

State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2000



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Governor

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STATE OF MICHIGAN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Title Page	i
Table of Contents	ii
Letter of Transmittal	iv
Certificate of Achievement	xii
State Organizational Structure	xiii
Principal State Officials	xiv
II. FINANCIAL SECTION	
Independent Auditor's Report	2
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types, Account Groups, and Discretely Presented Component Units	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Funds, and Discretely Presented Component Units	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings and Fund Balances - Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units	11
Combined Statement of Cash Flows - Proprietary Fund Types and Discretely Presented Component Units	12
Combined Statement of Changes in Plan Net Assets - Pension Trust Funds	15
Combined Statement of Changes in Fund Balances - State Universities	16
Combined Statement of Current Funds Revenues, Expenditures, Transfers, and Changes in Fund Balances - State Universities	17
Index for Notes to Financial Statements	19
Notes to Financial Statements	20
Supplemental Financial Data - Combining Financial Statements	
Special Revenue Funds - By Classification:	
Combining balance sheet	72
Combining statement of revenues, expenditures, and changes in fund balances	74
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual	76
Special Revenue Funds - Transportation Related:	
Combining balance sheet	80
Combining statement of revenues, expenditures, and changes in fund balances	82
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual	84
Special Revenue Funds - Conservation, Environment, and Recreation Related:	
Combining balance sheet	92
Combining statement of revenues, expenditures, and changes in fund balances	96
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual	100
Special Revenue Funds - Regulatory and Administrative Related:	
Combining balance sheet	106
Combining statement of revenues, expenditures, and changes in fund balances	108
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual	110
Special Revenue Funds - Other State Funds:	
Combining balance sheet	116
Combining statement of revenues, expenditures, and changes in fund balances	118
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual	120
Debt Service Funds:	
Combining balance sheet	126
Combining statement of revenues, expenditures, and changes in fund balances	128

STATE OF MICHIGAN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 TABLE OF CONTENTS (Continued)

	Page
Supplemental Financial Data - Combining Financial Statements (Continued)	
Capital Projects Funds:	
Combining balance sheet.....	132
Combining statement of revenues, expenditures, and changes in fund balances.....	133
Enterprise Funds:	
Combining balance sheet.....	135
Combining statement of revenues, expenses, and changes in retained earnings.....	136
Combining statement of cash flows.....	137
Internal Service Funds:	
Combining balance sheet.....	140
Combining statement of revenues, expenses, and changes in retained earnings.....	142
Combining statement of cash flows.....	144
Trust and Agency Funds - By Classification:	
Combining balance sheet.....	147
Expendable Trust Funds:	
Combining balance sheet.....	150
Combining statement of revenues, expenditures, and changes in fund balances.....	152
Pension Trust Funds:	
Combining statement of plan net assets.....	156
Combining statement of changes in plan net assets.....	158
Agency Funds:	
Combining statement of changes in assets and liabilities.....	161
Component Units - By Type:	
Combining balance sheet.....	165
Component Units - Governmental and Trust:	
Combining balance sheet.....	168
Combining statement of revenues, expenditures, and changes in fund balances.....	170
Component Units - Proprietary:	
Combining balance sheet.....	174
Combining statement of revenues, expenses, and changes in retained earnings.....	176
Combining statement of cash flows.....	178
Component Units - State Universities:	
Combining balance sheet.....	182
Combining statement of changes in fund balances.....	184
Combining statement of current funds revenues, expenditures, transfers, and changes in fund balances.....	186
Supplemental Financial Data - Schedules	
Schedule of general fixed assets account group by function.....	193
Schedule of changes in general fixed assets by function.....	193
Combined schedule of revenue and other financing sources - General and Special Revenue Funds.....	194
Schedule of revenue and other financing sources - General Fund.....	196
Source and disposition of General Fund authorizations.....	198
Source and disposition of General Fund/General Purpose authorizations.....	200
III. STATISTICAL SECTION	
Statistical Data	
Revenue, bond proceeds, and capital lease acquisitions - General and Special Revenue Funds.....	208
Schedule of expenditures by function - General and Special Revenue Funds - State Funds.....	210
Ratio of annual debt service expenditures for general obligation bonded debt to total General Fund expenditures and transfers.....	212
Net general obligation bonded debt per capita.....	213
State Building Authority bonded debt per capita.....	215
Debt service coverage - Comprehensive Transportation Fund related bonds.....	216
Debt service coverage - State Trunkline Fund related bonds.....	218
Economic and Social Data.....	222
Index of Funds and Component Units.....	224

Statements and schedules are rounded to thousands of dollars. Because of this, they may not add to the totals.

STATE OF MICHIGAN



JOHN ENGLER, Governor

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MARY A. LANNOYE, State Budget Director

March 29, 2001

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

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2000.

INTRODUCTION TO THE REPORT

Responsibility: The Office of the State Budget (OSB), Office of Financial Management (OFM), 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 which 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, the financial statements contained in the SOMCAFR have been prepared 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.

Method of Presentation: The term "Comprehensive Annual Financial Report" (CAFR) collectively refers to all of the financial information and data presented in this report. The SOMCAFR is divided into three major sections: introductory, financial, and statistical. The introductory section includes this letter, the State's organization chart, and the list of principal officials. The financial section includes: the "General Purpose Financial Statements," which present combined financial information in eight principal financial statements for the State primary government and its blended and discretely presented component units, together with footnotes to the General Purpose Financial Statements; the independent auditor's report on the General Purpose Financial Statements; and the supplemental financial data section, 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.

Reporting Entity: The State of Michigan reporting entity reflected in the SOMCAFR, which is described more fully in Note 1 to the financial statements, conforms with the requirements of GASB Statement No. 14, The Financial Reporting Entity. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the *primary government* and permit financial statement users to distinguish between the primary government and its *component units*.

The SOMCAFR includes all the funds and account groups of the State primary government, which includes the Executive Branch departments and agencies, the Legislature, and the State portion of the court system. Also included are two "blended" component units, which in substance are part of the primary government; they are the State Building Authority and the Michigan Underground Storage Tank Financial Assurance Finance Authority. The SOMCAFR also includes financial information for certain legally separate governmental organizations for which the State is *financially accountable*. Financial accountability may exist if the primary government has the legal authority to appoint a voting majority of the separate organization's governing board. These types of component units are presented "discretely" (i.e., separate and distinct from the primary government) in the SOMCAFR and include:



Mackinac Bridge Authority
Michigan Strategic Fund
Michigan State Hospital Finance Authority
Michigan Higher Education Student Loan Authority
Michigan State Housing Development Authority
State Bar of Michigan

Michigan Higher Education Facilities Authority
Michigan Higher Education Assistance Authority
Michigan Education Trust
Mackinac Island State Park Commission
Michigan Municipal Bond Authority
Michigan Economic Development Corporation

This group of discretely presented component units is further subdivided between *governmental and trust*, and *proprietary* types, depending on the primary characteristics of their operations. In addition, pursuant to GASB Statement No. 14, the SOMCAFR includes financial statements for the State's ten public universities, which have governing boards that are appointed by the Governor. They include: 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.

Organizations which receive substantial financing from the State, but which do not meet the GAAP criteria for inclusion in the State's reporting entity, include: public universities which have governing boards that are elected at statewide public elections (Michigan State University, the University of Michigan, and Wayne State University); community colleges, which in Michigan are considered to be a part of general or special purpose local units of government; and the portions of the court system which are considered to be local units of government.

ECONOMIC CONDITION AND OUTLOOK

The economy performed exceptionally well in 2000 as the current economic expansion became the longest in United States history. By the end of 2000, numerous economic data pointed toward slower economic growth. In 2000, real gross domestic product grew an estimated 5.0%, marking the fourth consecutive year that it exceeded 4.0%. The economy is expected to grow 2.5% in 2001, a more moderate pace compared with recent years. Car and light truck sales rose to a projected 17.2 million units in 2000, but is estimated to fall to 15.9 million units in 2001.

Michigan's December 2000 unemployment rate marked the 69th consecutive month that Michigan's jobless rate was less than the national rate. Michigan's 2000 annual average unemployment rate of 3.4% was the lowest since 1966. The Michigan wage and salary income growth is expected to slow from 5.8% in 2000 to 3.1% in 2001 then expected to rebound to 5.6% in 2002. Inflation is expected to remain moderate at 2.8% in 2001 and rise slightly to 2.9% in 2002. Employment is expected to decline by 14,000 jobs in 2001 with an increase of 45,000 anticipated for 2002.

MAJOR INITIATIVES AND FUTURE PROJECTS

During 2000, Michigan's efforts to improve its bond rating were met with overwhelming success. In September 2000, Standard and Poor's upgraded Michigan's bond rating to AAA, making it the largest of the 10 states which carry the agency's top rating. In addition Moody's Investor Services upgraded Michigan's rating to Aaa, Moody's highest rating.

In January 2001, Michigan was named as one of three states in *Governing* magazine's Government Performance Project, a study of state government management practices, receiving an overall grade of "A-." The study, conducted through a partnership with the Maxwell School of Citizenship and Public Affairs at Syracuse University, graded the states on their financial and capital management, personnel practices, performance standards, and information technology systems. In 1999, Michigan received a "B-."

Education Remains a Top Priority: The Administration continues its strong support for financing K-12 education and reducing the equity gap in per pupil funding. In fiscal year 2000, for the third consecutive year, the state spent more on K-12 education than was spent for all other expenditures financed from the General Fund general purpose revenues.

One of the most important features of the school finance reform passed by the voters in March 1994 was the commitment to reduce inequities in per pupil spending. Prior to passage of this referendum, only 52 of Michigan's 555 school districts were spending more than \$6,500 per pupil. By fiscal year 2003, no district will receive foundation allowances of less than \$6,700 per pupil. The Administration continues to place great emphasis on academic achievement by setting high expectations and rewarding excellence. The Golden Apple Award is a new academic competition that rewards local elementary school personnel for student achievement on the Michigan Education Assessment Program.

Transportation Infrastructure Investments: Recently the State Transportation Commission finalized the list of projects being funded by the Build Michigan III program. The Michigan Department of Transportation (MDOT), in cooperation with the Michigan Economic Development Corporation, has developed a Statewide road infrastructure strategy designed to meet current economic development needs, reduce congestion, and improve safety along freeways, local roads, and state trunklines. Many of the projects have been drawn from the research portion of the five-year road and bridge construction project plan. Projects funded under Build Michigan III total more than \$970 million.

Welfare Reform: Michigan's aggressive actions to reform welfare and make families independent from public assistance continue to be successful. From September 1992 to November 2000, the Family Independence Program (FIP, formerly AFDC) caseload has declined by more than 155,000 cases or 70%. In November 2000, only 66,672 Michigan families collected FIP benefits.

Michigan's Project Zero is aimed at encouraging and supporting employment. The goal is to reduce to "zero" the percent of non-working target FIP families. Between September 1997 and November 2000, 81 of the 103 project sites have reached zero at least once. Some counties have maintained zero status for as many as 24 consecutive months. Community organizations provide childcare, transportation, family support and counseling services to Project Zero customers.

Economic Redevelopment: With passage of the Clean Michigan Bond Initiative in November 1998, \$335 million has been targeted to prepare sites for economic redevelopment. Re-use of "brownfield" sites, properties where perceived or actual environmental contamination is a barrier to redevelopment, allows sites to be used for new development. The initiative also includes funding for sites that pose an imminent and substantial endangerment to human health or the environment, and for local units of government that own landfills which are eligible for federal clean-up reimbursement cost-share grants.

Financial Management System Improvements: As 2001 begins, OSB is continuing its joint efforts with all State departments to upgrade and improve its financial management systems.

The State is moving aggressively into the world of e-commerce. Three projects are underway to further improve the State's processes for conducting business. The State currently pays its vendors with approximately 11.7 million paper checks each year. The Electronic Funds Transfer (EFT) Project will expand the use of EFTs as the preferred method of vendor payment, significantly reducing the number of paper checks issued. On December 10, 2000, the State implemented the first phase of this project. OSB will work with departments to expand the use of EFTs to automate vendor payments. Second, e-Invoice is a pilot project involving Consumers Energy and the Department of State Police, which automates the receipt of vendor invoices through the use of Electronic Data Interchange (EDI). That portion of the project was completed in July 2000. The State is expanding the project to include other departments and another vendor (Detroit Edison). Third, e-Michigan, a comprehensive, long-term project to develop a seamless interface for the global marketplace to access all applications of Michigan State government is now in the planning phases. e-Michigan will involve all agencies of government working together to ensure public access through the internet to more easily conduct business and obtain information about Michigan and its government.

OSB, the Department of Civil Service, and the Office of the State Employer are leading an effort, involving all State agencies, to replace the State's existing human resources systems with a fully integrated system for all three branches of government. The mission of the Human Resources Management Network (HRMN) Project is to implement a comprehensive, state-of-the-art human resources system that meets evolving user needs in an efficient, timely, and cost effective manner. Implementation of phase I is expected by April 12, 2001. Phase II of the project will implement new self-service applications to provide all State employees with online access to personnel information such as benefits, dependent information, emergency contacts, and pay history.

During fiscal year 2000-2001 OSB intends to implement GASB Statement No. 34. This GASB statement is considered the most significant change ever in governmental reporting. It requires the State to produce statements which show all activity in one statement, explain budget activity more clearly, show infrastructure and debt, and move closer to private sector reporting.

FINANCIAL INFORMATION

Internal Control Structure: OSB is responsible for the overall operation of the State's central accounting system and for establishing and maintaining the State's internal controls structure. All financial transactions of the State primary government are recorded in the central accounting system, except for the Michigan Unemployment Compensation Fund, the State Employees' Deferred Compensation Funds, and the State Employees' Defined Contribution Retirement Fund. Many of the essential control features are decentralized, such as the preparation and entry of expenditure transactions into the central accounting system. Consequently, OSB relies upon the controls in place at the various State departments and agencies. The Management and Budget Act (Sections 18.1483 - 18.1489 of the *Michigan Compiled Laws*) requires that the head of each principal department shall establish and maintain an internal accounting and administrative control system. The Act also requires that the heads of each principal department shall report biennially on any material inadequacy or weakness discovered in connection with the evaluation of their system. In December 1999, OSB's Office of Financial Management issued "*Evaluation of Internal Controls - A General Framework and System of Reporting.*" This document, developed in consultation with the Office of the Auditor General, provides the required guidance associated with the evaluation of internal controls in Michigan State government.

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

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.

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

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

Revenue and Spending Limitation Requirements: Under the State Constitution, total State revenues are limited to a percentage of total Michigan personal income. If the limit is exceeded by an amount less than 1%, the excess may be transferred to the Budget Stabilization Fund. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to payers of personal income and single business taxes. The calculations necessary to determine the State's compliance with this requirement for fiscal year 1999-2000 are not considered final. The State estimates that total State revenues subject to the limitation will exceed the limit by \$158.2 million for fiscal year 1999-2000, which is less than 1% of the limitation.

The State Constitution also requires that spending to local units of government be maintained at not less than a specified level of total State spending, originally determined to be 41.61% for the base fiscal year 1978-79. The originally determined percentage was recalculated, effective fiscal year 1992-93, reflecting the terms of a legal settlement agreement. The recalculated base year percentage is 48.97%. The calculations necessary to determine the State's compliance with this requirement for fiscal year 1999-2000 are not yet final; however, based upon preliminary calculations, the State has substantially exceeded the minimum required spending to local units of government for fiscal year 1999-2000.

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

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

General Governmental Functions: For the purposes of the following two tables and related discussions in this letter, the "General Governmental Functions" are considered to be the activities of the General Fund and the special revenue funds of the State primary government. These are the State funds that are used to account for the activities most traditionally thought of as being a normal part of State government operations.

The two tables report only direct revenues and expenditures and, therefore, do not include "other financing sources and uses."

Revenues (in millions):

<u>Revenue Source</u>	<u>1999-2000 Amount</u>	<u>Percent of Total</u>	<u>Change From 1998-99</u>	<u>Percentage Change</u>
Personal Income Tax	\$ 7,646.3	22.4%	\$ 252.3	3.4%
Sales Tax	6,277.5	18.4	375.8	6.4
Single Business Tax	2,324.9	6.8	(35.6)	(1.5)
State Education (Property) Tax	1,381.4	4.0	107.9	8.5
Other Taxes	5,235.4	15.3	206.2	4.1
Federal Revenues	8,571.6	25.1	668.9	8.5
Special Medicaid Reimbursements	1,059.3	3.1	368.5	53.4
Other Revenues	1,709.4	5.0	259.2	17.9
Total	\$ 34,205.9	100.0%	\$ 2,203.3	6.9%

The table above does not include other financing sources, the most significant of which are: State Lottery Fund profits of \$618.5 million and Budget Stabilization Fund transfers of \$32.0 million to the School Aid Fund; Liquor Purchase Revolving Fund profits of \$119.7 million transferred to the General Fund; and Budget Stabilization Fund transfers of \$100.0 million to the State Trunkline Fund. In addition, transfers of \$100.0 million were made from the General Fund to the Budget Stabilization Fund, in accordance with Public Act 124 of 1999 and Public Act 506 of 2000.

The State's personal income tax will experience a gradually reduced rate in the coming years, and the single business tax will experience a slow-paced phase-out. Beginning January 1, 1999, the single business tax rate will be reduced by .1% each January 1 if the Budget Stabilization Fund has a fund balance greater than \$250 million. Beginning January 1, 2000, the personal income tax will also be reduced by .1% per year until the rate reaches 3.9%. There were no significant structural changes in the State's sales taxes during fiscal year 1999-2000. The increases in tax revenues over the prior year primarily reflect growth in the underlying activity from the State's continuing strong economy.

Other taxes include: use taxes, \$1.4 billion; motor vehicle and fuel taxes, \$1.8 billion; liquor and tobacco taxes, \$736.9 million; and miscellaneous sources, \$1.3 billion.

Federal revenues include financial assistance received from the U.S. Department of Health and Human Services, which provides a significant portion of the financing for health and welfare programs; such financial assistance amounted to approximately \$5.6 billion and approximately 66% of total federal revenues for fiscal year 1999-2000. Increases in revenues from federal agencies resulted primarily from Medicaid, Temporary Aid for Needy Families (within the Family Independence Agency), and Department of Education programs.

Special Medicaid reimbursements includes Medicaid Benefits Trust Fund monies, which were created within Public Act 489 of 2000. The Act states that the Medicaid Benefits Trust Fund shall consist of unexpended state restricted revenues and local revenues received by the Department of Community Health as a result of additional Medicaid special financing payments above the level assumed in the appropriations for the fiscal years of 2000, 2001, and 2002. Of the increase in special Medicaid reimbursements, \$239.2 million related to this activity.

Other revenues include local, \$173.9 million; services, \$110.3 million; licenses and permits, 393.0 million; investment income, \$250.7 million; tobacco settlement proceeds, \$244.6 million; child support recoveries, \$46.6 million; and other miscellaneous sources, \$490.3 million. The increase in other revenues resulted from increases in tobacco settlement monies of \$137.2 million and additional investment income of \$115.2 million.

Expenditures (in millions):

Current, Capital Outlay, and Intergovernmental Expenditures by Function	1999-2000 Amount	Percent of Total	Change From 1998-99	Percentage Change
Current:				
General government	\$ 1,071.6	3.3%	\$ (1.1)	(.1)%
Education	12,436.8	38.0	609.6	5.2
Family independence services	3,336.8	10.2	107.4	3.3
Public safety & corrections	1,983.0	6.1	74.1	3.9
Conservation, environment, recreation, & agriculture	564.7	1.7	81.8	16.9
Labor, commerce & regulatory	740.7	2.3	20.6	2.9
Health services	7,692.4	23.5	591.6	8.3
Transportation	1,663.3	5.1	18.2	1.1
Tax expenditures	502.1	1.5	16.0	3.3
Capital outlay (including highways)	1,196.2	3.7	51.6	4.5
Intergovernmental – revenue sharing	1,494.0	4.6	83.6	5.9
Debt service - capital lease payments	52.0	.2	(7.3)	(12.3)
Total Current, Capital Outlay, and Intergovernmental Expenditures	<u>\$ 32,733.7</u>	<u>100.0%</u>	<u>\$ 1,646.2</u>	<u>5.3%</u>

The table above does not include \$608.2 million in distributions to the 10 State universities, which are considered discretely presented component units of the State. These transactions are reported as operating transfers in the SOMCAFR.

General government expenditures include operations of the Legislature, the Judiciary, and Executive Branch functions within the Departments of Management and Budget, Attorney General, Civil Rights, Civil Service, State, and Treasury.

Education expenditures continue to increase as support for public education continues. Total funding for education increased \$609.6 million from the prior year, resulting from an increase in foundation allowances, \$413.5 million; an increase in amounts transferred to colleges and universities to ensure parity, \$62.4 million; and distribution of grants associated with the Merit Award Program, \$97.5 million.

Family independence service expenditures, and associated federal revenues, increased primarily from day care and adoption subsidy services.

Tax expenditures represent refundable income tax credit programs, including the homestead property tax credit and the senior citizen property tax credit, which accounted for \$487.7 million of the total tax expenditures of \$502.1 million.

The largest component of capital outlay expenditures is related to State Trunkline highway expenditures, which amounted to \$1.1 billion, an increase of approximately \$106.9 million compared to the prior year. This increase resulted from a significant program to improve Michigan's roads and bridges.

General Fund Highlights: A major objective of the Administration has been to improve financial management by eliminating the chronic overspending and overestimation of revenues that had occurred in the 1980s. This year's results reflect the success of this approach; no department had net budgetary overexpenditures for fiscal year 1999-2000.

General Fund revenues and other financing sources (including restricted sources, operating transfers in, and capital lease acquisitions) totaled approximately \$21.5 billion for the fiscal year. Expenditures and other financing uses totaled approximately \$20.9 billion. Fund balance reserves for budgetary carry-forwards, noncurrent assets and revolving loans (discussed more fully in Note 24) increased approximately \$313.6 million from \$1.6 billion to \$1.9 billion. The unreserved fund balance of the General Fund was \$211.8 million at fiscal year-end, after reflecting a \$100.0 million transfer to the Budget Stabilization Fund.

Proprietary Fund Operations: The State accounts for the wholesale distribution of alcoholic beverages through the Liquor Purchase Revolving Fund. Statutory net income, \$119.7 million, and funding for administrative costs, \$7.7 million, were transferred to the General Fund during fiscal year 1999-2000.

State Lottery Fund operating revenues decreased \$31.4 million to \$1.7 billion. Net income from lottery operations (after prizes and other costs) transferred to the School Aid Fund decreased \$2.6 million to \$618.5 million.

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

The State Employees' Retirement System (SERS) is the largest of the defined benefit plans for which the State is responsible for providing funding. Total assets of SERS at September 30, 2000 were \$11.4 billion, with net assets held in trust for pension and postemployment health-care benefits totaling \$11.3 billion. Additional disclosures relating to the State's pension funds are provided in Note 11 to the financial statements.

Debt Management: New general obligation bonds issues totaled \$96.9 million in fiscal year 1999-2000. The Clean Michigan Initiative Program Bonds issuance represented a part of the \$675 million general obligation bond package authorized by the voters in 1998.

Revenue dedicated bonded debt, including that of the State Building Authority, decreased by \$155.1 million to \$2.8 billion during 1999-2000.

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

Cash Management: As discussed more fully in Note 5 to the financial statements, the State Treasurer maintains the State's common cash pool, which is used by most State funds for short-term investment and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to \$5.4 billion at September 30, 2000, an increase of approximately \$1.2 billion from \$4.2 billion at September 30, 1999.

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

HIGHLIGHTS - COMPONENT UNIT OPERATIONS

Except for the State Building Authority and the Michigan Underground Storage Tank Financial Assurance Finance Authority, which are "blended" directly with the fund types of the State primary government (refer also to the section describing the State reporting entity), all of the component units are presented discretely in the SOMCAFR. Condensed financial statements for all of the discretely presented component units, with total assets amounting to \$11.8 billion, are presented in Note 26.

Selected highlights for certain State proprietary type component units follow:

The largest such component unit is the Michigan State Housing Development Authority, which provides financing for various types of housing programs. The authority had total assets of \$2.8 billion and bonds payable of \$2.0 billion outstanding as of June 30, 2000.

The Michigan Education Trust (MET) was established to provide a means for parents and other individuals to finance future tuition costs at State public colleges and universities. As of September 30, 2000, MET had total assets, valued at market, of \$798.4 million. Additional information about MET's financial operations, including the actuarial assumptions used in valuing the obligation for future tuition costs, is included in Note 18.

The Michigan Municipal Bond Authority (MMBA) was created to permit local units of government the opportunity to pool their bond sales used to finance local projects. In addition, MMBA operates the State Water Pollution Control Fund which is used to account for a program created to provide local governments financing for local water pollution control projects. MMBA had total assets of \$3.7 billion and bonds and notes payable of \$2.6 billion outstanding as of September 30, 2000.

OTHER INFORMATION

Risk Management: Risk management was established within the Department of Management and Budget in 1987 to improve the State's risk control policies and procedures. The unit's activities include analysis of and control over insurance coverage and risk exposure, and planning and implementing a statewide safety and health policy and program. The State is self-insured for many types of general liability and property losses. Additional disclosures on the State's risk management activities are provided in Note 27.

Audits: The principal auditor of the State's reporting entity is the legislative Office of the Auditor General (OAG). The OAG's audit of the SOMCAFR was conducted in accordance with generally accepted auditing standards (GAAS), and its independent auditor's report precedes the General Purpose Financial Statements. In addition to the annual audit of the State's SOMCAFR, the OAG also performs periodic financial and performance audits of the various State departments, agencies, and institutions of higher education. The OAG engages outside public accounting firms periodically, particularly for the audits of separately issued component unit financial statements (such as the Michigan State Housing Development Authority), the larger pension funds, and the Michigan Unemployment Compensation Fund. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act of 1984. Pursuant to Michigan Public Act 251 of 1986, these audits are conducted biennially for applicable State departments, agencies, and component unit authorities, and result in separately issued audit reports.

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, 1999. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

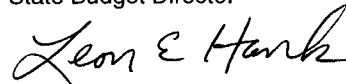
A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for the last thirteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the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

Acknowledgments: Publication of this report results from the dedicated management and staff of the Financial Control Division, Office of Financial Management; the chief financial officers, chief accountants, internal auditors, and their staffs from all 18 departments; and the management and staff of the Office of the Auditor General; who continue to strive for improvements that will make Michigan a national leader in quality and efficiency for financial reporting. We sincerely appreciate the dedicated efforts of all of these individuals.

