-	-	-
Bonds and notes payable	-	-	-
Noncurrent portion of other long-term obligations	-	256	404
Total Liabilities	<u>\$ 88</u>	<u>\$ 1,263</u>	<u>\$ 3,697</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 8,645	\$ 106,883
Restricted For:			
Construction and debt service	-	-	-
Other purposes	-	-	231
Unrestricted	6,157	1,714	39,243
Total Net Assets	<u>\$ 6,157</u>	<u>\$ 10,359</u>	<u>\$ 146,357</u>

Michigan

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY
\$ 769	\$ 3,167	\$ 41,392	\$ 6
-	-	27,672	1,572
-	-	10,657	-
73	3,434	-	-
-	-	-	-
-	-	-	-
615	-	-	-
595	1,023	11,763	-
84	4,105	4,875	88
<u>2,136</u>	<u>11,729</u>	<u>96,360</u>	<u>1,666</u>
1,479	-	-	-
2,383	-	-	-
-	-	1,360	-
-	-	17,340	-
-	259	24,458	-
497	-	-	3,360
10,535	-	17,308	12,339
(7,742)	-	(7,335)	(8,408)
-	-	-	-
<u>3,290</u>	<u>-</u>	<u>9,973</u>	<u>7,290</u>
-	-	-	-
<u>\$ 9,289</u>	<u>\$ 11,988</u>	<u>\$ 149,491</u>	<u>\$ 8,957</u>
\$ -	\$ -	\$ 45	\$ 29
129	3,438	9,626	1,511
-	-	-	-
-	-	899	30
315	-	-	-
4	-	-	-
55	4,086	-	-
-	25	1,295	55
<u>502</u>	<u>7,548</u>	<u>11,866</u>	<u>1,625</u>
-	-	-	-
442	-	-	-
-	26	1,123	-
<u>\$ 945</u>	<u>\$ 7,574</u>	<u>\$ 12,989</u>	<u>\$ 1,625</u>
\$ 2,533	\$ -	\$ 9,973	\$ 7,290
3,589	-	-	-
1,190	-	-	-
1,033	4,414	126,529	41
<u>\$ 8,344</u>	<u>\$ 4,414</u>	<u>\$ 136,502</u>	<u>\$ 7,331</u>

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
AUTHORITIES (Continued)
SEPTEMBER 30, 2009
(In Thousands)

	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
ASSETS			
Current Assets:			
Cash	\$ 1,260	\$ -	\$ 248,075
Equity in common cash	-	-	-
Amounts due from component units	-	-	-
Amounts due from primary government	374	541	360
Amounts due from federal government	2,152	-	-
Amounts due from local units	-	-	-
Inventories	-	-	-
Investments	7,500	-	3,499
Other current assets	886	45	282,625
Total Current Assets	<u>12,172</u>	<u>586</u>	<u>534,559</u>
Restricted Assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Advances to primary government	-	-	-
Mortgages and loans receivable	-	-	1,802,205
Investments	-	-	500
Capital Assets:			
Land and other non-depreciable assets	-	-	-
Buildings, equipment, and other depreciable assets	2,061	-	-
Less accumulated depreciation	(1,372)	-	-
Infrastructure	-	-	-
Total capital assets	<u>689</u>	<u>-</u>	<u>-</u>
Other noncurrent assets	<u>500</u>	<u>-</u>	<u>16,015</u>
Total Assets	<u>\$ 13,361</u>	<u>\$ 586</u>	<u>\$ 2,353,280</u>
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ -	\$ -	\$ -
Accounts payable and other liabilities	-	-	10,950
Amounts due to component units	-	-	-
Amounts due to primary government	367	-	-
Bonds and notes payable	-	-	79,210
Interest payable	-	-	3,191
Deferred revenue	-	-	-
Current portion of other long-term obligations	-	-	2,022
Total Current Liabilities	<u>367</u>	<u>-</u>	<u>95,373</u>
Deferred revenue	500	-	-
Bonds and notes payable	-	-	2,139,875
Noncurrent portion of other long-term obligations	<u>512</u>	<u>27</u>	<u>21,543</u>
Total Liabilities	<u>\$ 1,379</u>	<u>\$ 27</u>	<u>\$ 2,256,791</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 689	\$ -	\$ -
Restricted For:			
Construction and debt service	-	-	12,953
Other purposes	10,993	-	-
Unrestricted	<u>300</u>	<u>559</u>	<u>83,535</u>
Total Net Assets	<u>\$ 11,982</u>	<u>\$ 559</u>	<u>\$ 96,488</u>

Michigan

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN STRATEGIC FUND	STATE BAR OF MICHIGAN	TOTALS
\$ 8,369	\$ 449	\$ 2,774	\$ 4,078	\$ 311,096
-	-	21,826	-	53,795
-	-	-	-	10,657
211	136	-	-	5,130
-	-	18,575	-	20,979
41,236	-	-	-	41,236
-	-	-	16	631
-	2,585	-	6,752	47,226
526	770	18,418	668	313,205
<u>50,341</u>	<u>3,940</u>	<u>61,593</u>	<u>11,513</u>	<u>803,955</u>
-	-	5,367	-	6,846
-	-	-	-	2,383
-	-	-	-	1,360
-	-	70,718	-	1,890,264
-	2,789	40,682	-	103,721
-	-	-	381	13,008
-	64	-	10,982	61,589
-	(64)	-	(6,058)	(35,243)
-	-	-	-	102,722
-	-	-	5,305	142,075
-	-	87,667	-	104,182
<u>\$ 50,341</u>	<u>\$ 6,728</u>	<u>\$ 266,027</u>	<u>\$ 16,818</u>	<u>\$ 3,054,786</u>
\$ -	\$ -	\$ 225	\$ -	\$ 300
-	-	30,983	1,004	58,382
-	-	10,657	-	10,657
-	-	39	-	3,099
41,407	-	35	-	120,992
404	-	1,862	-	5,461
3,556	-	97	1,337	10,067
-	-	1,568	-	5,887
<u>45,368</u>	<u>-</u>	<u>45,466</u>	<u>2,341</u>	<u>214,845</u>
-	-	-	-	500
-	-	82,532	-	2,222,849
30	174	4,260	-	28,354
<u>\$ 45,398</u>	<u>\$ 174</u>	<u>\$ 132,257</u>	<u>\$ 2,341</u>	<u>\$ 2,466,548</u>
\$ -	\$ -	\$ -	\$ 5,305	\$ 141,318
-	-	-	-	16,542
4,720	-	-	-	17,134
223	6,554	133,770	9,172	413,244
<u>\$ 4,943</u>	<u>\$ 6,554</u>	<u>\$ 133,770</u>	<u>\$ 14,477</u>	<u>\$ 588,238</u>

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	\$ 302	\$ 235	\$ -	\$ -	\$ (68)
Land Bank Fast Track Authority	1,011	-	296	96	(619)
Mackinac Bridge Authority	12,617	15,494	-	-	2,877
Mackinac Island State Park Commission	4,389	4,078	511	-	201
Michigan Early Childhood Investment Corporation	21,393	-	21,226	-	(167)
Michigan Economic Development Corporation	61,437	-	57,420	-	(4,017)
Michigan Exposition and Fairgrounds Authority	5,225	-	3,426	-	(1,798)
Michigan Higher Education Assistance Authority	162,791	16,607	142,740	-	(3,444)
Michigan Higher Education Facilities Authority	139	173	-	-	34
Michigan Higher Education Student Loan Authority	74,135	69,928	-	-	(4,208)
Michigan Public Educational Facilities Authority	2,493	2,523	-	-	30
Michigan State Hospital Finance Authority	938	993	-	-	55
Michigan Strategic Fund	195,128	2,871	35,292	-	(156,965)
State Bar of Michigan	11,413	11,558	-	-	146
Total	\$ 553,412	\$ 124,459	\$ 260,912	\$ 96	\$ (167,945)

GENERAL REVENUES

INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	SPECIAL ITEMS	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR RESTATED	NET ASSETS END OF YEAR
\$ 216	\$ -	\$ 254	\$ -	\$ 403	\$ 5,754	\$ 6,157
23	-	68	-	(528)	10,887	10,359
1,985	-	-	-	4,862	141,495	146,357
194	-	-	-	395	7,949	8,344
62	-	12	-	(93)	4,506	4,414
1,718	-	8,292	-	5,992	130,510	136,502
3	1,624	-	-	(171)	7,503	7,331
-	-	-	-	(3,444)	15,426	11,982
5	-	-	-	39	520	559
1,896	-	-	-	(2,312)	98,800	96,488
33	-	-	-	62	4,881	4,943
90	-	-	-	144	6,410	6,554
(2,351)	145,753	36,816	-	23,253	110,517	133,770
263	-	-	-	409	14,068	14,477
<u>\$ 4,138</u>	<u>\$ 147,377</u>	<u>\$ 45,441</u>	<u>\$ -</u>	<u>\$ 29,011</u>	<u>\$ 559,227</u>	<u>\$ 588,238</u>



COMPONENT UNITS – STATE UNIVERSITIES

The State has 13 legally separate public universities, 10 of which are included in this report as component units and 3 of which are excluded. Included are the 10 universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by the Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. Excluded are those 3 that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The 3 that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the 10 universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2009. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2009
(In Thousands)**

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	\$ 39,542	\$ 43,027	\$ 17,885	\$ 5,926
Amounts due from primary government	18,238	9,794	30,541	2,472
Amounts due from federal government	1,926	72	1,573	284
Amounts due from local units	-	-	-	-
Inventories	945	970	2,388	284
Investments	33,747	27,564	22,049	-
Other current assets	16,529	4,542	14,282	1,522
Total Current Assets	<u>110,926</u>	<u>85,968</u>	<u>88,717</u>	<u>10,487</u>
Restricted Assets:				
Cash and cash equivalents	-	33,510	2,938	1,627
Investments	141,247	16,488	47,872	3,693
Mortgages and loans receivable	11,981	19,664	-	-
Mortgages and loans receivable	-	-	8,623	2,812
Investments	-	40,431	150,013	6,716
Capital Assets:				
Land and other non-depreciable assets	11,079	6,330	35,559	2,549
Buildings, equipment, and other depreciable assets	554,853	341,117	660,426	141,516
Less accumulated depreciation	(252,763)	(155,326)	(188,559)	(82,091)
Construction in progress	14,912	5,778	5,866	-
Total capital assets	<u>328,082</u>	<u>197,899</u>	<u>513,292</u>	<u>61,974</u>
Other noncurrent assets	<u>2,454</u>	<u>2,822</u>	<u>7,650</u>	<u>-</u>
Total Assets	<u>\$ 594,689</u>	<u>\$ 396,783</u>	<u>\$ 819,105</u>	<u>\$ 87,310</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	\$ 34,921	\$ 19,466	\$ 38,741	\$ 2,294
Amounts due to primary government	310	-	81	158
Bonds and notes payable	5,866	3,270	8,790	1,005
Interest payable	475	1,177	1,165	171
Deferred revenue	8,345	6,522	10,591	1,010
Current portion of other long-term obligations	400	85	4,408	647
Total Current Liabilities	<u>50,319</u>	<u>30,520</u>	<u>63,776</u>	<u>5,285</u>
Deferred revenue	-	925	711	-
Bonds and notes payable	240,960	105,435	247,009	25,585
Noncurrent portion of other long-term obligations	15,640	22,759	2,360	3,385
Total Liabilities	<u>\$ 306,919</u>	<u>\$ 159,639</u>	<u>\$ 313,857</u>	<u>\$ 34,255</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 173,352	\$ 126,731	\$ 303,869	\$ 35,112
Restricted For:				
Education	-	7,483	17,463	12,436
Construction and debt service	-	-	16,528	437
Other purposes	17,266	-	-	3,168
Funds Held as Permanent Investments:				
Expendable	-	1,889	14,532	-
Nonexpendable	31,429	16,488	32,631	-
Unrestricted	65,723	84,552	120,226	1,902
Total Net Assets	<u>\$ 287,770</u>	<u>\$ 237,143</u>	<u>\$ 505,248</u>	<u>\$ 53,055</u>

Michigan

<u>MICHIGAN TECHNOLOGICAL UNIVERSITY</u>	<u>NORTHERN MICHIGAN UNIVERSITY</u>	<u>OAKLAND UNIVERSITY</u>	<u>SAGINAW VALLEY STATE UNIVERSITY</u>	<u>TOTALS</u>
\$ 15,889	\$ 52,204	\$ 34,483	\$ 37,702	\$ 246,657
9,385	12,030	9,619	13,769	105,848
4,276	175	2,437	722	11,464
-	43	12	-	56
1,449	1,319	312	2,941	10,608
-	-	-	52	83,412
6,796	6,615	9,969	3,266	63,521
<u>37,796</u>	<u>72,386</u>	<u>56,831</u>	<u>58,453</u>	<u>521,565</u>
9,841	-	-	60	47,976
71,186	-	34,546	-	315,033
-	-	1,735	-	33,379
13,309	7,386	-	13	32,143
5,590	52,877	81,736	37,318	374,681
14,507	6,709	4,325	2,490	83,547
343,072	358,965	399,504	366,936	3,166,389
(137,201)	(133,091)	(176,493)	(124,110)	(1,249,633)
3,955	4,620	15,105	20,841	71,077
<u>224,334</u>	<u>237,202</u>	<u>242,441</u>	<u>266,157</u>	<u>2,071,380</u>
<u>7,087</u>	<u>2,687</u>	<u>14,746</u>	<u>2,830</u>	<u>40,275</u>
\$ <u>369,142</u>	\$ <u>372,538</u>	\$ <u>432,035</u>	\$ <u>364,831</u>	\$ <u>3,436,433</u>
\$ 11,073	\$ 15,184	\$ 15,668	\$ 14,847	\$ 152,196
605	489	379	-	2,022
950	3,414	2,679	2,651	28,626
575	-	294	-	3,858
2,983	4,296	11,544	5,272	50,563
6,601	752	341	111	13,345
<u>22,787</u>	<u>24,135</u>	<u>30,906</u>	<u>22,881</u>	<u>250,609</u>
-	-	2,105	-	3,741
54,521	103,992	97,697	121,026	996,225
7,753	9,292	9,659	3,279	74,126
\$ <u>85,060</u>	\$ <u>137,419</u>	\$ <u>140,366</u>	\$ <u>147,186</u>	\$ <u>1,324,701</u>
\$ 169,130	\$ 128,187	\$ 142,649	\$ 146,347	\$ 1,225,377
53,435	2,625	34,054	2,416	129,912
-	2,186	-	87	19,239
-	-	-	-	20,434
-	20,352	4,645	-	41,418
52,910	2,752	15,662	35,868	187,741
8,606	79,016	94,659	32,928	487,611
<u>\$ 284,082</u>	<u>\$ 235,119</u>	<u>\$ 291,669</u>	<u>\$ 217,646</u>	<u>\$ 2,111,732</u>

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2009
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	
Eastern Michigan University	\$ 316,223	\$ 195,306	\$ 3,947	\$ 1,394	\$ (115,577)
Ferris State University	215,853	144,229	3,899	-	(67,725)
Grand Valley State University	332,474	237,919	14,893	-	(79,662)
Lake Superior State University	48,981	24,378	8,684	422	(15,497)
Michigan Technological University	208,455	96,732	35,988	1,951	(73,784)
Northern Michigan University	157,769	88,327	13,380	621	(55,440)
Oakland University	227,614	146,470	29,904	13	(51,226)
Saginaw Valley State University	119,931	75,216	9,568	-	(35,147)
Total	<u>\$ 1,627,300</u>	<u>\$ 1,008,577</u>	<u>\$ 120,263</u>	<u>\$ 4,402</u>	<u>\$ (494,058)</u>

GENERAL REVENUES

<u>INTEREST AND INVESTMENT EARNINGS (LOSS)</u>	<u>PAYMENTS FROM STATE OF MICHIGAN</u>	<u>OTHER</u>	<u>CHANGE IN NET ASSETS</u>	<u>NET ASSETS BEGINNING OF YEAR</u>	<u>NET ASSETS END OF YEAR</u>
\$ 5,455	\$ 82,327	\$ 21,482	\$ (6,313)	\$ 294,083	\$ 287,770
(10,932)	50,340	16,846	(11,471)	248,614	237,143
1,390	64,505	19,492	5,725	499,524	505,248
(2,261)	13,176	-	(4,582)	57,637	53,055
(2,465)	49,519	-	(26,730)	310,812	284,082
(3,746)	46,633	8,818	(3,735)	238,854	235,119
(7,618)	52,452	8,407	2,015	289,654	291,669
(7,409)	28,907	8,862	(4,787)	222,433	217,646
<u>\$ (27,587)</u>	<u>\$ 387,859</u>	<u>\$ 83,906</u>	<u>\$ (49,880)</u>	<u>\$ 2,161,612</u>	<u>\$ 2,111,732</u>





III. STATISTICAL SECTION



Index
STATISTICAL SECTION

This part of the State of Michigan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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SOURCES:

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

NOTES:

The State of Michigan implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, in fiscal year 2001; therefore, some schedules only include financial data beginning in that year.

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 15,129,844	\$ 15,014,812	\$ 14,996,945
Restricted	2,849,171	2,016,570	1,886,336
Unrestricted	1,404,776	338,575	(652,923)
Total governmental activities net assets	<u>\$ 19,383,790</u>	<u>\$ 17,369,957</u>	<u>\$ 16,230,358</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 287	\$ 443	\$ 581
Restricted	3,121,417	2,563,917	1,765,699
Unrestricted	6,388	4,433	4,295
Total business-type activities net assets	<u>\$ 3,128,093</u>	<u>\$ 2,568,793</u>	<u>\$ 1,770,575</u>
Primary government			
Invested in capital assets, net of related debt	\$ 15,130,131	\$ 15,015,255	\$ 14,997,525
Restricted	5,970,588	4,580,487	3,652,035
Unrestricted	1,411,164	343,008	(648,628)
Total primary government net assets	<u>\$ 22,511,883</u>	<u>\$ 19,938,749</u>	<u>\$ 18,000,933</u>
Reconciliation of net assets			
Beginning net assets	\$ 22,586,033	\$ 22,511,883	\$ 19,938,749
Restatement of beginning net assets	-	-	-
Beginning net assets - restated	22,586,033	22,511,883	19,938,749
Statement of Activities - changes in net assets	(74,150)	(2,573,134)	(1,937,817)
Ending net assets	<u>\$ 22,511,883</u>	<u>\$ 19,938,749</u>	<u>\$ 18,000,933</u>

Michigan

2004	2005	2006	2007	2008	2009
\$ 14,962,902	\$ 15,245,452	\$ 15,827,600	\$ 15,739,094	\$ 15,909,317	\$ 16,238,544
1,993,335	2,086,764	2,064,965	2,292,779	2,599,760	2,577,249
(960,684)	(932,221)	(1,724,799)	(2,173,281)	(2,788,445)	(4,858,305)
<u>\$ 15,995,554</u>	<u>\$ 16,399,994</u>	<u>\$ 16,167,767</u>	<u>\$ 15,858,592</u>	<u>\$ 15,720,632</u>	<u>\$ 13,957,488</u>
\$ 566	\$ 582	\$ 412	\$ 367	\$ 807	\$ 735
1,164,540	894,513	621,982	358,712	72,672	137,064
5,910	6,891	7,827	4,798	(121,773)	(2,425,221)
<u>\$ 1,171,016</u>	<u>\$ 901,986</u>	<u>\$ 630,220</u>	<u>\$ 363,877</u>	<u>\$ (48,294)</u>	<u>\$ (2,287,423)</u>
\$ 14,963,468	\$ 15,246,033	\$ 15,828,012	\$ 15,739,461	\$ 15,910,124	\$ 16,239,278
3,157,875	2,981,277	2,686,947	2,651,490	2,672,432	2,714,313
(954,774)	(925,330)	(1,716,972)	(2,168,482)	(2,910,218)	(7,283,526)
<u>\$ 17,166,569</u>	<u>\$ 17,301,980</u>	<u>\$ 16,797,987</u>	<u>\$ 16,222,469</u>	<u>\$ 15,672,338</u>	<u>\$ 11,670,066</u>
\$ 18,000,933	\$ 17,166,569	\$ 17,301,980	\$ 16,797,987	\$ 16,222,469	\$ 15,672,338
203,870	75,489	188,188	-	(54,373)	(176,594)
18,204,803	17,242,058	17,490,168	16,797,987	16,168,096	15,495,744
(1,038,233)	59,922	(692,181)	(575,518)	(495,759)	(3,825,678)
<u>\$ 17,166,569</u>	<u>\$ 17,301,980</u>	<u>\$ 16,797,987</u>	<u>\$ 16,222,469</u>	<u>\$ 15,672,338</u>	<u>\$ 11,670,066</u>

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003
Expenses			
Governmental activities:			
General government	\$ 1,735,152	\$ 1,560,139	\$ 1,714,827
Education	14,109,560	14,696,060	14,839,951
Human services	3,627,815	3,792,086	3,891,686
Public safety and corrections	2,098,619	2,161,486	2,159,537
Conservation, environment, recreation, and agriculture	682,875	691,796	612,638
Labor, commerce, and regulatory	884,129	898,235	901,562
Health services	8,535,965	8,952,390	9,362,895
Transportation	2,766,735	3,268,241	2,792,752
Tax credits (Note 16)	532,800	615,100	707,800
Intergovernmental-revenue sharing	1,555,799	1,517,303	1,451,374
Interest on long-term debt	221,333	248,263	281,408
Total governmental activities	36,750,783	38,401,099	38,716,430
Business-type activities:			
Liquor Purchase Revolving Fund	479,359	494,696	515,243
State Lottery Fund	1,132,767	1,153,280	1,152,760
Attorney Discipline System	-	-	-
Michigan Unemployment Compensation Funds	1,485,947	2,328,713	2,473,817
Total business-type activities	3,098,072	3,976,689	4,141,820
Total primary government expenses	\$ 39,848,855	\$ 42,377,787	\$ 42,858,249
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 612,104	\$ 664,533	\$ 670,680
Education	12,836	10,587	14,030
Human services	66,365	54,982	49,917
Public safety and corrections	98,075	113,058	111,843
Conservation, environment, recreation, and agriculture	262,367	233,430	236,157
Labor, commerce, and regulatory	204,650	256,314	252,982
Health services	42,959	56,822	229,826
Transportation	197,536	219,129	217,466
Operating grants and contributions	10,255,342	10,848,672	11,290,702
Capital grants and contributions	667,437	589,530	546,713
Total governmental activities program revenues	\$ 12,419,671	\$ 13,047,057	\$ 13,620,316
Business-type activities:			
Charges for services:			
Liquor Purchase Revolving Fund	\$ 592,084	\$ 607,413	\$ 638,170
State Lottery Fund	1,655,683	1,729,938	1,700,313
Attorney Discipline System	-	-	-
Michigan Unemployment Compensation Funds	1,050,123	1,426,748	1,701,364
Operating grants and contributions	313,629	535,524	135,116
Total business-type activities program revenues	3,611,520	4,299,623	4,174,964
Total primary government program revenues	\$ 16,031,192	\$ 17,346,681	\$ 17,795,280
Net (Expenses)/Revenues			
Governmental activities	\$ (24,331,111)	\$ (25,354,041)	\$ (25,096,114)
Business-type activities	513,448	322,935	33,144
Total primary government net expenses	\$ (23,817,663)	\$ (25,031,106)	\$ (25,062,969)

Michigan

	2004	2005	2006	2007	2008	2009
\$	1,748,598	\$ 1,877,410	\$ 2,288,504	\$ 2,205,679	\$ 1,671,941	\$ 1,753,643
	14,418,940	14,531,388	14,695,186	14,660,163	15,080,883	15,251,821
	3,985,861	4,154,811	4,384,311	4,453,497	4,699,046	5,410,078
	2,256,393	2,320,406	2,541,630	2,583,916	2,895,133	2,994,466
	674,387	652,326	688,407	596,972	572,755	617,768
	920,056	936,467	951,519	963,444	995,714	1,187,368
	9,605,216	10,179,705	9,963,373	10,832,862	11,622,966	12,402,813
	3,104,841	3,106,993	3,133,137	3,191,784	3,235,394	3,244,824
	702,700	815,300	834,000	883,400	931,600	963,500
	1,305,146	1,112,931	1,103,625	1,071,104	1,076,445	1,040,031
	246,992	287,519	306,788	345,437	387,800	426,682
	<u>38,969,130</u>	<u>39,975,258</u>	<u>40,890,480</u>	<u>41,788,258</u>	<u>43,169,677</u>	<u>45,292,995</u>
	544,683	557,377	582,982	602,280	621,991	633,093
	1,391,385	1,447,285	1,584,186	1,654,823	1,636,858	1,710,718
	4,056	3,856	4,122	4,282	4,976	5,026
	<u>2,349,400</u>	<u>1,892,486</u>	<u>1,990,197</u>	<u>2,012,082</u>	<u>2,403,043</u>	<u>6,215,392</u>
	<u>4,289,524</u>	<u>3,901,003</u>	<u>4,161,487</u>	<u>4,273,467</u>	<u>4,666,868</u>	<u>8,564,229</u>
\$	<u>43,258,653</u>	<u>43,876,261</u>	<u>45,051,967</u>	<u>46,061,725</u>	<u>47,836,545</u>	<u>53,857,224</u>
\$	826,573	\$ 876,151	\$ 965,130	\$ 1,062,224	\$ 590,493	\$ 613,491
	5,277	4,858	9,306	10,377	6,616	5,790
	58,170	53,400	56,367	59,285	57,963	46,903
	154,440	155,683	160,829	164,345	168,789	157,751
	254,861	269,035	251,591	185,978	282,008	254,128
	247,857	238,229	262,021	312,983	304,145	306,657
	57,071	72,062	72,564	72,338	79,683	84,647
	197,125	201,598	84,280	79,459	72,651	69,685
	11,783,472	11,792,127	11,624,786	12,300,068	12,963,536	16,759,161
	618,445	805,580	779,269	627,057	719,518	914,557
\$	<u>14,203,291</u>	<u>14,468,723</u>	<u>14,266,144</u>	<u>14,874,113</u>	<u>15,245,401</u>	<u>19,212,771</u>
\$	675,747	\$ 688,928	\$ 718,085	\$ 742,959	\$ 768,085	\$ 781,896
	2,002,688	2,082,229	2,232,204	2,363,001	2,351,082	2,398,995
	4,593	4,588	4,631	4,782	4,885	4,943
	1,817,576	1,646,311	1,727,761	1,765,871	1,998,292	3,922,144
	76,762	54,148	53,932	55,783	44,262	104,154
	<u>4,577,366</u>	<u>4,476,205</u>	<u>4,736,614</u>	<u>4,932,397</u>	<u>5,166,606</u>	<u>7,212,131</u>
\$	<u>18,780,657</u>	<u>18,944,928</u>	<u>19,002,757</u>	<u>19,806,510</u>	<u>20,412,007</u>	<u>26,424,902</u>
\$	(24,765,839)	\$ (25,506,535)	\$ (26,624,336)	\$ (26,914,145)	\$ (27,924,276)	\$ (26,080,224)
	287,843	575,202	575,127	658,929	499,738	(1,352,097)
\$	<u>(24,477,996)</u>	<u>(24,931,333)</u>	<u>(26,049,209)</u>	<u>(26,255,215)</u>	<u>(27,424,538)</u>	<u>(27,432,322)</u>