Sincerely,



Mary A. Lannoye
State Budget Director



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



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1999

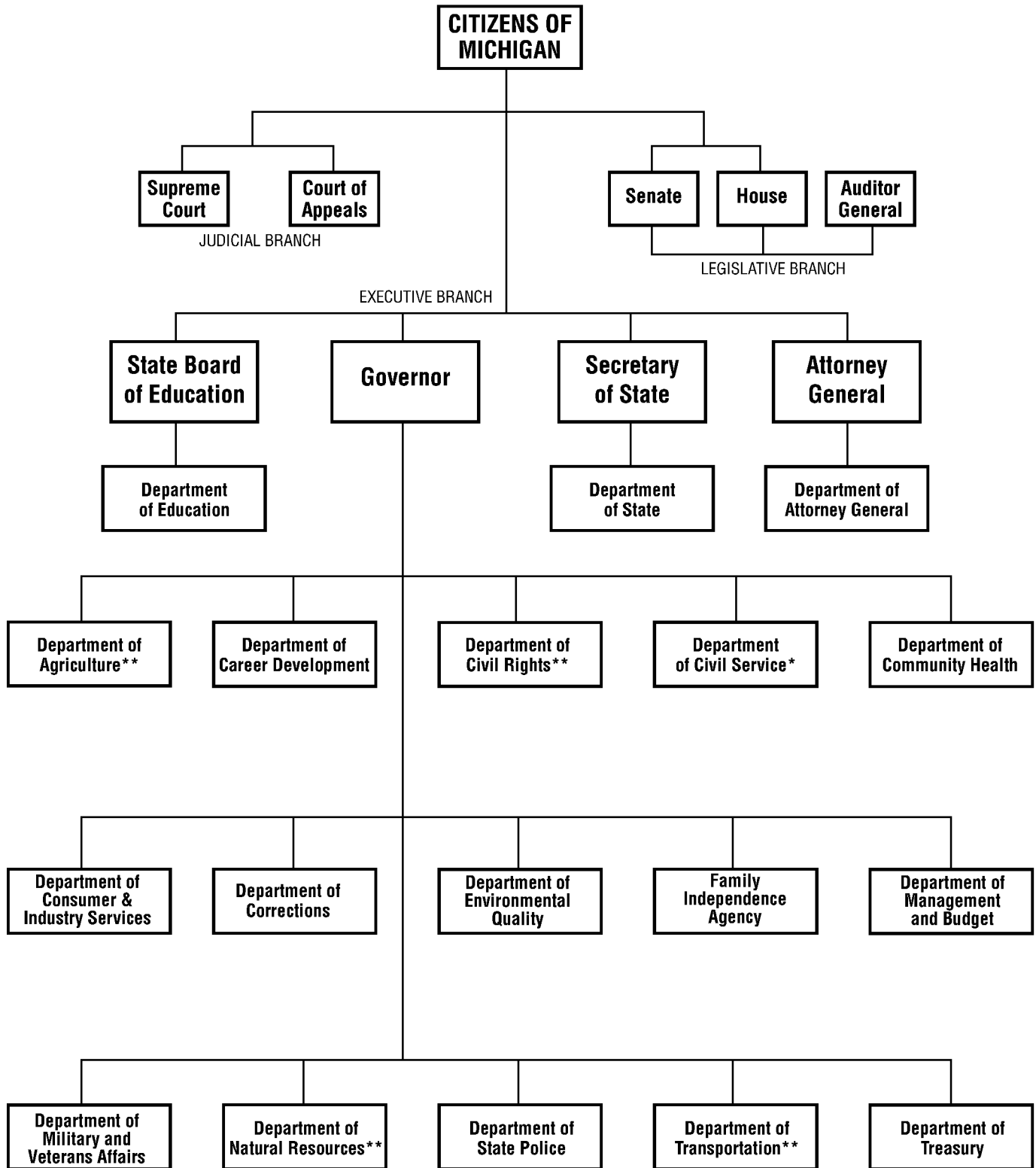
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

**STATE OF MICHIGAN
ORGANIZATIONAL STRUCTURE
SEPTEMBER 30, 2000**



* Has Commission appointed by Governor

** Has Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN
PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

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

LEGISLATIVE BRANCH

Honorable Dick Posthumus
President of the Senate

Honorable Rick V. Johnson
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable John Engler, Governor

Honorable Jennifer M. Granholm, Attorney General

Honorable Candice S. Miller, Secretary of State

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

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

Barbara Bolin, Director
Department of Career Development

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

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

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

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

Bill Martin, Director, Department of Corrections

Russell J. Harding, Director
Department of Environmental Quality

Douglas E. Howard, Director
Family Independence Agency

Duane Berger, Acting Director
Department of Management and Budget

Mary A. Lannoye, State Budget Director
Department of Management and Budget

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

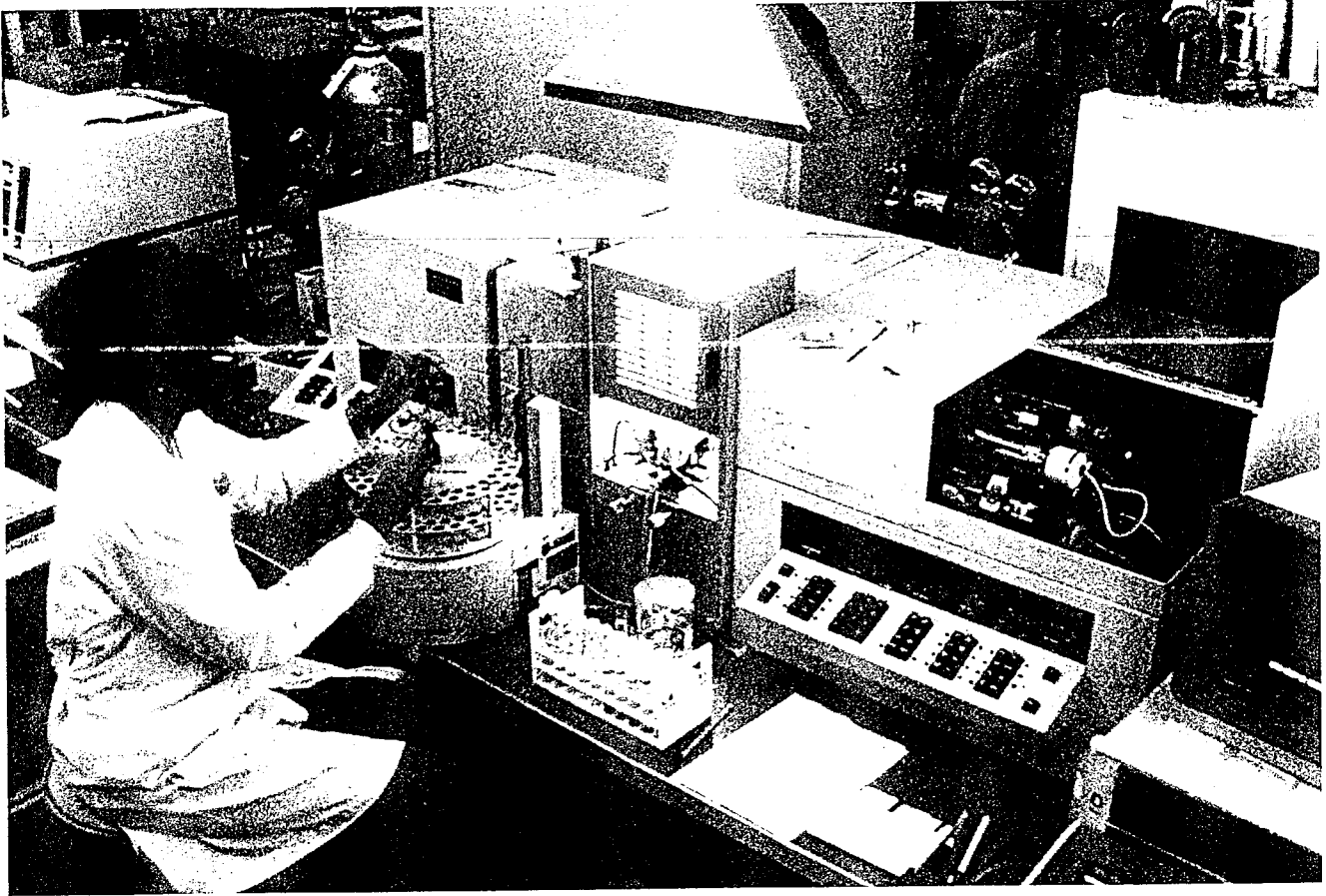
Natural Resources Commission
Jerry C. Bartnik
Keith J. Charters
Nancy A. Douglas
L. Thornton Edwards, Jr.
Paul J. Eisele
Bob Garner
William U. Parfet
K. L. Cool, Director, Department of Natural Resources

Col. Michael D. Robinson, Director
Department of State Police

Transportation Commission
Betty Jean Awrey
John W. Garside
Jack L. Gingrass
Lowell B. Jackson
Barton W. LaBelle
Ted B. Wahby
Gregory J. Rosine, Director, Department of Transportation

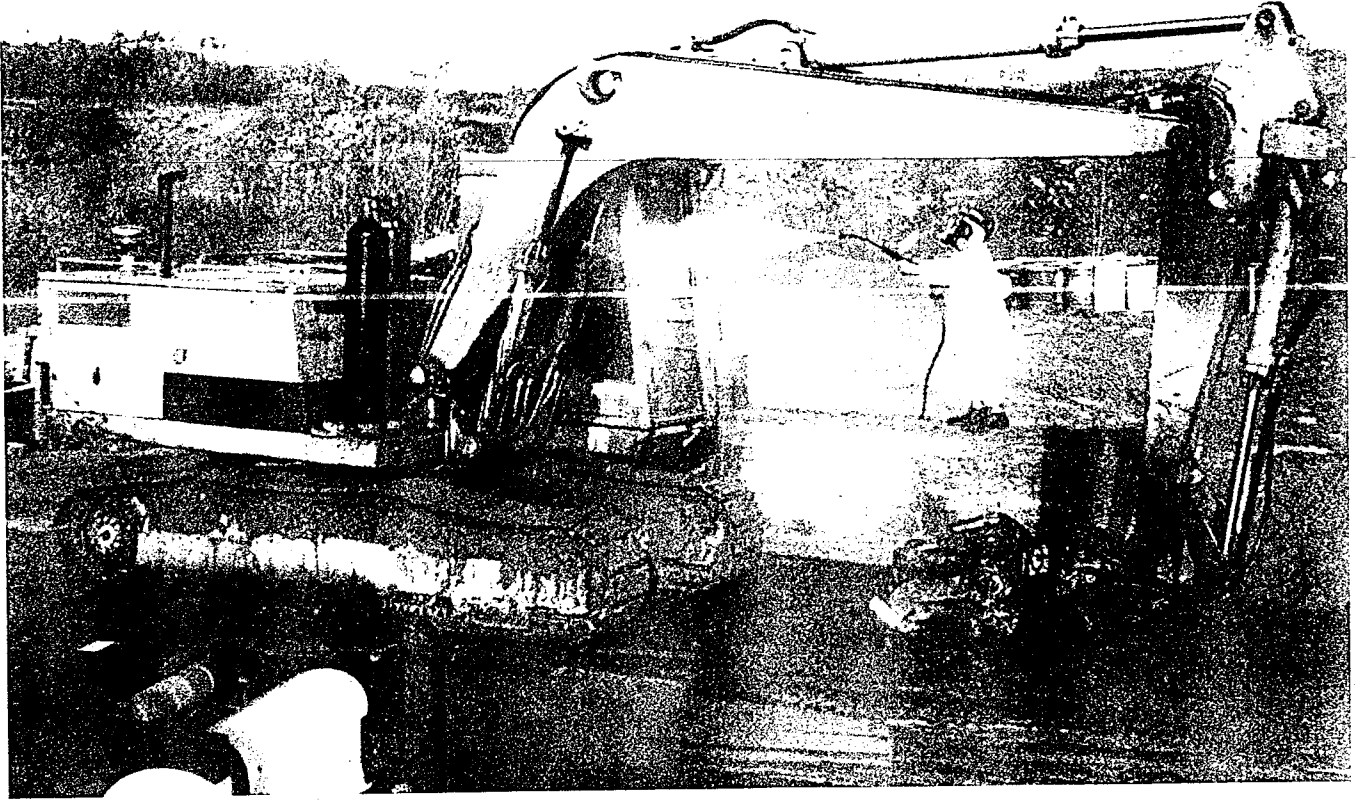
Mark A. Murray, State Treasurer

OK
BR
1



A technician at the DEQ's Lansing laboratory uses a flame atomic absorption spectrometer to analyze a site sample for metal compounds. (Photo of lab technician)

OK
OK
2



~~2~~ Contamination is removed from a cleanup site so that the property is returned to Michigan's stringent environmental and public health standards. ~~(Photo of backhoe)~~

II FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT GENERAL PURPOSE FINANCIAL STATEMENTS



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

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

Independent Auditor's Report

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

March 29, 2001

We have audited the accompanying general purpose financial statements of the State of Michigan, principally as of September 30, 2000 and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Michigan Employment Security Act - Administration Fund, State Building Authority - debt service fund, State Building Authority - capital projects fund, State Lottery Fund, State Sponsored Group Insurance Fund, Michigan Unemployment Compensation Fund, Michigan Employment Security Act Contingent Fund, State Employees' Deferred Compensation Funds, State Police Retirement Fund, State Employees' Retirement Fund, Public School Employees' Retirement Fund, Judges' Retirement Fund, State Employees' Defined Contribution Retirement Fund, Mackinac Bridge Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Assistance Authority - discretely presented trust component unit, Michigan State Hospital Finance Authority, Michigan Education Trust, Michigan Higher Education Student Loan Authority, Michigan Higher Education Assistance Authority - discretely presented proprietary component unit, Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, State Bar of Michigan, and the discretely presented State universities (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). Those financial statements reflect total assets and revenues constituting 0.3% and 1.1% of the assets and revenues, respectively, of the special revenue funds; 78.5% and 90.0% of the assets and revenues, respectively, of the debt service funds; 9.7% and 15.4% of the assets and revenues, respectively, of the capital projects funds; 94.5% and 75.4% of the assets and operating revenues, respectively, of the enterprise funds; 57.1% and 71.0% of the assets and operating revenues, respectively, of the internal service funds; 47.1% and 82.9% of the assets and revenues, respectively, of the expendable trust funds; 99.7% and 99.7% of the assets and total additions to plan assets, respectively, of the pension trust funds; 84.8% and 62.5% of the assets and revenues of the discretely presented governmental and trust component units; 95.8% and 96.7% of the assets and operating revenues, respectively, of the discretely presented proprietary component units; 100.0% of the discretely presented State universities; 1.1% of the general fixed assets account group; and 34.4% of the general long-term obligations account group. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units and funds, is based solely upon the reports of the other auditors.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

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

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

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

In our opinion, based on our report and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Michigan, principally as of September 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the State's management, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink that reads 'Thomas H. McTavish'.

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

STATE OF MICHIGAN
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
 SEPTEMBER 30, 2000
 (In Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Current Assets:				
Cash	\$ 6,863	\$ 282	\$ 5,871	\$ -
Equity in Common Cash (Note 5)	1,481,078	3,243,445	6,941	16,638
Taxes, interest, and penalties receivable (Note 6)	1,285,455	946,622	-	-
Amounts due from other funds (Note 20)	28,710	53,009	-	129,502
Amounts due from component units	1,702	911	-	18,551
Amounts due from primary government	-	-	-	-
Amounts due from federal agencies	838,972	159,845	-	5,458
Amounts due from local units	488,929	45,823	-	2,711
Inventories	26,248	7,032	-	-
Investments (Note 8)	-	104	216,560	20,180
Securities lending collateral (Note 8)	-	-	-	-
Other current assets	349,958	130,246	1,943	17,013
Total Current Assets	<u>4,507,914</u>	<u>4,587,320</u>	<u>231,314</u>	<u>210,054</u>
Taxes, interest, and penalties receivable (Note 6)	67,030	13,587	-	-
Advances to other funds (Note 20)	9,395	28,942	-	-
Advances to component units	-	-	-	-
Amounts due from federal agencies	-	1,352	-	-
Amounts due from local units	410,347	39,437	-	-
Mortgages and loans receivable (Note 9)	-	-	-	-
Investments (Note 8)	-	195,530	67,739	-
Property, plant and equipment (Note 10)	-	-	-	-
Other noncurrent assets	3,102	7,487	-	-
Amount available for retirement of bonds	-	-	-	-
Amount to be provided for bond retirement	-	-	-	-
Amounts to be provided for other long-term obligations	-	-	-	-
Total Assets	<u>\$ 4,997,789</u>	<u>\$ 4,873,654</u>	<u>\$ 299,054</u>	<u>\$ 210,054</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
Current Liabilities:				
Warrants outstanding	\$ 151,412	\$ 32,205	\$ -	\$ 834
Accounts payable and other liabilities	1,876,290	838,749	7,223	187,414
Income tax refunds payable (Note 16)	625,552	-	-	-
Amounts due to other funds (Note 20)	22,122	58,292	8	151,697
Amounts due to component units	2,228	136	-	-
Amounts due to primary government	-	-	-	-
Bonds and notes payable (Note 15)	-	44,813	-	348,070
Interest payable	-	-	-	324
Deferred revenue	90,183	95,406	-	24,017
Obligations under security lending	-	-	-	-
Total Current Liabilities	<u>2,767,788</u>	<u>1,069,601</u>	<u>7,231</u>	<u>712,356</u>
Long-Term Liabilities:				
Advances from other funds (Note 20)	-	28,942	-	-
Prize awards payable (Note 17)	-	-	-	-
Deferred revenue	128,668	31,820	-	-
Bonds and notes payable (Notes 14 and 15)	-	-	-	-
Other long-term liabilities (Notes 14, 18, and 19)	-	-	-	-
Total Liabilities	<u>2,896,456</u>	<u>1,130,363</u>	<u>7,231</u>	<u>712,356</u>
Fund Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital (Note 22)	-	-	-	-
Reserved retained earnings (Note 23)	-	-	-	-
Unreserved retained earnings (Note 23)	-	-	-	-
Reserved fund balance (Note 24)	1,889,523	1,385,127	-	11,290
Unreserved fund balance (deficit) (Note 24)	211,810	2,358,165	291,822	(513,593)
Total Fund Equity and Other Credits	<u>2,101,333</u>	<u>3,743,291</u>	<u>291,822</u>	<u>(502,302)</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 4,997,789</u>	<u>\$ 4,873,654</u>	<u>\$ 299,054</u>	<u>\$ 210,054</u>

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS	COMPONENT
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	PRIMARY GOVERNMENT (MEMORANDUM ONLY)	UNITS
\$ 3	\$ 68	\$ 6,113	\$ -	\$ -	\$ 19,200	\$ 611,191
63,826	94,438	368,031	-	-	5,274,398	197,798
-	-	123,304	-	-	2,355,381	-
-	33,358	90,286	-	-	334,866	-
-	-	171	-	-	21,335	8,692
-	-	-	-	-	-	145,040
-	-	24,421	-	-	1,028,697	30,506
-	-	25,401	-	-	562,864	640,851
5,228	18,414	-	-	-	56,922	16,395
107,278	-	5,713,647	-	-	6,057,769	905,526
232,628	-	694,418	-	-	927,046	-
54,824	26,588	877,606	-	-	1,458,178	349,072
463,788	172,866	7,923,398	-	-	18,096,655	2,905,070
-	-	-	-	-	80,617	-
-	-	-	-	-	38,336	-
-	-	-	-	-	-	416
-	-	-	-	-	1,352	-
-	-	-	-	-	449,784	1,617,092
-	-	-	-	-	-	2,597,073
717,632	-	53,859,412	-	-	54,840,314	2,449,869
450	102,453	-	3,671,468	-	3,774,372	2,010,670
-	83,870	408,243	-	-	502,701	178,579
-	-	-	-	291,822	291,822	-
-	-	-	-	3,467,949	3,467,949	-
-	-	-	-	1,940,656	1,940,656	-
<u>\$ 1,181,870</u>	<u>\$ 359,189</u>	<u>\$ 62,191,053</u>	<u>\$ 3,671,468</u>	<u>\$ 5,700,427</u>	<u>\$ 83,484,557</u>	<u>\$ 11,758,769</u>
\$ 3,743	\$ 8,008	\$ 14,834	\$ -	\$ -	\$ 211,036	\$ -
211,502	133,889	264,778	-	-	3,519,846	305,647
-	-	-	-	-	625,552	-
131	21,950	80,664	-	-	334,866	-
-	-	-	-	-	2,364	12,428
-	-	-	-	-	-	5,623
-	6,881	-	-	-	399,764	751,169
-	-	-	-	-	324	82,745
2	1,715	15,887	-	-	227,210	71,925
232,628	-	694,418	-	-	927,046	-
448,007	172,443	1,070,581	-	-	6,248,009	1,229,538
-	8,210	1,184	-	-	38,336	-
672,505	-	-	-	-	672,505	-
-	-	58	-	-	160,546	-
-	-	-	-	3,759,771	3,759,771	5,347,805
3,806	110,493	483,634	-	1,940,656	2,538,588	1,159,700
<u>1,124,318</u>	<u>291,146</u>	<u>1,555,458</u>	<u>-</u>	<u>5,700,427</u>	<u>13,417,755</u>	<u>7,737,043</u>
-	-	-	3,671,468	-	3,671,468	1,350,439
-	10,786	-	-	-	10,786	1,080,515
-	-	-	-	-	-	209,115
57,552	57,257	-	-	-	114,809	727,000
-	-	53,758,162	-	-	57,044,103	230,556
-	-	6,877,432	-	-	9,225,636	424,100
<u>57,552</u>	<u>68,043</u>	<u>60,635,595</u>	<u>3,671,468</u>	<u>-</u>	<u>70,066,802</u>	<u>4,021,725</u>
<u>\$ 1,181,870</u>	<u>\$ 359,189</u>	<u>\$ 62,191,053</u>	<u>\$ 3,671,468</u>	<u>\$ 5,700,427</u>	<u>\$ 83,484,557</u>	<u>\$ 11,758,769</u>

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	\$ 11,635,216	\$ 11,230,253	\$ -
From federal agencies	7,515,197	1,056,428	-
From local agencies	128,073	45,808	-
From services	109,597	697	-
From licenses and permits	223,051	169,955	-
Special Medicaid reimbursements	1,059,343	-	-
Miscellaneous	429,176	603,071	22,364
Total Revenues	<u>21,099,653</u>	<u>13,106,214</u>	<u>22,364</u>
EXPENDITURES			
Current:			
General government	1,045,672	25,971	105
Education	2,280,839	10,155,972	1,112
Family independence services	3,334,440	2,394	-
Public safety and corrections	1,978,509	4,492	-
Conservation, environment, recreation, and agriculture	344,591	220,147	-
Labor, commerce, and regulatory	555,754	184,933	-
Health services	7,682,009	10,345	-
Transportation	-	1,663,318	-
Tax expenditures (Note 16)	502,100	-	-
Capital outlay	73,574	1,122,637	-
Intergovernmental-revenue sharing	1,494,016	-	-
Debt service:			
Bond principal retirement	-	-	199,820
Bond interest and fiscal charges	-	-	202,434
Capital lease payments (Note 13)	50,894	1,133	-
Total Expenditures	<u>19,342,398</u>	<u>13,391,344</u>	<u>403,470</u>
Excess of Revenues over (under) Expenditures	<u>1,757,255</u>	<u>(285,130)</u>	<u>(381,106)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond and bond anticipation note issues	-	82,099	-
Capital lease acquisitions	21,915	415	-
Operating transfers from other funds	342,325	2,288,491	430,307
Operating transfers from component units	104	250	-
Operating transfers from primary government	-	-	-
Operating transfers to other funds	(873,664)	(1,387,294)	(4,351)
Operating transfers to component units	(726,864)	(50,163)	-
Operating transfers to primary government	-	-	-
Total Other Financing Sources (Uses)	<u>(1,236,184)</u>	<u>933,797</u>	<u>425,956</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	521,072	648,667	44,850
Fund Balances - Beginning of fiscal year - restated (Note 4)	<u>1,575,960</u>	<u>3,116,279</u>	<u>246,973</u>
Equity transfers from other funds (Note 22)	21,655	-	-
Equity transfers to other funds (Note 22)	-	(21,655)	-
Equity transfers to component units (Note 22)	(17,354)	-	-
Fund Balances - End of fiscal year	<u>\$ 2,101,333</u>	<u>\$ 3,743,291</u>	<u>\$ 291,822</u>

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

<u>GOVERNMENTAL FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)</u>	<u>COMPONENT UNITS</u>
<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST</u>		
\$ -	\$ 1,051,046	\$ 23,916,515	\$ -
9,835	182,207	8,763,668	54,130
-	46,504	220,386	-
-	-	110,294	95,617
-	-	393,006	10,679
-	-	1,059,343	-
8,743	956,385	2,019,740	12,152
<u>18,578</u>	<u>2,236,143</u>	<u>36,482,952</u>	<u>172,579</u>
145	219,182	1,291,074	-
72,264	19	12,510,206	93,338
-	-	3,336,835	-
-	32,204	2,015,205	-
-	-	564,738	-
-	942,161	1,682,848	55,049
-	3,122	7,695,476	-
-	224,493	1,887,811	14,426
-	-	502,100	-
231,647	-	1,427,858	-
-	-	1,494,016	-
-	-	199,820	-
-	-	202,434	-
-	-	52,027	-
<u>304,056</u>	<u>1,421,180</u>	<u>34,862,448</u>	<u>162,813</u>
<u>(285,478)</u>	<u>814,962</u>	<u>1,620,504</u>	<u>9,766</u>
149,016	-	231,115	-
-	-	22,330	-
77,209	11,371	3,149,703	-
-	-	354	-
-	-	-	165,333
(60,214)	(69,979)	(2,395,501)	-
(127,662)	-	(904,689)	(174,941)
-	-	-	(250)
<u>38,350</u>	<u>(58,608)</u>	<u>103,312</u>	<u>(9,858)</u>
(247,128)	756,355	1,723,815	(92)
<u>(255,175)</u>	<u>6,121,078</u>	<u>10,805,115</u>	<u>63,886</u>
-	219	21,874	-
-	(219)	(21,874)	-
-	-	(17,354)	-
<u>\$ (502,302)</u>	<u>\$ 6,877,432</u>	<u>\$ 12,511,577</u>	<u>\$ 63,794</u>

STATE OF MICHIGAN
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	GENERAL FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	\$ 11,636,149	\$ 11,635,216	\$ (933)
From federal agencies	7,580,876	7,515,197	(65,679)
From local agencies	128,073	128,073	-
From services	109,597	109,597	-
From licenses and permits	223,051	223,051	-
Special Medicaid reimbursements	1,059,343	1,059,343	-
Miscellaneous	459,630	429,176	(30,454)
Operating transfers in	342,430	342,429	(1)
Total Revenues and Other Sources	21,539,150	21,442,082	(97,067)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Legislative Branch	160,269	159,605	665
Judicial Branch	225,852	225,196	656
Executive Branch:			
Agriculture	92,217	92,186	30
Attorney General	53,176	52,963	213
Career Development	338,448	338,038	410
Civil Rights	15,216	14,837	379
Civil Service	40,146	40,099	47
Colleges and Universities Grants	2,033,125	2,031,661	1,464
Community Health	8,291,030	8,211,724	79,306
Consumer and Industry Services	230,530	228,298	2,232
Corrections	1,572,525	1,570,247	2,278
Education	1,280,445	1,280,087	358
Environmental Quality	183,125	181,594	1,530
Executive Office	5,528	5,412	116
Family Independence Agency	3,389,665	3,389,320	345
Management and Budget	806,080	769,059	37,022
Military and Veterans Affairs	92,895	91,001	1,894
Natural Resources	125,167	125,041	126
State	170,727	169,380	1,346
State Police	371,829	369,865	1,965
Transportation	14,351	14,351	-
Treasury	2,349,841	2,336,505	13,335
Intrafund expenditure reimbursements	(621,250)	(621,250)	-
Total Expenditures, Operating Transfers Out, and Encumbrances	21,220,937	21,075,220	145,717
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 318,212	366,862	\$ 48,650
Reconciling Items (Note 3):			
Encumbrances at September 30		154,209	
Funds not annually budgeted		-	
Net Reconciling Items		154,209	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		521,072	
FUND BALANCES			
Beginning balances		1,575,960	
Equity transfers from other funds		21,655	
Equity transfers to other funds		(17,354)	
Ending balances (GAAP Basis)		\$ 2,101,333	

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

SPECIAL REVENUE FUNDS			TOTALS		
			(MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 11,170,434	\$ 11,170,434	\$ -	\$ 22,806,582	\$ 22,805,649	\$ (933)
1,035,320	1,035,320	-	8,616,196	8,550,517	(65,679)
45,569	45,680	111	173,643	173,753	111
697	697	-	110,294	110,294	-
169,955	169,955	-	393,006	393,006	-
-	-	-	1,059,343	1,059,343	-
543,402	544,755	1,353	1,003,032	973,931	(29,101)
2,148,489	2,274,289	125,800	2,490,920	2,616,719	125,799
15,113,866	15,241,129	127,263	36,653,016	36,683,212	30,196
-	-	-	160,269	159,605	665
-	-	-	225,852	225,196	656
-	-	-	92,217	92,186	30
-	-	-	53,176	52,963	213
65,189	65,189	-	403,637	403,227	410
-	-	-	15,216	14,837	379
-	-	-	40,146	40,099	47
100,634	97,465	3,169	2,133,759	2,129,127	4,632
43,374	10,374	33,000	8,334,404	8,222,098	112,306
130,933	130,124	809	361,463	358,422	3,041
-	-	-	1,572,525	1,570,247	2,278
10,073,776	10,072,649	1,127	11,354,221	11,352,736	1,485
-	-	-	183,125	181,594	1,530
-	-	-	5,528	5,412	116
3,047	2,415	631	3,392,712	3,391,735	977
182,000	182,000	-	988,080	951,059	37,022
4,742	4,519	224	97,637	95,520	2,118
227,681	207,776	19,904	352,847	332,817	20,031
-	-	-	170,727	169,380	1,346
-	-	-	371,829	369,865	1,965
4,036,052	3,881,624	154,428	4,050,403	3,895,975	154,428
30,139	28,443	1,696	2,379,980	2,364,948	15,032
-	-	-	(621,250)	(621,250)	-
14,897,567	14,682,578	214,989	36,118,504	35,757,799	360,706
\$ 216,299	558,551	\$ 342,252	\$ 534,511	925,413	\$ 390,902
	108,423			262,633	
	(18,307)			(18,307)	
	90,116			244,326	
	648,667			1,169,739	
	3,116,279			4,692,239	
	-			21,655	
	(21,655)			(39,008)	
	\$ 3,743,291			\$ 5,844,624	



STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS AND FUND BALANCES
PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	PROPRIETARY FUND TYPES		TOTALS	COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	PRIMARY GOVERNMENT (MEMORANDUM ONLY)	
OPERATING REVENUES				
Operating revenues	\$ 2,303,799	\$ 977,421	\$ 3,281,220	\$ 27,582
Interest income	-	-	-	394,030
Investment revenue (net)	-	-	-	47,009
Miscellaneous	-	-	-	39,627
Total Operating Revenues	2,303,799	977,421	3,281,220	508,249
OPERATING EXPENSES				
Salaries, wages, and other administrative	245,257	166,617	411,874	107,374
Interest expense	23	-	23	287,912
Depreciation	552	33,373	33,926	317
Purchases for resale	413,924	40,522	454,446	379
Purchases for prison industries	-	16,723	16,723	-
Lottery prize awards	920,800	-	920,800	-
Premiums and claims	-	654,811	654,811	-
Other operating expenses	521	57,424	57,945	2,632
Total Operating Expenses	1,581,078	969,471	2,550,549	398,613
Operating Income (Loss)	722,721	7,950	730,670	109,635
NONOPERATING REVENUES (EXPENSES)				
Specific tax on spirits	9,991	-	9,991	-
Federal grant revenue	-	-	-	84,913
Interest revenue	13,907	-	13,907	595
Investment revenue (expense) - net	73,745	-	73,745	-
Other nonoperating revenues	2,827	-	2,827	1,825
Nonoperating grants	-	-	-	(167,062)
Amortization of prize award obligation discount	(67,061)	-	(67,061)	-
Interest expense	(14,224)	(1,598)	(15,821)	(213)
Other nonoperating expenses	-	(103)	(103)	(566)
Total Nonoperating Revenues (Expenses)	19,186	(1,701)	17,485	(80,508)
Income (Loss) Before Operating Transfers	741,906	6,249	748,155	29,127
OPERATING TRANSFERS				
Operating transfers from component units	-	-	-	174,941
Operating transfers from primary government	-	-	-	1,948
Operating transfers to other funds	(753,885)	(317)	(754,202)	-
Operating transfers to component units	-	-	-	(723)
Total Operating Transfers In (Out)	(753,885)	(317)	(754,202)	176,166
Net Income (Loss)	(11,979)	5,932	(6,047)	205,293
Retained Earnings and Fund Balances - Beginning of fiscal year - restated (Note 4)	69,531	51,325	120,856	730,822
Retained Earnings and Fund Balances - End of fiscal year	<u>\$ 57,552</u>	<u>\$ 57,257</u>	<u>\$ 114,809</u>	<u>\$ 936,116</u>