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS (Continued)
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
General:			
Sales and use	\$ 2,555,186	\$ 2,560,816	\$ 2,475,020
Personal income	5,483,584	4,549,592	4,569,230
Single business and Michigan business	2,207,500	1,783,582	1,824,292
Tobacco products	213,019	267,957	403,696
Quality assurance assessment	-	-	-
Other	966,442	937,572	861,478
Restricted For Educational Purposes:			
Sales and use	5,117,360	5,177,407	5,081,189
Personal income	2,003,475	1,761,334	1,816,390
Michigan business	-	-	-
Education, property, and real estate transfers	1,742,445	1,847,603	2,408,728
Tobacco products	383,063	406,358	490,773
Other	253,920	288,332	301,184
Restricted For Transportation Purposes:			
Sales and use	74,415	77,676	79,440
Gasoline and diesel fuel	1,077,187	1,090,866	1,089,558
Motor vehicle weight	777,903	827,347	844,695
Other	6,766	6,727	7,402
Unrestricted investment and interest earnings	159,194	51,657	14,132
Miscellaneous	668,970	790,940	813,608
Contributions to permanent fund principal	38,415	19,928	31,938
Transfers	737,635	894,513	843,762
Total governmental activities	<u>\$ 24,466,480</u>	<u>\$ 23,340,208</u>	<u>\$ 23,956,515</u>
Business-type activities:			
Taxes	10,419	10,707	11,297
Investment earnings	4,248	1,562	1,102
Miscellaneous	1	8	-
Transfers	(737,635)	(894,513)	(843,762)
Total business-type activities	<u>(722,967)</u>	<u>(882,235)</u>	<u>(831,363)</u>
Total primary government	<u>\$ 23,743,513</u>	<u>\$ 22,457,973</u>	<u>\$ 23,125,153</u>
Changes in Net Assets			
Governmental activities	\$ 135,369	\$ (2,013,834)	\$ (1,139,599)
Business-type activities	(209,519)	(559,300)	(798,218)
Total primary government	<u>\$ (74,150)</u>	<u>\$ (2,573,134)</u>	<u>\$ (1,937,817)</u>

NOTES: Beginning in fiscal year 2009, the State began reporting tobacco products tax revenue separately rather than included in other.

Beginning in fiscal year 2009, the State began reporting quality assurance assessment tax revenue separately rather than included in other. Amounts for years prior to 2004 are not available.

Michigan

2004	2005	2006	2007	2008	2009
\$ 2,565,865	\$ 2,663,226	\$ 2,665,614	\$ 2,635,341	\$ 2,701,052	\$ 2,439,220
4,693,512	5,036,282	5,123,885	5,321,169	6,229,339	4,639,740
1,773,325	1,934,003	1,926,884	1,771,854	1,715,861	1,372,597
508,086	712,218	690,234	678,826	652,609	631,339
325,188	509,857	676,923	832,562	1,026,698	858,512
806,969	986,978	822,259	837,231	837,219	777,322
5,143,414	5,283,583	5,240,334	5,230,217	5,424,253	4,848,489
1,896,860	2,019,932	2,069,435	2,142,251	2,174,393	1,855,533
-	-	-	-	341,000	669,341
2,142,706	2,236,159	2,320,578	2,336,474	2,266,377	2,163,883
485,101	471,734	466,985	449,912	427,303	410,590
290,195	282,697	292,454	297,329	250,853	201,561
64,960	56,924	66,405	67,678	82,114	82,887
1,070,488	1,068,565	1,054,766	1,016,957	992,502	970,794
933,822	863,367	867,663	874,287	854,736	839,648
7,721	6,719	5,974	6,339	5,675	5,591
9,728	14,141	9,991	12,097	7,595	4,911
677,848	788,809	1,003,976	1,124,818	865,407	786,105
30,759	41,033	35,153	26,165	57,937	30,091
901,580	859,260	864,406	943,460	927,763	905,523
<u>\$ 24,328,129</u>	<u>\$ 25,835,487</u>	<u>\$ 26,203,921</u>	<u>\$ 26,604,970</u>	<u>\$ 27,840,688</u>	<u>\$ 24,493,675</u>
11,989	12,194	12,654	13,133	13,663	14,093
1,225	2,784	4,861	5,055	2,192	763
-	50	-	-	-	3,636
(901,580)	(859,260)	(864,406)	(943,460)	(927,763)	(905,523)
<u>(888,366)</u>	<u>(844,232)</u>	<u>(846,892)</u>	<u>(925,273)</u>	<u>(911,909)</u>	<u>(887,031)</u>
<u>\$ 23,439,763</u>	<u>\$ 24,991,255</u>	<u>\$ 25,357,029</u>	<u>\$ 25,679,697</u>	<u>\$ 26,928,780</u>	<u>\$ 23,606,644</u>
\$ (437,710)	\$ 328,952	\$ (420,415)	\$ (309,175)	\$ (83,588)	\$ (1,586,549)
(600,524)	(269,030)	(271,766)	(266,343)	(412,171)	(2,239,129)
<u>\$ (1,038,233)</u>	<u>\$ 59,922</u>	<u>\$ (692,181)</u>	<u>\$ (575,518)</u>	<u>\$ (495,759)</u>	<u>\$ (3,825,678)</u>

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(In Thousands)

(Modified Accrual Basis of Accounting)

	2000	2001	2002	2003
General Fund				
Reserved	\$ 1,889,523	\$ 1,880,452	\$ 1,662,579	\$ 1,136,802
Unreserved	211,810	28,072	114,500	173,956
Total general fund	<u>\$ 2,101,333</u>	<u>\$ 1,908,525</u>	<u>\$ 1,777,079</u>	<u>\$ 1,310,758</u>
All Other Governmental Funds				
Reserved	\$ 1,396,417	\$ 1,393,523	\$ 1,441,759	\$ 1,445,064
Unreserved, reported in:				
Special revenue funds	2,358,165	2,462,033	968,700	571,164
Debt service funds	291,822	318,721	406,903	369,313
Capital projects funds	(513,593)	(287,958)	(158,776)	(436,623)
Permanent funds	-	41,082	40,459	34,719
Total all other governmental funds	<u>\$ 3,532,811</u>	<u>\$ 3,927,400</u>	<u>\$ 2,699,045</u>	<u>\$ 1,983,637</u>
Reconciliation of governmental fund balances				
Beginning fund balances	\$ 4,684,037	\$ 5,634,144	\$ 5,835,924	\$ 4,476,125
Restatement of beginning fund balances	-	369,229	-	(255,500)
Beginning fund balances - restated	4,684,037	6,003,373	5,835,924	4,220,625
Excess of revenues and other sources over (under) expenditures and other uses	950,107	(167,449)	(1,359,800)	(926,230)
Ending fund balances	<u>\$ 5,634,144</u>	<u>\$ 5,835,924</u>	<u>\$ 4,476,125</u>	<u>\$ 3,294,395</u>

Michigan

2004	2005	2006	2007	2008	2009
\$ 1,169,819	\$ 1,232,856	\$ 1,066,757	\$ 722,948	\$ 833,104	\$ 794,464
-	220,537	2,482	259,080	457,870	177,244
<u>\$ 1,169,819</u>	<u>\$ 1,453,393</u>	<u>\$ 1,069,240</u>	<u>\$ 982,028</u>	<u>\$ 1,290,974</u>	<u>\$ 971,708</u>
\$ 1,665,549	\$ 1,759,462	\$ 1,657,248	\$ 1,945,448	\$ 1,968,781	\$ 1,941,203
537,917	303,226	868,138	838,167	611,448	708,865
365,841	194,586	189,851	208,868	220,517	207,916
(451,060)	(349,643)	(87,918)	(239,869)	(238,718)	(182,786)
42,778	43,259	43,791	41,361	54,791	40,473
<u>\$ 2,161,025</u>	<u>\$ 1,950,891</u>	<u>\$ 2,671,111</u>	<u>\$ 2,793,975</u>	<u>\$ 2,616,818</u>	<u>\$ 2,715,670</u>
\$ 3,294,395	\$ 3,330,844	\$ 3,404,284	\$ 3,740,351	\$ 3,776,004	\$ 3,907,792
-	-	-	-	-	-
3,294,395	3,330,844	3,404,284	3,740,351	3,776,004	3,907,792
36,449	73,440	336,067	35,653	131,789	(220,414)
<u>\$ 3,330,844</u>	<u>\$ 3,404,284</u>	<u>\$ 3,740,351</u>	<u>\$ 3,776,004</u>	<u>\$ 3,907,792</u>	<u>\$ 3,687,378</u>

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(In Thousands)

(Modified Accrual Basis of Accounting)

	2000	2001	2002	2003
Revenues				
Taxes	\$ 22,865,469	\$ 22,405,023	\$ 22,070,408	\$ 22,425,957
From federal agencies	8,581,461	9,572,898	10,203,716	10,813,804
From local agencies	173,882	227,996	248,867	230,728
From services	110,294	115,346	121,849	121,198
From licenses and permits	393,006	391,655	408,746	417,786
Special Medicaid reimbursements	1,059,343	1,155,374	1,109,233	932,658
Miscellaneous	1,063,355	1,411,628	1,218,388	1,467,812
Total revenues	<u>34,246,809</u>	<u>35,279,920</u>	<u>35,381,208</u>	<u>36,409,943</u>
Expenditures				
General government	1,071,893	1,277,822	1,544,055	1,209,916
Education	12,510,188	14,176,060	14,744,715	14,866,526
Human services	3,336,835	3,598,591	3,793,974	3,877,953
Public safety and corrections	1,983,001	2,159,602	2,136,506	2,115,448
Conservation, environment, recreation, and agriculture	564,738	636,279	650,353	591,218
Labor, commerce, and regulatory	740,687	881,069	891,817	891,644
Health services	7,692,354	8,525,435	8,891,480	9,270,484
Transportation	1,663,318	2,058,484	2,118,452	2,080,361
Tax credits	502,100	532,800	615,100	707,800
Capital outlay	1,427,858	1,532,145	1,465,800	1,164,002
Intergovernmental - revenue sharing	1,494,016	1,555,799	1,517,303	1,451,374
Debt service:				
Bond principal retirement	199,820	219,552	226,801	222,477
Bond interest and fiscal charges	202,434	201,980	225,678	239,054
Capital lease payments	52,027	48,820	51,387	67,723
Total Expenditures	<u>33,441,268</u>	<u>37,404,438</u>	<u>38,873,422</u>	<u>38,755,981</u>
Excess of revenues over (under) expenditures	805,541	(2,124,519)	(3,492,214)	(2,346,038)
Other Financing Sources (Uses)				
Bonds and notes issued	231,115	1,223,549	987,850	568,616
Refunding bonds issued	-	630,812	488,145	692,694
Premium on bond issuance	-	44,373	64,238	87,561
Discount on bond issuance	-	-	-	-
Payment to refunded bond escrow agent	-	(698,723)	(527,303)	(851,235)
Extinguishment of commercial paper	-	(40,680)	(51,890)	-
Capital lease acquisitions	22,330	23,014	237,272	16,052
Proceeds from sale of capital assets	-	-	-	-
Transfers from other funds	3,138,332	3,185,915	4,132,997	3,433,535
Transfers from component units	354	-	-	-
Transfers to other funds	(2,325,522)	(2,411,191)	(3,198,895)	(2,527,415)
Transfers to component units	(904,689)	-	-	-
Total other financing sources (uses)	<u>161,920</u>	<u>1,957,070</u>	<u>2,132,415</u>	<u>1,419,808</u>
Net change in fund balances	<u>\$ 967,461</u>	<u>\$ (167,449)</u>	<u>\$ (1,359,800)</u>	<u>\$ (926,230)</u>
Debt service as a percentage of noncapital expenditures	1%	1%	1%	1%

Michigan

	2004	2005	2006	2007	2008	2009
\$	22,799,928	\$ 23,936,964	\$ 24,198,924	\$ 24,370,884	\$ 26,075,135	\$ 23,348,354
	11,580,220	11,974,006	12,160,022	12,655,930	13,432,638	17,377,416
	239,815	262,875	124,101	139,429	126,550	118,190
	148,140	264,956	269,593	284,370	291,380	288,877
	555,858	423,501	437,560	444,841	441,407	454,981
	704,551	467,970	93,621	102,670	115,797	135,667
	1,205,367	1,475,377	1,549,859	1,860,302	1,653,059	1,567,305
	<u>37,233,878</u>	<u>38,805,648</u>	<u>38,833,679</u>	<u>39,858,425</u>	<u>42,135,966</u>	<u>43,290,789</u>
	1,117,659	1,307,448	1,635,378	1,593,877	1,555,951	1,587,554
	14,445,184	14,557,032	14,758,992	14,679,504	15,099,591	15,251,062
	3,935,170	4,122,779	4,341,774	4,447,992	4,609,481	5,334,263
	2,121,584	2,287,452	2,455,145	2,467,512	2,617,048	2,591,858
	586,096	614,939	642,815	568,398	597,267	557,602
	902,903	924,876	952,921	957,023	966,091	1,145,954
	9,676,268	10,126,544	9,958,104	10,741,285	11,588,207	12,450,287
	2,212,371	2,167,888	2,082,847	2,178,923	2,338,907	2,195,721
	702,700	815,300	834,000	883,400	931,600	963,500
	1,100,106	1,274,247	1,462,405	1,362,102	1,229,102	1,278,256
	1,305,146	1,112,931	1,103,625	1,071,104	1,076,445	1,040,031
	729,557	354,711	773,826	238,789	238,371	222,000
	241,194	276,216	294,093	329,171	339,237	402,384
	50,840	49,530	49,183	46,074	50,176	50,107
	<u>39,126,778</u>	<u>39,991,894</u>	<u>41,345,109</u>	<u>41,565,154</u>	<u>43,237,473</u>	<u>45,070,580</u>
	(1,892,901)	(1,186,245)	(2,511,430)	(1,706,729)	(1,101,507)	(1,779,791)
	520,676	365,164	1,453,606	1,008,107	185,242	601,500
	660,249	1,528,539	1,494,050	-	347,446	775,640
	55,940	97,857	46,234	18,662	16,811	10,748
	-	-	(496,466)	(15,213)	(3,309)	(4,263)
	(247,256)	(1,609,886)	(563,776)	(240,280)	(361,879)	(777,179)
	-	-	-	-	-	-
	19,661	6,778	34,059	20,906	110,838	41,205
	17,236	10,643	13,974	5,347	30,505	3,027
	3,294,939	2,924,083	3,137,772	3,275,148	2,824,489	2,671,577
	-	-	-	-	-	-
	(2,392,095)	(2,063,492)	(2,271,956)	(2,330,295)	(1,916,847)	(1,762,879)
	-	-	-	-	-	-
	<u>1,929,350</u>	<u>1,259,686</u>	<u>2,847,496</u>	<u>1,742,382</u>	<u>1,233,296</u>	<u>1,559,376</u>
\$	<u>36,449</u>	<u>73,440</u>	<u>336,067</u>	<u>35,653</u>	<u>131,789</u>	<u>(220,414)</u>

3%

2%

3%

2%

1%

2%

PERSONAL INCOME BY INDUSTRY

LAST TEN FISCAL YEARS

(In Millions)

	1999	2000	2001
Farm earnings	\$ 791	\$ 647	\$ 582
Forestry, fishing, and related activities	268	270	306
Mining	614	669	743
Utilities	1,724	1,809	1,941
Construction	12,578	14,793	14,999
Manufacturing	53,493	55,767	53,301
Wholesale trade	10,636	11,601	11,515
Retail trade	14,367	15,073	15,247
Transportation and warehousing	6,232	6,489	6,924
Information	4,267	4,309	4,350
Finance and insurance	8,716	8,856	10,213
Real estate and rental and leasing	3,400	3,666	6,570
Professional, scientific, and technical services	20,573	21,936	22,499
Management of companies and enterprises	6,719	7,216	6,694
Administrative and waste services	7,879	8,922	9,194
Educational services	1,428	1,458	1,550
Health care and social assistance	17,614	18,787	19,837
Arts, entertainment, and recreation	1,449	1,827	1,927
Accommodation and food services	4,712	5,177	5,248
Other services, except public administration	7,376	8,137	7,889
Government and government enterprises	27,991	29,601	30,685
Total earnings by place of work	<u>212,825</u>	<u>227,008</u>	<u>232,212</u>
Total earnings by place of work	212,825	227,008	232,212
less: Contributions for government social insurance	25,507	27,005	26,906
plus: Adjustment for residence	<u>1,002</u>	<u>1,047</u>	<u>1,091</u>
Net earnings by place of residence	188,320	201,050	206,397
Net earnings by place of residence	188,320	201,050	206,397
plus: Dividends, interest, and rent	47,540	50,395	49,722
plus: Personal current transfer receipts	<u>36,851</u>	<u>38,641</u>	<u>42,023</u>
Total Personal Income	<u>\$ 272,711</u>	<u>\$ 290,085</u>	<u>\$ 298,141</u>
Statutory Tax Rate (blended rate)	4.40%	4.40%	4.25%

NOTES: Earnings presented are blended averages. Due to the use of averages and blended amounts, the totals may not equal the sum of the industry amounts presented.

Earnings includes wages and salaries, supplements to wages and proprietors' income.

Industries categorized using the North American Industry Classification System.

Fiscal year 2008 is the most recent year for which data is available.

SOURCES: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Michigan

2002	2003	2004	2005	2006	2007	2008
\$ 549	\$ 704	\$ 1,030	\$ 1,109	\$ 1,076	\$ 1,111	\$ 1,672
282	276	307	282	339	306	323
611	654	736	792	900	828	859
2,046	2,193	2,156	2,253	2,473	2,651	2,567
14,890	14,719	15,186	15,605	15,567	14,735	13,289
51,156	56,423	54,367	50,205	49,582	48,886	46,960
11,296	11,571	11,898	12,386	12,661	13,029	13,440
15,660	15,985	16,222	16,264	16,056	16,069	16,122
6,682	6,772	7,115	7,397	7,291	7,484	7,486
4,458	4,569	4,745	4,679	4,644	4,739	4,666
10,901	11,524	11,649	12,156	12,676	12,958	12,859
6,834	5,785	5,987	6,415	5,757	4,714	4,091
22,569	22,062	22,596	23,479	24,275	24,999	25,546
6,349	6,684	7,190	7,282	6,827	6,875	6,696
9,387	9,902	10,365	11,382	11,669	11,390	11,208
1,720	1,906	2,194	2,280	2,403	2,548	2,733
21,514	22,761	24,104	25,426	26,832	27,974	29,347
2,130	2,163	2,299	2,245	2,374	2,399	2,586
5,470	5,624	5,931	6,028	6,005	6,279	6,372
8,250	8,494	8,656	8,930	9,030	9,224	9,500
32,137	33,338	34,805	36,719	37,220	37,849	38,762
<u>234,891</u>	<u>244,108</u>	<u>249,534</u>	<u>253,313</u>	<u>255,652</u>	<u>257,042</u>	<u>257,083</u>
234,891	244,108	249,534	253,313	255,652	257,042	257,083
27,047	27,479	28,302	29,237	30,013	30,416	30,553
1,107	1,159	1,256	1,339	1,430	1,508	1,562
<u>208,951</u>	<u>217,788</u>	<u>222,488</u>	<u>225,415</u>	<u>227,069</u>	<u>228,134</u>	<u>228,091</u>
208,951	217,788	222,488	225,415	227,069	228,134	228,091
47,523	46,542	47,316	47,681	50,644	54,319	56,153
44,937	46,268	48,784	51,397	54,898	58,907	64,466
<u>\$ 301,411</u>	<u>\$ 310,597</u>	<u>\$ 318,588</u>	<u>\$ 324,493</u>	<u>\$ 332,610</u>	<u>\$ 341,359</u>	<u>\$ 348,709</u>
4.20%	4.13%	4.03%	3.98%	3.90%	3.90%	4.35%

Michigan

TAXABLE SALES BY INDUSTRY

LAST TEN FISCAL YEARS

(In Millions)

	1999	2000	2001	2002
Farming	\$ 67.9	\$ 83.3	\$ 78.9	\$ 80.8
Agricultural	245.7	273.0	269.7	243.3
Mining	138.9	174.0	183.9	173.8
Construction	717.2	816.3	795.9	778.8
Manufacturing	3,812.0	4,040.2	3,783.1	3,486.9
Transportation and utilities	7,795.0	8,331.9	8,734.9	8,632.8
Wholesale trade	3,110.6	3,434.2	3,231.4	2,970.7
Retail trade	72,342.7	78,301.4	80,297.7	82,580.9
Finance, insurance, and real estate	1,385.3	1,153.6	929.0	718.1
Services	6,803.2	7,720.5	8,179.2	8,276.9
State and local government	145.8	167.6	172.4	155.6
Other classifications	571.0	692.6	675.8	707.6
Total	\$ 97,135.3	\$ 105,188.4	\$ 107,331.8	\$ 108,806.2
Direct Sales Tax Rate	6%	6%	6%	6%

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry.

Industries categorized by using the Standard Industrial Classification.

Fiscal year 2008 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

Michigan

2003	2004	2005	2006	2007	2008
\$ 77.8	\$ 77.2	\$ 78.9	\$ 78.5	\$ 73.6	\$ 70.4
275.3	275.3	277.5	270.7	250.3	240.4
174.6	159.9	181.0	192.5	183.4	180.2
741.5	768.8	788.3	782.3	706.4	695.9
3,225.4	3,315.5	3,577.2	3,424.2	3,283.3	3,331.8
9,030.7	9,369.3	10,359.4	11,715.5	12,091.0	12,650.3
3,121.5	3,127.9	3,270.5	3,400.5	2,881.0	3,031.4
82,417.6	83,135.4	84,719.4	83,382.5	83,464.8	86,572.7
622.2	472.3	460.8	435.6	333.3	323.9
8,077.5	7,686.8	7,121.3	6,215.0	6,483.1	6,426.7
150.9	162.0	184.3	197.7	202.6	166.7
614.2	951.9	1,021.3	806.4	1,091.1	943.9
<u>\$ 108,529.3</u>	<u>\$ 109,502.2</u>	<u>\$ 112,040.0</u>	<u>\$ 110,901.4</u>	<u>\$ 111,043.7</u>	<u>\$ 114,634.3</u>
6%	6%	6%	6%	6%	6%

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
TAX YEARS 1998 AND 2007

Adjusted Gross Income (AGI) Group	Tax Year 1998				Tax Year 2007			
	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total
\$50,000 and under	3,067,928	70.5%	\$ 1,229	20.6%	2,906,849	63.7%	\$ 412	7.1%
\$50,001 - \$100,000	961,028	22.1%	2,239	37.6%	1,024,968	22.5%	1,792	30.9%
\$100,001 and higher	321,050	7.4%	2,485	41.7%	628,855	13.8%	3,600	62.0%
Total	4,350,006	100.0%	\$ 5,953	100.0%	4,560,672	100.0%	\$ 5,804	100.0%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's personal income tax revenue.

Tax year 2007 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

SALES TAX PAYERS BY INDUSTRY
FISCAL YEARS 1999 AND 2008

	1999				2008			
	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total
Farming	582	0.51%	\$ 4.2	0.07%	569	0.59%	\$ 4.2	0.06%
Agricultural	1,715	1.51%	14.6	0.26%	1,348	1.39%	14.4	0.21%
Mining	280	0.25%	8.3	0.15%	248	0.26%	10.8	0.16%
Construction	2,715	2.39%	43.0	0.75%	2,447	2.52%	41.8	0.62%
Manufacturing	7,055	6.22%	228.7	3.99%	6,384	6.57%	199.9	2.97%
Transportation and utilities	1,399	1.23%	368.4	6.43%	1,237	1.27%	613.0	9.11%
Wholesale trade	2,718	2.40%	186.6	3.26%	2,151	2.21%	181.9	2.70%
Retail trade	69,507	61.29%	4,340.6	75.77%	56,418	58.03%	5,194.4	77.16%
Finance, insurance, and real estate	472	0.42%	83.1	1.45%	432	0.44%	19.4	0.29%
Services	26,160	23.07%	408.2	7.13%	24,352	25.05%	385.6	5.73%
State and local government	302	0.27%	8.7	0.15%	302	0.31%	10.0	0.15%
Other classifications	494	0.44%	34.3	0.60%	1,333	1.37%	56.6	0.84%
Total	113,399	100.00%	\$ 5,728.8	100.00%	97,221	100.00%	\$ 6,732.1	100.00%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Fiscal year 2008 is the most recent year for which data is available.

Industries categorized using the Standard Industrial Classification.

SOURCE: Michigan Department of Treasury.

Michigan

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Millions)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				
	GENERAL OBLIGATION BONDS	STATE PARK REVENUE BONDS	MUSTFA REVENUE BONDS	TRANSPORTATION REVENUE BONDS	STATE BUILDING AUTHORITY BONDS
2000	\$ 930	\$ -	\$ 167	\$ 837	\$ 1,826
2001	1,032	-	153	1,122	2,159
2002	1,120	16	138	1,173	2,582
2003	1,413	16	122	1,176	2,607
2004	1,528	15	105	1,323	2,545
2005	1,645	15	-	1,652	2,615
2006	1,794	14	-	1,889	3,449
2007	1,488	13	-	2,328	3,366
2008	1,487	13	-	2,257	3,375
2009	1,673	12	-	2,474	2,969

NOTE: Article 9, Section 15 of the State Constitution allows for long-term borrowing by the State for specific purposes in amounts as may be provided by acts of the Legislature adopted by a vote of two-thirds of the members in each house, and approved by a majority of the bodies people voting at a general election. The debts of public bodies corporate and politic created by law are not general obligation debts and liabilities of the State of Michigan. Details regarding the State's debt can be found in the bonds and notes payable note of the financial statements.

SOURCES: U.S. Census Bureau, Population Division.
Department of History, Arts, and Libraries.
U.S. Department of Commerce, Bureau of Economic Analysis.
Department of Treasury.