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

STATE OF MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)	COMPONENT UNITS
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 722,721	\$ 7,950	\$ 730,670	\$ 109,635
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	552	33,373	33,926	317
Amortization of prepaid expenses	-	93	93	-
Amortization of deferred items (net)	-	-	-	4,089
Interest (nonprogram) and investment income	-	-	-	(153,209)
Interest expense	-	-	-	287,912
Other adjustments	6	-	6	8,203
Changes in assets and liabilities:				
Amounts due from other funds	-	12,208	12,208	-
Amounts due from component units	-	-	-	71,038
Amounts due from primary government	-	-	-	161
Amounts due from federal agencies	-	20	20	(2,527)
Amounts due from local units	-	-	-	(269,850)
Inventories	2,862	(1,803)	1,059	(15)
Mortgages and loans receivable (program loans)	-	-	-	(107,151)
Other assets	(8,850)	(9,058)	(17,909)	(16,730)
Accounts payable and other liabilities	(278,572)	17,420	(261,152)	35,787
Amounts due to other funds	53	(14,092)	(14,038)	1,394
Amounts due to component units	-	-	-	(2,846)
Amounts due to primary government	-	-	-	(295)
Deferred revenue	(3)	128	125	1,524
Tuition benefit obligation (nonaccretion portion)	-	-	-	(50,827)
Net cash provided (used) by operating activities	<u>\$ 438,769</u>	<u>\$ 46,239</u>	<u>\$ 485,007</u>	<u>\$ (83,392)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other nonoperating revenues	\$ -	\$ -	\$ -	\$ 1,468
Proceeds from sale of bonds and notes	-	-	-	1,146,566
Principal repayments on bonds and notes	-	-	-	(817,082)
Interest paid	-	-	-	(272,036)
Loans or loan repayments to other funds	-	(2,000)	(2,000)	-
Specific tax on spirits	9,991	-	9,991	-
Grants received from federal government	-	-	-	221,017
Nonoperating grants	-	-	-	(167,062)
Other nonoperating expenses	-	-	-	(566)
Operating transfers from component units	-	-	-	174,941
Operating transfers from primary government	-	-	-	1,948
Operating transfers to other funds	(753,885)	(317)	(754,202)	-
Operating transfers to component units	-	-	-	(723)
Equity transfers from primary government	-	-	-	17,354
Other noncapital financing provided	-	-	-	75
Other noncapital financing used	-	-	-	(1,058)
Net cash provided (used) by noncapital financing activities	<u>\$ (743,894)</u>	<u>\$ (2,317)</u>	<u>\$ (746,211)</u>	<u>\$ 304,843</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes	\$ -	\$ -	\$ -	\$ 6,359
Acquisition and construction of capital assets	(105)	(13,812)	(13,917)	(9,574)
Principal paid on bond and loan maturities	-	(10,677)	(10,677)	(3,607)
Interest paid on revenue bonds	-	(279)	(279)	(167)
Capital lease payments (including imputed interest expense)	-	(5,234)	(5,234)	-
Proceeds from sale of property, plant, and equipment	3,475	1,053	4,528	-
Net cash provided (used) by capital and related financing activities	<u>\$ 3,370</u>	<u>\$ (28,949)</u>	<u>\$ (25,579)</u>	<u>\$ (6,989)</u>

	ENTERPRISE	INTERNAL SERVICE	TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)	COMPONENT UNITS
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	\$ (111,742)	\$ -	\$ (111,742)	\$ (1,258,616)
Proceeds from sale and maturities of investment securities	381,093	-	381,093	967,724
Interest and dividends on investments	13,917	-	13,917	131,158
Proceeds from securities lending activities	15,160	-	15,160	-
Expenses from securities lending activities	(14,224)	-	(14,224)	-
Net cash provided (used) by investing activities	<u>\$ 284,203</u>	<u>\$ -</u>	<u>\$ 284,203</u>	<u>\$ (159,734)</u>
Net cash provided (used) - all activities	\$ (17,552)	\$ 14,972	\$ (2,579)	\$ 54,728
Cash and cash equivalents at beginning of year - restated	<u>77,638</u>	<u>71,526</u>	<u>149,165</u>	<u>567,153</u>
Cash and cash equivalents at end of year	<u>\$ 60,087</u>	<u>\$ 86,499</u>	<u>\$ 146,585</u>	<u>\$ 621,882</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Per balance sheet classifications:				
Cash	\$ 3	\$ 68	\$ 71	\$ 424,084
Equity in common cash	63,826	94,438	158,265	197,798
Warrants outstanding	(3,743)	(8,008)	(11,751)	-
Cash and cash equivalents at end of year	<u>\$ 60,087</u>	<u>\$ 86,499</u>	<u>\$ 146,585</u>	<u>\$ 621,882</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ 17,941	\$ 17,941	\$ -
Capital lease liabilities entered into during the year	-	(17,941)	\$ (17,941)	-
Contributed fixed assets	-	809	809	-
Gain (loss) on disposal of capital assets	-	(103)	(103)	-
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 706</u>	<u>\$ -</u>

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



STATE OF MICHIGAN
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	<u>TOTAL PENSION TRUST FUNDS</u>
Additions:	
Contributions:	
From members	\$ 380,547
From employers	1,444,895
From other plans	<u>77,074</u>
Total contributions	1,902,516
Investment income:	
Net appreciation (depreciation) in fair value of investments	4,972,005
Interest, dividends, and other	1,459,631
Securities lending income	<u>73,569</u>
Total investment income (loss)	6,505,205
Less investment expense:	
Investment activity expense	69,727
Securities lending expense	<u>68,821</u>
Net investment income (loss)	6,366,657
Miscellaneous income	<u>1,548</u>
Total additions	<u>8,270,720</u>
Deductions:	
Benefits paid to participants or beneficiaries	2,285,450
Medical, dental, and life insurance for retirants	656,601
Refunds and transfers to other systems	96,762
Administrative expense	<u>60,285</u>
Total deductions	<u>3,099,098</u>
Net increase (decrease)	5,171,622
Net plan assets held in trust for pension and postemployment health-care benefits - Beginning of fiscal year (Note 11)	<u>48,586,540</u>
Net plan assets held in trust for pension and postemployment health-care benefits - End of fiscal year	<u>\$ 53,758,162</u>
Reconciliation of net increase in assets:	
Net increase (decrease) in assets held in trust for pension benefits	\$ 5,196,571
Net increase (decrease) in assets held in trust for postemployment benefits	<u>(24,949)</u>
Total net increase (decrease)	<u>\$ 5,171,622</u>

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

STATE OF MICHIGAN
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
STATE UNIVERSITIES
 FISCAL YEAR ENDED JUNE 30, 2000
 (In Thousands)

	<u>TOTAL COMPONENT UNITS</u>
REVENUES AND OTHER ADDITIONS	
Unrestricted current fund revenues	\$ 946,535
Government grants and contracts - restricted	316,534
Private gifts, grants, and contracts - restricted	83,314
Investment income - restricted	15,974
Realized gains on investments - restricted	2,043
Realized gains on investments - unrestricted	2,827
Interest on loans receivable	2,215
Expended for plant facilities	250,706
Retirement of indebtedness	30,012
Other sources - restricted	11,292
Other sources - unrestricted	<u>3,662</u>
Total revenues and other additions	<u>1,665,113</u>
EXPENDITURES AND OTHER DEDUCTIONS	
Educational and general expenditures	1,476,799
Auxiliary enterprises expenditures	272,558
Indirect costs recovered	7,485
Refunded to grantors	12
Loan cancellations and write-offs	1,197
Administrative and collection costs	1,212
Expended for plant facilities	249,521
Retirement of indebtedness	30,012
Interest on indebtedness	29,911
Disposal of plant facilities	2,119
Depreciation	<u>98,915</u>
Total expenditures and other deductions	<u>2,169,742</u>
TRANSFERS	
Operating transfers from primary government	<u>669,103</u>
Net increase (decrease) for the year	<u>164,474</u>
Total Fund Equity and Other Credits - Beginning of fiscal year	<u>1,769,540</u>
Total Fund Equity and Other Credits - End of fiscal year	<u>\$ 1,934,014</u>

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

STATE OF MICHIGAN
**COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCES**
STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2000
(In Thousands)

	<u>TOTAL COMPONENT UNITS</u>
REVENUES	
Tuition and fees	\$ 543,128
Governmental contracts and grants	313,639
Private gifts, grants and contracts	93,264
Indirect cost recoveries (deduct)	908
Endowment income	4,215
Other investment income	19,078
Sales and services of educational activities	60,882
Sales and services of auxiliary activities, net	280,082
Other sources	<u>7,115</u>
TOTAL REVENUES	<u>1,322,310</u>
EXPENDITURES	
Instruction	548,233
Research	47,166
Public service	57,570
Academic support	137,308
Student services	107,195
Institutional support	161,185
Operation and maintenance of plant	124,580
Scholarships and fellowships	345,723
Auxiliary activities	<u>262,431</u>
TOTAL EXPENDITURES	<u>1,791,390</u>
MANDATORY TRANSFERS (IN) OUT	
Student services-loan fund matching grant	358
Debt service	47,949
Research and other matching grants	<u>215</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>1,839,913</u>
OTHER TRANSFERS AND (ADDITIONS) DEDUCTIONS	
Operating transfers from primary government	(575,346)
OTHER TRANSFERS (IN) OUT	
Capital improvements	40,422
Other	<u>24,741</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>1,329,731</u>
REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	(7,420)
Fund Balances - Beginning of fiscal year	214,057
Change in restricted revenue held for future expenditures	<u>(8,243)</u>
Fund Balances - End of fiscal year	<u><u>\$ 198,394</u></u>

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



STATE OF MICHIGAN
INDEX FOR
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

	<u>Page</u>
NOTE 1 - Summary of Significant Accounting Policies	20
NOTE 2 - Funds and Component Units by Classification	26
NOTE 3 - Budgeting and Budgetary Control	27
NOTE 4 - Accounting Changes and Restatements	29
NOTE 5 - Treasurer's Common Cash	29
NOTE 6 - Taxes Receivable	31
NOTE 7 - Joint Ventures and Affiliated Foundations	32
NOTE 8 - Deposits and Investments	33
NOTE 9 - Mortgages and Loans Receivable - Discretely Presented Component Units	37
NOTE 10 - Property, Plant, and Equipment	37
NOTE 11 - Pension Benefits and Other Postemployment Benefits	39
NOTE 12 - Compensated Absences	44
NOTE 13 - Leases	45
NOTE 14 - General Long-Term Obligations	47
NOTE 15 - Bonds and Notes Payable - Discretely Presented Component Units	52
NOTE 16 - Income Tax Refunds and Tax Expenditures	53
NOTE 17 - Lottery Prize Awards Payable	53
NOTE 18 - Other Long-Term Liabilities	54
NOTE 19 - Deferred Compensation Plans	54
NOTE 20 - Interfund Receivables and Payables	55
NOTE 21 - Interfund Commitments	56
NOTE 22 - Equity Transfers and Changes in Contributed Capital	56
NOTE 23 - Retained Earnings	57
NOTE 24 - Fund Balances	57
NOTE 25 - Segment Information for Enterprise Funds	59
NOTE 26 - Condensed Financial Statements - Discretely Presented Component Units	60
NOTE 27 - Risk Management	65
NOTE 28 - Contingencies and Commitments	66
NOTE 29 - Subsequent Events	68

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

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 (GASB Codification). The following is a summary of the significant policies:

A. Reporting Entity

For financial reporting purposes, the State of Michigan's reporting entity includes the "primary government" and "component units." The primary government includes all funds, account groups, departments and agencies, bureaus, boards, commissions, and those authorities which are considered an integral part of the primary government. The component units are legally separate governmental organizations for which the State's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14, The Financial Reporting Entity. The criteria for determining financial accountability include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government.

Blended Component Units

The State Building Authority and the Michigan Underground Storage Tank Financial Assurance 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 State's primary government using the blending method.

Discretely Presented Component Units

Most component units are reported in the combined financial statements in separate discrete columns, that are labeled as "Component Units." This separate reporting to the right of the "TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)" column emphasizes that these organizations are legally separate from the State's primary government. The primary government appoints the governing body of these entities. All of the component units are reported in a single column on the Combined Balance Sheet; the component units' operations are reported on the appropriate combined statement(s), depending on the primary activities of the component unit and the related measurement focus and basis of accounting (i.e., governmental, proprietary, or university component units).

The following component units, which the State is able to impose its will upon, use the modified accrual basis, and their operating results are presented with the governmental fund types on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances:

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

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 Strategic Fund provides business enterprises with additional sources of financing.

The Michigan Higher Education Assistance Authority accounts for funds held on behalf of the U.S. Department of Education. A portion of this authority is accounted for using the accrual basis.

The following component units use accrual accounting and their operating results are presented with the proprietary fund types on the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings and Fund Balances; and the Combined Statement of Cash Flows.

The State is able to impose its will upon these entities:

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

The Michigan Education Trust offers contracts which, for actuarially determined amounts, provide plan participants with future tuition at 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 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. A portion of this authority is accounted for using the modified accrual basis.

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

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.

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.

Note 1 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. These universities all follow the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Colleges and Universities (the AICPA Model). The universities' operating results are reflected in the Combined Statement of Changes in Fund Balances, and the Combined Statement of Current Funds Revenues, Expenditures, Transfers, and Changes in Fund Balances. These statements are unique to the AICPA model and only a "Component Units" column appears on these statements because the State has no institutions of higher education which are part of the primary government. 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.

Availability of Financial Statements

All of 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 Department of Management and 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.

Joint Ventures

As discussed in more detail in Note #7, the State participates in one joint venture. Its financial activities are not included in the State's financial statements, but the State's equity interest is recorded as an asset in the General Fixed Assets Account Group.

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 1999-2000, the State awarded contracts totaling \$15.8 million to MPHI.

The International Bridge Authority of Michigan, previously reported as a joint venture, was abolished by P.A. 243 of 2000 because the bonds issued to finance the construction of the bridge were retired. During fiscal year 1999-2000, the Governor and St. Mary's River Bridge Company of Ontario, Canada

signed a 40-year agreement creating the Joint International Bridge Authority (JIBA), a non-profit organization. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of JIBA. Therefore, the State's accountability for JIBA does not extend beyond making the appointments.

B. Basis of Presentation

The financial statements for most primary government funds are based upon financial transactions as they are recorded in individual funds in the State's central accounting system. The amounts presented for the Michigan Unemployment Compensation Fund, the State Building Authority, the State Employees' Deferred Compensation Funds, the State Employees' Defined Contribution Retirement Fund, and the discretely presented component units are based upon audited financial statements and schedules issued by those agencies. The various primary government funds, including the blended State Building Authority, are combined into the various fund types described below. Note #2 provides details showing which funds are reported in each fund type.

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the State's primary operating fund. It is used to account for general purpose financial resources and those restricted revenues which are not required to be accounted for in separate funds.

Special Revenue Funds: This fund group includes operating fund activities financed by specific revenue sources that are legally restricted for specified purposes.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds: Funds which account for the acquisition or construction of major State capital facilities financed by bond proceeds and commercial paper notes are reported in this fund group.

PROPRIETARY FUND TYPES

Enterprise Funds: This fund group includes funds whose operations and finances are accounted for in a manner similar to private business enterprises. For this group, it is the intent of the State that: (a) the costs (i.e., expenses, including depreciation) of providing goods or services to the general public be financed primarily by user charges; or (b) "net income" be periodically determined and used as appropriate for capital maintenance, management control, or determination of amounts to be transferred to other operating funds as required by statute.

Internal Service Funds: This group is similar to enterprise funds, except that the goods or services are provided primarily to other agencies or funds of the State, rather than to the general public.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

FIDUCIARY FUND TYPES

Trust and Agency Funds: This group includes assets held by the State on behalf of outside parties, including other governments, or on behalf of other State funds. The group is subdivided into three subtypes: (a) pension trust funds, which are accounted for in a manner similar to proprietary funds; (b) expendable trust funds, which are accounted for in a manner similar to governmental funds; and (c) agency funds, where the State's responsibility is purely custodial in nature and for which asset and liability balances, but not operating results, are included in the general purpose financial statements.

ACCOUNT GROUPS

General Fixed Assets Group: This account group is used to account for fixed assets (i.e., land, buildings, and equipment) owned by the State, except for assets of proprietary fund types which are recorded directly in those funds. Equity interests in joint ventures are also recorded in this account group.

General Long-Term Obligations Group: This account group accounts for all of the long-term obligations of the State, except for those accounted for directly in a fund.

TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)

Amounts in the "TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)" columns represent summations of the primary government fund types and account groups and are presented only for analytical purposes. The summations include fund types and account groups that use different bases of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)" columns are not comparable to a consolidation.

DISCRETELY PRESENTED COMPONENT UNITS

As detailed in part A of this note, component units other than the State Building Authority and the Michigan Underground Storage Tank Financial Assurance Finance Authority are discretely presented in the combined financial statements that correspond to the accounting model they use. Those that use the governmental and proprietary models follow the same practices of the fund types that are described above.

The universities, which follow the AICPA model, use different fund types and groupings. Current funds include the universities' general, designated, auxiliary activities, and expendable restricted funds. Current funds' operating results are reflected in the "Combined Statement of Current Funds Revenues, Expenditures, Transfers, and Changes in Fund Balances." Other university fund types include student loan, endowment, plant fund, and agency funds. All university fund activities are reflected in the Combined Statement of Changes in Fund Balances. In the State's financial report, only component unit totals are reported. Readers interested in fund detail for a component unit should obtain the separately issued financial statements for that agency.

C. Basis of Accounting

Modified Accrual

The governmental fund types, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. There are some departures from the modified accrual basis for statutory/budgetary purposes that have no effect on the funds' balance sheets. The nature of these departures is such that they only affect how operating results are reported. This is further explained in Note #3.

The modified accrual basis emphasizes the measurement of current financial resources and obligations (i.e., "financial flow" focus). Therefore, fund revenues and other financing sources are recorded when financial resources become "measurable and available" to finance expenditures of the current period; expenditures are recorded when fund liabilities are incurred, except for principal and interest on general long-term obligations.

Accrual

The proprietary fund types and the pension trust funds use the accrual basis of accounting. The accrual basis emphasizes the measurement of "net income," (i.e., "capital maintenance" focus). Using this basis, revenues are recognized when "earned" and expenses are recognized when "incurred." All financial resources and obligations of a fund, whether current or noncurrent, are recorded in the fund.

The primary effects of the differences in these bases are:

- (1) For governmental fund types, most long-term liabilities are reported in the General Long-Term Obligations Account Group rather than as fund liabilities. The proceeds of long-term borrowings result in increases to fund balance because "other financing sources" are credited to the fund. Fund liabilities for both principal and interest related to general long-term obligations are recognized when they become "due and payable" (i.e., when normally liquidated with expendable available financial resources). For additional explanation of the accounting basis for long-term obligations, including claims and judgments, see Note #14.
- (2) Fixed asset acquisitions are recorded as expenditures of governmental fund types in the year acquired. Such assets are capitalized in proprietary fund types, with depreciation expense recognized over the life of the asset.
- (3) For governmental fund types, revenue which is not "available" is recorded as deferred revenue. Other noncurrent assets result in reservations of fund balance. Such deferrals and reserves are usually not reflected in proprietary type funds.

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 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.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

AICPA Model

As a general rule, the AICPA model followed by the discretely presented State university component units uses the accrual basis of accounting; however, the basis of presentation and fund groupings are unique. For "current funds" the measurement focus is the flow of financial resources related to the delivery of services. Plant funds are used to account for fixed assets and related depreciation and financing, and student loan, endowment and agency funds are used to report other noncurrent fund activities.

D. 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 are reported using June 30 year-ends.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

On the Combined Statement of Cash Flows, the amount reported as "Cash and cash equivalents" is equal to the total of the amounts on the Combined Balance Sheet lines "Cash" and "Equity in common cash," less the amount of "Warrants outstanding."

Cash

Cash reported on 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 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

Tax revenue is accrued to the extent that it is both measurable and available. 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 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 balance sheet. 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.

Property, Plant, and Equipment

General fixed assets and capitalizable improvements of governmental fund types are recorded in the General Fixed Assets Account Group at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In assembling the General Fixed Assets Account Group for the first time in 1985, certain fixed asset costs were not available; historical costs of these assets at the dates of acquisitions have been estimated.

Infrastructure ("public domain") fixed assets such as undeveloped State owned land, roads, and bridges are not capitalized. Interest incurred during construction is not capitalized and depreciation is not recognized on general fixed assets.

Assets of proprietary funds are capitalized at cost upon acquisition. Interest incurred during construction is capitalized. Depreciation expense on buildings and equipment is recorded over the expected useful lives of the assets. Depreciation is calculated using the straight-line method, except for automotive equipment in the Motor Transport Fund (an internal service fund), which is depreciated using the 150% declining balance method.

Additional disclosures related to fixed assets and assets acquired through capital leases are provided in Notes #10 and #13, 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.

Deferred Revenue

Deferred revenue is recognized when cash, receivables, or other assets are received or recognized prior to their being earned or available.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

Long-Term Liabilities

General long-term obligations which are not reported as fund liabilities are reported in the General Long-Term Obligations Account Group. The group, which is more fully described in Note #14, includes obligations related to the funds accounted for on the modified accrual basis for: general obligation and revenue dedicated bonds, capital leases, compensated absences, claims and judgments, workers' compensation, net pension obligations, claims against the Michigan Underground Storage Tank Financial Assurance Fund (MUSTFA), and revenue bonds issued by the State Building Authority. Fund expenditures are recognized for these obligations in the period when they are "normally liquidated with available financial resources." For obligations other than claims and judgments, claims against MUSTFA, and capital leases, the expenditures are recognized as they become "due and payable." Note #14 explains the accounting for claims and judgments and claims against MUSTFA. Note #13 explains the accounting for capital leases.

Long-term liabilities of proprietary funds, agency funds, and discretely presented component units are recognized in the funds, except the portions of the State's workers' compensation liability for which fund distribution is not reasonably estimable. These long-term liabilities are more fully explained in Notes #13, #15, #17, and #18.

Fund Equity

Fund equity represents the difference between fund assets and fund liabilities. The governmental and fiduciary funds' fund equity is called "fund balance." For proprietary funds, equity attributable to accumulated earnings is referred to as "retained earnings."

Equity provided by other funds or governmental units for property, plant, and equipment or for original start-up costs for new funds is classified as "contributed capital." Note #22 explains the basis for the amounts which are reported as contributed capital.

Reservations

Fund balances for all governmental funds are classified as either reserved or unreserved. 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. Details related to the make-up of reserved fund balances are reported in Note #24.

Fund balance reservations in the discretely presented component units column reflect the restricted funds of State universities. Retained earnings reservations in the discretely presented component units column primarily reflect amounts required to be set aside by bond agreements. These are described in Note #23.

F. Revenues, Expenditures, Encumbrances, Expenses, and Other Financing Sources and Uses

Revenues

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 (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Revenues of governmental funds that accrue to the State, independent of when expenditures are incurred by the State (such as taxes, licenses, and permits), are considered "available" if the payer incurs the obligation to the State before year-end and payment is received within 60 days of year-end, except for revenue related to delinquent taxes receivable which is recognized in the amount expected to be received within 12 months (see Note #6).

Revenues which the State earns by incurring obligations (such as matching federal grants) are generally recognized in the same period that the related obligations are recognized. Such accrued revenue is considered available even if it is not received within 60 days of year-end. This method provides improved reporting and control at the program level because it appropriately matches funding sources and uses.

Expenditures

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 real property or infrastructure (e.g., highways). Intergovernmental-revenue sharing is used to account for the distribution of certain tax revenues which are shared with local units based upon statutory requirements. Debt service includes both interest and principal outlays related to bonds accounted for in the General Long-Term Obligations Account Group and payments on capitalized leases.

Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. During the fiscal year, agencies may enter all types of encumbrances in the accounting system for spending control purposes. For year-end financial reporting purposes, encumbrances are recorded only to the extent that spending authority is allowed to be carried forward to the next year. The method of reflecting encumbrances in the statements is more fully described in Note #3.

Unless a statutory exception has been made, there are limits on the types of encumbrances that can be recorded as spending authority carry-forwards at year-end. Encumbrances are recorded only if the encumbrance is for an obligation that was entered into prior to September 16. Encumbrances for services are recorded only if the contract is for a nonrecurring item.

Encumbrance contracts for goods that specify delivery after September 30 are not recorded and encumbered amounts in excess of available line-item spending authority are not recognized.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

Expenses

Expenses are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale).

Other Financing Sources

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

Other Financing Uses

These are reductions of governmental fund resources, normally resulting from operating transfers to other funds.

G. Interfund Transactions

Operating Transfers

Except as described below, transactions between primary government funds (including blended component units) are classified as operating transfers. These include most of the routine transfers of resources between funds, such as a transfer from a fund receiving revenue to the fund through which resources are to be expended. Transactions between the primary government and a discretely presented component unit are classified as operating transfers if they are in the nature of a subsidy or grant for general operations. The State's general operating appropriations and State Building Authority projects for the ten discretely presented university component units are reported in this manner.

Equity Transfers

Residual equity transfers, which are detailed in Note #22, are used to record capital contributions and other nonrecurring or nonroutine transfers of equity between funds and discretely presented component units.

Reimbursements

The reimbursement method reclassifies an expenditure/expense from the fund originally making a disbursement to 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 trust funds are appropriated in the General Fund.

Quasi - External Transactions

Certain interfund transactions are recorded as if they were occurring with an outside entity. This method is most commonly used to report revenues of the internal service funds, pension funds, and certain expendable trust funds. The paying funds report expenditures or expenses, depending upon fund type.

H. Future Changes in Accounting Standards

The Governmental Accounting Standards Board has issued Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions; Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; and Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. These new accounting and reporting standards will impact the State's revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standards will also require reformatting of the financial statements and the restating of beginning balances. The State intends to early implement these statements for fiscal year 2000-01, and due to the significance of the changes required, it is not possible to present pro-forma data prior to their implementation.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

The following table lists all of the funds and component units which make up the various fund types as of September 30, 2000. Operating funds which are subject to annual appropriation and for which statements comparing budget to actual are included in this

report are identified by an “***”. For each individual fund or component unit listed, the SOMCAFR page number of the first financial statement for that fund or component unit is shown in parenthesis.

PRIMARY GOVERNMENT:

General Fund*

Special Revenue Funds:

Transportation Related:

- State Aeronautics Fund* (p. 80)
- State Trunkline Fund* (p. 80)
- Michigan Transportation Fund* (p. 80)
- Comprehensive Transportation Fund* (p. 80)
- Combined State Trunkline Fund Bond Proceeds Fund (p. 81)
- Combined Comprehensive Transportation Bond Proceeds Fund (p. 81)

Conservation, Environment, and Recreation Related:

- Game and Fish Protection Fund* (p. 92)
- Michigan State Waterways Fund* (p. 92)
- Marine Safety Fund* (p. 92)
- Game and Fish Protection Trust Fund (p. 93)
- State Park Improvement Fund* (p. 93)
- Combined Recreation Bond Fund - Local Projects (p. 93)
- Combined Environmental Protection Bond Fund (p. 93)
- Michigan Natural Resources Trust Fund* (p. 93)
- Michigan State Parks Endowment Fund* (p. 93)
- Michigan Nongame Fish and Wildlife Fund* (p. 94)
- Michigan Civilian Conservation Corps Endowment Fund* (p. 94)
- Forest Development Fund* (p. 94)
- Michigan Underground Storage Tank Financial Assurance Fund (p. 95)
- Michigan Underground Storage Tank Financial Assurance Finance Authority (p. 95)
- Bottle Deposits Fund (p. 95)

Regulatory and Administrative Related:

- Michigan Employment Security Act - Administration Fund* (p. 106)
- Safety Education and Training Fund* (p. 106)
- Uninsured Employers' Security Fund (p. 106)
- State Construction Code Fund* (p. 107)
- Homeowner Construction Lien Recovery Fund* (p. 107)
- State Casino Gaming Fund* (p. 107)

Other State Funds:

- Counter-Cyclical Budget and Economic Stabilization Fund* (p. 116)
- Michigan Veterans' Trust Fund* (p. 116)
- School Aid Fund* (p. 116)
- School Bond Loan Fund (p. 117)
- Children's Trust Fund* (p. 117)
- Michigan Merit Award Trust Fund* (p. 117)
- Tobacco Settlement Trust Fund* (p. 117)

Debt Service Funds:

- Combined State Trunkline Bond and Interest Redemption Fund (p. 126)
- Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 126)
- Recreation and Environmental Protection Bond Redemption Fund (p. 126)
- School Loan Bond Redemption Fund (p. 127)
- State Building Authority (p. 127)
- Michigan Underground Storage Tank Financial Assurance Finance Authority (p. 127)

Capital Projects Funds:

- Combined Recreation Bond Fund - State Projects (p. 132)
- Advance Financing Funds (p. 132)
- State Building Authority (p. 132)

Enterprise Funds:

- Liquor Purchase Revolving Fund (p. 135)
- State Lottery Fund (p. 135)

Internal Service Funds:

- Correctional Industries Revolving Fund (p. 140)
- Motor Transport Fund (p. 140)
- Office Services Revolving Fund (p. 140)
- Information Technology and Energy Fund (p. 141)
- Risk Management Fund (p. 141)
- State Sponsored Group Insurance Fund (p. 141)

Trust Funds:

Expendable Trust Funds:

- Michigan Unemployment Compensation Fund (p. 150)
- Michigan Employment Security Act Contingent Fund (p. 150)
- Second Injury Fund (p. 150)
- State Employees' Deferred Compensation Funds (p. 151)
- Transportation Related Trust Funds (p. 151)
- Miscellaneous Trust Accounts Fund (p. 151)

Pension Trust Funds:

- Legislative Retirement Fund (p. 156)
- State Police Retirement Fund (p. 156)
- State Employees' Retirement Fund (p. 156)
- Public School Employees' Retirement Fund (p. 157)
- Judges' Retirement Fund (p. 157)
- State Employees' Defined Contribution Retirement Fund (p. 157)

Agency Funds:

- Financial Institutions Deposits Fund (p. 161)
- Environmental Quality Deposits Fund (p. 161)
- Insurance Carrier Deposits Fund (p. 161)
- State Treasurer's Escrow and Paying Agent Fund (p. 162)
- Child Support Collection Fund (p. 162)

Note 2 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

DISCRETELY PRESENTED COMPONENT UNITS:

Governmental and Trust:

Mackinac Bridge Authority (p. 168)
Michigan Higher Education Facilities Authority (p. 168)
Michigan Strategic Fund (p. 169)
Michigan Higher Education Assistance Authority (p. 169)

Proprietary:

Michigan State Hospital Finance Authority (p. 174)
Michigan Education Trust (p. 174)
Michigan Higher Education Student Loan Authority (p. 174)
Michigan Higher Education Assistance Authority (p. 174)
Mackinac Island State Park Commission (p. 175)
Michigan State Housing Development Authority (p. 175)
Michigan Municipal Bond Authority (p. 175)
State Bar of Michigan (p. 175)
Michigan Economic Development Corporation (p. 175)

- (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 Universities (1):

Central Michigan University (p. 182)
Eastern Michigan University (p. 182)
Ferris State University (p. 182)
Grand Valley State University (p. 182)
Lake Superior State University (p. 182)
Michigan Technological University (p. 183)
Northern Michigan University (p. 183)
Oakland University (p. 183)
Saginaw Valley State University (p. 183)
Western Michigan University (p. 183)

State provides significant funding to support these institutions; however, under the GASB Statement No. 14 criteria, they are considered fiscally independent special-purpose governments.

NOTE 3 – BUDGETING AND BUDGETARY CONTROL

A. 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 does 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 1992-93, is 48.97%.

Final calculations establishing the State's compliance with this Constitutional provision for fiscal year 1999-2000 are not yet complete. For fiscal year 1998-99, 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 60.93%, reflecting payments that exceeded

the minimum required by \$ 2.7 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 1999-2000.

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 1978-79, 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 single 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 1999-2000 are not final. The State estimates that total State revenues subject to the limitation will exceed the limit by \$158.2 million for fiscal year 1999-2000, which is less than 1% of the limitation.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

Budget Stabilization Fund

The Counter-Cyclical Budget and Economic Stabilization Fund ("Budget Stabilization Fund") was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. 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 1999-2000 (in millions):

Beginning unreserved fund balance	\$ 1,222.5
Interest income	74.0
Transfers from General Fund	100.0
Transfers to School Aid Fund	(32.0)
Transfers to State Trunkline Fund	(100.0)
Ending unreserved fund balance	<u>\$ 1,264.4</u>

Transfers from the General Fund represent the transfer of \$37.1 million pursuant to P.A. 124 of 1999, section 212, and P.A. 431 of 1984, section 352, as amended, and the transfer of \$62.9 million, pursuant to P.A. 506 of 2000, section 203. The transfer to the School Aid Fund is for the purpose of paying money damages to school districts and intermediate school districts as required by P.A. 144 of 1997. The transfer to the State Trunkline Fund is for the purpose of funding a portion of the Build Michigan III program, pursuant to P.A. 189 of 2000, section 358.

B. Budgetary Control - Governmental Fund Types

A number of different budgetary control processes are used for the various funds and programs within funds. Annual legislative appropriations and revenue estimates are provided for most "operating" funds. These annually budgeted operating funds include the General Fund and 24 of the special revenue funds. (Note #2 identifies the annually budgeted operating funds.) The other funds do not have complete legally adopted budgets, but they are usually subject to some more limited form of budgetary control, such as financial plans or a limiting of expenditures to the amount of resources. The budget-to-actual comparative statements in this report reflect only the annually budgeted operating funds of the primary government with legally adopted budgets.

Revenues

General purpose (unrestricted) revenue estimates are provided in both the original executive budget and in original legislative appropriations in order to demonstrate compliance with constitutional provisions. The Department of Treasury is responsible for updating revenue projections. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

Spending

The level and method of control provided over spending varies between funds and programs. Appropriation line items may be by program, organization, project, object, or a mix of these. If a department wishes to transfer spending authority from one appropriated account to another, it must, generally, receive legislative approval. Expansion of total spending authority usually requires a supplemental appropriation. In the event that expenditures exceed authorization during a year, the

department must request a supplemental appropriation (carry-back) for the amount overspent. Supplemental appropriations totaling \$990.2 million were required to support additional spending for capital outlay, school aid funding and various other programs, including grants funded by the Clean Michigan Initiative funds. Unexpended authorization balances lapse at year-end unless carry-forward is authorized by statute or qualifying encumbrance carry-forwards have been recorded.

For programs financed from restricted revenues, spending authorizations are generally contingent upon recognition of the related revenue. If revenues fall short of estimates, related spending authorizations are reduced. If revenues exceed the estimate, supplemental appropriations are required before they can be spent.

Budgetary control of spending is maintained by the central accounting system at the appropriation line item account level. The large number of line items make it infeasible to include a detailed comparison of budget to actual in the State's Comprehensive Annual Financial Report. A separate report is published by the Department of Management and Budget detailing the disposition of authorizations at the line item spending account level, and is available upon request to the Office of Financial Management, Financial Reporting Section.

C. Statutory/Budgetary Presentation

In the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds, expenditures, operating 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 budgetary process. Generally accepted accounting principles require that the final legal budget be reflected in the "budget" column, therefore updated revenue estimates 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 expenditures budget column 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. The timing differences result from unspent authorizations for multi-year projects, such as capital outlay and work projects, and from restricted revenues which had not yet been appropriated for expenditure in the current year. Such authorization balances remaining at year-end are removed from the budget column to provide an "annualized" budget. "Favorable variances" reflect restricted revenues which were appropriated and available for expenditure in the current year, and unused general purpose spending authority ("lapses"); "unfavorable variances" reflect budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

Appropriations include interagency expenditure reimbursement, where one agency provides funding to another agency within the same fund. The gross "budget" and "actual" amounts on this statement are adjusted to eliminate the duplication.

Note 3 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

**D. Statutory/Budgetary Reconciliation –
 General Fund and Special Revenue Funds**

The statutory/budgetary basis presentation differs from generally accepted accounting principles (GAAP) in ways that do not affect ending fund balance.

Encumbrances

As explained in Note #1, the State records encumbrances at year-end only if they meet certain criteria. For budgetary reporting purposes, the recorded encumbrances are included with expenditures and operating transfers in the "Actual" columns because they are considered uses of spending authority in the year the State incurs an obligation. The "Budget" columns include encumbrance authorization balances carried over from the prior fiscal year because they provided spending authority in the current year. In the GAAP basis statements, encumbrances are not included as expenditures. The effect of this difference is reflected as a reconciling item on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds. The encumbrance of spending authority is recorded as a reservation of fund balance under both bases of accounting.

Capital Leases

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.

E. Budgetary Overexpenditures

There were no net overexpenditures by General Fund departments. There were, however, the following line-item overexpenditures of State funds incurred during the year, which represent noncompliance with State budget laws (in millions):

General Fund	
Community Health	\$.5
Education	.7
Family Independence Agency	5.6
General Fund Total	\$ 6.8

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

A. Restatements

Federal regulations required the Michigan Higher Education Assistance Authority (MHEAA) to restate fiscal year 1998-99 revenues and expenses/expenditures for activities relating to loan collections. This resulted in an increase to revenue and expenditures of \$39.3 million in the MHEAA fund utilizing the governmental fund model and a decrease in revenues and expenses in the fund utilizing the proprietary fund model.

Also, MHEAA reclassified contributed capital of \$1.5 million into fund balance.

Activities relating to Urban Land Assembly loans are now reported by the Michigan Economic Development Corporation instead of the Michigan Strategic Fund. Prior year amounts have been restated to reflect an \$8.3 million transfer of net assets.

B. Changes in Accounting Estimate

The State changed its methodology for estimating the liability for Medicaid inpatient hospital services provided but not paid for by year-end to better utilize actual claims data and historical trends, resulting in a more accurate estimate of the year-end liability. This change decreased General Fund accounts payable and current expenditures by \$92.5 million and amounts due from federal agencies and federal revenues by \$51.2 million compared to the amounts calculated using the previous year's accrual methodology. This change increased the General Fund unreserved fund balance by \$41.4 million.

NOTE 5 – TREASURER'S COMMON CASH

A. General Accounting Policies

The State 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. Many funds, including pension funds, use their equity in the pool as a short-term investment vehicle. The Treasurer separately publishes the "Annual Report of the State

Treasurer" which includes audited schedules of Common Cash Assets and Equities, Investment Portfolios of Specific Funds, and Investment Earnings.

In the State's Comprehensive Annual Financial Report, the common cash pool is not reported as a separate fund. Instead, each State fund's balance in the pool is reported on the Combined Balance Sheet line, "Equity in Common Cash."

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.

Note 5 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

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. 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 of the pool, 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.

B. Investments and Deposits

The investment authority for the common cash pool is found in P.A. 105 of 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the 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 of Michigan.

The Treasurer invests excess cash in short-term investments, mostly prime commercial paper. 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 1999-2000.

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. There have been no principal losses because of these programs to date. The most significant program provides for emergency loans to local units of government. The Treasurer may loan not more than a combined total of \$5 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Emergency Financial Assistance Loan Board.

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. Under a loan agreement made in 1999-2000, the State loaned the County a total of \$39.9 million. 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 collected taxes on cigarettes. There were no repayments on the loans in fiscal year 1999-2000.

Michigan Marina Dredging Loan Program: P.A. 280 of 2000 provides for a program under which financial institutions may make low-interest loans to eligible marinas for dredging costs necessitated by low water levels to accommodate the use of the marina by recreational watercraft.

Under this program, the Michigan Department of Treasury and a financial institution may enter into an investment agreement under which the Department of Treasury will invest the State's common cash with the financial institution at an agreed upon interest rate (generally 1.5 percent per annum). The financial institution will then use the principal to make a low-interest loan to an eligible marina.

The public act specifies that the maximum amount of a Michigan marina-dredging loan is \$75,000 per marina. The total amount of outstanding loan is statutorily limited to \$20 million. The loan accrues at an interest rate of six percent and the loan term may not exceed seven years. Other details about the loan are available in the investment agreement. No investments were made in this program this fiscal year.

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

ASSETS	
Cash on hand	\$.2
Demand deposits	159.0
Time deposits -- regular	50.6
Prime commercial paper -- at cost	5,193.0
Interest receivable	28.9
Emergency loans to local units -- at cost	40.5
Total assets	<u>\$ 5,472.2</u>
EQUITIES	
Fund equities (net) in common cash (1):	
Primary government	\$ 5,274.4
Discretely presented component units	197.8
Net fund equities	<u>\$ 5,472.2</u>

(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 #20 summarizes interfund receivables and liabilities.

The following paragraphs provide disclosures about deposits and investments of the common cash pool, as required by GASB's Statement No. 3. Please see Note #8 for a description of the GASB custodial credit risk categories and for information about deposits and investments, which are not part of the common cash pool.

Deposits

At September 30, 2000, the carrying amount of deposits, including time and demand deposits, was \$209.6 million. The deposits were reflected in the accounts of the banks at \$209.6 million. Of the bank balance, \$6.8 million was covered by federal depository insurance (GASB credit risk category 1), \$201.2 million was collateralized with securities held by the State's agent in the State's name (GASB credit risk category 1), and \$1.6 million of demand deposits which are uninsured and uncollateralized (GASB credit risk category 3). Compensating balances kept in demand deposit accounts to avoid service charges totaled \$84.0 million at September 30, 2000.

Investments

Using the GASB categories of custodial credit risk, all of the investments (including prime commercial paper and emergency municipal loans) are in category 1. The emergency municipal loans are evidenced by notes held by the State in the State's name, so they fall in custodial credit risk category 1. At September 30, 2000, the fair value of prime commercial paper was \$5.2 billion.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 6 – TAXES RECEIVABLE

In general, taxes receivable represent amounts due to the State at September 30 that were received by the State within approximately 60 days after that date. Sales, use, and income taxes are accrued to the extent that the related sales or wage payments occurred prior to October 1 and tax payments were received prior to December 1. Annual tax payments (i.e., those paid with an annual return, such as individual personal income taxes filed in April) have not been accrued because they are neither reasonably estimable nor available. Single business tax revenue is similarly accrued, with receipts received prior to December 1 (i.e., quarterly filings due November 30) recognized as revenue to the extent that the activities being taxed occurred prior to October 1. The State property tax is assessed by local units of government, as agents for the State.

Taxes are due and payable at the same time as local unit taxes and are generally divided into a summer portion payable to the local units on the succeeding July 1 and a winter portion due December 31. The State accrues revenues received by the State or the local units on its behalf during October and November. Since the property taxes are levied and received by the local units, it is not feasible for the State to measure and record delinquent amounts receivable and, therefore, no delinquent amounts are recorded or reflected in the table below. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months, except for the Michigan Unemployment Compensation Fund (expendable trust) which only records taxes received within 60 days as receivables.

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

Tax	FUND TYPES			
	General	Special Revenue	Expendable Trust	Total
Sales & use	\$ 284.6	\$ 513.4	\$ -	\$ 798.0
Individual income	858.7	-	-	858.7
Single business	730.6	-	-	730.6
State education (property) tax	-	499.4	-	499.4
Telephone & telegraph	15.4	-	-	15.4
Motor fuel	-	190.6	-	190.6
Insurance - retaliatory	50.2	-	-	50.2
Estate & inheritance	48.0	-	-	48.0
Tobacco products	21.9	40.2	-	62.1
Unemployment	-	-	123.3	123.3
Other	21.1	50.6	-	71.7
Penalties and interest	901.0	.2	-	901.2
Gross taxes receivable	\$ 2,931.5	\$ 1,294.4	\$ 123.3	\$ 4,349.2
Less allowance for uncollectibles	1,579.0	334.2	-	1,913.2
Total taxes receivable (net)	\$ 1,352.5	\$ 960.2	\$ 123.3	\$ 2,436.0
As Reported on Balance Sheet				
Current taxes receivable	\$ 1,285.5	\$ 946.6	\$ 123.3	\$ 2,355.4
Noncurrent taxes receivable	67.0	13.6	-	80.6
Total taxes receivable (net)	\$ 1,352.5	\$ 960.2	\$ 123.3	\$ 2,436.0

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 7 – JOINT VENTURES AND AFFILIATED FOUNDATIONS

A. Joint Ventures - Primary Government

The State is a participant in the joint venture described below. Joint ventures are not reflected as component units within this report because they do not meet the GAAP 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 Department of Management and Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

The Great Lakes Protection Fund

(GLPF) is a not-for-profit corporation located in Chicago, 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 the Fund.

Contribution requirements were established based upon water consumption and usage. Contributions to the Fund are permanently restricted and are not available for disbursement. Michigan is the largest contributor to the Fund, having made a contribution of \$25 million, constituting approximately 31% of the total. Michigan made its required contribution by issuing the Fund 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 the GLPF's board of directors represent each of the participating seven member states. The states' respective governors select the board members. The Fund's financing and budgeting operations are controlled by the directors within requirements established by the Articles of Incorporation. Net earnings after operating expenses are divided into parts. One-third of the net earnings on total contributions is granted to the respective states in proportion to their contributions to the Fund, to be used for the purposes of the Fund. Two-thirds of the net earnings are available to the Fund to make other grants. The State's equity interest in the GLPF of \$25 million is reflected in the General Fixed Assets Account Group.

B. Affiliated Foundations - Discretely Presented Component Units

Several of the State university component units are affiliated with independent corporate foundations that exist for the sole purpose of soliciting, collecting, and investing donations for the benefit of the universities. The operations and net assets of these foundations are not included in the financial statements of the universities due to their independence. At June 30, 2000, net assets held by these foundations totalled \$293.6 million.

NOTE 8 – DEPOSITS AND INVESTMENTS

A. General Information

This note provides information for all deposits and investments except those of the Common Cash pool which are described in Note #5. GASB Statement No. 3 requires certain disclosures regarding policies and practices with respect to deposits, investments, and the custodial credit risk associated with them.

Deposits

In accordance with GASB Statement No. 3, deposits are classified into three categories of custodial credit risk, as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name).

Investments

In accordance with GASB Statement No. 3, investments are also classified into three categories of custodial credit risk, as follows:

Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the fair value of the underlying securities.)

Certain types of investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Deposits classified as investments on the balance sheet are included in the investment tables following and are categorized using the deposit risk category definitions.

In accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, securities lent at year-end for cash collateral have not been categorized by custodial risk, while securities lent for securities collateral have been categorized.

B. Deposits and Investments - Primary Government

Deposits

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At year-end, the carrying amount of such deposits, excluding those classified as investments, was \$(7.7) million, which was caused primarily by a net book cash overdraft in an account maintained by the Michigan Unemployment Compensation Fund. The deposits were reflected in the accounts of the banks at \$5.9 million. Of the bank balance, \$2 million was covered by

federal depository insurance or by collateral held by the State's agent in the State's name (GASB credit risk category #1), \$4.4 million was covered by collateral held in the pledging bank's trust department in the State's name (GASB credit risk category #2), and \$1.3 million was uninsured and uncollateralized (GASB credit risk category #3).

Investments

Investment authority for the State's pension funds is found in P.A. 314 of 1965, as amended. This act 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 act 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 State Treasurer is also authorized to invest a limited amount of pension funds in futures contracts. Such investments were made in Standard & Poors 500 and Standard & Poors Midcap Index futures contracts during the year. Derivatives are used for a small amount of the pension trust fund portfolios to provide additional diversification. However, derivatives are not used for speculation and they are not used to leverage the investment portfolios. Less than 7% of the total pension trust funds portfolio has been invested from time to time in futures contracts and swap agreements. The swap agreements provide that the retirement systems will pay quarterly, 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 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 rates. Swap agreements represent the largest category of derivatives used and total 6.1% of the total portfolio.

State statutes allow the pension funds or other State funds to participate in securities lending transactions, and the State Treasurer has authorized the agent bank to lend pension fund or other State fund securities to broker-dealers and banks pursuant to a form of loan agreement.

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 funds are comprised mostly of United States government securities.

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

Investments of the Michigan Unemployment Compensation Fund (MUCF) represent MUCF's 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. The MUCF is credited quarterly with trust fund investment earnings, as computed on a daily basis.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 1999-2000, the deferred compensation plans investment activities were managed by a private investment firm which invests as directed by members of the plan.

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.

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

	GASB Category				Total Carrying Value	Fair Value
	#1	#2	#3	Not Categorized		
Prime commercial paper	\$ 2,185.8	\$ -	\$ 41.8	\$ -	\$ 2,227.6	\$ 2,229.1
Short-term issues	224.8	-	-	-	224.8	226.1
Money market funds	-	-	-	207.1	207.1	207.1
Government securities	6,660.8	-	59.3	182.2	6,902.3	6,902.3
Investment agreements	17.5	-	-	-	17.5	17.5
Corporate bonds and notes	3,928.7	-	-	301.0	4,229.7	4,229.7
Equities	23,687.2	-	-	-	23,687.2	23,687.2
Mortgages	-	-	-	49.0	49.0	49.0
Real estate (1)	253.7	-	-	4,061.9	4,315.6	4,315.6
Venture capital and leveraged buyouts	653.0	-	-	7,535.5	8,188.6	8,188.6
International equities	3,324.9	-	-	-	3,324.9	3,324.9
U.S. Treasury (unemployment) trust fund	-	-	-	3,080.2	3,080.2	3,080.2
Mutual funds	-	-	-	1,903.4	1,903.4	1,903.4
Pooled investment contracts	-	-	-	1,622.5	1,622.5	1,622.5
Security Lending Transactions:						
Government securities	-	-	-	700.7	700.7	700.7
Corporate bonds and notes	-	-	-	19.7	19.7	19.7
Equities	-	-	-	197.4	197.4	197.4
Total Investments	<u>\$ 40,936.4</u>	<u>\$ -</u>	<u>\$ 101.1</u>	<u>\$ 19,860.6</u>	<u>\$ 60,898.1</u>	<u>\$ 60,900.9</u>
<u>As Reported on Balance Sheet</u>						
Current investments					\$ 6,057.8	
Noncurrent investments					<u>54,840.3</u>	
Total Investments					<u>\$ 60,898.1</u>	

(1) Category 1 real estate represents Real Estate Investment Trusts (REITs) which are evidenced by securities.

The cash collateral received on security lending transactions is \$0.9 billion.

Pension trust fund investments represent 87% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund, the State Employees' Deferred Compensation Funds, and the Michigan Unemployment Compensation Fund.

The carrying value of investment funds by type (including investments reported above as security lending transactions) for the pension trust funds are prime commercial paper of \$2.2 billion, short-term issues of \$224.8 million, money market funds of \$46.7 million, government securities of \$6.2 billion, corporate bonds and

notes of \$4.2 billion, preferred stock of \$2 thousand, equities of \$23.9 billion, mortgages of \$49.0 million, real estate of \$4.3 billion, venture capital and leveraged buyouts of \$8.2 billion, international of \$3.3 billion, mutual funds of \$146.9 million, and pooled investment funds of \$56.4 million. Additional detail regarding the carrying amount and fair value of pension funds is provided in Note #11.

The State Lottery Fund investments, \$0.8 billion, are all in the form of zero coupon U.S. Treasury bonds. As described more fully in Note #17, these investments are held to provide funding for deferred prize awards.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

Investments for the State Employees' Deferred Compensation funds, \$3.5 billion, are in the form of pooled investment funds, \$1.4 billion, mutual funds, \$1.8 billion, U.S. Treasury strips, \$182.2 million, and money market funds, \$160.4 million. Additional information on the State's deferred compensation plans is provided in Note #19.

Securities Lending Transactions

Under the authority of P.A. 314 of 1965, the State lends securities of the pension funds and the State Lottery Fund 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 Michigan Public School, Michigan State Employees, Michigan State Police, and Michigan Judges (retirement systems) to participate in securities lending transactions, and the retirement systems have, via a Securities Lending Authorization Agreement, authorized the agent bank to lend its 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 retirement systems, the retirement systems' securities and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower as collateral. The agent bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. 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 issued 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 retirement systems did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the agent bank.

During the fiscal year, the retirement systems and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2000, such investment pool had an average duration of 75 days and an average weighted maturity of 490 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2000, the retirement systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the retirement systems as of September 30, 2000, were \$1.3 billion and \$1.2 billion respectively.

C. 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 \$148.6 million. The deposits were reflected in the accounts of the banks at \$161.7 million. Of the bank balance, \$13.4 million was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name (GASB credit risk category #1), \$23.7 million was covered by collateral held in the pledging bank's trust department in the component unit's name (GASB credit risk category #2), \$87.5 million was uninsured and uncollateralized (GASB credit risk category #3), and \$37.1 million was held in money market funds which are not categorized.

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 which 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 which 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.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

The following table shows the carrying amounts and fair values of investments of the discretely presented component units, including

deposits classified as investments on the balance sheet, by investment type and in total (in millions):

	GASB Category				Total Carrying Value	Fair Value
	#1	#2	#3	Not Categorized		
Deposits(1):						
Time deposits	\$ 7.2	\$ -	\$ 29.3	\$ 4.9	\$ 41.3	\$ 41.3
Government money market accounts	-	-	-	57.6	57.6	57.6
Investments:						
Commercial paper	46.2	4.2	41.0	-	91.3	91.3
Short-term notes	-	1.8	17.4	10.8	30.0	30.0
Repurchase agreements	6.2	2.2	26.5	-	34.9	34.9
Government securities	839.4	234.0	53.5	-	1,126.9	1,126.9
Insured mortgage backed securities	128.3	-	15.8	-	144.1	144.1
Government backed securities	72.8	2.0	124.6	-	199.3	199.3
Investment agreements	-	-	-	305.6	305.6	305.6
Corporate bonds and notes	255.6	8.7	65.9	-	330.3	330.3
Preferred stock	25.2	-	-	.9	26.1	26.1
Equities	8.1	.2	-	49.5	57.8	57.8
Real estate	-	-	-	.9	.9	.9
Venture capital and leveraged buyouts	-	-	.1	12.0	12.1	12.1
Government money market funds	-	-	-	18.2	18.2	18.2
Mutual funds	-	-	-	214.9	214.9	214.9
Guaranteed investment contracts	-	-	-	951.5	951.5	951.5
Pooled investment funds	-	-	-	265.5	265.5	265.5
Total Investments	\$ 1,388.9	\$ 253.2	\$ 374.1	\$ 1,892.3	3,908.5	\$ 3,908.5
Less Investments Reported as "Cash" on Balance Sheet					(553.1)	
Total Investments Per Balance Sheet					\$ 3,355.4	
<u>As Reported on Balance Sheet</u>						
Current investments					\$ 905.5	
Noncurrent investments					2,449.9	
Total Investments					\$ 3,355.4	

(1) The deposits classified as investments in the above table were reflected in the accounts of the banks in amounts equal to their carrying value and are categorized using the deposit risk category definitions.

Interest Rate Exchange Agreements

Michigan Higher Education Student Loan Authority (MHESLA) has an outstanding interest rate exchange agreement with an outside party for a notional amount of \$19.2 million. The agreement converts MHESLA's interest rate exposure on \$19.2 million of its fixed rate bonds to a variable rate allowing improved matching yields on variable rate student loans. The agreement,

which matures on September 1, 2002, exposes MHESLA to credit loss in the event of nonperformance by the other party.

Michigan State Housing Development Authority (MSHDA) has an outstanding interest rate exchange with outside parties for a notional amount totaling \$93.0 million to hedge anticipated 2001 bond issues.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 9 – MORTGAGES AND LOANS RECEIVABLE - DISCRETELY PRESENTED COMPONENT UNITS

Mortgages and loans receivable reported by the discretely presented component units consist of the following (in millions):

	<u>Mortgages and Loans Receivable (Gross)</u>	<u>Unamortized Discount/ Premium and Deferred Loan Origin- ation Fees</u>	<u>Allowance for Possible Losses</u>	<u>Mortgages and Loans Receivable (Net)</u>
Governmental and Trust:				
Michigan Higher Education Assistance Authority	\$ 2.3	\$ -	\$ (1.1)	\$ 1.2
Proprietary:				
Michigan Higher Education Student Loan Authority	740.5	6.5	(2.2)	744.7
Michigan State Housing Development Authority	1,934.3	(12.2)	(30.5)	1,891.5
Michigan Economic Development Corporation	43.9	-	(23.1)	20.8
	<u>\$ 2,721.0</u>	<u>\$ (5.7)</u>	<u>\$ (56.9)</u>	<u>\$ 2,658.4</u>

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 2000, of \$108.4 million. The Michigan Economic Development Corporation had loan and grant commitments outstanding at September 30, 2000, of \$235.7 million.

The loans made by the Michigan Municipal Bond Authority are to local units of government, so those loans of \$2.3 billion are reported on the "Amounts due from local units" lines on the Combined Balance Sheet.

NOTE 10 – PROPERTY, PLANT, AND EQUIPMENT

A. Primary Government

Proprietary Funds

Classification: The following table summarizes, by major class of asset, the recorded costs of fixed assets included in proprietary funds, as of September 30 (in millions):

<u>Classification</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Land	\$ -	\$ -
Buildings and Equipment	4.3	246.0
Construction in Progress	-	2.5
Total	4.3	248.5
Allowance for Depreciation	<u>(3.8)</u>	<u>(146.1)</u>
Net Property, Plant, and Equipment	<u>\$.5</u>	<u>\$ 102.5</u>

Depreciation: Depreciation methods and useful life estimates used for buildings and equipment vary between the different funds. The estimated service lives of the respective assets range from 3 to 50 years for buildings and 2 to 25 years for equipment. Several funds in the proprietary and pension trust fund classes do not capitalize and depreciate their fixed assets if the asset costs are insignificant in comparison to total operating costs.

Note 10 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

General Fixed Assets

Changes by Classification: The following table summarizes, by major class of asset, the changes in recorded costs for the General Fixed Assets Account Group (in millions). Increases and decreases in general fixed assets, which resulted from

current fiscal year transactions, are reflected in the additions and deletions columns. The adjustments and reclassifications column includes amounts reclassified from construction in progress to land and buildings and various other adjustments.

<u>Classification</u>	Balance September 30, 1999	Additions	Deletions	Adjustments and Reclas- sifications	Balance September 30, 2000
Land	\$ 265.0	\$ 15.5	\$ -	\$ 1.0	\$ 281.5
Buildings	2,272.7	145.3	40.2	63.2	2,441.1
Equipment	410.7	40.3	36.2	(45.8)	368.9
Construction in Progress	355.7	237.8	-	(38.4)	555.0
Equity Interests in Joint Ventures	30.4	-	5.4	-	25.0
Total General Fixed Assets	\$ 3,334.5	\$ 438.9	\$ 81.8	\$ (20.1)	\$ 3,671.5

Funding Source: The following table summarizes the funding source of the investment in general fixed assets as of September 30 (in millions):

<u>Fund</u>	<u>Investment</u>
General Fund	\$ 2,020.2
Special Revenue Funds:	
Transportation Related	214.6
Conservation, Environment, and Recreation Related	110.0
Regulatory and Administrative Related	34.3
Capital Projects Funds	1,292.4
Total Investment in General Fixed Assets	\$ 3,671.5

Construction in Progress: As of September 30, 2000, the State had several construction projects in progress. The estimated cost, amount authorized, and amount expended for these projects totaled \$1.1 billion, \$786.2 million, and \$555.0 million, respectively.

In addition to the projects noted above, the State has planned other construction projects which were unfunded as of September 30, 2000. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

B. Discretely Presented Component Units

The following table summarizes the recorded costs of fixed assets reported by the discretely presented component units (in millions):

	<u>Amount</u>
State Universities:	
Land	\$ 180.0
Buildings and Equipment	2,698.3
Construction in Progress	255.0
Total	3,133.4
Allowance for Depreciation	(1,147.0)
Total - State Universities	1,986.4
Other Discretely Presented Component Units	24.3
Total - Discretely Presented Component Units	\$ 2,010.7

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 11 – PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

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

- Legislative Retirement System (LRS) - single employer
- State Police Retirement System (SPRS) - single employer
- State Employees' Retirement System (SERS) - single employer
- Public School Employees' Retirement System (PSERS) - cost sharing multi-employer
- Judges' Retirement System (JRS) - cost sharing multi-employer
- Military Retirement Plan (MRP) - single employer

Each plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members. 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 may be obtained by writing to the Department of Management and Budget, Office of Retirement Systems, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262.

As mandated by legislation, all new State of Michigan employees hired on or after March 31, 1997, are members of the defined contribution retirement 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.