GOVERNMENTAL ACTIVITIES				
<u>TOBACCO SETTLEMENT FINANCE AUTHORITY</u>	<u>CAPITAL LEASES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>PERCENTAGE OF PERSONAL INCOME</u>	<u>PER CAPITA</u>
\$ -	\$ 255	\$ 4,015	1.37%	\$ 403
-	255	4,721	1.57%	472
-	461	5,490	1.81%	547
-	479	5,813	1.85%	577
-	423	5,939	1.86%	589
-	406	6,333	1.94%	628
491	252	7,888	2.36%	782
1,018	248	8,461	2.46%	842
1,083	320	8,535	2.44%	853
1,090	330	8,549	Unavailable	Unavailable



**RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(In Millions)**

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS DEBT SERVICE FUNDS	NET BONDED GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2000	\$ 930	\$ -	\$ 930	0.32%	\$ 93.45
2001	1,032	-	1,032	0.34%	103.12
2002	1,120	-	1,120	0.37%	111.52
2003	1,413	1	1,413	0.45%	140.33
2004	1,528	1	1,527	0.48%	151.32
2005	1,645	1	1,644	0.50%	162.95
2006	1,794	1	1,793	0.54%	177.79
2007	1,487	1	1,487	0.43%	147.90
2008	1,487	1	1,486	0.43%	148.61
2009	1,673	1	1,672	Unavailable	Unavailable

SOURCES: U.S. Census Bureau, Population Division.
 Department of History, Arts, and Libraries.
 U.S. Department of Commerce, Bureau of Economic Analysis.
 Department of Treasury.

DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	2000	2001	2002	2003
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 1,066.5	\$ 1,067.6	\$ 1,082.8	\$ 1,093.2
Registration Taxes	755.1	777.9	827.3	844.7
Miscellaneous Fees	55.2	54.7	58.0	56.7
Total	<u>1,876.7</u>	<u>1,900.2</u>	<u>1,968.1</u>	<u>1,994.5</u>
Less Deductions	<u>128.0</u>	<u>132.0</u>	<u>173.4</u>	<u>176.8</u>
Remaining Balance	1,748.7	1,768.2	1,794.7	1,817.8
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	<u>156.9</u>	<u>159.2</u>	<u>160.5</u>	<u>162.3</u>
Motor Vehicle Related Sales Tax Revenues	\$ 999.3	\$ 1,057.0	\$ 1,130.0	\$ 1,708.4
Allocation to Comprehensive Transportation Fund	<u>69.7</u>	<u>73.7</u>	<u>78.8</u>	<u>79.4</u>
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	\$ 226.6	\$ 232.9	\$ 239.3	\$ 241.8
Plus Other Revenues (primarily interest)	<u>3.1</u>	<u>3.5</u>	<u>0.9</u>	<u>1.4</u>
Money Available for Debt Service	<u>229.7</u>	<u>236.4</u>	<u>240.3</u>	<u>243.2</u>
Debt Service:				
Principal	\$ 8.3	\$ 10.5	\$ 11.1	\$ 11.7
Interest	<u>12.9</u>	<u>11.2</u>	<u>10.2</u>	<u>12.0</u>
Actual Annual Debt Service (1)	21.2	21.7	21.4	23.6
Debt Service Coverage	10.8 x	10.9 x	11.3 x	10.3 x

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

Michigan

2004	2005	2006	2007	2008	2009
\$ 1,073.3	\$ 1,069.1	\$ 1,055.3	\$ 1,027.8	\$ 989.3	\$ 964.0
933.8	863.4	867.7	871.7	855.0	839.7
51.4	37.3	36.0	35.7	36.2	33.0
<u>2,058.4</u>	<u>1,969.8</u>	<u>1,959.0</u>	<u>1,935.3</u>	<u>1,880.6</u>	<u>1,836.7</u>
110.9	125.4	149.5	137.9	138.3	137.2
<u>1,947.6</u>	<u>1,844.4</u>	<u>1,809.5</u>	<u>1,797.4</u>	<u>1,742.3</u>	<u>1,699.5</u>
<u>166.4</u>	<u>167.3</u>	<u>165.4</u>	<u>164.7</u>	<u>159.9</u>	<u>155.3</u>
\$ 1,082.7	\$ 1,115.4	\$ 1,111.2	\$ 1,117.5	\$ 1,249.0	\$ 1,188.3
<u>65.0</u>	<u>56.9</u>	<u>66.4</u>	<u>67.7</u>	<u>82.1</u>	<u>82.9</u>
\$ 231.3	\$ 224.3	\$ 231.8	\$ 232.4	\$ 242.0	\$ 238.2
3.6	5.0	0.5	5.9	1.4	0.9
<u>234.9</u>	<u>229.3</u>	<u>232.3</u>	<u>238.3</u>	<u>243.5</u>	<u>239.1</u>
\$ 16.3	\$ 15.6	\$ 19.1	\$ 20.2	\$ 21.3	\$ 7.5
14.0	13.4	12.0	12.9	12.0	10.4
<u>30.3</u>	<u>28.9</u>	<u>31.1</u>	<u>33.2</u>	<u>33.3</u>	<u>17.9</u>
7.8 x	7.9 x	7.5 x	7.2 x	7.3 x	13.3

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	2000	2001	2002	2003
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 1,066.5	\$ 1,067.6	\$ 1,082.8	\$ 1,093.2
Registration Taxes	755.1	777.9	827.3	844.7
Miscellaneous Fees	55.2	54.7	58.0	56.7
Total	1,876.7	1,900.2	1,968.1	1,994.5
Less Deductions:				
Critical Bridge Debt Service	2.4	2.4	2.4	2.2
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Collection Costs	64.0	63.1	109.4	113.1
Waterways/Recreational Improvement Fund	18.6	18.5	18.7	18.5
Comprehensive Transportation Fund (excluding interest)	156.9	159.2	160.5	162.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	5.0	5.0	5.0	5.0
Economic Development Fund	40.3	40.3	40.3	40.3
Total Deductions	363.2	364.5	412.2	417.4
Constitutionally Restricted Revenues				
Available for Distribution	1,513.6	1,535.7	1,555.9	1,577.2
Plus Other Revenues (primarily interest)	15.8	13.4	6.1	5.9
Total Money Available for Distribution	1,529.4	1,549.1	1,562.0	1,583.1
Distributions to:				
Cities and Villages	326.7	331.9	332.3	341.6
County Road Commissions	575.0	582.9	588.6	594.7
State Trunkline Fund	627.7	634.3	641.1	646.7
Money Available for Debt Service:				
State Trunkline Fund	627.7	634.3	641.1	646.7
Legally Dedicated State Trunkline Fund Debt Service	43.0	43.0	43.0	43.0
Economic Development Fund	40.3	40.3	40.3	40.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	2.4	2.4	2.4	2.2
Miscellaneous (1)	-	-	-	-
Total Available for Debt Service	746.4	753.0	759.7	765.1
Debt Service:				
Principal	\$ 17.7	\$ 18.7	\$ 19.7	\$ 26.2
Interest	29.5	29.5	39.7	39.5
Actual Annual Debt Service (2)	47.2	48.2	59.4	65.7
Debt Service Coverage	15.8 x	15.6 x	12.8 x	11.6 x

NOTES:

(1) Beginning fiscal year 2008, miscellaneous revenues were available for debt service.

(2) The table above excludes amounts related to refunded bonds and federally funded debt.

SOURCE: Michigan Department of Transportation.

Michigan

2004	2005	2006	2007	2008	2009
\$ 1,073.3	\$ 1,069.1	\$ 1,055.3	\$ 1,027.8	\$ 989.3	\$ 964.0
933.8	863.4	867.7	871.7	855.0	839.7
51.4	37.3	36.0	35.7	36.2	33.0
<u>2,058.4</u>	<u>1,969.8</u>	<u>1,959.0</u>	<u>1,935.3</u>	<u>1,880.6</u>	<u>1,836.7</u>
2.2	2.2	2.5	2.8	2.8	2.8
43.0	43.0	43.0	43.0	43.0	43.0
42.2	44.5	57.1	46.2	48.1	47.8
18.4	18.4	18.0	17.6	16.9	16.6
166.4	167.3	165.4	164.7	159.9	155.3
33.0	33.0	33.0	33.0	33.0	33.0
5.0	17.2	28.9	28.3	27.5	27.0
40.3	40.3	40.3	40.3	40.3	40.3
<u>350.5</u>	<u>366.0</u>	<u>388.2</u>	<u>375.9</u>	<u>371.5</u>	<u>365.7</u>
1,707.9	1,603.8	1,570.8	1,559.4	1,509.1	1,471.0
6.2	7.0	8.9	8.2	9.0	2.3
<u>1,714.1</u>	<u>1,610.8</u>	<u>1,579.7</u>	<u>1,567.5</u>	<u>1,518.0</u>	<u>1,473.3</u>
366.9	348.7	344.8	342.8	332.1	322.4
642.5	611.6	603.3	599.7	580.9	563.7
704.8	650.5	631.5	625.0	605.0	587.2
704.8	650.5	631.5	625.0	605.0	587.2
43.0	43.0	43.0	43.0	43.0	43.0
40.3	40.3	40.3	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
2.2	2.2	2.5	2.8	2.8	2.8
-	-	-	-	40.5	27.1
<u>823.2</u>	<u>769.0</u>	<u>750.3</u>	<u>744.1</u>	<u>764.6</u>	<u>733.3</u>
\$ 23.9	\$ 25.0	\$ 19.9	\$ 20.0	\$ 43.5	\$ 45.6
43.9	49.5	74.7	84.8	91.5	90.1
<u>67.8</u>	<u>74.5</u>	<u>94.6</u>	<u>104.8</u>	<u>135.0</u>	<u>135.7</u>
12.1 x	10.3 x	7.9 x	7.1 x	5.7 x	5.4

Michigan

**DEBT SERVICE COVERAGE
STATE BUILDING AUTHORITY
LAST TEN FISCAL YEARS
(In Millions)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenue - Lease and Rental Payments	\$ 218.5	\$ 254.3	\$ 266.0	\$ 287.5
Less: Operating Expenses	<u>1.1</u>	<u>2.2</u>	<u>0.8</u>	<u>6.4</u>
Net Available Revenue	<u>217.4</u>	<u>252.1</u>	<u>265.2</u>	<u>281.1</u>
Debt Service:				
Principal	124.1	133.7	115.1	141.7
Interest	<u>100.3</u>	<u>100.5</u>	<u>106.7</u>	<u>119.6</u>
Actual Annual Debt Service (1)	<u>224.4</u>	<u>234.1</u>	<u>221.8</u>	<u>261.3</u>
Debt Service Coverage	1.0 x	1.1 x	1.2 x	1.1 x

NOTE:

(1) The table above excludes amounts related to refunded bonds.

Michigan

2004	2005	2006	2007	2008	2009
\$ 239.9	\$ 246.9	\$ 255.5	\$ 213.2	\$ 219.4	\$ 230.4
4.2	3.2	9.9	0.8	0.8	1.1
<u>235.7</u>	<u>243.7</u>	<u>245.6</u>	<u>212.4</u>	<u>218.6</u>	<u>229.3</u>
84.7	119.9	82.1	83.6	87.1	100.5
<u>109.5</u>	<u>128.7</u>	<u>140.8</u>	<u>117.5</u>	<u>123.4</u>	<u>122.2</u>
194.2	248.6	222.9	201.1	210.5	222.7
1.2 x	1.0 x	1.1 x	1.1 x	1.0 x	1.0



DEBT SERVICE COVERAGE
MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY
(In Millions)

	<u>2008</u>	<u>2009</u>
Revenue - Tobacco Revenue	\$ 45.3	\$ 43.1
Less: Operating Expenses	<u>1.1</u>	<u>0.2</u>
Net Available Revenue	<u><u>44.2</u></u>	<u><u>42.8</u></u>
Debt Service:		
Principal	10.1	6.6
Interest	<u>53.9</u>	<u>61.2</u>
Actual Annual Debt Service	64.0	67.8
Debt Service Coverage	0.7 x	0.6 x

NOTE:

Debt service on the Michigan Tobacco Settlement Finance Authority bonds commenced in fiscal year 2008.

DEMOGRAPHIC AND ECONOMIC INDICATORS
LAST TEN CALENDAR YEARS

	1999	2000	2001	2002
Population (a) (in thousands)				
Michigan	9,897	9,955	10,006	10,039
United States	279,040	282,172	285,082	287,804
Total Personal Income (b) (in billions)				
Michigan	\$ 275.7	\$ 292.6	\$ 299.9	\$ 303.0
United States	\$ 7,906.1	\$ 8,554.9	\$ 8,878.8	\$ 9,054.8
Per Capita Income (b)				
Michigan	\$ 27,858	\$ 29,392	\$ 29,977	\$ 30,188
United States	\$ 28,333	\$ 30,318	\$ 31,149	\$ 31,470
Unemployment Rate (c)				
Michigan	3.8%	3.7%	5.2%	6.2%
United States	4.2%	4.0%	4.7%	5.8%
Michigan estimated wage and salary employees (c) (in thousands)				
Goods Producing:				
Natural Resources and Mining	9.6	9.5	9.3	8.6
Construction	197.0	209.6	206.1	199.6
Manufacturing	899.9	898.4	823.1	763.5
Total Goods Producing	1,106.5	1,117.5	1,038.5	971.7
Service-Providing:				
Private Service-Providing				
Trade, Transportation, and Utilities:				
Wholesale Trade	183.6	186.0	180.4	175.4
Retail Trade	550.6	559.8	548.8	530.7
Transportation and Utilities	134.1	135.4	132.0	128.2
Information	73.9	76.7	76.0	73.8
Financial Activities:				
Finance and Insurance	153.0	152.8	154.8	159.2
Real Estate and Rental and Leasing	53.9	56.6	55.5	55.7
Professional and Business Services:				
Professional, Scientific, and Technical Services	264.1	274.3	268.0	257.4
Management of Companies and Enterprises	70.9	70.5	69.1	69.5
Administrative, Support Services, and Waste Management	277.9	290.5	267.0	267.0
Educational and Health Services:				
Educational Services	52.1	54.3	61.2	63.1
Health Care and Social Assistance	439.6	447.9	456.7	472.0
Leisure and Hospitality:				
Accommodation and Food Services	328.8	336.4	332.7	336.2
Other	54.7	61.8	61.6	61.7
Other Services	174.0	175.3	176.9	179.3
Total Private Service-Providing	2,811.3	2,878.0	2,840.7	2,829.2
Government	667.4	681.4	685.0	686.6
Total Service-Providing	3,478.6	3,559.4	3,525.7	3,515.8
Total Wage and Salary Employment	4,585.2	4,676.9	4,564.2	4,487.5

NOTES: Calendar year 2008 is the most recent year for which data is available.

Wage and Salary Employment based on North American Industry Classification System.

Components in Wage and Salary Employment may not total due to truncation.

SOURCES:

- (a) U.S. Census Bureau, Population Division
- (b) U.S. Department of Commerce, Bureau of Economic Analysis
- (c) Michigan Department of Energy, Labor & Economic Growth
and U.S. Department of Labor, Bureau of Labor Statistics

Michigan

2003	2004	2005	2006	2007	2008
10,066 290,326	10,089 293,046	10,091 295,753	10,082 298,593	10,051 301,580	10,002 304,375
\$ 314.2 \$ 9,369.1	\$ 319.4 \$ 9,928.8	\$ 325.7 \$ 10,476.7	\$ 334.8 \$ 11,256.5	\$ 343.6 \$ 11,879.8	\$ 349.6 \$ 12,225.6
\$ 31,214 \$ 32,284	\$ 31,650 \$ 33,899	\$ 32,265 \$ 35,447	\$ 33,198 \$ 37,728	\$ 34,188 \$ 39,430	\$ 34,949 \$ 40,208
7.1% 6.0%	7.1% 5.5%	6.8% 5.1%	6.9% 4.6%	7.1% 4.6%	8.4% 5.8%
8.1 190.6 719.7 <u>918.4</u>	8.2 191.5 700.7 <u>900.3</u>	8.4 189.1 680.0 <u>877.5</u>	8.0 178.0 650.8 <u>836.9</u>	7.7 166.3 620.1 <u>794.0</u>	7.8 153.7 575.3 <u>736.8</u>
172.6 518.7 125.8 70.3	170.5 513.6 125.7 68.6	170.7 506.0 128.3 67.3	170.6 496.0 128.4 66.1	169.0 489.7 128.3 64.9	166.7 478.4 124.2 61.8
162.3 56.0	161.3 56.1	161.8 56.1	160.9 54.9	158.3 53.3	152.3 52.1
247.9 68.6	244.2 67.0	246.4 64.6	244.9 61.7	244.9 57.0	240.1 54.4
266.4	270.1	277.5	275.1	274.5	262.5
66.4 480.5	70.6 490.3	74.8 501.0	76.1 507.2	78.7 518.0	80.3 528.1
335.9 62.2 179.1 <u>2,812.7</u>	339.7 62.3 179.6 <u>2,819.5</u>	341.9 62.6 179.6 <u>2,838.7</u>	343.8 61.8 177.5 <u>2,824.9</u>	342.6 63.0 176.6 <u>2,818.7</u>	335.5 62.6 175.6 <u>2,774.5</u>
<u>685.4</u> 3,498.0	<u>679.7</u> 3,499.2	<u>674.1</u> 3,512.8	<u>665.3</u> 3,490.3	<u>655.7</u> 3,474.4	<u>647.9</u> 3,422.4
<u><u>4,416.5</u></u>	<u><u>4,399.5</u></u>	<u><u>4,390.3</u></u>	<u><u>4,327.1</u></u>	<u><u>4,268.4</u></u>	<u><u>4,159.2</u></u>

CLASSIFIED EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Government	7,183	7,191	7,170	7,666
Education	403	396	393	298
Human services	13,254	13,139	12,554	10,303
Public safety and corrections	21,829	22,506	21,947	20,941
Conservation, environment, recreation, and agriculture	4,768	4,823	4,715	4,270
Labor, commerce, and regulatory	4,898	4,911	4,814	4,097
Health services	5,914	5,838	5,370	4,465
Transportation	<u>3,244</u>	<u>3,253</u>	<u>3,185</u>	<u>2,826</u>
Total	61,493	62,057	60,147	54,866

NOTES: Starting in fiscal year 2005, this report reflects classified employees who are full-time, part-time, permanent intermittent, limited term, seasonal, and non-career in primary positions only, except for the following non-career appointments: student assistant, construction aide-transportation, and state worker.

Each fiscal year in this schedule also includes approximately 2,000 classified employees for the business type activities and discretely presented component unit authorities. Although the expenses for the business type activities and component unit authorities are reported separately in the government-wide financial statements, the employee counts were combined in this schedule to ensure consistency with the Civil Service Commission reports and for administrative efficiency.

This schedule includes average employee counts. Employees who job share are divided in half. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Civil Service Commission, Annual Work Force Report.

Michigan

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
7,645	7,138	7,144	7,264	7,347	7,328
324	352	367	369	380	405
10,104	9,953	9,778	9,759	9,582	10,168
20,385	20,175	20,060	19,948	19,451	19,310
4,459	3,729	3,662	3,586	3,439	3,466
4,126	3,994	4,128	3,967	3,781	4,056
4,577	4,424	4,241	4,225	3,964	4,075
<u>2,956</u>	<u>2,849</u>	<u>2,880</u>	<u>2,895</u>	<u>2,854</u>	<u>2,892</u>
54,573	52,614	52,259	52,013	50,799	51,699

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	2000	2001	2002
General government			
Tax forms processed (calendar year)	8,045,023	8,445,431	8,460,529
Passenger, commercial, and recreational vehicle registrations	8,977,693	9,008,126	9,109,817
Driver licenses issued	1,997,651	1,923,498	1,728,793
Education			
K-12 students	1,701,375	1,705,798	1,715,153
Public university students	227,972	232,648	241,205
Community college students	107,660	109,131	116,802
Human services			
Food assistance program recipients (1)	580,308	623,335	748,421
Family independence program recipients (1)	205,600	193,217	202,462
Day care recipients (1)	120,558	118,698	117,941
Children in foster care	18,862	19,445	19,078
State disability assistance recipients (1)	6,925	7,040	8,045
Finalized adoptions (yearly total) (2)	2,840	3,014	2,895
Juvenile justice youth served	2,707	3,428	2,840
Open child support cases with support orders established	714,138	762,254	745,135
Public safety and corrections			
Inmates, parolees, and probationers (as of 9/30)	111,666	115,722	120,804
State police patrol miles driven	19,318,420	19,456,634	18,605,982
Criminal offender DNA samples entered into federal indexing database (calendar year)	353	16,785	8,861
National Guard members (as of 9/30)	10,926	11,224	11,580
Veteran homes average daily census	903	900	901
Conservation, environment, recreation and agriculture			
Hunting and/or fishing license holders (3)	2,242,607	2,169,161	2,138,381
Camping nights in State parks	1,173,890	1,146,956	1,142,539
Population impacted by water purification projects	185,771	174,574	157,966
Underground storage tank releases closed	793	467	561
Scrap tires collected (passenger tire equivalent)	1,192,867	2,476,948	667,443
Labor, commerce, and regulatory			
Processed applications for new and renewal occupational licenses (4)	20,263	22,522	31,456
Building related permits issued	49,212	42,664	41,573
Building related safety inspections conducted	42,207	53,485	47,375
Occupational safety and health enforcement inspections conducted	6,998	5,246	4,919
Alleged occupational safety and health violations identified	27,869	23,393	19,839
Financial and insurance service providers chartered	212,269	215,005	231,741
Health services			
Medicaid recipients (1)	1,061,997	1,101,154	1,197,086
Women, Infants, and Children Food and Nutrition Program recipients (1)	213,050	214,952	215,989
Children's special health care services recipients (1)	24,554	28,048	29,465
Mentally ill/developmental disability service recipients (1)	190,408	185,984	195,552
Substance abuse service recipients (1)	66,146	59,821	56,049

NOTES:

- (1) Monthly average.
- (2) Total adoptions were completed by the Department of Human Services (DHS) and private agencies under contract with DHS.
- (3) The licensing season runs April 1 through March 31. Amounts reported under fiscal year 2009 are for the licensing year ending March 31, 2009.
- (4) Processed occupational license renewals are not available for fiscal years 2002 and prior.
- (5) The increase in fiscal year 2005 resulted from a project benefiting users of the Detroit Water and Sewerage Department.
- (6) Amount estimated.

SOURCES: Various State departments.

Michigan

2003	2004	2005	2006	2007	2008	2009
8,131,481	8,079,995	8,059,355	8,259,132	8,245,905	8,364,936	8,266,117 (6)
9,100,370	8,987,430	8,879,158	8,732,938	8,785,222	8,570,421	8,506,838
1,899,690	2,018,292	1,913,530	1,724,108	1,875,932	1,915,459	1,829,330
1,718,286	1,716,511	1,708,585	1,697,936	1,678,579	1,648,585	1,615,371
246,205	249,616	250,030	253,020	253,385	254,026	257,230
125,719	127,717	131,150	133,359	139,219	146,234	157,225
836,518	943,713	1,047,594	1,133,793	1,204,409	1,262,951	1,462,710
200,962	211,569	212,252	217,318	237,102	210,181	202,693
122,360	120,623	118,939	114,758	106,062	97,856	83,137
19,317	19,281	18,745	18,414	18,943	18,016	16,115
9,114	10,058	10,560	10,591	11,015	10,427	10,528
2,643	2,776	2,910	2,621	2,638	2,745	2,696 (6)
2,293	2,040	1,871	1,655	1,512	1,371	1,499
758,992	769,462	777,188	764,500	754,511	755,004	764,168
122,377	122,680	119,845	120,337	123,032	126,216	125,700
15,230,342	15,961,280	16,879,418	17,632,736	14,916,802	17,071,748	15,138,587
13,967	34,525	23,099	41,888	30,519	25,263	Unavailable
11,306	10,917	11,125	11,768	11,862	11,991	11,817
900	886	909	902	896	891	875
2,104,171	2,053,768	2,004,577	1,950,676	1,981,382	1,964,480	1,951,579
1,156,130	1,040,368	1,005,437	956,030	929,753	891,607	894,410 (6)
314,918	203,641	3,994,970 (5)	1,046,379	490,298	1,331,867	359,015
339	337	265	320	233	159	203
1,751,165	3,215,727	5,942,164	6,081,447	3,736,086	3,772,376	3,505,300 (6)
205,088	196,440	152,659	164,153	198,430	151,230	150,118
41,216	39,942	40,662	33,031	26,942	24,025	19,604
47,339	44,343	41,303	45,921	42,931	47,847	54,766
4,820	5,301	4,492	5,102	5,001	5,032	5,071
19,188	20,576	17,621	17,311	16,712	15,781	14,006
252,338	260,498	281,668	297,662	323,791	334,685	328,182
1,281,397	1,357,546	1,424,831	1,490,384	1,524,299	1,536,853	1,622,758
216,684	222,077	226,601	229,770	232,280	239,145	242,453
27,105	29,105	30,232	30,449	30,898	31,452	30,008
185,072	187,059	200,424	207,407	213,257	219,238	225,388 (6)
65,584	66,085	69,808	71,175	69,564	70,978	71,077 (6)

OPERATING INDICATORS BY FUNCTION - (Continued)
LAST TEN FISCAL YEARS

	2000	2001	2002
Transportation			
Annual vehicle miles of travel on			
State Trunkline roads (calendar year) (11)	51,300,000,000	51,500,000,000	52,800,000,000
Miles of intercity bus travel receiving State funding	1,136,199	1,090,776	1,169,738
Miles of local bus travel receiving State funding	87,178,629	91,827,361	98,082,082
Railroad crossing maintenance/safety inspections	2,710	2,845	2,927
Tax credits			
Taxpayers claiming refundable credits (8) (10)	1,168,000	1,264,500	1,380,400
Intergovernmental-revenue sharing			
Township grants	1,241	1,241	1,241
City grants	273	273	272
Village grants	262	262	261
County grants (9)	83	83	83
Liquor Purchase Revolving Fund			
Annual retail liquor licenses issued	16,314	16,169	16,130
Liquor sales volume (cases)	5,350,162	5,377,947	5,496,879
Beer sales volume (barrels)	6,778,789	6,812,301	6,730,138
Wine sales volume (liters)	56,451,428	55,794,094	53,916,859
Pre-mixed spirit drink sales volume (liters)	1,748,304	2,069,203	1,572,937
State Lottery Fund			
Retailers	9,271	9,217	9,160
Winners greater than \$600	32,563	27,777	25,921
Millionaire prizewinners	22	18	16
Michigan Unemployment Compensation Funds			
Individuals receiving benefits (calendar year)	419,588	615,249	623,208

NOTES:

- (7) Amount estimated.
- (8) Tax credits are reported based on the tax year. Credits claimed during tax year 2004, for example, are reported above in fiscal year 2004. The 2008 totals include approximately 713,500 returns claiming a Michigan earned income tax credit.
- (9) County grants were suspended beginning in fiscal year 2005. Instead, each county expends from its revenue sharing reserve fund created by State statute in 2004. Each fiscal year, counties are allowed only to expend from the fund the amount the Department of Treasury certifies them to spend. Once a county has exhausted its revenue sharing reserve fund, the county will return to revenue sharing.
- (10) Amount estimated and rounded to nearest hundred.
- (11) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.

SOURCES: Various State departments.