Plan Membership Data

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>PSERS</u>	<u>JRS</u>	<u>MRP</u>
Current active:						
Vested	52	1,194	37,290	118,677	261	554
Nonvested	22	1,016	10,488	194,022	138	10,385
Retirees & beneficiaries receiving benefits	234	2,319	36,705	126,115	535	1,930
Terminated members with vested deferred benefits	71	41	7,556	8,045	17	810

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Methods Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported

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. Actual total contributions for pensions met or exceeded the contributions required by state law.

The contributions for probate judges in the Judges' Retirement System are non-employer contributions to cost-sharing multiple-employer defined benefit pension systems.

The statute requires a reconciliation of required contributions and actual contributions in the PSERS. P.A. 158 of 1992 provides that any overage or shortage must be paid in installments over five years.

The contributions to all other systems are employer contributions to single-employer defined benefit systems. However, the State does not make actuarially computed contributions to the Military Retirement Plan (MRP). MRP benefits, which are funded on the pay-as-you-go basis, are paid from the General Fund.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

ANNUAL PENSION COST AND OTHER RELATED INFORMATION

*Current year contribution rates, annual pension cost, and related information for the current year for the State's single employer defined benefit plans are as follows:

	LRS	SPRS	SERS	MRP
Required contribution rates:				
State	-	18.87%	4.57%	- ^{**}
Plan Members	***	-	-	-
(Amounts are in millions)				
Annual Pension Cost and Net Pension Obligation:				
Annual required contribution	\$ -	\$ 24.27	\$ 120.91	\$ 2.95
Interest on net pension asset	(.17)	.97	(7.34)	.40
Adjustment to annual required contribution	.31	(.62)	7.50	(.41)
Annual pension cost	.14	24.62	121.07	2.95
Contributions made	-	22.11	121.82	2.20
Change in net pension asset/obligation	.14	2.51	(.75)	.74
Net pension (asset) obligation at beginning of fiscal year	(2.48)	12.19	(91.80)	5.05
Net pension (asset) obligation at end of fiscal year	<u>\$ (2.34)</u>	<u>\$ 14.70</u>	<u>\$ (92.55)</u>	<u>\$ 5.79</u>

Significant Actuarial

Assumptions used include:

Latest actuarial valuation date	9/30/00	9/30/00	9/30/00	9/30/99
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percent open	Level percent closed	Level percent closed	Level dollar closed
Remaining amortization period	12 years	36 years	36 years	37 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	None, unfunded plan
Actuarial assumption:				
Investment rate of return	7%	8%	8%	8%
Projected salary increases	4%	4.7 - 84%	4 - 16%	4%
Includes inflation at	4%	4%	4%	4%
Cost-of-living adjustments	4% for members hired before 1/1/95	2%	3%	4% for special duty retirants

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

**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 participants prior to January 1, 1995, the required contribution rate is 9.0%. For participants after January 1, 1995, the required contribution rate is 7.0%. All contributions are made to the Health Insurance Fund, as described in Section C.

Note 11 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

Contribution rates for the current year for the State's cost-sharing multiple-employer defined benefit plans are as follows:

	<u>PSERS</u>	<u>JRS</u>
Required contribution rates:		
State	6.48%	**
Plan Members	3.89*	6.07
Number of participating employers	715	174

*For those members who elect to participate in the "Member Investment Plan," the rate is 3.9%. Members hired after December 31, 1989, are required to participate in the "Member Investment Plan," and their contribution rate varies from 3.0 to 4.3% as salary increases.

**The State is required to contribute annually the greater of 3.5% of the aggregate annual compensation of State paid based salaries or required amount. However, the plan in the current year is fully funded; therefore, no contribution is required.

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's defined benefit plans:

(Amounts in millions)

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date						
LRS						
9/30/00	\$ 160.3	\$ 128.5	\$ (31.8)	124.7%	\$ 4.3	(739.5)%
9/30/99	146.1	127.1	(19.0)	115.0	4.2	(452.4)
9/30/98	131.8	112.9	(18.9)	116.7	6.6	(286.4)
SPRS						
9/30/00	1,113.1	1,040.7	(72.4)	107.0	116.6	(62.1)
9/30/99	1,036.8	1,006.5	(30.3)	103.0	116.9	(25.9)
9/30/98	974.4	962.5	(11.9)	101.2	108.2	(11.0)
SERS						
9/30/00	10,336.8	9,473.8	(863.0)	109.1	2,253.8	(38.3)
9/30/99	9,648.3	9,028.6	(619.7)	106.8	2,213.8	(28.0)
9/30/98	9,109.0	8,497.0	(612.0)	107.2	2,108.0	(29.0)
PSERS						
9/30/00	36,893.0	37,139.0	246.0	99.3	8,985.0	2.7
9/30/99	34,095.0	34,348.0	253.0	99.3	8,644.0	2.9
9/30/98	31,870.0	32,863.0	993.0	97.0	8,265.0	12.0
JRS						
9/30/00	274.8	204.2	(70.6)	134.6	37.0	(190.7)
9/30/99	320.9	243.5	(77.4)	131.8	49.6	(155.9)
9/30/98	288.7	230.3	(58.4)	125.3	48.9	(119.4)
MRP*						
9/30/99	-	33.5	33.5	-	.5	6,771.4
9/30/97	-	30.3	30.3	-	.4	7,575.0

*Actuarial valuation performed biennially; September 30, 1999, is the most recent valuation date.

Note 11 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

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	Annual Cost (APC)	Percentage Contributed	Net Pension Obligation (Asset)
LRS				
	1997-98	.1	1,814.7	(2.6)
	1998-99	.1	-	(2.5)
	1999-00	.1	-	(2.3)
SPRS				
	1997-98	20.6	97.3	10.7
	1998-99	23.0	93.7	12.2
	1999-00	24.6	89.8	14.7
SERS				
	1997-98	126.5	115.2	(82.2)
	1998-99	111.5	108.6	(91.8)
	1999-00	121.1	100.6	(92.6)
MRP				
	1997-98	2.5	78.7	4.7
	1998-99	2.5	84.4	5.0
	1999-00	3.0	74.6	5.8

The following table provides a schedule of annual required contributions for the State's cost-sharing multiple-employer defined benefit plans (amounts in millions):

	Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed
PSERS			
	1997-98	537.6	115.8
	1998-99	593.5	96.8
	1999-00	572.6	114.4
JRS			
	1997-98	5.0	4.9
	1998-99	1.3	4.6
	1999-00	-	-

REQUIRED SUPPLEMENTAL INFORMATION

GASB Statement No. 25 requires the disclosure of certain six-year historical trend information. This information, except for MRP, is available from the separately issued financial reports of the retirement systems. For MRP, this information is presented below.

Trend information is intended to help users assess the funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of funding progress for MRP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/97	-	30.3	30.3	-	.4	7,575.0
9/30/99	-	33.5	33.5	-	.5	6,771.4

Information for prior years is not available. Actuarial valuation performed biennially. This schedule will be expanded until six years of information is presented.

Note 11 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

Schedule of Employer Contributions for MRP:

Year ended September 30	Annual required contribution	Percentage contributed
2000	3.0	74.6
1999	2.5	84.4
1998	2.5	82.3
1997	2.3	85.0
1996	2.3	94.3
1995	2.3	94.3

Actuarial information for MRP is provided in the annual pension cost and other related information section.

B. Defined Contribution Pension Plans

State Employees' Defined Contribution Retirement Plan

The State Employees' Defined Contribution Retirement Plan (Plan) was established to provide benefits at retirement to employees of the State who were hired after March 31, 1997, and to those members of the State Employees' Retirement (defined benefit) System, 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 \$31.6 million. Employee contributions to the plan were \$10.9 million.

The following investments represent 5% or more of net plan assets at September 30, 2000: SSGA Stable Value GIC Fund, \$17.6 million; Yield Enhanced Short-Term Fund, \$45.3 million; SSGA S&P 500 Index Fund, \$25.8 million; Fidelity Magellan Fund, \$32.3 million; Putnam Voyager, \$32.1 million.

Effective September 30, 2000, a decision was made to transfer assets and coverage of members of the Michigan Judges' Retirement System to the State Employees' Defined Contribution Retirement Plan. The transfer in the amount of \$76.9 million had not taken place as of September 30. The transfer did take place subsequent to year end.

Component Units

In addition to the Public School Employees' Retirement System (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 \$54.2 million for the year ending June 30, 2000.

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

C. Other Postemployment Benefits

In addition to the pension benefits previously described in this note, State statutes require that the State provide certain postemployment benefits (OPEB) to many of its retired employees. Health, dental and vision benefits as well as life insurance coverage are provided to retirees of all pension plans except MRP. These benefits are funded on a pay-as-you-go basis, except for LRS life insurance coverage, as explained below.

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, as discussed in Section A. At September 30, 2000, the actuarial accrued liability for life insurance premiums was \$8.3 million with net assets available for benefits of \$14.0 million. The expense for life insurance premiums was \$.1 million in fiscal year 1999-2000.

The net assets available for benefits relate to residual balances from funding provided in prior fiscal years. There were no material changes in the OPEB provisions during fiscal year 1999-2000.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

Following is a brief summary of the other postemployment benefits as of September 30, 2000:

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>JRS</u>	<u>PSERS</u>	<u>TOTAL</u>
Participants eligible for benefits	312	2,319	36,705	535	126,115	165,986
Contribution rates for current employees (% of payroll)	None	None	None	1.5%	None	
Percentage of pre-Medicare premiums paid by participants	None	5%	5%	5%	10%*	
Expense for year (in millions)	\$2.8	\$18.9	\$208.6	\$.5	\$425.8	\$656.6
Net assets available for benefits (in millions)	4.6	(1.3)	14.7	(.3)	133.3	150.9

*The schools that employ the plan's members pay the employer share of health costs. PSERS retirees pay the same share of health care costs required from Social Security retirees for part B Medicare coverage until Medicare coverage

begins at age 65. Dental, vision, and hearing benefits are also extended to all retirees and their beneficiaries, for which retirees pay 10% of the health premiums.

NOTE 12 – COMPENSATED ABSENCES

A. Primary Government

Plan Descriptions

Employees accumulate annual leave (vacation) balances to a maximum ranging from 240 to 300 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. 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 which increases from 0 to 50% depending upon the balance of their sick leave hours.

Accounting Policy

The State has accrued liabilities for compensated absences as required by the GASB. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained above, at 0 to 50% plus the State's share of social security contributions. The pay rates in effect as of September 30, 2000, are used. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end. The balance of the governmental fund liabilities are recorded in the General Long-Term Obligations Account Group.

The following table summarizes compensated absences liabilities of the primary government as of September 30 (in millions):

<u>Fund Group</u>	<u>Annual</u>	<u>Sick</u>	<u>Total</u>
Enterprise	\$ 2.1	\$ 2.5	\$ 4.6
Internal Service	3.1	2.9	6.0
General Long-Term Obligations	<u>244.3</u>	<u>218.1</u>	<u>462.3</u>
Total - primary government	<u>\$ 249.4</u>	<u>\$ 223.4</u>	<u>\$ 472.9</u>

B. Discretely Presented Component Units

Compensated absences liabilities of discretely presented component units totalled \$48.2 million and are primarily related to State universities.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 13 – LEASES

The State leases various assets under noncancelable leasing arrangements. Leases, which constitute rental agreements, are classified as "operating" leases and the resulting expenditures are recognized as incurred over the lease term. Leases, which are, in substance, purchases are classified as "capital" leases and the resulting assets and liabilities are recorded at lease inception. For capital leases in governmental funds, "other financing sources" and "expenditures" are also recorded at lease inception. Lease payments are recorded as "debt service" expenditures. (As explained in Note #3, for budgetary purposes lease payments are only reported as expenditures when paid.)

Most leases have cancellation clauses with 1-6 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 such clauses 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 the option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

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

Year Ended September 30	Operating Leases	Capital Leases				Total
		Principal	Interest	Executory Costs		
2001	\$ 39.7	\$ 15.3	\$ 33.5	\$ 15.2	\$ 64.0	
2002	31.6	22.1	25.2	14.8	62.2	
2003	23.6	22.2	23.0	14.5	59.7	
2004	19.4	22.7	20.8	14.2	57.7	
2005	13.5	23.1	18.5	13.5	55.0	
2006-2010	18.3	85.4	59.3	48.2	192.9	
2011-2015	2.3	36.1	24.9	16.4	77.4	
2016-2020	-	22.5	9.3	7.9	39.8	
Thereafter	-	5.0	1.7	1.2	7.9	
Total	\$ 148.4	\$ 254.5	\$ 216.3	\$ 145.9	\$ 616.6	

All of the above capital leases are related to governmental fund operations and the total \$254.5 million of capital lease principal is recorded as part of the General Long-Term Obligations Account Group.

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 are not recorded as leases for financial reporting purposes. For reporting purposes, the leases are eliminated and the liabilities of the Authority are included in the General Long-Term Obligations Account Group or reported as fund liabilities in the case of proprietary type funds. Future payments to the Authority are, therefore, not included in the schedules of lease commitments below. Note #14 provides information on the amount of the Authority's bonds outstanding and a schedule of debt service requirements.

A. Governmental Fund Types – Primary Government

Rental expenditures incurred under operating leases totalled \$48.4 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totalled \$19.6 million, \$32.4 million, and \$15.7 million, respectively.

The historical cost of assets acquired under capital leases included in the General Fixed Assets Account Group at September 30 follows (in millions):

Buildings	\$ 348.1
Equipment	2.7
Total	\$ 350.7

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

B. Proprietary Fund Types - Primary Government

Rental expense incurred under operating leases totalled \$36.7 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totalled \$14.6 million, \$1.3 million, and \$0, respectively.

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

Year Ended September 30	Operating Leases	Capital Leases			Total
		Principal	Interest	Executory Costs	
2001	\$ 1.3	\$ 13.5	\$ 1.2	\$ -	\$ 14.7
2002	.4	5.9	.5	-	6.4
2003	.3	3.0	.2	-	3.2
2004	.2	.8	.1	-	.9
2005	.1	.4	.1	-	.5
Thereafter	.3	-	.1	-	.1
Total	\$ 2.5	\$ 23.7	\$ 2.2	\$ -	\$ 25.9

All of the above capital leases are related to proprietary fund operations and the capital lease principal is recorded as a liability in the respective funds as follows (in millions):

Internal Service Funds	<u>\$ 23.7</u>
Total	<u>\$ 23.7</u>

The assets acquired under capital leases are recorded as fund assets as follows (in millions):

	Internal Service Funds
Buildings	\$ -
Equipment	<u>74.4</u>
Total	74.4
Accumulated Depreciation	<u>(47.4)</u>
Net Buildings and Equipment	<u>\$ 27.0</u>

C. Discretely Presented Component Units

None of the State's component units have lease commitments which are material to the State's financial statements.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 14 – GENERAL LONG-TERM OBLIGATIONS

A. Bonded Debt

General Obligation Bonded Debt

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. The \$44.8 million of these notes outstanding at year-end are not included in the amounts shown in the tables below. 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. No such borrowing occurred in fiscal year 2000.

Revenue Dedicated Bonded Debt

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

Revenue bonds and commercial paper notes have been issued by the Michigan Underground Storage Tank Financial Assurance Finance Authority to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund (MUSTFA). The bonds and notes are a limited obligation of the authority payable solely from dedicated revenues and do not represent a general obligation of the authority or the State.

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. Commercial paper notes have been issued to provide temporary financing for the various activities of the authority prior to bonding. The \$348.1 million of commercial paper notes outstanding at year-end are recorded as liabilities in the authority's capital projects fund and are not included in the amounts shown in the tables below. Subsequent to September 30, 2000, SBA issued an additional \$33.5 million of commercial paper notes. These bonds and notes are limited obligations of the authority and do not constitute general obligations of the authority or the State. The debt requirements of the bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

Note #15 provides disclosures regarding the bonds and notes payable recorded as liabilities of the discretely presented component units.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

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 9/30/2000	MATURITIES		AVERAGE INTEREST RATE PERCENTAGE
			FIRST YEAR	LAST YEAR	
GENERAL OBLIGATION BONDED DEBT					
Recreation and Environmental Protection:					
Series 1989 (1)	\$ 75.0	\$ 28.0	1991	2011	6.92
Series 1992 (1)	246.3	148.6	1993	2012	6.15
College Savings Bonds - Series 1992 Mini-bonds (1)	.5	.8	2012	2012	6.50
Series 1992 A (1)(2)	13.9	10.1	1994	2012	6.17
Series 1993 (1)(2)	16.7	13.5	1995	2013	5.00
Series 1995 (1)	234.3	232.8	1996	2019	5.28
Series 1998 (1)	90.0	83.4	1998	2017	4.80
Series 1999 A (3)	81.8	81.8	2004	2020	5.57
Series 1999 B (3)	15.1	15.1	2001	2003	6.75
School Loan Bonds:					
Series 1995	180.0	156.4	1996	2015	5.47
Series 1998	160.0	160.0	2000	2017	4.86
TOTAL GENERAL OBLIGATION BONDED DEBT	1,113.6	930.3			
REVENUE DEDICATED BONDED DEBT					
<u>MUSTFA Related:</u>					
Tax Dedicated Bonds:					
1996 - Revenue Bonds - Series 1	216.6	166.9	1997	2010	5.67
TOTAL REVENUE DEDICATED BONDED DEBT - MUSTFA RELATED	216.6	166.9			
<u>Transportation Related:</u>					
Tax Dedicated Bonds:					
Michigan Comprehensive Transportation:					
Series 1992 (Series A and Series B Refunding)	165.0	142.4	1996	2022	5.96
Series 1996 (Series A Refunding)	22.7	22.4	1998	2014	5.42
Series 1998 (Series A Refunding)	38.6	38.6	2004	2010	4.66
State Trunkline Fund Bonds:					
Series 1989 (Series A)	135.8	23.3	1994	2017	6.97
Series 1992 (Series A and Series B Refunding)	353.2	178.6	1999	2021	6.16
Series 1994 (Series A and Series B Refunding)	241.0	42.3	1994	2007	5.53
Series 1996 (Series A)	54.5	11.1	1997	2009	5.71
Series 1998 (Series A)	377.9	377.9	2005	2026	5.09
TOTAL REVENUE DEDICATED BONDED DEBT - TRANSPORTATION RELATED	1,388.7	836.7			
<u>State Building Authority:</u>					
1991 Revenue Bonds - Refunding Series I	296.0	210.6	1992	2021	6.26
1991 Revenue Bonds - Series II	197.8	140.8	1992	2021	6.26
1993 Revenue Bonds - Refunding Series I	491.5	320.9	1994	2016	4.58
1994 Series I Bonds	39.8	28.6	1995	2012	5.07
1994 Series II Bonds	29.1	22.6	1996	2011	4.62
1995 Series A Bonds	17.2	.9	1996	2002	4.41
1996 Series I Bonds	109.9	84.7	1997	2010	5.04
1997 Series I Bonds	144.8	121.2	1997	2010	5.18
1997 Series A Bonds	34.3	26.6	1997	2006	4.76
1997 Series B Bonds	42.9	12.3	1997	2001	4.51
1997 Series II Bonds	371.9	343.4	1997	2014	5.53
1998 Series I Bonds	109.5	104.1	1998	2014	4.84
1998 Series I Bonds Refunding	330.4	324.9	1999	2021	4.75
1999 Series I	85.7	84.3	1999	2016	4.54
TOTAL STATE BUILDING AUTHORITY BONDED DEBT	2,300.8	1,825.9			
TOTAL REVENUE DEDICATED BONDED DEBT	3,906.1	2,829.5			
TOTAL GENERAL OBLIGATION AND REVENUE DEDICATED BONDED DEBT	\$ 5,019.7	\$ 3,759.8			

Note 14 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

- (1) Public Act 327 of 1988 and P.A. 451 of 1994 authorized the issuance of bonds totaling \$800 million. As of September 30, 2000, \$626.6 million of such bonds had been issued, leaving remaining authorization of \$173.4 million.
- (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 (a discretely presented component unit). An outside trustee for the authority is holding the bonds as an investment of the authority; 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 the authority.

- (3) Public Act 284 of 1998 authorized the issuance of bonds totaling \$675.0 million. As of September 30, 2000, \$96.9 million of such bonds had been issued, leaving remaining authorization of \$578.1 million.
- (4) The State Building Authority issued an additional \$193.7 million of revenue bonds subsequent to September 30, 2000.

Capital Appreciation Bonds

Capital appreciation and convertible capital appreciation bonds are recorded in the preceding table and section C at their

accreted year-end book value. The tables which follow summarize capital appreciation bonds (in millions):

	ACCRETED BOOK VALUE	ULTIMATE MATURITY VALUE	MATURITY DATES
State Building Authority:			
1994 Series II	\$ 21.4	\$ 27.0	2000-2010
1997 Series II	28.6	43.3	2000-2013
General Obligation Bonds:			
Series 1989	28.3	40.5	2011
Series 1992	22.3	32.8	2012
College Savings Bonds - Series 1992 Mini-bonds	.8	1.8	2012
Series 1995	26.2	34.5	2001-2010
Revenue Dedicated – Transportation Related:			
State Trunkline - Series 1989 A	23.3	35.7	2004-2009
State Trunkline - Series 1992 A and B	57.4	97.7	2005-2012

Advance Refundings and Defeasances

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

	AMOUNTS OUTSTANDING
Recreation and Environmental Protection:	
Series 1989	\$ 2.5
Series 1992	43.8
Total	<u>\$ 46.3</u>
Michigan Comprehensive Transportation:	
Series 1992 A	5.1
Total	<u>\$ 5.1</u>
State Trunkline Fund Bonds:	
Series 1992 A (partial)	131.2
Series 1992 B (partial)	56.8
Series 1994 A (partial)	112.8
Series 1996 A (partial)	41.2
Total	<u>\$ 342.0</u>

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

State Building Authority:	AMOUNTS OUTSTANDING
1982 Series III	\$ 19.3
1986 Series II	1.5
1987 Series I	1.5
1987 Series II	4.7
1988 Series I	14.4
1988 Series II	14.8
1989 Series I	56.7
1990 Series I	74.2
1990 Series II	135.7
1992 Series I	145.5
1992 Series II A	32.9
Total	\$ 501.2

Debt Service Requirements

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

FISCAL YEARS ENDING	GENERAL OBLIGATION		MUSTFA AND TRANSPORTATION RELATED		STATE BUILDING AUTHORITY		TOTAL PRINCIPAL AND INTEREST
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2001	\$ 46.4	\$ 45.1	\$ 43.5	\$ 49.2	\$ 133.7	\$ 93.1	\$ 411.0
2002	48.6	43.0	45.9	46.9	117.8	87.4	389.6
2003	51.1	40.8	48.2	44.4	120.4	81.8	386.7
2004	50.8	38.6	50.9	41.9	124.8	75.4	382.4
2005	52.9	36.2	54.4	39.2	131.4	68.2	382.3
2006-2030	712.9	233.2	813.4	340.4	1,218.1	436.5	3,754.5
Total	\$ 962.7	\$ 436.9	\$ 1,056.3	\$ 562.0	\$ 1,846.2	\$ 842.4	\$ 5,706.5

Interest to maturity for the State Building Authority will 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. State Building Authority debt service fund unreserved fund balances totalled \$233.5 million at year-end. Most of this represents investments related to completed projects that will be used for debt service on the projects' bonds.

Some of the bonds of the State Building Authority carry variable interest rates and interest on these has been projected using an average interest rate.

B. Other General Long-Term Obligations

Capital Leases

Capitalized lease liabilities are described in more detail in Note #13. The leases are attributable to operations of the General Fund and two special revenue funds (the State Trunkline Fund and Michigan Employment Security Act – Administration Fund).

Compensated Absences

This liability is described in Note #12.

Claims and Judgments

In general, expenditures and fund liabilities are not recorded in governmental funds for claims and judgments until they are considered "due and payable" at September 30 and the related losses are certain. Liabilities for material claims and judgment losses are recorded in the General Long-Term Obligations Account Group when they are considered probable.

The liability recorded for claims and judgments includes projected amounts payable for workers' compensation claims by State employees and an allowance for litigation losses.

The gross amount of workers' compensation liability, \$289.4 million at September 30, 2000, has been recorded at its discounted present value of \$195.0 million, using a discount rate of 8%. The present value of the current portion of this liability is \$44.0 million. The Accident Fund Company billed State agencies for actual workers' compensation claims paid plus administrative fees, totalling \$44.1 million in fiscal year 1999-2000.

The allowance for estimated liability for litigation losses, \$874.7 million at September 30, 2000, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, where it is considered more than a reasonable possibility that a loss may be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved.

Note 14 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

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 reported estimated liability for litigation losses includes the Donald Durant, et al v State of Michigan, et al consolidated cases, which totalled \$474.0 million, at September 30, 2000. 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 #28 for additional disclosure regarding the Durant case and other contingencies. Fund expenditures for workers' compensation and settled litigation with long-term repayment provisions are recognized on the "due and payable" basis. Other losses are recognized as fund liabilities in the year of settlement, except that cases settled shortly after year-end are recognized as fund liabilities using a sliding materiality scale that increases from recognizing all losses in early October to recording only settlements in excess of \$1.5 million after November 30 (see Note #28).

Net Pension Obligation

This liability is described in Note #11.

Other Liabilities

The MUSTFA Fund, a special revenue fund, receives revenues dedicated to reimbursing owners/operators of underground storage tanks (UST) for costs incurred related to conducting corrective actions at sites where a release has occurred from an UST. The MUSTFA reimbursement fund was declared insolvent and received no additional claims after June 29, 1995. The revenue is still collected to pay off two main obligations of the MUSTFA Fund: the long-term liability for incurred claims recorded in the General Long-Term Obligations Account Group, and the debt and debt service charges associated with the financial borrowing mechanisms utilized to expedite reimbursement to eligible owners/operators.

The State Building Authority (SBA) issued \$134.3 million of variable rate revenue notes with an average interest rate of 4.4% and a principal amount outstanding of \$131.9 million. The notes have a final maturity date of October 15, 2034. The notes are subject to maturity at the option of SBA. Due to final maturity and redemption options of SBA, annual debt service requirements do not exist. However, SBA intends to refinance the obligation through October 15, 2034. The notes bear interest at a Weekly Rate, Commercial Paper Rate, or a Dutch Auction Rate.

C. Changes in General Long-Term Obligations

Changes in general long-term obligations for the year ended September 30 are summarized as follows (in millions):

	GENERAL OBLIGATION DEBT	REVENUE DEDICATED DEBT- MUSTFA AND TRANSPORTATION RELATED	REVENUE DEDICATED DEBT - STATE BUILDING AUTHORITY	TOTAL BONDED DEBT
Bonded Debt:				
Balance - Beginning	\$ 869.8	\$ 1,039.5	\$ 1,945.1	\$ 3,854.4
New bond issues	96.9	-	-	96.9
Accretion on capital appreciation bonds	1.5	4.9	2.5	8.9
Bond principal retirements	(37.9)	(40.9)	(121.7)	(200.4)
	<u>\$ 930.3</u>	<u>\$ 1,003.6</u>	<u>\$ 1,825.9</u>	<u>\$ 3,759.8</u>

	CAPITAL LEASE OBLIGATIONS	COMPENSATED ABSENCES LIABILITIES	CLAIMS AND JUDGMENTS	NET PENSION OBLIGATIONS	MISC. OBLIGATIONS	TOTAL OTHER OBLIGATIONS
Other Obligations:						
Balance - Beginning	\$ 252.5	\$ 445.3	\$ 884.6	\$ 17.2	\$ 6.2	\$ 1,605.9
Adjustment to beginning balance	-	-	(10.0)	-	-	(10.0)
Change in estimated liabilities	-	17.0	195.1	3.3	127.5	342.9
Capital lease additions	22.3	-	-	-	-	22.3
Capital lease payments and deletions	(20.4)	-	-	-	-	(20.4)
Balance - Ending	<u>\$ 254.5</u>	<u>\$ 462.3</u>	<u>\$ 1,069.7</u>	<u>\$ 20.5</u>	<u>\$ 133.7</u>	<u>\$ 1,940.7</u>

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 15 – BONDS AND NOTES PAYABLE - DISCRETELY PRESENTED COMPONENT UNITS

A. Bonds and Notes Payable

Bonds Payable

All of the bonds payable of the discretely presented component units are legal obligations of the component units and they are not general obligations of the State. The following table

summarizes debt service requirements of the discretely presented component units (in millions):

Fiscal Year	Principal	Interest	Total
2000-2001	\$ 242.9	\$ 308.9	\$ 551.8
2001-2002	270.7	305.6	576.4
2002-2003	238.6	292.9	531.5
2003-2004	244.7	283.0	527.8
2004-2005	231.5	272.5	504.0
Total five years	<u>1,228.5</u>	<u>1,462.9</u>	<u>2,691.5</u>
2005-2037	<u>4,302.9</u>	<u>2,804.5</u>	<u>7,107.4</u>
		<u>\$ 4,267.4</u>	<u>\$ 9,798.8</u>
Less:			
Unamortized discount	<u>(.6)</u>		
Total principal	<u>\$ 5,530.8</u>		

Included in the table above is \$223.1 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, \$96.4 million, and the Michigan State Housing Development Authority, \$126.7 million. Defeased bonds outstanding of the Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority (MMBA), and eight of the State universities are not reflected in the table above.

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, MHEFA had bonds outstanding of \$266.0 million. Of the above amount, \$37.2 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$228.8 million.

Subsequent to September 30, 2000, the following discretely presented component units issued bonds (in millions):

	Amount
Michigan Higher Education Facilities Authority	\$ 38.2
Michigan State Hospital Finance Authority	320.0
Michigan State Housing Development Authority	132.2
Michigan Municipal Bond Authority	5.9
Eastern Michigan University	12.8
Grand Valley State University	36.5
	<u>\$ 545.6</u>

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (\$5.2 billion for the period January 1, 1979 through September 30, 2000) which are not recorded as liabilities. Total taxable bonds issued by MSF for the period October 1, 1997 through September 30, 2000 was \$.8 million, which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

Disclosures regarding these bonds and transactions are available in the separately issued reports of the various organizations.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$4.9 billion of no commitment bonds as of September 30, 2000. Of the above amount, \$1.1 billion have been defeased in substance. Economic gains and accounting gains and losses upon in substance defeasance inure to the benefit of the facility for which the bonds were issued and accordingly are not reflected in the Authority's financial statements. Subsequent to September 30, 2000, the Authority issued similar limited obligation bonds totaling \$10.0 million.

Notes Payable

MMBA has short-term notes outstanding of \$507.6 million as of September 30, 2000.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800 million of limited obligation bonds to finance multi-family housing projects. At June 30, limited obligation bonds had been issued totaling \$392.1 million, of which eight issues totaling \$70.2 million had been retired.

B. 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.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 16 – INCOME TAX REFUNDS AND TAX EXPENDITURES

A. 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 which 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, home heating, and senior citizens' prescription drugs credits are the primary credits that fall into this category. Expenditures for these credits are recognized in the year the tax returns are filed and recipients claim the credits.

The following table shows the amounts of the various credits reported as General Fund "tax expenditures" on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (in millions).

Property tax credits:		
General homestead	\$	235.5
Senior citizens		221.4
Farmland preservation		17.1
Other property tax credits		<u>10.7</u>
Subtotal – property tax credits		484.7
Home heating (excluding federal share)		1.4
Senior citizens' prescription drugs		<u>15.9</u>
Total tax expenditures	<u>\$</u>	<u>502.1</u>

B. Income Tax Refunds Payable

The \$625.6 million reported as a General Fund liability on the "Income Tax Refunds Payable" line on the Combined Balance Sheet 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 – LOTTERY PRIZE AWARDS PAYABLE

The State Lottery Fund makes long-term prize awards for certain games, most notably the lotto games. Liabilities related to these deferred prize awards are recorded at their present value using discount rates ranging from 5.5% to 8.5%. The liquidation of these liabilities is provided for by investment in U.S. Treasury deep discount bonds and in the State's common cash pool.

Liabilities for future payments for prize awards are summarized as follows (in millions):

Twelve months ending September 30:	
2000	\$ 155.2
2001	110.1
2002	109.8
2003	109.4
2004	103.0
2005 through 2009	378.5
2010 through 2014	165.7
Later years	<u>63.1</u>
Total	1,194.9
Less unamortized discount	<u>(371.0)</u>
Total at present value	<u>\$ 823.8</u>

Public Act 239 of 1972 required that, as nearly as practicable, 45% of gross ticket revenue shall be allocated for prize awards. Effective December 17, 1998, P.A. 393 of 1998 requires as nearly as practicable until January 1, 2003, that not less than 45% of gross ticket revenue shall be allocated for prize awards. On or after January 1, 2003, 45% of gross ticket revenue shall be allocated for prize awards.

Public Act 95 of 1996 allows the State Lottery to participate in joint enterprises (such as multi-state lotteries) with other sovereignties. Prize awards from joint enterprises shall be the percentage of total annual revenue accrued from that game as prescribed by the joint enterprise participation agreement. More detailed information on the State Lottery Fund is available in the fund's separately issued audited financial statements, which are prepared semiannually.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 18 – OTHER LONG-TERM LIABILITIES

Discretely Presented Component Units

Michigan Education Trust (MET)

The 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 and the statutes and contracts provide for refunds to the participants if MET becomes actuarially unsound. Liabilities have been recorded on the balance sheet 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, 2000, shows the actuarial present value of future tuition obligations to be \$552.3 million, as compared to the actuarially determined market value of assets available of \$711.2 million. The actuarial assumptions used include: a projected tuition increase rate of 5.81% for the years through 2006 and 7.30% for subsequent years; and a discount rate of 6.20%.

The actuarial report on the status of MET Plan D, as of September 30, 2000, shows the actuarial present value of future tuition obligations to be \$80.6 million, as compared to the actuarially determined market value of assets available of \$87.2 million. The actuarial assumptions used include: a projected tuition increase rate of 5.81% for the years through 2006 and 7.30% for subsequent years; and a discount rate of 6.83%.

During 2000, MET changed the balance sheet presentation of the tuition benefit obligation by increasing the liability to include the present value of future contract payments expected to be collected from installment contract purchasers. There was no effect on net income or retained earnings as a result of the reclassification. This valuation method resulted in the recognition of a tuition benefit expense credit in the fiscal year ending September 30, 2000.

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 contributions (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. The Internal Revenue Service (IRS) was expected to release regulations in 2000, which would have clarified the 1996 federal legislation for qualified state tuition programs. In May 1997, MET submitted a request for ruling to the 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 19 – 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. The Department of Civil Service administered these plans, labeled 457 and 401k after sections of the Internal Revenue Code, until October 1, 1996, when the State Treasurer assumed responsibility for administering the funds in compliance with P.A. 96 of 1996. On July 1, 1997, the day-to-day administration of both plans was contracted out to a third-party administrator. 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. The 457 plan and the 401k plan are combined for reporting purposes under the heading of "State Employees' Deferred Compensation Funds."

The State makes no contribution to the 457 plan, but makes 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.

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

Employee contributions are recognized as revenue; benefits are recognized as expenditures when paid. Investment earnings, net of administrative charges, are credited to the participants proportionally based upon their balances in the plan. Investments are stated at fair value and the net of realized and unrealized gains and losses are shown as miscellaneous revenue.

Fund balance represents net assets available for plan benefits. Total fund balance for the 457 plan and the 401k plan at September 30, 2000 were \$2.3 and \$1.2 billion, respectively.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 20 – INTERFUND RECEIVABLES AND PAYABLES

A. Primary Government

In the following table, the most significant interfund receivable and payable balances are listed by individual fund. Other funds' balances are shown in total for each fund type. Interfund receivables and payables are not eliminated and are presented in the same fund when funds are combined. On the balance

sheet, the current portions of these balances are presented as "Amounts due from other funds" and "Amounts due to other funds" and noncurrent items are classified as "advances." The balances of interfund receivables and payables as of September 30 were (in millions):

	INTERFUND RECEIVABLES		INTERFUND PAYABLES	
	Current	Noncurrent	Current	Noncurrent
GOVERNMENTAL FUND TYPES				
General Fund	\$ 28.7	\$ 9.4	\$ 22.1	\$ -
Special Revenue Funds:				
State Trunkline Fund	42.3	28.9	6.1	28.9
Michigan Transportation Fund	-	-	47.9	-
Comprehensive Transportation Fund	10.6	-	-	-
Michigan Employment Security Act – Administration Fund	-	-	2.9	-
State Casino Gaming Fund	-	-	.8	-
Other Special Revenue Funds	.1	-	.6	-
Total Special Revenue Funds	<u>53.0</u>	<u>28.9</u>	<u>58.3</u>	<u>28.9</u>
Capital Projects Funds:				
Advance Financing Funds	129.5	-	22.2	-
State Building Authority	-	-	129.5	-
Total Capital Projects Funds	<u>129.5</u>	<u>-</u>	<u>151.7</u>	<u>-</u>
PROPRIETARY FUND TYPES				
Enterprise Funds	-	-	.1	-
Internal Service Funds:				
Correctional Industries Revolving Fund	-	-	.1	8.2
Motor Transport Fund	-	-	10.3	-
Office Services Revolving Fund	-	-	4.6	-
Information Technology and Energy Fund	-	-	6.9	-
State Sponsored Group Insurance Fund	33.4	-	-	-
Total Internal Service Funds	<u>33.4</u>	<u>-</u>	<u>22.0</u>	<u>8.2</u>
FIDUCIARY FUND TYPES				
Trust and Agency Funds:				
Transportation Related Trust Funds	-	-	3.3	-
State Employees' Retirement Fund	10.8	-	-	-
Judges' Retirement Fund	-	-	76.9	-
State Employees' Defined Contribution Retirement Fund	76.9	-	-	-
Other Trust and Agency Funds	2.6	-	.4	1.2
Total Trust and Agency Funds	<u>90.3</u>	<u>-</u>	<u>80.7</u>	<u>1.2</u>
Total Interfund Receivables and Payables - All Funds	<u>\$ 334.9</u>	<u>\$ 38.3</u>	<u>\$ 334.9</u>	<u>\$ 38.3</u>

B. Discretely Presented Component Units

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

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 21 – INTERFUND COMMITMENTS

A. Mackinac Bridge Authority

The Mackinac Bridge Authority, 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 the Authority 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. The Authority 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 the Authority, after consideration of the Authority's annual needs for its operations and planned repairs and improvements.

As of September 30, 2000, the Authority has repaid a total of \$9.3 million of the advance from the Michigan Transportation Fund, leaving a balance of \$53.8 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 22 – EQUITY TRANSFERS AND CHANGES IN CONTRIBUTED CAPITAL

A. Equity Transfers

The General Fund received an equity transfer of \$21.7 million from the Uninsured Employers' Security Fund, a special revenue fund, during fiscal year 1999-2000. This transfer was made to close the fund in accordance with P.A. 357 of 1996. Sufficient equity in common cash was retained to cover the remaining liabilities.

The General Fund made a total of \$17.4 million in equity transfers to component units during fiscal year 1999-2000. Equity transfers of \$11.7 million and \$5.7 million were made to the Michigan Municipal Bond Authority, a discretely presented

component unit, to provide revolving loan capital for the Water Pollution Control Loan Program and for state matching of federal funds.

Equity transfers totaling \$.2 million were made from two different Self-Insured Disability Funds within the Miscellaneous Trust Accounts Fund, an expendable trust fund, to the Self-Insurers' Security Fund within the Miscellaneous Trust Accounts Fund. These equity transfers were made to comply with court orders to close the Self-Insured Disability Funds.

B. Changes in Contributed Capital

The following table summarizes contributed capital transactions made during the year (in millions):

	Primary Government				Component Units		
	Correctional Industries Revolving Fund	Motor Transport Fund	Office Services Fund	Total	Michigan Municipal Bond Authority	Michigan Economic Development Corporation	Total
Beginning balance - restated	\$ 1.5	\$ 8.4	\$ -	\$ 10.0	\$ 756.3	\$ 170.8	\$ 927.1
Contributed capital additions	-	-	.8	.8	-	-	-
Equity transfers from primary government	-	-	-	-	17.4	-	17.4
Federal grants	-	-	-	-	136.1	-	136.1
Ending balance	<u>\$ 1.5</u>	<u>\$ 8.4</u>	<u>\$.8</u>	<u>\$ 10.8</u>	<u>\$ 909.7</u>	<u>\$ 170.8</u>	<u>\$ 1,080.5</u>

Contributed capital was first recorded by the State as of the beginning of the 1986-87 fiscal year. The amounts contributed prior to 1986-87 are not reasonably determinable, except for the

amounts related to the Motor Transport Fund. Contributions received in other funds prior to 1986-87 are reflected as retained earnings.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 23 – RETAINED EARNINGS

A. Designations – Primary Government

Retained earnings of \$54.3 million in the State Sponsored Group Insurance Fund, an internal service fund, which is described in Note #27, has been designated for future catastrophic losses.

C. Fund Deficits

All proprietary type funds and discretely presented component units have positive retained earnings balances as of September 30, 2000.

B. Reservations – Discretely Presented Component Units

Certain amounts of retained earnings of the discretely presented component units are reserved based upon restrictions placed upon the use of funds by external parties. The amounts as of September 30 are as follows (in millions):

Michigan Higher Education Student Loan Authority	\$ 9.4
Mackinac Island State Park Commission	4.3
Michigan State Housing Development Authority	<u>195.5</u>
Total	<u>\$ 209.1</u>

NOTE 24 – FUND BALANCES

A. Reservations - Primary Government

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

	General	Special Revenue	Capital Projects	Pension Trust	Total
Budgetary carry-forwards:					
Encumbrances	\$ 154.2	\$ 113.3	\$ -	\$ -	\$ 267.5
Restricted revenues	757.3	333.5	-	-	1,090.8
Multi-year projects (capital outlay and work projects)	611.6	412.9	-	-	1,024.5
Construction	-	-	11.3	-	11.3
Debt service	-	35.9	-	-	35.9
Revolving loan programs	5.0	29.5	-	-	34.5
Funds held as permanent investments	-	429.2	-	-	429.2
Noncurrent assets	361.4	30.8	-	-	392.3
Pension benefits	-	-	-	53,607.2	53,607.2
Postemployment health-care benefits	-	-	-	150.9	150.9
Total Reserved Fund Balances	<u>\$ 1,889.5</u>	<u>\$ 1,385.1</u>	<u>\$ 11.3</u>	<u>\$ 53,758.2</u>	<u>\$ 57,044.1</u>

Budgetary carry-forwards represent unused spending authorization which 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-forwards in the General Fund are related to Medicaid Benefits Trust, \$239.2 million, and local government revenue sharing, \$203.9 million. Beginning in 1996, encumbrances in multi-year projects are recorded on the balance sheet in the reserve for

encumbrances. Similar amounts in previous years had not been specifically identified, and were thus included in the broader reserve for multi-year projects. The \$611.6 million of multi-year projects in the General Fund includes \$331.0 million of capital outlay and \$280.6 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

Construction and debt service reserves represent amounts which are restricted for State Trunkline Fund's debt service and State Building Authority projects that are in process.

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

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

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

The State does not record any reservations in expendable trust funds because the balances are all considered available for the purposes of the various funds. Also, no reservations of fund balances are recorded in single purpose special revenue and debt service 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.

B. Reservations - Component Units

The line entitled "Reserved fund balance" on the Combined Balance Sheet consists entirely of reserves for restricted funds of State universities totaling \$230.6 million.

C. Fund Deficits

Except for the funds described below, all governmental and fiduciary funds have positive ending unreserved fund balances.

The Michigan Underground Storage Tank Financial Assurance Fund, a special revenue fund, had an unreserved fund deficit of \$35.8 million. The deficit was caused by appropriations and payment of claims which exceeded revenue to date.

The Michigan Underground Storage Tank Financial Assurance Finance Authority, a special revenue fund, had an unreserved fund deficit of \$173 thousand. The deficit was caused by the issuance of short-term notes to provide temporary financing for the activities of the MUSTFA Fund.

The State Casino Gaming Fund, a special revenue fund, had an unreserved fund deficit of \$9.0 million. The deficit was caused by the issuance of a short-term advance to provide temporary financing of start-up costs. The advance will be repaid as the temporary casinos become operational.

The Michigan Veteran's Trust Fund, a special revenue fund, had an unreserved fund deficit of \$171 thousand. The deficit was caused by the decline in the value of the investment portfolio.

The School Bond Loan Fund, a special revenue fund, had an unreserved fund deficit of \$13.9 million. This deficit was the result of issuance of bond anticipation notes for which bonds had not been issued by year-end.

The Advance Financing Funds, a capital projects fund, had an unreserved fund deficit of \$59.1 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites which have not been sold.

The State Building Authority, a capital projects fund, had an unreserved fund deficit of \$469.1 million. The deficit was primarily caused by the issuance of commercial paper.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 25 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

During the fiscal year, the State operated two enterprise funds. The Liquor Purchase Revolving Fund accounts for the State's activities in the distribution of liquor at the wholesale level. The fund is also used to account for certain liquor taxes that generate revenue for other State activities. Nonoperating activity includes \$10.0 million in tax revenues. Public Act 431 of 1984 requires that the net income of the fund be transferred to the General Fund. Appropriation acts

have also been passed to authorize transfers from the fund as a funding source for other specified purposes.

The State Lottery Fund accounts for the State lottery games and regulation of bingo and charity games. Profits from the lottery are transferred to the School Aid Fund and profits from regulation of bingo and charity games are transferred to the General Fund.

Segment information for the fiscal year ended September 30 (in millions) is as follows:

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	TOTAL
Operating Revenues	\$ 567.3	\$ 1,736.5	\$ 2,303.8
Operating Expenses (Including Depreciation)	458.4	1,122.6	1,581.1
Depreciation Expense	.1	.5	.6
Operating Income (Loss)	108.9	613.9	722.7
Nonoperating Revenues (Expenses)	18.5	.7	19.2
Operating Transfers To Other Funds:			
Statutory Net Income Transfer	(119.7)	(626.5)	(746.2)
Administrative General Fund Costs	(7.7)	-	(7.7)
Total Operating Transfers To Other Funds	(127.4)	(626.5)	(753.9)
Net Income (Loss)	-	(12.0)	(12.0)
Unrealized Gain (Loss) on Investments	-	(12.0)	(12.0)
Net Working Capital	8.7	7.1	15.8
Property, Plant, and Equipment	-	.5	.5
Total Assets	64.6	1,117.2	1,181.9
Long-Term Liabilities	2.0	674.3	676.3
Total Equity (Deficit)	6.7	50.9	57.6

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 26 – CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

The following tables present condensed financial statements for the "major" discretely presented component units. Major component units are those which are relatively most significant as compared to

the other component units or that have an especially significant relationship to the primary government.

BALANCE SHEETS (in millions)

	Governmental Component Units	Michigan Education Trust	Michigan Higher Education Student Loan Authority	Michigan State Housing Development Authority	Michigan Municipal Bond Authority
ASSETS					
Current Assets:					
Amounts due from component units	\$.1	\$ -	\$ -	\$ -	\$ -
Amounts due from primary government	.3	.5	.2	-	.6
Other current assets	119.2	56.3	219.3	498.9	1,131.6
Noncurrent Assets:					
Advances to primary government/ component units	-	-	-	-	-
Mortgages and loans receivable	1.2	-	665.0	1,846.1	-
Investments	5.4	729.7	78.6	449.0	848.4
Property, plant, and equipment	7.3	-	-	-	-
Other noncurrent assets	-	11.8	10.7	4.8	1,759.7
Total Assets	\$ 133.5	\$ 798.4	\$ 973.8	\$ 2,798.9	\$ 3,740.3
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
Current Liabilities:					
Amounts due to component units	\$ 12.4	\$ -	\$ -	\$ -	\$ -
Amounts due to primary government	.9	-	-	1.8	-
Other current liabilities	16.4	49.5	49.0	142.7	664.4
Long-Term Liabilities:					
Bonds and notes payable	-	-	796.9	1,916.0	1,971.7
Other long-term liabilities	32.6	583.5	30.9	357.7	84.9
Total Liabilities	62.4	633.0	876.8	2,418.3	2,721.0
Fund Equity and Other Credits:					
Investment in general fixed assets	7.3	-	-	-	-
Contributed capital	-	-	-	-	909.7
Retained earnings	-	165.5	97.0	380.6	109.5
Fund balances	63.8	-	-	-	-
Total Fund Equity and Other Credits	71.1	165.5	97.0	380.6	1,019.2
Total Liabilities, Fund Equity, and Other Credits	\$ 133.5	\$ 798.4	\$ 973.8	\$ 2,798.9	\$ 3,740.3

Note 26 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

Other Proprietary Component Units	Central Michigan University	Grand Valley State University	Western Michigan University	Other Universities	Totals
\$ 8.3	\$ -	\$.1	\$ -	\$.2	\$ 8.7
1.1	15.9	24.5	21.6	80.3	145.0
260.7	88.8	46.0	145.8	184.7	2,751.3
-	-	-	-	.4	.4
16.4	7.9	8.3	6.4	45.9	2,597.1
102.8	43.2	65.3	9.9	117.4	2,449.9
17.0	211.9	239.1	398.1	1,137.3	2,010.7
-	-	.5	5.1	3.0	1,795.7
<u>\$ 406.4</u>	<u>\$ 367.6</u>	<u>\$ 383.7</u>	<u>\$ 586.9</u>	<u>\$ 1,569.3</u>	<u>\$ 11,758.8</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12.4
.1	.6	.1	-	2.1	5.6
26.8	27.8	35.4	56.9	142.6	1,211.5
7.1	94.5	46.9	196.5	318.1	5,347.8
18.0	3.0	3.3	13.8	32.0	1,159.7
<u>52.1</u>	<u>125.8</u>	<u>85.7</u>	<u>267.2</u>	<u>494.9</u>	<u>7,737.0</u>
-	114.2	130.9	272.6	825.4	1,350.4
170.8	-	-	-	-	1,080.5
183.5	-	-	-	-	936.1
-	127.5	167.1	47.2	249.0	654.7
<u>354.3</u>	<u>241.8</u>	<u>298.1</u>	<u>319.8</u>	<u>1,074.4</u>	<u>4,021.7</u>
<u>\$ 406.4</u>	<u>\$ 367.6</u>	<u>\$ 383.7</u>	<u>\$ 586.9</u>	<u>\$ 1,569.3</u>	<u>\$ 11,758.8</u>

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (in millions)

	Mackinac Bridge Authority	Michigan Higher Education Facilities Authority	Michigan Strategic Fund	Michigan Higher Education Assistance Authority	Total
REVENUES					
From federal agencies	\$ -	\$ -	\$ 54.1	\$ -	\$ 54.1
From services	-	.1	-	95.5	95.6
From licenses and permits	10.7	-	-	-	10.7
Miscellaneous	1.6	-	10.5	-	12.2
Total Revenues	12.3	.1	64.7	95.5	172.6
EXPENDITURES					
Current	14.4	.1	55.0	93.3	162.8
Total Expenditures	14.4	.1	55.0	93.3	162.8
Excess of Revenues over (under) Expenditures	(2.2)	-	9.6	2.3	9.8
OTHER FINANCING SOURCES (USES)					
Operating transfers from primary government	-	-	165.3	-	165.3
Operating transfers to component units	-	-	(174.9)	-	(174.9)
Operating transfers to primary government	(.3)	-	-	-	(.3)
Total Other Financing Sources (Uses)	(.3)	-	(9.6)	-	(9.9)
Excess (Deficiency) of revenues and Expenditures	(2.4)	-	-	2.3	(.1)
Fund Balance – Beginning of fiscal year - restated	26.9	.3	.1	36.6	63.9
Equity Transfers	-	-	-	-	-
Fund Balances – End of fiscal year	\$ 24.5	\$.3	\$.1	\$ 38.9	\$ 63.8

Note 26 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY (in millions)

	Michigan Education Trust	Michigan Higher Education Student Loan Authority	Michigan State Housing Development Authority	Michigan Municipal Bond Authority	Other Proprietary Component Units	Total
OPERATING REVENUES						
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ 27.6	\$ 27.6
Interest income	47.0	50.5	142.3	152.1	2.1	394.0
Investment revenue (net)	(6.8)	11.0	30.0	-	12.8	47.0
Federal revenues	-	9.0	6.6	-	4.0	19.6
Other miscellaneous	.1	-	11.0	4.5	4.5	20.1
Total Operating Revenues	40.3	70.5	189.9	156.6	50.9	508.2
OPERATING EXPENSES						
Depreciation and amortization expense	-	.9	-	3.2	.3	4.4
Other operating expenses	(23.8)	60.3	152.4	131.8	73.6	394.2
Total Operating Expenses	(23.8)	61.1	152.4	135.0	73.9	398.6
Operating Income (Loss)	64.2	9.4	37.5	21.5	(23.0)	109.6
NONOPERATING REVENUES (EXPENSES)						
Federal grant revenue	-	-	80.8	-	4.1	84.9
Other	-	-	(92.1)	-	(73.3)	(165.4)
Total Nonoperating Revenues (Expenses)	-	-	(11.3)	-	(69.2)	(80.5)
OPERATING TRANSFERS						
Operating transfers from component units	-	-	-	-	174.9	174.9
Operating transfers from primary government	-	-	-	-	1.9	1.9
Operating transfers to component units	-	-	-	-	(.7)	(.7)
Total Operating Transfers in (Out)	-	-	-	-	176.2	176.2
Net Income (Loss)	64.2	9.4	26.2	21.5	84.0	205.3
Total Fund Equity – Beginning of fiscal year - restated	101.3	87.7	354.4	87.9	99.5	730.8
Total Fund Equity – End of fiscal year	\$ 165.4	\$ 97.0	\$ 380.6	\$ 109.5	\$ 183.5	\$ 936.1

Note 26 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

STATEMENTS OF CHANGES IN FUND BALANCE (in millions)

	Central Michigan University	Grand Valley State University	Western Michigan University	Other Universities	Total
Total revenues and other additions	\$ 271.5	\$ 216.4	\$ 346.0	\$ 831.2	\$ 1,665.1
Total expenditures and other deductions	342.5	242.3	467.1	1,117.8	2,169.7
Operating transfers from primary government	<u>86.3</u>	<u>76.5</u>	<u>118.1</u>	<u>388.2</u>	<u>669.1</u>
Net increase (decrease) for the year	15.3	50.6	(3.0)	101.6	164.5
Total Fund Equity and Other Credits - Beginning of fiscal year - restated	<u>226.4</u>	<u>247.5</u>	<u>322.8</u>	<u>972.9</u>	<u>1,769.5</u>
Total Fund Equity and Other Credits - End of fiscal year	<u>\$ 241.8</u>	<u>\$ 298.1</u>	<u>\$ 319.8</u>	<u>\$ 1,074.4</u>	<u>\$ 1,934.0</u>

STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS
 AND CHANGES IN FUND BALANCES (in millions)

	Central Michigan University	Grand Valley State University	Western Michigan University	Other Universities	Total
Revenues	\$ 235.3	\$ 175.8	\$ 308.7	\$ 602.5	\$ 1,322.3
Expenditures	298.4	211.3	405.9	875.8	1,791.4
Mandatory transfers (in) out	7.4	7.5	9.1	24.5	48.5
Operating transfers from primary government	(80.5)	(54.7)	(116.5)	(323.6)	(575.3)
Other transfers (in) out	<u>11.7</u>	<u>12.1</u>	<u>16.1</u>	<u>25.3</u>	<u>65.2</u>
Total Expenditures and Transfers	<u>237.1</u>	<u>176.3</u>	<u>314.5</u>	<u>601.9</u>	<u>1,329.7</u>
Revenues over Expenditures and Transfers	(1.7)	(.5)	(5.9)	.7	(7.4)
Fund Balances - Beginning of fiscal year - restated	28.9	34.1	57.4	93.6	214.1
Change in restricted revenue held for future expenditures	.7	(13.1)	1.6	2.6	(8.2)
Fund Balances - End of fiscal year	<u>\$ 27.9</u>	<u>\$ 20.5</u>	<u>\$ 53.1</u>	<u>\$ 96.9</u>	<u>\$ 198.4</u>

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 27 – RISK MANAGEMENT

A. 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 of rents 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 seven 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 for these types of risks 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, the State recognizes fund liabilities in the fund incurring the loss when it is probable that a loss has occurred and the amount can be reasonably estimated. As explained more fully in Note #14, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the General Long-Term Obligations Account Group, with expenditures recognized when due and payable.

For unemployment claims, the Unemployment Agency (UA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities for unemployment compensation only to the extent of the amount paid by UA through September 30. During the 1999-2000 fiscal year, expenditures for payments to former State employees (not including university employees) totalled \$4.4 million. The potential liability for future payments has not been estimated.

The State's two internal service funds, which account for certain areas of risk management, follow accounting standards established by the Governmental Accounting Standards Board. 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, retained earnings balance, or deficit is considered in calculating future charges or benefit levels.

Risk Management Fund

This fund was established during fiscal year 1989-90 to account for insurance management activities implemented within the Department of Management and Budget. The automotive 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 \$8.0 million. This includes a long-term portion, which is recorded at \$5.5 million.

Changes in the Risk Management Fund's claims liability for automobile liability for the fiscal years ending September 30, 2000 and 1999 are as follows (in millions):

	2000	1999
Balance - beginning	\$ 6.9	\$ 5.6
Current year claims and changes in estimates	1.8	5.2
Claim payments	(.8)	(4.0)
Balance - ending	<u>\$ 8.0</u>	<u>\$ 6.9</u>

State Sponsored Group Insurance Fund

The Department of Management and Budget uses this fund to account for employee and retiree insurance benefit programs, which are largely self-funded. 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 \$184.0 million. This includes a long-term portion which is recorded at a discounted present value of \$89.3 million using a discount rate of 10.5% (first 15 years of disability), 9.0% (next 5 years), and 6.0% thereafter. Claims incurred in past years were discounted using rates as follows in the calculation of incurred but not reported claims: 1993 and 1994 used a rate of 6.0%, 1995 used a rate of 6.25%, 1996 and 1997 used a rate of 5.75%, and 1998 through 2000 used a rate of 5.25%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's retained earnings 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 \$54.3 million at September 30, 2000. Retained earnings totaled \$12.9 million at September 30, 2000. Therefore, if excessive claims were realized, the fund would not have sufficient retained earnings to satisfy these losses.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee and retiree insurance benefit programs for the fiscal years ending September 30, 2000 and 1999 are as follows (in millions):

	2000	1999
Balance - beginning	\$ 173.7	\$ 166.4
Current year claims and changes in estimates	494.6	485.6
Claim payments	(484.3)	(478.3)
Balance - ending	<u>\$ 184.0</u>	<u>\$ 173.7</u>

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

B. 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.

The universities made initial capital contributions and make premium payments to cover administrative costs, the cost of obtaining excess insurance coverage, and claims for risk retained by the facility. Premiums to facility participants are adjusted based on the difference between actual claims and the amount of claims originally estimated for a year. Liabilities for estimated losses retained by the universities under MUSIC have been established in the operating funds of the universities.

NOTE 28 – CONTINGENCIES AND COMMITMENTS

A. Primary Government

Litigation

The State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the event that a significant, probable, and reasonably estimable loss is not settled prior to the preparation of these statements, the obligation is recorded as a general long-term liability or fund liability, depending on the fund type (see Note #14).

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 includes damages in tort cases generally, alleviation of prison overcrowding, improvement of prison medical and mental health care, and refund claims under State taxes. The State is also a party to various legal proceedings which, if resolved in the State's favor, would result in contingency gains to the State's General Fund balance, but without material effect upon fund balance. 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 Department of Management and Budget, have a material adverse effect on the State's financial position.

10th Judicial Circuit et al v State of Michigan et al: On August 22, 1994, the Ingham Circuit and Probate Courts, together with the 55th District Court, filed suits in the Court of Claims and Ingham County Circuit Court against the State of Michigan and Ingham County entitled, 30th Judicial Circuit et al v Governor et al for declaratory and injunctive relief, and for damages, due to the alleged failure of the State Court Administrative Office to properly calculate Ingham County's reimbursement under MCL 600.9947; MSA 27A.9947, the court funding statute. The 30th Judicial Circuit et al v Governor et al case has been dismissed by stipulation of the parties because the plaintiffs are raising

the same claims as members of a class action captioned as 10th Judicial Circuit et al v State of Michigan et al (Saginaw Circuit Court No. 94-2936-AA-1/Court of Claims No. 94-15534-CM). Plaintiffs assert that the amount in controversy exceeds \$5 million. The case is currently pending final class certification.