Michigan

2003	2004	2005	2006	2007	2008	2009
53,400,000,000	53,700,000,000	52,600,000,000	51,500,000,000	52,000,000,000	51,500,000,000	48,700,000,000
1,148,787	1,116,321	1,090,708	1,086,793	1,081,038	1,087,543	1,080,543
97,289,858	93,223,721	88,837,852	92,951,025	94,128,601	101,037,008	96,063,000 (7)
2,405	2,370	2,898	2,531	2,679	2,586	1,932
1,416,100	1,479,300	1,497,900	1,525,500	1,581,700	2,335,400 (7)	Unavailable
1,241	1,241	1,241	1,241	1,241	1,241	1,240
272	272	274	274	274	274	275
261	261	259	259	259	259	258
83	83	-	-	-	1	7
16,034	16,019	15,964	15,942	15,838	15,763	15,771
5,752,264	6,029,155	6,110,122	6,293,797	6,464,739	6,611,415	6,734,253
6,802,658	6,807,147	6,721,468	6,647,438	6,588,385	6,601,138	6,465,495
61,471,699	65,417,883	66,022,306	68,139,758	71,385,503	72,797,847	73,200,249
1,032,309	1,237,451	1,065,146	871,900	1,008,073	811,286	787,948
9,048	10,806	11,076	10,880	10,973	10,969	10,680
44,162	44,962	44,692	52,124	49,585	44,962	53,986
11	20	21	17	42	37	40
617,145	617,134	547,376	569,721	547,950	633,558	834,429 (7)

**CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS**

	2000	2001	2002	2003
General Government:				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Education				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Human services				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Public safety and corrections				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Conservation, environment, recreation, and agriculture				
Buildings	Unavailable	164	191	192
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Environmental quality air-monitoring instruments	73	88	99	116
Environmental quality lab/analyzing equipment	115	120	124	129
Natural resources acres of land	4,537,232	4,543,728	4,545,628	4,551,591
Harbors	16	16	16	16
Hatcheries	6	6	6	6
State park & recreation areas	96	96	96	97
Labor, commerce, and regulatory				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Health services				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Transportation				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	946	1,042	1,242	1,320
Highway lane miles (calendar year)	27,345	27,323	27,423	27,460
Heavy equipment owned	2,260	2,193	2,128	2,112

NOTES: For years prior to 2006, capital assets information was not available by function.

Building and vehicle counts include both owned and leased assets with the exception of transportation vehicles for years prior to fiscal year 2006. Transportation vehicle counts for fiscal years prior to fiscal year 2006 include only owned vehicles.

Acres of land are on a tax year basis rather than a fiscal year basis. The current fiscal year amount is an estimate.

Building counts for 2001 - 2005 in the Conservation, environment, recreation, and agriculture function represent only those buildings owned by the Department of Natural Resources.

SOURCES: Michigan Departments of Management and Budget, Environmental Quality, Natural Resources and Transportation.

Michigan

2004	2005	2006	2007	2008	2009
Unavailable	Unavailable	281	280	296	279
Unavailable	Unavailable	747	754	756	772
Unavailable	Unavailable	27	27	27	27
Unavailable	Unavailable	28	21	21	23
Unavailable	Unavailable	208	208	210	207
Unavailable	Unavailable	838	844	931	926
Unavailable	Unavailable	1,390	1,390	1,403	1,393
Unavailable	Unavailable	3,401	3,548	3,605	3,542
203	229	249	300	314	326
Unavailable	Unavailable	3,452	3,763	3,832	3,850
146	170	188	194	195	198
151	127	131	153	147	147
4,556,233	4,557,246	4,562,444	4,566,708	4,574,274	4,579,630
16	16	16	16	16	17
6	6	6	6	6	6
97	97	97	98	98	98
Unavailable	Unavailable	160	164	158	154
Unavailable	Unavailable	482	482	509	510
Unavailable	Unavailable	239	239	241	241
Unavailable	Unavailable	272	276	287	290
Unavailable	Unavailable	437	437	439	436
1,322	1,448	1,841	1,872	1,777	1,764
27,534	27,557	27,521	27,514	27,478	27,438
2,129	2,117	2,162	2,184	2,164	2,173





IV. OTHER INFORMATION

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2009
 (In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
TAXES			
Sales	\$ 6,089,106	\$ 1,581,549	\$ 4,507,556
Personal income	6,820,253	4,924,851	1,895,402
Single business and Michigan business Use	2,285,237	1,615,897	669,341
State education (property)	1,283,685	855,566	428,119
Real estate transfer	2,040,647	-	2,040,647
Tobacco products	125,294	-	125,294
Beer and wine	1,041,541	631,112	410,429
Liquor	50,770	50,770	-
Horse race wagering	113,298	75,682	37,616
Casino gaming wagering	7,488	7,488	-
Telephone and telegraph company	121,363	13,284	108,080
Commercial mobile radio service	62,972	62,972	-
Insurance company	28,914	28,914	-
Motor vehicle registration	261,002	261,002	-
Gasoline	842,427	2,773	839,654
Aviation fuel	846,346	-	846,346
Diesel fuel	5,692	-	5,692
Gas and oil severance	117,921	-	117,921
Industrial facilities	48,208	48,208	-
Convention hotel accommodation	41,810	-	41,810
Airport parking	15,380	15,380	-
Quality assurance assessment	19,929	19,929	-
Penalties and interest	859,482	859,482	-
Other	150,334	150,334	-
	69,254	53,001	16,253
	<u>23,348,354</u>	<u>11,258,195</u>	<u>12,090,158</u>
FROM FEDERAL AGENCIES			
Department of Health and Human Services	9,909,732	9,908,601	1,130
Department of Education	2,367,674	645,055	1,722,618
Department of Agriculture	2,801,721	2,423,437	378,284
Department of Labor	578,972	407,967	171,006
Department of Housing and Urban Development	10,493	10,493	-
Department of Energy	28,598	28,598	-
Department of Transportation	1,395,731	26,905	1,368,826
Department of Interior	29,685	25,367	4,318
Department of Defense	37,874	37,874	-
Department of Justice	39,587	39,587	-
Environmental Protection Agency	40,446	40,132	314
Pooled Federal Indirect Revenues	22,583	22,583	-
Other	114,320	112,553	1,768
	<u>17,377,416</u>	<u>13,729,152</u>	<u>3,648,264</u>
FROM LOCAL AGENCIES			
Counties	86,291	84,967	1,324
Cities, villages, and townships	14,734	197	14,537
School districts	3,578	3,578	-
Other	13,587	12,014	1,573
	<u>118,190</u>	<u>100,756</u>	<u>17,434</u>
SPECIAL MEDICAID REIMBURSEMENTS			
	135,667	135,667	-
	<u>135,667</u>	<u>135,667</u>	<u>-</u>

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
FROM SERVICES			
Charges for providing vehicle and driver services	\$ 128,137	\$ 124,814	\$ 3,323
Revenue for patient, ward, and inmate care	39,127	39,127	-
Other	121,613	121,108	505
	<u>288,877</u>	<u>285,049</u>	<u>3,827</u>
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	14,079	14,079	-
Motor vehicle operators' and chauffeurs' licenses	58,595	58,250	345
Examination fees - financial institutions and insurance industry	26,997	26,997	-
Concession and privilege fees - State parks	904	-	904
Motor vehicle related	32,406	3,421	28,985
Hunting, fishing, and trapping licenses	51,020	-	51,020
Public utility assessment fees	25,327	25,327	-
Labor and Economic Growth licenses and permits	77,043	69,522	7,522
Auto repair facilities and mechanics licenses and fees	3,883	3,883	-
Corporation franchise fees	19,585	19,585	-
Other	145,141	76,598	68,543
	<u>454,981</u>	<u>297,662</u>	<u>157,319</u>
MISCELLANEOUS			
Income from investments	35,990	6,983	29,007
Tobacco settlement proceeds	318,377	-	318,377
Various fines, fees, and assessments	70,197	38,661	31,536
Court fines, fees, and assessments	287,834	276,827	11,008
Oil and gas royalties, fees, assignments, and rentals	10,211	5,026	5,185
Environmental pollution settlements	10,263	2,982	7,280
Child support	36,470	36,470	-
Other	693,594	381,369	312,225
	<u>1,462,936</u>	<u>748,318</u>	<u>714,618</u>
Total Revenues	<u>43,186,420</u>	<u>26,554,800</u>	<u>16,631,620</u>
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	426,135	-	426,135
Capital lease acquisitions	41,205	40,283	921
Proceeds from sale of capital assets	3,009	2,204	804
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	163,560	163,560	-
From State Lottery Fund	737,224	12,754	724,470
From other funds	1,159,429	95,382	1,064,047
Total Other Financing Sources	<u>2,530,561</u>	<u>314,184</u>	<u>2,216,378</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>\$ 45,716,982</u>	<u>\$ 26,868,984</u>	<u>\$ 18,847,998</u>

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
TAXES			
Sales	\$ 1,581,549	\$ 531,298	\$ 1,050,251
Personal income	4,924,851	3,860,365	1,064,486
Single business and Michigan business	1,615,897	1,613,276	2,621
Use	855,566	863,407	(7,841)
Tobacco products	631,112	208,393	422,719
Beer and wine	50,770	50,770	-
Liquor	75,682	38,002	37,680
Horse race wagering	7,488	-	7,488
Casino gaming wagering	13,284	11,623	1,660
Telephone and telegraph company	62,972	62,972	-
Commercial mobile radio service	28,914	-	28,914
Insurance company	261,002	260,995	7
Motor vehicle registration	2,773	-	2,773
Gas and oil severance	48,208	47,231	977
Convention hotel accommodation	15,380	6,600	8,780
Airport parking	19,929	-	19,929
Quality assurance assessment	859,482	-	859,482
Penalties and interest	150,334	139,419	10,915
Other	53,001	1,354	51,647
	<u>11,258,195</u>	<u>7,695,706</u>	<u>3,562,490</u>
FROM FEDERAL AGENCIES			
Department of Health and Human Services	9,908,601	11,921	9,896,680
Department of Education	645,055	8	645,048
Department of Agriculture	2,423,437	12	2,423,425
Department of Labor	407,967	1	407,966
Department of Housing and Urban Development	10,493	103	10,390
Department of Energy	28,598	8	28,590
Department of Transportation	26,905	30	26,875
Department of Interior	25,367	-	25,367
Department of Defense	37,874	1	37,873
Department of Justice	39,587	435	39,152
Environmental Protection Agency	40,132	1	40,131
Pooled Federal Indirect Revenues	22,583	17,876	4,707
Other	112,553	754	111,798
	<u>13,729,152</u>	<u>31,151</u>	<u>13,698,001</u>
FROM LOCAL AGENCIES			
Counties	84,967	590	84,378
Cities, villages, and townships	197	7	191
School districts	3,578	-	3,578
Other	12,014	372	11,642
	<u>100,756</u>	<u>968</u>	<u>99,788</u>
SPECIAL MEDICAID REIMBURSEMENTS			
	135,667	-	135,667
	<u>135,667</u>	<u>-</u>	<u>135,667</u>

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
FROM SERVICES			
Charges for providing vehicle and driver services	\$ 124,814	\$ 10	\$ 124,804
Revenue for patient, ward, and inmate care	39,127	-	39,127
Other	121,108	9,400	111,708
	<u>285,049</u>	<u>9,410</u>	<u>275,639</u>
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	14,079	-	14,079
Motor vehicle operators' and chauffeurs' licenses	58,250	33,061	25,190
Examination fees - financial institutions and insurance industry	26,997	-	26,997
Motor vehicle related	3,421	35	3,386
Public utility assessment fees	25,327	-	25,327
Labor and Economic Growth licenses and permits	69,522	11,690	57,831
Auto repair facilities and mechanics licenses and fees	3,883	-	3,883
Corporation franchise fees	19,585	-	19,585
Other	76,598	563	76,035
	<u>297,662</u>	<u>45,349</u>	<u>252,314</u>
MISCELLANEOUS			
Income from investments	6,983	3,282	3,700
Various fines, fees, and assessments	38,661	1,130	37,531
Court fines, fees, and assessments	276,827	109,305	167,522
Oil and gas royalties, fees, assignments, and rentals	5,026	-	5,026
Environmental pollution settlements	2,982	-	2,982
Child support	36,470	-	36,470
Other	381,369	61,600	319,769
	<u>748,318</u>	<u>175,317</u>	<u>573,001</u>
 Total Revenues	 <u>26,554,800</u>	 <u>7,957,900</u>	 <u>18,596,900</u>
OTHER FINANCING SOURCES			
Capital lease acquisitions	40,283	-	40,283
Proceeds from sale of capital assets	2,204	657	1,547
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	163,560	161,012	2,548
From State Lottery Fund	12,754	11,764	990
From other funds	95,382	42,077	53,305
	<u>314,184</u>	<u>215,511</u>	<u>98,673</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>26,868,984</u>	<u>8,173,411</u>	<u>18,695,573</u>
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(40,283)	-	(40,283)
Total Revenue and Other Financing Sources (budgetary basis)	<u>\$ 26,828,700</u>	<u>\$ 8,173,411</u>	<u>\$ 18,655,289</u>

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(In Thousands)

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>	<u>UNEXPENDED FROM PRIOR YEAR</u>	<u>RESTRICTED REVENUE ADDITIONS</u>	<u>LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED/USED</u>
Legislative Branch	\$ 121,519	\$ -	\$ 292	\$ 13,900	\$ 6,237	\$ (26)
Judicial Branch	156,472	-	-	15,312	87,523	(17,348)
Executive Branch:						
Agriculture	28,546	-	-	5,403	45,202	(5,799)
Attorney General	29,918	-	-	3,678	37,498	(2,448)
Civil Rights	11,861	-	-	-	1,919	-
Colleges and Universities Grants	1,844,298	-	-	195	175,454	-
Community Health	2,473,753	-	-	119,215	10,323,365	(91,433)
Corrections	1,778,041	-	-	9,505	218,887	(2,930)
Education	85,075	-	1	1,918	57,884	(2,216)
Energy, Labor and Economic Growth	62,327	-	-	83,883	905,995	(91,544)
Environmental Quality	38,580	-	-	108,260	134,834	(95,411)
Executive Office	5,038	-	-	-	-	-
History, Arts & Libraries	38,246	-	-	1,568	12,580	(509)
Human Services	1,197,528	-	-	30,768	4,063,298	(6,093)
Management and Budget	288,997	-	-	32,722	205,042	(26,020)
Military and Veterans Affairs	37,473	-	-	2,408	84,709	(1,768)
Natural Resources	9,892	-	-	4,274	50,521	(4,231)
State	25,748	-	-	23,225	163,527	(11,790)
State Police	171,652	-	-	25,036	310,219	(21,234)
Transportation	-	-	-	-	-	-
Treasury	165,266	-	27	92,956	2,343,251	(42,921)
Intrafund expenditure reimbursements	-	-	-	-	-	-
TOTAL	\$ 8,570,230	\$ -	\$ 320	\$ 574,026	\$ 19,227,945	\$ (423,722)

* 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.