Durant v State of Michigan (Durant II): In a decision rendered October 19, 1999, the Court of Appeals held that the State School Aid Act complied with the State's obligations under Article 9, § 29 of the Michigan Constitution to fund the State-mandated portions of the special education, special education transportation, and school lunch programs at the levels required by the Headlee Amendment.

The Court of Appeals further held that certain sections of the State School Aid Act violated Article 9, § 11 of the Michigan Constitution. Article 9, § 11 of the Michigan Constitution provides, in part, that beginning in the 1995-96 state fiscal year, and each fiscal year thereafter, the State shall guarantee that the total state and local per pupil revenue for school operating purposes for each local school district shall not be less than the 1994-95 total state and local per pupil revenues for school operating purposes. The Court held that under Article 9, § 11, the Legislature must appropriate the State portion of the per pupil revenue for school operating purposes to local school districts as unrestricted school aid. Thus, the Court held that to the extent the Legislature appropriated restricted funds to pay for special education and special education transportation from funds that were guaranteed to local school districts as unrestricted aid, the amendments to the State School Aid Act violated Article 9, § 11.

The Court of Appeals denied plaintiffs' request for mandamus, injunctive relief, and monetary damages and, as described above, granted declaratory relief only. The Court also held that plaintiffs may petition for costs and reasonable attorney fees as allowed by Article 9, § 32 of the Michigan Constitution. Under the court rules, the parties had until November 9, 1999 to appeal the decision to the Supreme Court or to move for

Note 28 continued on next page.

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

rehearing in the Court of Appeals. Neither party appealed the decision nor moved for rehearing. Plaintiffs' petition for costs and attorney fees was granted by the Court of Appeals on January 14, 2000 in the amount of approximately \$.4 million. On February 4, 2000 the State filed an application for leave to appeal and motion for peremptory reversal of the January 14, 2000 Court of Appeals order in the Supreme Court. On June 20, 2000, the Supreme Court denied the State's appeal and on August 22, 2000, denied the State's motion for reconsideration. Therefore, in October 2000, payments were made to plaintiff school districts reflecting their share of the \$400,000 in attorney fees. This case was dismissed on November 27, 2000.

Durant et al v State of Michigan et al (DURANT III): 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, asserts that the current State School Aid Act, P.A. 297 of 2000, violates Michigan Constitution, Article 9, §§ 25-34 (the "Headlee Amendment"), because it allegedly transfers per pupil revenue guaranteed to school districts under Const 1963, Article 9, § 11, for unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, § 29. The plaintiffs in Durant III are seeking a monetary remedy, including approximately \$1.7 billion for the 1999-2000 through 2002-03 school years for the State's alleged underfunding of special education programs and services, including special education transportation services. The Durant III plaintiffs are also requesting a declaratory judgment that the State, through P.A. 297 of 2000, is violating Article 9, § 11, and Article 9, § 29. The Durant III plaintiffs further seek orders declaring that the State has failed, through P.A. 297 of 2000, to meet its constitutional duty to fund services and activities provided by the plaintiff school districts during school years 1999-2000 through 2002-03 in the same proportion by which they were funded when the Headlee Amendment became effective, and that the State has reduced the State-financed proportion of necessary costs incurred by the plaintiff school districts for special education services for the 1999-2000 through 2002-03 school years below that provided by the State when the Headlee Amendment became effective. The Durant III plaintiffs also seek an injunction permanently enjoining the State from making any future reductions below the levels of funding provided when the Headlee Amendment became effective to pay for the cost of the activities and services required of them by State law. They also seek attorneys fees and costs of litigation.

The second suit, Adair et al v State et al ("Adair"), 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, after 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 are seeking 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 1997-98 through the date of any judgment and for attorneys fees and litigation costs. The Adair plaintiffs also seek 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.

Loss Contingencies

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 either fund liabilities or liabilities of the General Long-Term Obligations Account Group when the loss becomes probable and reasonably estimable. As of September 30, 2000, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

The Department of Community Health (DCH) administers the School Based Outreach Services Program, which provides certain health services to school-aged children. DCH receives federal reimbursements from the U.S. Department of Health and Human Services for the direct services provided and for related administrative costs of this program. On August 31, 2000, the U.S. Health Care Financing Administration (HCFA) disallowed \$103.6 million in federal financial participation for the costs related to Medicaid administrative activities claimed by DCH under their Medicaid School Based Outreach Services program. The disallowed amount represents claims for Medicaid administrative activities for the quarters ended September 1998, September 1999, and December 1999. The State has formally appealed the disallowance and expects it to be reversed.

Federal sanctions that may result in a loss to the State include \$40.6 million for the Food Stamp program and \$38.6 million for the Child Support Enforcement System.

The Wayne County Friend of the Court notified the State that they may have misdirected payments to FIA. Any potential reimbursement for these payments cannot be reasonably estimated.

Gain Contingencies

Certain contingent receivables related to the Family Independence Agency are not recorded as assets in these statements. Amounts recoverable from Family Independence Agency 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 with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling \$220.6 billion over the next 25 years, and continues in perpetuity. Michigan's share of the settlement is expected to be \$8.5 billion over the next 25 years, and \$348.3 million thereafter, adjusted for inflation and other factors. The State also received \$2.2 million, representing costs incurred to litigate the case. While Michigan's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

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 (volume adjustments, for example). 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 the future payments.

Construction Projects

As of September 30, 2000, several construction projects were in progress, with several others in the planning stages. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note #10).

The Department of Transportation has entered into construction contracts that will be paid with transportation related funds. As of September 30, 2000, the balances remaining in these contracts equaled \$500.2 million.

Contingent Liability for Local School District Bonds

Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 2000, the principal amount of qualified bonds outstanding was \$9.8 billion. Total debt service requirements on these bonds including interest will approximate \$858.9 million in 2001. 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, 2000, is \$346.6 million. Interest due on these loans as of September 30, 2000, is \$59.4 million.

Michigan Underground Storage Tank Financial Assurance Fund (MUSTFA) Projects

The MUSTFA Fund, a special revenue fund, receives revenues dedicated to reimbursing owners/operators of underground storage tanks (UST) for costs incurred related to conducting corrective actions at sites where a release has occurred from an UST. The MUSTFA reimbursement fund was declared insolvent and received no additional claims after June 29, 1995. The revenue is still collected to pay off two main obligations of the MUSTFA Fund: the long-term liability for incurred claims recorded in the General Long-Term Obligations Account Group, which is discussed in Note 14, and the debt and debt service charges associated with the financial borrowing mechanisms utilized to expedite reimbursement to eligible owners/operators.

B. Discretely Presented Component Units

Student Loan Guarantees

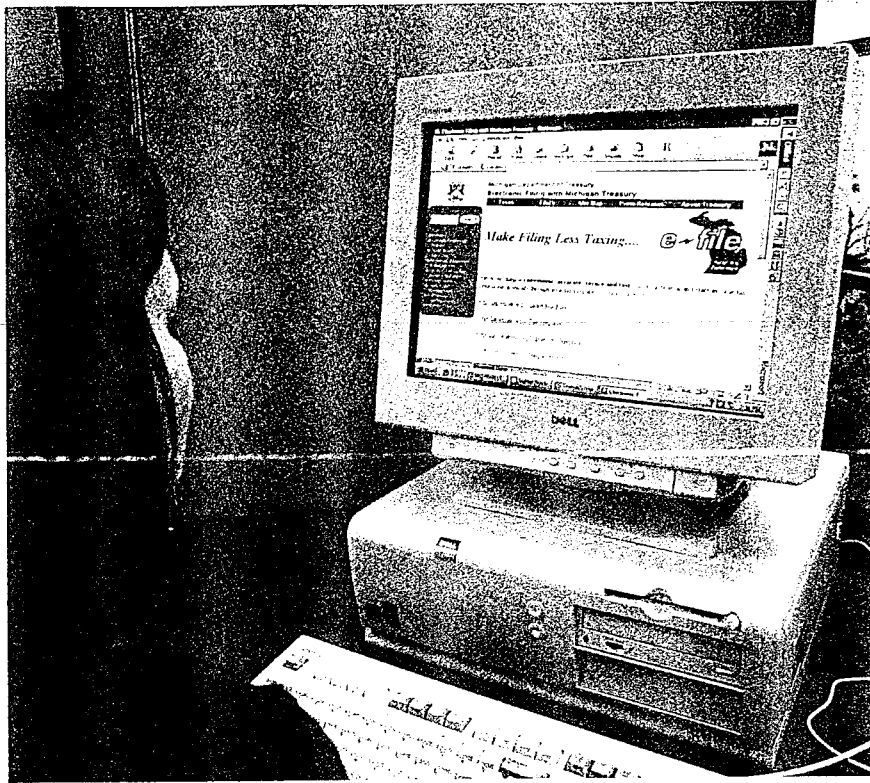
The Michigan Higher Education Assistance Authority (MHEAA) is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State of Michigan, other than MHEAA, is not liable for these loans. MHEAA's default ratio is currently below 5% for the fiscal year ended September 30, 2000. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2000, is 100% for loans made prior to October 1, 1993, and 98% for loans made on or after 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. For loans made on or after October 1, 1999 the reinsurance rate will be 98%. 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, 2000, is \$632.6 million.

MHEAA entered into commitment agreements with all lenders that provide, among other things, that MHEAA will maintain cash and marketable securities. MHEAA was in compliance with this requirement as of September 30, 2000, at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended.

NOTE 29 – SUBSEQUENT EVENTS

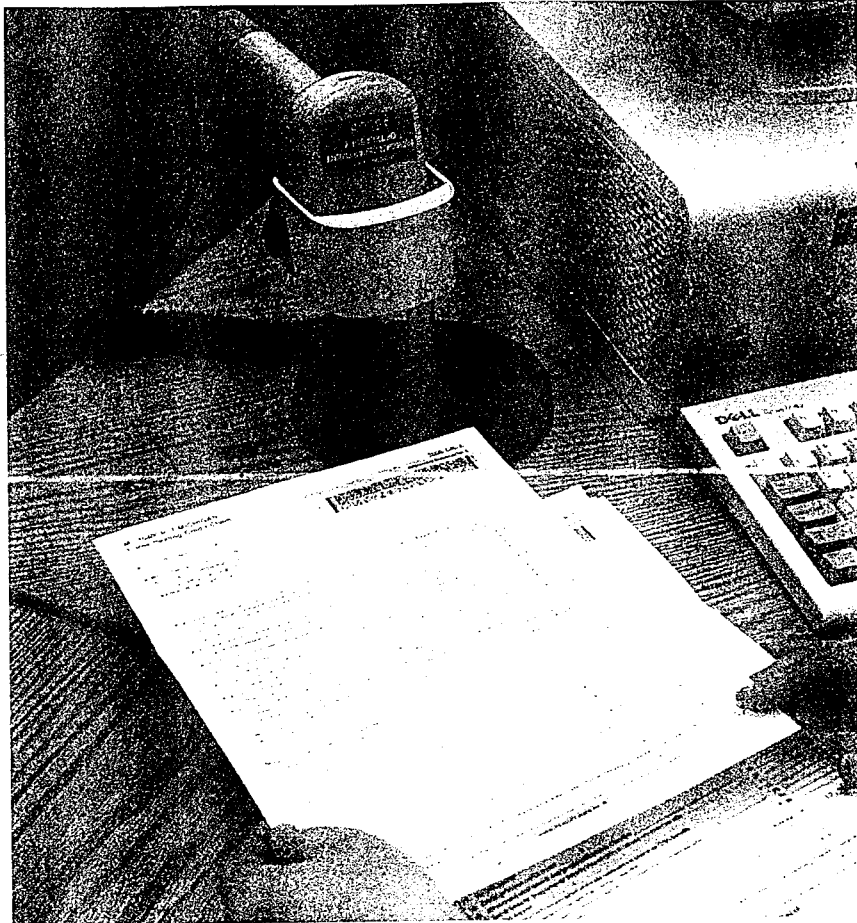
A. Long-Term Borrowing

In November 2000, the State issued environmental protection bonds totaling \$60.0 million. The bonds were part of the \$800 million general obligation bond package authorized by the voters in 1988. The proceeds will be used to clean up sites of toxic and other environmental contamination.



With Department of Treasury's e-File program, Michigan residents can file their taxes on-line from any computer with internet access. This streamlined service provides quicker filing and faster refunds. The web address is: www.treas.state.mi.us/mitax/indytax/efile.htm

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II FINANCIAL SECTION

SUPPLEMENTAL FINANCIAL DATA COMBINING FINANCIAL STATEMENTS AND SCHEDULES

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
 SEPTEMBER 30, 2000
 (In Thousands)

	<u>TRANSPORTATION RELATED</u>	<u>CONSERVATION, ENVIRONMENT, AND RECREATION RELATED</u>	<u>REGULATORY AND ADMINISTRATIVE RELATED</u>
ASSETS			
Current Assets:			
Cash	\$ 176	\$ -	\$ 106
Equity in Common Cash	689,483	630,553	20,197
Taxes, interest, and penalties receivable	97,513	5,213	-
Amounts due from other funds	52,916	92	-
Amounts due from component units	911	-	-
Amounts due from federal agencies	142,824	2,573	14,090
Amounts due from local units	20,886	1,891	956
Inventories	6,951	81	-
Investments	-	104	-
Other current assets	16,430	26,662	1,582
Total Current Assets	<u>1,028,091</u>	<u>667,171</u>	<u>36,930</u>
Taxes, interest, and penalties receivable	1,691	-	-
Advances to other funds	28,942	-	-
Amounts due from federal agencies	1,352	-	-
Amounts due from local units	33,920	3,785	-
Investments	-	144,155	-
Other noncurrent assets	5,385	2,101	-
Total Assets	<u>\$ 1,099,381</u>	<u>\$ 817,212</u>	<u>\$ 36,930</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 22,615	\$ 5,137	\$ 510
Accounts payable and other liabilities	446,424	88,854	15,935
Amounts due to other funds	54,046	486	3,754
Amounts due to component units	-	-	-
Bonds and notes payable	-	-	-
Deferred revenue	10,454	512	158
Total Current Liabilities	<u>533,539</u>	<u>94,989</u>	<u>20,357</u>
Long-Term Liabilities:			
Advances from other funds	28,942	-	-
Deferred revenue	17,828	2,096	-
Total Liabilities	<u>580,309</u>	<u>97,085</u>	<u>20,357</u>
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	67,862	33,609	155
Restricted revenues	212,221	104,920	6,438
Multi-year projects	92,604	124,337	777
Construction and debt service	35,901	-	-
Revolving loan programs	28,387	1,159	-
Funds held as permanent investments	-	359,706	-
Noncurrent assets	25,315	3,790	-
Total Reserved	<u>462,290</u>	<u>627,521</u>	<u>7,370</u>
Unreserved	<u>56,783</u>	<u>92,606</u>	<u>9,203</u>
Total Fund Balances	<u>519,072</u>	<u>720,127</u>	<u>16,573</u>
Total Liabilities and Fund Balances	<u>\$ 1,099,381</u>	<u>\$ 817,212</u>	<u>\$ 36,930</u>

OTHER STATE FUNDS	TOTALS	
	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ 282	\$ 179
1,903,212	3,243,445	2,476,101
843,896	946,622	854,027
-	53,009	83,805
-	911	1,269
358	159,845	111,262
22,090	45,823	53,343
-	7,032	8,616
-	104	100
85,572	130,246	374,507
<u>2,855,129</u>	<u>4,587,320</u>	<u>3,963,208</u>
11,896	13,587	12,217
-	28,942	33,642
-	1,352	449
1,732	39,437	37,869
51,374	195,530	175,257
-	7,487	6,503
<u>\$ 2,920,131</u>	<u>\$ 4,873,654</u>	<u>\$ 4,229,145</u>
\$ 3,943	\$ 32,205	\$ 30,307
287,536	838,749	613,460
7	58,292	159,539
136	136	169
44,813	44,813	2,825
84,282	95,406	244,568
<u>420,716</u>	<u>1,069,601</u>	<u>1,050,868</u>
-	28,942	33,642
11,896	31,820	28,356
<u>432,612</u>	<u>1,130,363</u>	<u>1,112,866</u>
11,681	113,306	90,339
9,899	333,478	190,608
195,180	412,897	255,965
-	35,901	35,905
-	29,546	14,320
69,455	429,162	378,080
1,732	30,837	38,582
<u>287,947</u>	<u>1,385,127</u>	<u>1,003,799</u>
<u>2,199,573</u>	<u>2,358,165</u>	<u>2,112,480</u>
<u>2,487,520</u>	<u>3,743,291</u>	<u>3,116,279</u>
<u>\$ 2,920,131</u>	<u>\$ 4,873,654</u>	<u>\$ 4,229,145</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	<u>TRANSPORTATION RELATED</u>	<u>CONSERVATION, ENVIRONMENT, AND RECREATION RELATED</u>	<u>REGULATORY AND ADMINISTRATIVE RELATED</u>
REVENUES			
Taxes	\$ 1,898,996	\$ 60,436	\$ -
From federal agencies	793,796	4,564	135,609
From local agencies	44,101	-	1,707
From services	697	-	-
From licenses and permits	76,094	85,692	8,169
Miscellaneous	<u>68,676</u>	<u>151,518</u>	<u>28,564</u>
Total Revenues	<u>2,882,361</u>	<u>302,210</u>	<u>174,049</u>
EXPENDITURES			
Current:			
General government	-	3,720	9,065
Education	-	-	-
Family independence services	-	-	-
Public safety and corrections	-	-	-
Conservation, environment, recreation, and agriculture	-	220,147	-
Labor, commerce, and regulatory	-	-	172,731
Health services	-	534	-
Transportation	1,663,318	-	-
Capital outlay	1,097,576	25,061	-
Debt service:			
Capital lease payments	<u>413</u>	<u>-</u>	<u>721</u>
Total Expenditures	<u>2,761,307</u>	<u>249,462</u>	<u>182,517</u>
Excess of Revenues over (under) Expenditures	<u>121,054</u>	<u>52,748</u>	<u>(8,468)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	82,099	-
Capital lease acquisitions	-	-	415
Operating transfers from other funds	1,043,240	43,597	17,881
Operating transfers from component units	250	-	-
Operating transfers to other funds	(1,085,598)	(83,750)	(8,717)
Operating transfers to component units	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(42,108)</u>	<u>41,946</u>	<u>9,578</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	78,947	94,694	1,111
Fund Balances - Beginning of fiscal year	440,126	625,433	37,117
Equity transfers to other funds	<u>-</u>	<u>-</u>	<u>(21,655)</u>
Fund Balances - End of fiscal year	<u>\$ 519,072</u>	<u>\$ 720,127</u>	<u>\$ 16,573</u>

OTHER STATE FUNDS	TOTALS	
	FISCAL YEARS ENDED	
	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 9,270,822	\$ 11,230,253	\$ 10,595,167
122,459	1,056,428	854,224
-	45,808	56,990
-	697	716
-	169,955	169,771
354,313	603,071	391,301
<u>9,747,593</u>	<u>13,106,214</u>	<u>12,068,170</u>
13,186	25,971	10,143
10,155,972	10,155,972	9,643,111
2,394	2,394	2,002
4,492	4,492	4,220
-	220,147	195,311
12,202	184,933	160,961
9,810	10,345	-
-	1,663,318	1,632,936
-	1,122,637	1,045,537
-	1,133	1,566
<u>10,198,058</u>	<u>13,391,344</u>	<u>12,695,787</u>
<u>(450,464)</u>	<u>(285,130)</u>	<u>(627,617)</u>
-	82,099	-
-	415	755
1,183,773	2,288,491	2,331,477
-	250	250
(209,229)	(1,387,294)	(1,275,100)
(50,163)	(50,163)	-
<u>924,381</u>	<u>933,797</u>	<u>1,057,381</u>
473,917	648,667	429,764
2,013,603	3,116,279	2,686,515
-	(21,655)	-
<u>\$ 2,487,520</u>	<u>\$ 3,743,291</u>	<u>\$ 3,116,279</u>

STATE OF MICHIGAN
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION**
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

Statutory/Budgetary Basis	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	\$ 1,898,996	\$ 1,898,996	\$ -	\$ 616	\$ 616	\$ -
From federal agencies	772,688	772,688	-	4,564	4,564	-
From local agencies	43,862	43,973	111	-	-	-
From services	697	697	-	-	-	-
From licenses and permits	76,094	76,094	-	85,692	85,692	-
Miscellaneous	65,348	66,701	1,353	96,121	96,121	-
Operating transfers in	977,170	1,040,070	62,900	32,566	32,566	-
Total Revenues and Other Sources	3,834,855	3,899,218	64,363	219,559	219,559	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Career Development	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Consumer and Industry Services	-	-	-	-	-	-
Education	-	-	-	-	-	-
Family Independence Agency	-	-	-	-	-	-
Management and Budget	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	-	-	-	227,681	207,776	19,904
Transportation	4,036,052	3,881,624	154,428	-	-	-
Treasury	-	-	-	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	4,036,052	3,881,624	154,428	227,681	207,776	19,904
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (201,197)	17,594	\$ 218,791	\$ (8,121)	11,783	\$ 19,904
Reconciling Items:						
Encumbrances at September 30		67,862			28,726	
Funds not annually budgeted		(6,510)			54,184	
Net Reconciling Items		61,352			82,910	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		78,947			94,694	
FUND BALANCES (GAAP BASIS)						
Beginning balances		440,126			625,433	
Equity transfer to other funds		-			-	
Ending balances (GAAP Basis)		\$ 519,072			\$ 720,127	

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 9,270,822	\$ 9,270,822	\$ -	\$ 11,170,434	\$ 11,170,434	\$ -
135,609	135,609	-	122,459	122,459	-	1,035,320	1,035,320	-
1,707	1,707	-	-	-	-	45,569	45,680	111
-	-	-	-	-	-	697	697	-
8,169	8,169	-	-	-	-	169,955	169,955	-
27,619	27,619	-	354,313	354,313	-	543,402	544,755	1,353
17,881	17,881	-	1,120,873	1,183,773	62,900	2,148,489	2,274,289	125,800
<u>190,985</u>	<u>190,985</u>	<u>-</u>	<u>10,868,466</u>	<u>10,931,366</u>	<u>62,900</u>	<u>15,113,866</u>	<u>15,241,129</u>	<u>127,263</u>
42,939	42,939	-	22,250	22,250	-	65,189	65,189	-
-	-	-	100,634	97,465	3,169	100,634	97,465	3,169
-	-	-	43,374	10,374	33,000	43,374	10,374	33,000
130,933	130,124	809	-	-	-	130,933	130,124	809
-	-	-	10,073,776	10,072,649	1,127	10,073,776	10,072,649	1,127
-	-	-	3,047	2,415	631	3,047	2,415	631
-	-	-	182,000	182,000	-	182,000	182,000	-
-	-	-	4,742	4,519	224	4,742	4,519	224
-	-	-	-	-	-	227,681	207,776	19,904
-	-	-	-	-	-	4,036,052	3,881,624	154,428
16,982	15,304	1,678	13,157	13,139	18	30,139	28,443	1,696
<u>190,855</u>	<u>188,367</u>	<u>2,487</u>	<u>10,442,980</u>	<u>10,404,811</u>	<u>38,169</u>	<u>14,897,567</u>	<u>14,682,578</u>	<u>214,989</u>
<u>\$ 131</u>	<u>2,618</u>	<u>\$ 2,487</u>	<u>\$ 425,486</u>	<u>526,555</u>	<u>\$ 101,069</u>	<u>\$ 216,299</u>	<u>558,551</u>	<u>\$ 342,252</u>
	155			11,681			108,423	
	(1,662)			(64,319)			(18,307)	
	(1,507)			(52,639)			90,116	
	<u>1,111</u>			<u>473,917</u>			<u>648,667</u>	
	37,117			2,013,603			3,116,279	
	(21,655)			-			(21,655)	
	<u>\$ 16,573</u>			<u>\$ 2,487,520</u>			<u>\$ 3,743,291</u>	



STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2000

STATE AERONAUTICS FUND

This fund, established by P.A. 327 of 1945, is administered by the Department of Transportation for improvement of airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs.

STATE TRUNKLINE FUND

This fund is administered by the Department of Transportation for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of a transfer from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and operating transfers out are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any fund balance not otherwise reserved at fiscal year-end is reserved for road and bridge construction purposes.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds which originally provided the financing to make the loans. The activities of the Blue Water Bridge program, which is segregated as a separate fund within the accounting system, are also reported in this column. A portion of the receivables and payables between the State Trunkline Fund and the Blue Water Bridge Fund are presented as "Due from other funds – current" and "Due to other funds – current". The remainder is classified as long-term "Advances" because repayment will not occur within the next 12 months.

MICHIGAN TRANSPORTATION FUND

This fund, established by section 10 of P.A. 51 of 1951, as amended, is administered jointly by the Department of Transportation and the Department of State. The fund is a receiving fund for several tax revenues dedicated to highway purposes. Transfers are made from the fund 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

This fund, established by P.A. 327 of 1972, as amended, is administered by the Department of Transportation. It was created to account for the planning and development of public transportation systems within the State. Financing is provided by federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the fund for appropriation in the following fiscal year.

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of State trunkline revenue dedicated bonds. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

Established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, this fund accounts for the proceeds of comprehensive transportation revenue dedicated bonds. These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
 SEPTEMBER 30, 2000
 (In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
ASSETS				
Current Assets:				
Cash	\$ -	\$ 176	\$ -	\$ -
Equity in Common Cash	13,938	383,228	177,929	82,727
Taxes, interest, and penalties receivable	759	-	96,754	-
Amounts due from other funds	-	42,313	-	10,603
Amounts due from component units	-	911	-	-
Amounts due from federal agencies	27,636	106,424	-	6,502
Amounts due from local units	3,171	17,150	-	238
Inventories	-	6,951	-	-
Other current assets	89	11,064	4,176	837
Total Current Assets	<u>45,593</u>	<u>568,217</u>	<u>278,859</u>	<u>100,907</u>
Taxes, interest, and penalties receivable	129	-	1,562	-
Advances to other funds	-	28,942	-	-
Amounts due from federal agencies	1,352	-	-	-
Amounts due from local units	839	31,084	-	1,997
Other noncurrent assets	-	3,777	-	1,609
Total Assets	<u>\$ 47,913</u>	<u>\$ 632,019</u>	<u>\$ 280,421</u>	<u>\$ 104,513</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 411	\$ 19,895	\$ 1,182	\$ 555
Accounts payable and other liabilities	27,665	169,868	226,971	17,581
Amounts due to other funds	21	6,076	47,916	33
Deferred revenue	3,698	3,501	2,789	69
Total Current Liabilities	<u>31,794</u>	<u>199,341</u>	<u>278,859</u>	<u>18,238</u>
Long-Term Liabilities:				
Advances from other funds	-	28,942	-	-
Deferred revenue	129	14,527	1,562	1,609
Total Liabilities	<u>31,924</u>	<u>242,810</u>	<u>280,421</u>	<u>19,847</u>
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	1,412	23,317	-	43,132
Restricted revenues	150	210,312	-	1,760
Multi-year projects	10,875	81,729	-	-
Construction and debt service	-	35,901	-	-
Revolving loan programs	2,200	13,987	-	12,200
Noncurrent assets	1,352	23,964	-	-
Total Reserved	<u>15,989</u>	<u>389,209</u>	<u>-</u>	<u>57,092</u>
Unreserved	<u>1</u>	<u>-</u>	<u>-</u>	<u>27,575</u>
Total Fund Balances	<u>15,990</u>	<u>389,209</u>	<u>-</u>	<u>84,667</u>
Total Liabilities and Fund Balances	<u>\$ 47,913</u>	<u>\$ 632,019</u>	<u>\$ 280,421</u>	<u>\$ 104,513</u>

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TOTALS	
		SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ 176	\$ 36
19,966	11,696	689,483	610,553
-	-	97,513	99,866
-	-	52,916	65,694
-	-	911	1,269
2,262	-	142,824	96,621
327	-	20,886	22,376
-	-	6,951	8,568
264	-	16,430	9,358
<u>22,819</u>	<u>11,696</u>	<u>1,028,091</u>	<u>914,340</u>
-	-	1,691	753
-	-	28,942	33,642
-	-	1,352	449
-	-	33,920	34,251
-	-	5,385	5,092
<u>\$ 22,819</u>	<u>\$ 11,696</u>	<u>\$ 1,099,381</u>	<u>\$ 988,528</u>
\$ 571	\$ -	\$ 22,615	\$ 23,598
4,338	1	446,424	402,357
-	-	54,046	66,649
397	-	10,454	6,615
<u>5,306</u>	<u>1</u>	<u>533,539</u>	<u>499,219</u>
-	-	28,942	33,642
-	-	17,828	15,541
<u>5,306</u>	<u>1</u>	<u>580,309</u>	<u>548,402</u>
-	-	67,862	62,311
-	-	212,221	87,716
-	-	92,604	148,572
-	-	35,901	35,905
-	-	28,387	11,650
-	-	25,315	34,905
-	-	462,290	381,058
<u>17,512</u>	<u>11,694</u>	<u>56,783</u>	<u>59,067</u>
<u>17,512</u>	<u>11,694</u>	<u>519,072</u>	<u>440,126</u>
<u>\$ 22,819</u>	<u>\$ 11,696</u>	<u>\$ 1,099,381</u>	<u>\$ 988,528</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND
REVENUES			
Taxes	\$ 7,732	\$ -	\$ 1,821,564
From federal agencies	58,508	696,174	-
From local agencies	11,159	32,520	-
From services	697	-	-
From licenses and permits	299	20,357	55,171
Miscellaneous	1,072	49,024	13,278
	<u>79,466</u>	<u>798,074</u>	<u>1,890,014</u>
Total Revenues			
EXPENDITURES			
Current:			
Transportation	89,897	452,542	901,713
Capital outlay	53	1,067,288	-
Debt service:			
Capital lease payments	-	413	-
	<u>89,950</u>	<u>1,520,242</u>	<u>901,713</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>(10,484)</u>	<u>(722,168)</u>	<u>988,301</u>
OTHER FINANCING SOURCES (USES)			
Capital lease acquisitions	-	-	-
Operating transfers from other funds	14,351	865,110	2,307
Operating transfers from component units	-	-	250
Operating transfers to other funds	(244)	(68,771)	(990,858)
	<u>14,107</u>	<u>796,338</u>	<u>(988,301)</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	3,623	74,170	-
Fund Balances - Beginning of fiscal year	<u>12,367</u>	<u>315,039</u>	<u>-</u>
Fund Balances - End of fiscal year	<u>\$ 15,990</u>	<u>\$ 389,209</u>	<u>\$ -</u>