Michigan

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
\$ 141,922	\$ (14,730)	\$ 127,193	\$ 126,770	\$ 177	\$ 108	\$ 138	\$ -
241,959	-	241,959	241,415	289	240	14	-
73,352	-	73,352	73,272	69	-	10	-
68,646	-	68,646	68,199	221	-	226	-
13,780	-	13,780	13,492	-	-	288	-
2,019,947	(2)	2,019,945	2,018,339	-	-	1,606	-
12,824,900	(12,988)	12,811,912	12,747,916	2,896	-	61,101	-
2,003,503	-	2,003,503	1,998,554	3,635	856	459	-
142,662	-	142,662	141,077	25	-	1,560	-
960,461	(150)	960,311	955,572	3,559	585	595	-
186,262	-	186,262	186,118	66	-	79	-
5,038	-	5,038	4,978	-	-	60	-
51,885	-	51,885	50,440	53	1,295	97	-
5,285,502	-	5,285,502	5,250,344	11,863	-	24,876	(1,581)
500,740	(145)	500,596	496,244	2,330	-	2,022	-
122,821	(189)	122,632	121,799	323	-	510	-
60,456	-	60,456	60,352	101	-	3	-
200,710	(7,905)	192,805	186,924	1,738	136	4,008	-
485,674	-	485,674	483,637	1,863	-	174	-
-	-	-	-	-	-	-	-
2,558,579	-	2,558,579	2,495,182	18,524	26,549	18,323	-
-	-	(572,656)	(572,656)	-	-	-	-
<u>\$ 27,948,799</u>	<u>\$ (36,108)</u>	<u>\$ 27,340,035</u>	<u>\$ 27,147,967</u>	<u>\$ 47,733</u>	<u>\$ 29,768</u>	<u>\$ 116,148</u>	<u>\$ (1,581)</u>
Prior Year encumbrances		(94,717)	(94,717)				
Amount reported on Budgetary Comparison Schedule		<u>\$ 27,245,318</u>	<u>\$ 27,053,249</u>	<u>\$ 47,733</u>	<u>\$ 29,768</u>	<u>\$ 116,148</u>	<u>\$ (1,581)</u>

**SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2009
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(In Thousands)**

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION*</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>
Legislative Branch	\$ 121,519	\$ -	\$ 292
Judicial Branch	156,472	-	-
Executive Branch:			
Agriculture	28,546	-	-
Attorney General	29,918	-	-
Civil Rights	11,861	-	-
Colleges and Universities Grants	1,844,298	-	-
Community Health	2,473,753	-	-
Corrections	1,778,041	-	-
Education	85,075	-	1
Energy, Labor and Economic Growth	62,327	-	-
Environmental Quality	38,580	-	-
Executive Office	5,038	-	-
History, Arts & Libraries	38,246	-	-
Human Services	1,197,528	-	-
Management and Budget	288,997	-	-
Military and Veterans Affairs	37,473	-	-
Natural Resources	9,892	-	-
State	25,748	-	-
State Police	171,652	-	-
Transportation	-	-	-
Treasury	165,266	-	-
TOTAL	\$ 8,570,230	\$ -	\$ 293

* 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 \$1.5 million of the "Current Legislative Appropriation" for the Appropriation Year 2009.

GROSS SPENDING AUTHORITY	"ACTUAL"			"VARIANCES"	
	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
\$ 121,811	\$ 114,465	\$ 101	\$ 7,111	\$ 135	\$ -
156,472	156,207	257	-	7	-
28,546	28,467	69	-	10	-
29,918	29,599	112	-	207	-
11,861	11,573	-	-	288	-
1,844,298	1,842,691	-	1	1,606	-
2,473,753	2,400,770	2,087	9,986	60,909	-
1,778,041	1,776,172	1,572	-	297	-
85,075	83,491	25	-	1,560	-
62,327	58,179	3,548	150	450	-
38,580	38,456	66	-	57	-
5,038	4,978	-	-	60	-
38,246	38,121	51	-	75	-
1,197,528	1,166,646	7,220	-	24,307	(644)
288,997	286,470	1,184	-	1,343	-
37,473	36,502	277	189	506	-
9,892	9,794	96	-	1	-
25,748	18,714	79	3,905	3,049	-
171,652	170,764	775	-	113	-
-	-	-	-	-	-
165,266	138,543	8,429	-	18,294	-
<u>\$ 8,570,523</u>	<u>\$ 8,410,603</u>	<u>\$ 25,949</u>	<u>\$ 21,341</u>	<u>\$ 113,274</u>	<u>\$ (644)</u>

Michigan

**REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2009
(In Thousands)**

<u>SOURCE</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
TAXES:				
Sales	\$ 6,277,498	\$ 6,352,306	\$ 6,439,894	\$ 6,422,642
Personal Income (net of tax credits)	7,144,211	6,749,373	6,095,989	5,811,843
Amount reported as tax credits	502,100	532,800	615,100	707,800
Single Business and Michigan Business Use	2,324,868	2,022,882	1,983,795	1,843,072
State Education (Property)	1,355,389	1,333,607	1,306,365	1,229,838
Real Estate Transfer	1,381,420	1,489,552	1,583,660	2,127,513
Liquor, Beer, Wine, and Tobacco Products	257,093	252,894	253,075	275,513
Casino Gaming Wagering	736,859	732,673	808,225	1,035,322
Telephone and Telegraph Company	-	75,415	91,915	90,945
Insurance Company	149,206	152,523	137,343	124,168
Motor Vehicle and Fuel	191,946	200,756	227,081	231,076
Quality Assurance Assessment	1,829,979	1,852,964	1,917,481	1,946,225
Other	-	-	-	-
	<u>714,899</u>	<u>657,279</u>	<u>610,485</u>	<u>580,001</u>
TOTAL TAXES	22,865,469	22,405,023	22,070,408	22,425,957
FEDERAL AGENCIES	8,571,625	9,566,353	10,202,344	10,812,852
LOCAL AGENCIES	173,882	227,996	248,867	230,728
SPECIAL MEDICAID REIMBURSEMENTS	1,059,343	1,155,374	1,109,233	932,658
SERVICES	110,294	115,346	121,849	121,198
LICENSES AND PERMITS	393,006	391,655	408,746	417,786
MISCELLANEOUS	1,032,248	1,281,281	1,150,187	1,390,001
TOTAL REVENUE	<u>34,205,867</u>	<u>35,143,027</u>	<u>35,311,635</u>	<u>36,331,180</u>
PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES	82,099	854,240	424,472	352,254
CAPITAL LEASE ACQUISITIONS	22,330	23,014	237,272	16,052
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	-	-	-
TOTAL REVENUE, BOND PROCEEDS, CAPITAL LEASE ACQUISITIONS, AND PROCEEDS FROM SALE OF CAPITAL ASSETS	<u>\$ 34,310,295</u>	<u>\$ 36,020,281</u>	<u>\$ 35,973,378</u>	<u>\$ 36,699,486</u>

NOTES: (1) Beginning in fiscal year 2004, the State began reporting quality assurance assessment revenue as a tax revenue, rather than as miscellaneous revenue. Amounts for years prior to 2004 are not available.

(2) Beginning in fiscal year 2005, the State began reporting charges for providing vehicle and driving services as revenue from services, rather than licenses and permits. Amounts for years prior to 2005 are not available.

(3) Effective January 1, 2008, the State replaced the single business tax with the Michigan business tax.

Michigan

2004	2005	2006	2007	2008	2009
\$ 6,473,522	\$ 6,599,138	\$ 6,638,110	\$ 6,552,240	\$ 6,773,276	\$ 6,089,106
5,873,365	6,108,924	6,226,304	6,442,678	7,226,049	5,856,753
702,700	815,300	834,000	883,400	931,600	963,500
1,841,010	1,907,190	1,886,168	1,786,213	2,482,035	2,285,237
1,316,504	1,402,399	1,413,758	1,380,375	1,377,077	1,283,685
1,824,493	1,914,629	2,003,527	2,080,977	2,079,703	2,040,647
317,480	313,548	297,680	237,483	169,835	125,294
1,142,217	1,330,759	1,324,189	1,288,335	1,235,753	1,205,609
99,455	145,811	155,461	159,363	129,684	121,363
101,315	99,149	83,533	87,282	80,793	62,972
230,272	249,524	219,538	223,754	223,198	261,002
2,015,567	1,942,450	1,932,043	1,909,146	1,852,884	1,812,385
325,188	509,857	676,923	827,776	1,023,766	859,482
536,839	598,285	507,690	511,861	489,479	381,318
<u>22,799,928</u>	<u>23,936,964</u>	<u>24,198,924</u>	<u>24,370,884</u>	<u>26,075,135</u>	<u>23,348,354</u>
11,579,388	11,974,006	12,160,022	12,655,930	13,432,638	17,377,416
239,815	262,875	124,101	139,429	126,550	118,190
704,551	467,970	93,621	102,670	115,797	135,667
148,140	264,957	269,593	284,370	291,380	288,877
555,858	423,501	437,560	444,841	441,407	454,981
<u>1,109,630</u>	<u>1,371,999</u>	<u>1,457,623</u>	<u>1,510,134</u>	<u>1,549,016</u>	<u>1,462,936</u>
<u>37,137,308</u>	<u>38,702,270</u>	<u>38,741,444</u>	<u>39,508,257</u>	<u>42,031,923</u>	<u>43,186,420</u>
405,881	182,441	1,004,778	1,026,769	89,957	426,135
19,661	6,778	34,059	20,906	110,838	41,205
<u>11,513</u>	<u>10,340</u>	<u>3,989</u>	<u>5,318</u>	<u>30,388</u>	<u>3,009</u>
<u>\$ 37,574,362</u>	<u>\$ 38,901,829</u>	<u>\$ 39,784,271</u>	<u>\$ 40,561,251</u>	<u>\$ 42,263,105</u>	<u>\$ 43,656,769</u>

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2009
(In Thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Current:				
General government	\$ 1,071,643	\$ 1,270,363	\$ 1,541,175	\$ 1,207,672
Education	12,436,812	13,975,247	14,547,772	14,624,856
Human services	3,336,835	3,596,001	3,791,373	3,875,371
Public safety and corrections	1,983,001	2,155,735	2,132,401	2,112,194
Conservation, environment, recreation, and agriculture	564,738	617,703	638,615	581,168
Labor, commerce, and regulatory	740,687	881,069	891,817	891,644
Health services	7,692,354	8,525,435	8,891,480	9,270,484
Transportation	1,663,318	2,058,191	2,117,153	2,080,361
Tax credits	502,100	532,800	615,100	707,800
Capital outlay	1,196,211	1,267,158	1,232,479	1,085,686
Intergovernmental - revenue sharing	1,494,016	1,555,799	1,517,303	1,451,374
Debt service:				
Bond interest and fiscal charges	-	2,219	1,240	-
Capital lease payments	52,027	48,820	51,387	67,723
Total Expenditures	<u>\$ 32,733,741</u>	<u>\$ 36,486,541</u>	<u>\$ 37,969,296</u>	<u>\$ 37,956,335</u>

Michigan

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	1,116,072	\$ 1,303,070	\$ 1,632,416	\$ 1,584,117	\$ 1,547,722	\$ 1,582,640
	14,305,112	14,488,870	14,710,682	14,572,261	15,029,489	15,195,462
	3,932,475	4,122,779	4,341,774	4,447,992	4,609,481	5,334,263
	2,118,888	2,284,674	2,453,297	2,465,362	2,614,768	2,589,942
	571,909	598,930	626,879	553,033	580,293	539,821
	902,903	924,876	952,921	957,023	966,091	1,145,954
	9,676,268	10,126,544	9,958,104	10,741,285	11,588,207	12,450,287
	2,211,490	2,163,688	2,082,685	2,178,922	2,338,905	2,195,295
	702,700	815,300	834,000	883,400	931,600	963,500
	1,046,339	1,229,534	1,253,535	1,296,053	1,177,576	1,201,931
	1,305,146	1,112,931	1,103,625	1,071,104	1,076,445	1,040,031
	-	-	174	-	-	-
	<u>50,840</u>	<u>49,530</u>	<u>49,183</u>	<u>46,074</u>	<u>50,176</u>	<u>50,107</u>
\$	<u><u>37,940,143</u></u>	<u><u>39,220,726</u></u>	<u><u>39,999,276</u></u>	<u><u>40,796,626</u></u>	<u><u>42,510,753</u></u>	<u><u>44,289,235</u></u>

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