COMPREHENSIVE TRANSPORTATION FUND	COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 69,699	\$ -	\$ -	\$ 1,898,996	\$ 1,847,841
18,006	21,109	-	793,796	614,133
295	128	-	44,101	56,601
-	-	-	697	640
268	-	-	76,094	75,995
3,327	1,245	730	68,676	67,465
<u>91,595</u>	<u>22,482</u>	<u>730</u>	<u>2,882,361</u>	<u>2,662,676</u>
218,156	-	1,010	1,663,318	1,632,936
-	30,235	-	1,097,576	1,017,588
-	-	-	413	405
<u>218,156</u>	<u>30,235</u>	<u>1,010</u>	<u>2,761,307</u>	<u>2,650,929</u>
<u>(126,561)</u>	<u>(7,753)</u>	<u>(280)</u>	<u>121,054</u>	<u>11,747</u>
-	-	-	-	755
158,052	3,421	-	1,043,240	906,644
-	-	-	250	250
<u>(23,828)</u>	<u>(1,894)</u>	<u>(3)</u>	<u>(1,085,598)</u>	<u>(1,061,805)</u>
<u>134,224</u>	<u>1,527</u>	<u>(3)</u>	<u>(42,108)</u>	<u>(154,157)</u>
7,663	(6,226)	(283)	78,947	(142,410)
<u>77,004</u>	<u>23,739</u>	<u>11,978</u>	<u>440,126</u>	<u>582,536</u>
<u>\$ 84,667</u>	<u>\$ 17,512</u>	<u>\$ 11,694</u>	<u>\$ 519,072</u>	<u>\$ 440,126</u>

STATE OF MICHIGAN
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

STATE AERONAUTICS FUND			
<u>Statutory/Budgetary Basis</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES AND OTHER SOURCES			
Taxes	\$ 7,732	\$ 7,732	\$ -
From federal agencies	58,508	58,508	-
From local agencies	11,159	11,159	-
From services	697	697	-
From licenses and permits	299	299	-
Miscellaneous	1,072	1,072	-
Operating transfers in	<u>14,351</u>	<u>14,351</u>	<u>-</u>
Total Revenues and Other Sources	<u>93,818</u>	<u>93,818</u>	<u>-</u>
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	<u>94,130</u>	<u>91,607</u>	<u>2,523</u>
Total Expenditures, Operating Transfers Out, and Encumbrances	<u>94,130</u>	<u>91,607</u>	<u>2,523</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (313)</u>	<u>2,211</u>	<u>\$ 2,523</u>
Reconciling Items:			
Encumbrances at September 30		1,412	
Funds not annually budgeted		<u>-</u>	
Net Reconciling Items		<u>1,412</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>3,623</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances		<u>12,367</u>	
Ending balances (GAAP Basis)		<u>\$ 15,990</u>	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 1,821,564	\$ 1,821,564	\$ -	\$ 69,699	\$ 69,699	\$ -
696,174	696,174	-	-	-	-	18,006	18,006	-
32,409	32,520	111	-	-	-	295	295	-
-	-	-	-	-	-	-	-	-
20,357	20,357	-	55,171	55,171	-	268	268	-
47,755	49,024	1,268	13,278	13,278	-	3,243	3,327	84
802,210	865,110	62,900	2,557	2,557	-	158,052	158,052	-
<u>1,598,904</u>	<u>1,663,183</u>	<u>64,279</u>	<u>1,892,570</u>	<u>1,892,570</u>	<u>-</u>	<u>249,563</u>	<u>249,647</u>	<u>84</u>
1,742,401	1,612,331	130,071	1,906,916	1,892,570	14,346	292,604	285,116	7,488
<u>1,742,401</u>	<u>1,612,331</u>	<u>130,071</u>	<u>1,906,916</u>	<u>1,892,570</u>	<u>14,346</u>	<u>292,604</u>	<u>285,116</u>	<u>7,488</u>
<u>\$ (143,497)</u>	<u>50,853</u>	<u>\$ 194,350</u>	<u>\$ (14,346)</u>	<u>-</u>	<u>\$ 14,346</u>	<u>\$ (43,042)</u>	<u>(35,469)</u>	<u>\$ 7,572</u>
	23,317			-			43,132	
	<u>-</u>			<u>-</u>			<u>-</u>	
	23,317			-			43,132	
	<u>74,170</u>			<u>-</u>			<u>7,663</u>	
	315,039			-			77,004	
	<u>\$ 389,209</u>			<u>\$ -</u>			<u>\$ 84,667</u>	

This schedule continued on next page.

STATE OF MICHIGAN
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>FUNDS NOT ANNUALLY BUDGETED</u>	
	<u>COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND</u>	<u>COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND</u>
	<u>ACTUAL</u>	<u>ACTUAL</u>
REVENUES AND OTHER SOURCES		
Taxes	\$ -	\$ -
From federal agencies	-	-
From local agencies	-	-
From services	-	-
From licenses and permits	-	-
Miscellaneous	-	-
Operating transfers in	-	-
Total Revenues and Other Sources	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY		
Transportation	-	-
Total Expenditures, Operating 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	(6,226)	(283)
Net Reconciling Items	(6,226)	(283)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(6,226)	(283)
FUND BALANCES (GAAP BASIS)		
Beginning balances	23,739	11,978
Ending balances (GAAP Basis)	\$ 17,512	\$ 11,694

<u>TOTALS</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 1,898,996	\$ 1,898,996	\$ -
772,688	772,688	-
43,862	43,973	111
697	697	-
76,094	76,094	-
65,348	66,701	1,353
<u>977,170</u>	<u>1,040,070</u>	<u>62,900</u>
<u>3,834,855</u>	<u>3,899,218</u>	<u>64,363</u>
<u>4,036,052</u>	<u>3,881,624</u>	<u>154,428</u>
<u>4,036,052</u>	<u>3,881,624</u>	<u>154,428</u>
<u>\$ (201,197)</u>	<u>17,594</u>	<u>\$ 218,791</u>
	67,862	
	<u>(6,510)</u>	
	<u>61,352</u>	
	<u>78,947</u>	
	<u>440,126</u>	
	<u>\$ 519,072</u>	

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2000

GAME AND FISH PROTECTION FUND

Established in 1921, this fund operates under Part 435 of P.A. 451 of 1994, as amended, and is financed principally by the sale of hunting and fishing licenses. The license fees are set by statute and their purpose is to support the conservation program for preservation and control of fish and wildlife. The fund also receives funding from the investment earnings of the Game and Fish Protection Trust Fund. The fund provides financial support for state-wide hunting and fishing programs, including resource management, research, enforcement of hunting and fishing laws, and acquisition of lands to be used for hunting and fishing purposes.

MICHIGAN STATE WATERWAYS FUND

Established in 1947, this fund operates under Part 781 of P.A. 451 of 1994, as amended. It receives portions of watercraft registration fees and gasoline taxes, some of which are collected by other State agencies and transferred to this fund. The fund provides for improvement of lake harbors and inland waterways, construction, operation, and maintenance of recreational boating facilities, property acquisition, and administration.

MARINE SAFETY FUND

Established in 1967, this fund operates under Part 801 of P.A. 451 of 1994, as amended. The fund is financed principally by 49% of watercraft registration fees imposed by this act. The fund provides for water safety education programs, law enforcement, and regulation of watercraft on the waters of this State.

GAME AND FISH PROTECTION TRUST FUND

This fund was established in 1986 and operates under Part 437 of P.A. 451 of 1994, as amended, to restrict certain assets for the purpose of generating interest and earnings for transfer to the Game and Fish Protection Fund each year. Additional investment funding is being provided by mineral royalties from lands acquired by the Game and Fish Protection Fund, direct sale proceeds, and other revenues, which, by statute, are retained for permanent investment.

STATE PARK IMPROVEMENT FUND

This fund was established in 1960 and operates under Part 741 of P.A. 451 of 1994, as amended. It is primarily financed by State park use and concession fees and motor vehicle permit fees necessary for entry by motor vehicles into designated State parks. These fees are the primary funding source for the operation, maintenance, and improvements of the State Park system.

COMBINED RECREATION BOND FUND - LOCAL PROJECTS

This fund was established in 1988 and operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The balances remaining 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." The proceeds from the bond package approved in 1988 are being used to provide grants and loans to local units of government in the amounts of \$65 million by local recreation projects and \$5 million by discouraging development of open space and underdeveloped lands. The proceeds from the bond package approved in 1998 are being used to provide grants to local units of government for local recreation projects pursuant to part 716 of P.A. 451 of 1994.

COMBINED ENVIRONMENTAL PROTECTION BOND FUND

This fund, which is administered by the Department of Environmental Quality, was established by P.A. 328 of 1988 to account for the proceeds of \$660 million of general obligation bonds approved by Michigan voters in November, 1988. This approval was obtained under the general authority of Article 9, Section 15, of the 1963 State Constitution. The bonds are authorized for financing environmental protection programs to clean up sites of toxic and other environmental contamination and contribute to a regional Great Lakes Protection Fund; address solid waste problems, treat sewage and other water quality problems; and reuse industrial sites and preserve open space. Public Act 328 of 1988 also specifies that not more than \$425 million of the proceeds of these bonds be available to clean up sites of toxic and other environmental contamination; not more than \$150 million be available for solid waste projects; not more than \$60 million be available to capitalize the State Water Pollution Control Loan Fund (recorded as equity transfers to the Michigan Municipal Bond Authority); and not more than \$25 million be available to fund Michigan's participation in a regional Great Lakes Protection Fund.

Public Act 284 of 1998 expanded this fund to account for the proceeds of \$570 million of general obligation bonds approved by Michigan voters in November, 1998. Public Act 288 of 1998 directs that not more than \$335 million can be used for environmental response activities; not more than \$50 million for waterfront improvements; not more than \$25 million for remediation of contaminated lake and river sediments; not more than \$50 million for nonpoint source pollution prevention and control projects or wellhead protection projects; not more than \$90 million for water quality monitoring and water resources protection and pollution control activities; and not more than \$20 million is to be used for pollution prevention programs.

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for a "Michigan Natural Resources Trust Fund" which was implemented in 1985. This fund operates under Part 19 of P.A. 451 of 1994, as amended. Most rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned land are credited to the fund. Public Act 451 of 1994 redirected a portion (\$10 million per year) of these revenues, previously committed to this fund, to the Michigan State Parks Endowment Fund.

In accordance with statutory provisions, this fund is to accumulate up to \$400 million in reserves for permanent investments. The amount accumulated toward the cap is shown as a reservation of fund balance. Earnings on investments and one-third of royalty earnings are available for appropriation. Two-thirds of royalty earnings are added to amounts held for permanent investments until the investment reserve reaches \$200 million. After that time, all royalties are restricted for investment and only interest is available to appropriate. Appropriations are used to fund grants to local units of government as well as State agencies to acquire or develop outdoor public recreation facilities.

MICHIGAN STATE PARKS ENDOWMENT FUND

This fund was established in 1994 and operates under Part 741 of P.A. 451 of 1994, as amended, to finance operations, maintenance, and capital improvements at Michigan State parks. The fund was established with a \$40 million equity 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 to be deposited in this fund until its accumulated principal reaches \$400 million. The fund's investment reserve will be capped at \$800 million. The legislature is limited to appropriating no more than \$5 million, adjusted for inflation, each year from the fund until the cap is attained. When the fund's reserve reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit may be expended.

MICHIGAN NONGAME FISH AND WILDLIFE FUND

Established in 1983, the fund operates under Part 439 of P.A. 451 of 1994, as amended. Fund revenues are used to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. During fiscal year 1999-2000 the fund received an operating transfer from the General Fund of \$2.4 million for the purpose of reaching the \$6 million level for funds held for investment. As a result, statutory authority for the State income tax check-off, which provided revenue for this fund, expired and will no longer be available in future years. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales, beginning in calendar year 2001.

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

This fund was established by P.A. 394 of 1994, as amended. The Michigan Civilian Conservation Corps was established 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.

The fund's permanent investment reserve was provided by \$20 million earmarked from the sale of the Accident Fund of Michigan. Only the interest and earnings of the fund can be expended.

FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and operates under Part 505 of P.A. 451 of 1994, as amended. The Authority is authorized to acquire: standing timber, timber cutting rights, and the State's interest in contracts granting cutting rights on State tax reverted lands and on other lands in the State forest system. Revenues are derived from the sale of forest products, and would be pledged to provide debt service on any bonds or notes that might be issued by the authority. Revenues not used for debt service are major funding sources for the Forest Management Division and are used for forest management operations and practices. The Authority may, but thus far has not issued bonds.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND

The Michigan Underground Storage Tank Financial Assurance Fund (MUSTFA) was established by P.A. 518 of 1988 to assist certain owners and operators of underground storage tank systems in meeting their financial responsibility requirements provided for in the Solid Waste Disposal Act. It is administered by the Department of Environmental Quality and an eleven member advisory board.

The primary source of revenues is an environmental protection regulatory fee of 7/8 cent per gallon imposed on all refined petroleum products sold for resale. Expenditures are primarily amounts spent to assist in environmental cleanup. Public Acts 252 and 269 of 1995 limit the fund's liability for claims to those billings received by June 29, 1995. The State's liability for environmental cleanup claims is further limited by law to the amount of available resources. Liabilities for unpaid eligible environmental cleanup claims in excess of available funds will be paid from future years' revenues, and are recorded as a liability in the General Long-Term Obligations Account Group.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was created by P.A. 132 of 1993 to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund, including short or long-term debt instruments. The Authority is governed by a five member board of directors.

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

BOTTLE DEPOSITS FUND

This fund was created by P.A. 384 of 1996 to provide for the disposition of unredeemed bottle deposits. The fund is jointly administered by the Department of Treasury and the Department of Environmental Quality. The law mandates that an annual distribution of the funds will be made as follows: 25% returned to the dealers and 75% to fund several sub-funds.

The 75% distribution to the Department of Environmental Quality 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 (CPPF).

Public Act 380 of 1996 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 the department or the Attorney General, or both, shall be credited to the ERF.



STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
 SEPTEMBER 30, 2000
 (In Thousands)

	<u>GAME AND FISH PROTECTION FUND</u>	<u>MICHIGAN STATE WATERWAYS FUND</u>	<u>MARINE SAFETY FUND</u>
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Equity in Common Cash	22,840	66,041	7,269
Taxes, interest, and penalties receivable	-	103	-
Amounts due from other funds	-	-	-
Amounts due from federal agencies	416	34	177
Amounts due from local units	-	-	-
Inventories	-	81	-
Investments	-	-	-
Other current assets	5,320	-	-
Total Current Assets	<u>28,576</u>	<u>66,260</u>	<u>7,446</u>
Amounts due from local units	-	-	-
Investments	-	-	-
Other noncurrent assets	-	-	-
Total Assets	<u>\$ 28,576</u>	<u>\$ 66,260</u>	<u>\$ 7,446</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 241	\$ 1,241	\$ 53
Accounts payable and other liabilities	4,234	1,482	2,884
Amounts due to other funds	241	36	1
Bonds and notes payable	-	-	-
Deferred revenue	-	-	-
Total Current Liabilities	<u>4,715</u>	<u>2,758</u>	<u>2,937</u>
Deferred revenue	-	-	-
Total Liabilities	<u>4,715</u>	<u>2,758</u>	<u>2,937</u>
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	2,446	5,372	45
Restricted revenues	13,251	675	-
Multi-year projects	112	38,428	-
Revolving loan programs	-	-	-
Funds held as permanent investments	1,829	-	-
Noncurrent assets	-	-	-
Total Reserved	<u>17,638</u>	<u>44,475</u>	<u>45</u>
Unreserved	6,224	19,026	4,464
Total Fund Balances	<u>23,861</u>	<u>63,501</u>	<u>4,509</u>
Total Liabilities and Fund Balances	<u>\$ 28,576</u>	<u>\$ 66,260</u>	<u>\$ 7,446</u>

<u>GAME AND FISH PROTECTION TRUST FUND</u>	<u>STATE PARK IMPROVEMENT FUND</u>	<u>COMBINED RECREATION BOND FUND- LOCAL PROJECTS</u>	<u>COMBINED ENVIRONMENTAL PROTECTION BOND FUND</u>	<u>MICHIGAN NATURAL RESOURCES TRUST FUND</u>	<u>MICHIGAN STATE PARKS ENDOWMENT FUND</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48,361	17,070	3,952	64,860	181,848	54,741
-	-	-	-	-	-
-	-	92	-	-	-
-	-	-	1,891	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,796	24	-	62	14,015	587
<u>50,157</u>	<u>17,093</u>	<u>4,044</u>	<u>66,813</u>	<u>195,864</u>	<u>55,327</u>
-	-	-	-	-	-
34,767	-	-	-	70,404	38,985
-	800	-	5	339	-
<u>\$ 84,924</u>	<u>\$ 17,893</u>	<u>\$ 4,044</u>	<u>\$ 66,818</u>	<u>\$ 266,607</u>	<u>\$ 94,312</u>
\$ -	\$ 291	\$ -	\$ 966	\$ 532	\$ 31
-	2,182	2,485	27,999	34,439	590
-	12	93	1	5	3
-	-	-	-	-	-
-	176	-	-	-	-
-	<u>2,661</u>	<u>2,578</u>	<u>28,967</u>	<u>34,976</u>	<u>624</u>
-	800	-	-	339	-
-	<u>3,461</u>	<u>2,578</u>	<u>28,967</u>	<u>35,316</u>	<u>624</u>
-	1,386	-	-	17,285	1,189
-	-	-	-	-	-
-	5,905	-	-	22,307	904
-	-	-	-	-	-
84,924	-	-	-	156,710	85,449
-	-	-	5	-	-
<u>84,924</u>	<u>7,291</u>	<u>-</u>	<u>5</u>	<u>196,302</u>	<u>87,542</u>
-	7,141	1,466	37,846	34,990	6,146
84,924	14,432	1,466	37,851	231,292	93,688
<u>\$ 84,924</u>	<u>\$ 17,893</u>	<u>\$ 4,044</u>	<u>\$ 66,818</u>	<u>\$ 266,607</u>	<u>\$ 94,312</u>

This statement continued on next page.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)
 SEPTEMBER 30, 2000
 (In Thousands)

	<u>MICHIGAN NONGAME FISH AND WILDLIFE FUND</u>	<u>MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND</u>	<u>FOREST DEVELOPMENT FUND</u>
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Equity in Common Cash	6,998	22,114	9,649
Taxes, interest, and penalties receivable	-	-	-
Amounts due from other funds	-	-	-
Amounts due from federal agencies	-	-	1,946
Amounts due from local units	-	-	-
Inventories	-	-	-
Investments	-	-	-
Other current assets	-	-	12
Total Current Assets	<u>6,998</u>	<u>22,114</u>	<u>11,607</u>
Amounts due from local units	-	-	-
Investments	-	-	-
Other noncurrent assets	-	-	-
Total Assets	<u>\$ 6,998</u>	<u>\$ 22,114</u>	<u>\$ 11,607</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 23	\$ 7	\$ 111
Accounts payable and other liabilities	69	101	2,031
Amounts due to other funds	2	-	73
Bonds and notes payable	-	-	-
Deferred revenue	-	-	-
Total Current Liabilities	<u>94</u>	<u>108</u>	<u>2,216</u>
Deferred revenue	-	-	-
Total Liabilities	<u>94</u>	<u>108</u>	<u>2,216</u>
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	47	38	918
Restricted revenues	-	-	-
Multi-year projects	-	-	-
Revolving loan programs	-	-	-
Funds held as permanent investments	6,000	20,000	-
Noncurrent assets	-	-	-
Total Reserved	<u>6,047</u>	<u>20,038</u>	<u>918</u>
Unreserved	<u>857</u>	<u>1,969</u>	<u>8,473</u>
Total Fund Balances	<u>6,904</u>	<u>22,006</u>	<u>9,391</u>
Total Liabilities and Fund Balances	<u>\$ 6,998</u>	<u>\$ 22,114</u>	<u>\$ 11,607</u>

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	BOTTLE DEPOSITS FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ -	\$ -	\$ 56
4,211	-	120,602	630,553	545,831
5,110	-	-	5,213	4,905
-	-	-	92	18,111
-	-	-	2,573	2,427
-	-	-	1,891	34
-	-	-	81	48
2	102	-	104	100
-	-	4,845	26,662	19,458
<u>9,323</u>	<u>102</u>	<u>125,446</u>	<u>667,171</u>	<u>590,969</u>
-	-	3,785	3,785	1,330
-	-	-	144,155	120,538
-	-	957	2,101	1,411
<u>\$ 9,323</u>	<u>\$ 102</u>	<u>\$ 130,188</u>	<u>\$ 817,212</u>	<u>\$ 714,248</u>
\$ 31	\$ -	\$ 1,610	\$ 5,137	\$ 3,476
704	276	9,379	88,854	62,065
17	-	4	486	18,466
-	-	-	-	2,825
-	-	336	512	631
<u>751</u>	<u>276</u>	<u>11,329</u>	<u>94,989</u>	<u>87,463</u>
-	-	957	2,096	1,352
<u>751</u>	<u>276</u>	<u>12,285</u>	<u>97,085</u>	<u>88,814</u>
39	-	4,844	33,609	27,782
2,430	-	88,564	104,920	100,574
41,925	-	14,756	124,337	106,056
-	-	1,159	1,159	2,670
-	-	4,794	359,706	321,225
-	-	3,785	3,790	1,389
<u>44,394</u>	<u>-</u>	<u>117,902</u>	<u>627,521</u>	<u>559,696</u>
<u>(35,823)</u>	<u>(173)</u>	<u>-</u>	<u>92,606</u>	<u>65,737</u>
<u>8,572</u>	<u>(173)</u>	<u>117,902</u>	<u>720,127</u>	<u>625,433</u>
<u>\$ 9,323</u>	<u>\$ 102</u>	<u>\$ 130,188</u>	<u>\$ 817,212</u>	<u>\$ 714,248</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	<u>GAME AND FISH PROTECTION FUND</u>	<u>MICHIGAN STATE WATERWAYS FUND</u>	<u>MARINE SAFETY FUND</u>
REVENUES			
Taxes	\$ -	\$ 616	\$ -
From federal agencies	3,359	222	298
From licenses and permits	47,457	5,709	4,570
Miscellaneous	4,136	4,428	447
	<u>54,952</u>	<u>10,975</u>	<u>5,314</u>
EXPENDITURES			
Current:			
General government	-	-	-
Conservation, environment, recreation, and agriculture	55,304	15,588	4,652
Health services	-	-	-
Capital outlay	4,545	3,333	-
	<u>59,849</u>	<u>18,920</u>	<u>4,652</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>(4,897)</u>	<u>(7,945)</u>	<u>662</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	-	-
Operating transfers from other funds	5,275	14,891	-
Operating transfers to other funds	(1,244)	(338)	(1,038)
	<u>4,031</u>	<u>14,553</u>	<u>(1,038)</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(866)	6,607	(376)
Fund Balances - Beginning of fiscal year	<u>24,727</u>	<u>56,894</u>	<u>4,885</u>
Fund Balances - End of fiscal year	<u>\$ 23,861</u>	<u>\$ 63,501</u>	<u>\$ 4,509</u>

<u>GAME AND FISH PROTECTION TRUST FUND</u>	<u>STATE PARK IMPROVEMENT FUND</u>	<u>COMBINED RECREATION BOND FUND- LOCAL PROJECTS</u>	<u>COMBINED ENVIRONMENTAL PROTECTION BOND FUND</u>	<u>MICHIGAN NATURAL RESOURCES TRUST FUND</u>	<u>MICHIGAN STATE PARKS ENDOWMENT FUND</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	27,955	-	-	-	-
<u>13,245</u>	<u>975</u>	<u>181</u>	<u>4,388</u>	<u>54,162</u>	<u>6,113</u>
<u>13,245</u>	<u>28,931</u>	<u>181</u>	<u>4,388</u>	<u>54,162</u>	<u>6,113</u>
-	-	-	-	-	-
-	26,715	3,126	50,149	10,397	5,802
-	-	-	534	-	-
<u>-</u>	<u>2,282</u>	<u>-</u>	<u>-</u>	<u>13,764</u>	<u>936</u>
<u>-</u>	<u>28,996</u>	<u>3,126</u>	<u>50,683</u>	<u>24,161</u>	<u>6,738</u>
<u>13,245</u>	<u>(66)</u>	<u>(2,945)</u>	<u>(46,295)</u>	<u>30,001</u>	<u>(625)</u>
-	-	151	81,947	-	-
-	-	-	-	-	10,000
<u>(5,285)</u>	<u>(176)</u>	<u>(2)</u>	<u>(7,031)</u>	<u>(10,043)</u>	<u>(29)</u>
<u>(5,285)</u>	<u>(176)</u>	<u>149</u>	<u>74,917</u>	<u>(10,043)</u>	<u>9,971</u>
7,960	(242)	(2,796)	28,622	19,957	9,345
<u>76,964</u>	<u>14,674</u>	<u>4,262</u>	<u>9,229</u>	<u>211,334</u>	<u>84,343</u>
<u>\$ 84,924</u>	<u>\$ 14,432</u>	<u>\$ 1,466</u>	<u>\$ 37,851</u>	<u>\$ 231,292</u>	<u>\$ 93,688</u>

This statement continued on next page.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	MICHIGAN NONGAME FISH AND WILDLIFE FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	FOREST DEVELOPMENT FUND
REVENUES			
Taxes	\$ -	\$ -	\$ -
From federal agencies	-	-	685
From licenses and permits	-	-	1
Miscellaneous	882	1,374	23,603
Total Revenues	<u>882</u>	<u>1,374</u>	<u>24,290</u>
EXPENDITURES			
Current:			
General government	-	-	-
Conservation, environment, recreation, and agriculture	942	1,240	20,330
Health services	-	-	-
Capital outlay	-	-	202
Total Expenditures	<u>942</u>	<u>1,240</u>	<u>20,533</u>
Excess of Revenues over (under) Expenditures	<u>(60)</u>	<u>133</u>	<u>3,757</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	-	-
Operating transfers from other funds	2,400	-	-
Operating transfers to other funds	(4)	(9)	(135)
Total Other Financing Sources (Uses)	<u>2,396</u>	<u>(9)</u>	<u>(135)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	2,336	125	3,622
Fund Balances - Beginning of fiscal year	<u>4,568</u>	<u>21,882</u>	<u>5,768</u>
Fund Balances - End of fiscal year	<u>\$ 6,904</u>	<u>\$ 22,006</u>	<u>\$ 9,391</u>

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	BOTTLE DEPOSITS FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 59,820	\$ -	\$ -	\$ 60,436	\$ 58,612
-	-	-	4,564	4,378
-	-	-	85,692	85,336
<u>293</u>	<u>2,841</u>	<u>34,449</u>	<u>151,518</u>	<u>99,545</u>
<u>60,113</u>	<u>2,841</u>	<u>34,449</u>	<u>302,210</u>	<u>247,872</u>
727	2,993	-	3,720	1,745
4,816	-	21,085	220,147	195,311
-	-	-	534	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>25,061</u>	<u>27,950</u>
<u>5,543</u>	<u>2,993</u>	<u>21,085</u>	<u>249,462</u>	<u>225,005</u>
<u>54,570</u>	<u>(152)</u>	<u>13,364</u>	<u>52,748</u>	<u>22,866</u>
-	-	-	82,099	-
4,000	-	7,031	43,597	47,107
<u>(58,017)</u>	<u>(5)</u>	<u>(392)</u>	<u>(83,750)</u>	<u>(58,728)</u>
<u>(54,017)</u>	<u>(5)</u>	<u>6,638</u>	<u>41,946</u>	<u>(11,622)</u>
553	(157)	20,003	94,694	11,245
<u>8,019</u>	<u>(16)</u>	<u>97,899</u>	<u>625,433</u>	<u>614,188</u>
<u>\$ 8,572</u>	<u>\$ (173)</u>	<u>\$ 117,902</u>	<u>\$ 720,127</u>	<u>\$ 625,433</u>

STATE OF MICHIGAN
 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, 2000
 (In Thousands)

Statutory/Budgetary Basis	GAME AND FISH PROTECTION FUND			MICHIGAN STATE WATERWAYS FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ 616	\$ 616	\$ -
From federal agencies	3,359	3,359	-	222	222	-
From licenses and permits	47,457	47,457	-	5,709	5,709	-
Miscellaneous	4,136	4,136	-	4,428	4,428	-
Operating transfers in	5,275	5,275	-	14,891	14,891	-
Total Revenues and Other Sources	60,227	60,227	-	25,866	25,866	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	66,066	63,539	2,527	26,630	24,631	1,999
Total Expenditures, Operating Transfers Out, and Encumbrances	66,066	63,539	2,527	26,630	24,631	1,999
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (5,840)	(3,312)	\$ 2,527	\$ (764)	1,236	\$ 1,999
Reconciling Items:						
Encumbrances at September 30		2,446			5,372	
Funds not annually budgeted		-			-	
Net Reconciling Items		2,446			5,372	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(866)			6,607	
FUND BALANCES (GAAP BASIS)						
Beginning balances		24,727			56,894	
Ending balances (GAAP Basis)		\$ 23,861			\$ 63,501	

MARINE SAFETY FUND			STATE PARK IMPROVEMENT FUND			MICHIGAN NATURAL RESOURCES TRUST FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
298	298	-	-	-	-	-	-	-
4,570	4,570	-	27,955	27,955	-	-	-	-
447	447	-	975	975	-	54,162	54,162	-
-	-	-	-	-	-	-	-	-
<u>5,314</u>	<u>5,314</u>	<u>-</u>	<u>28,931</u>	<u>28,931</u>	<u>-</u>	<u>54,162</u>	<u>54,162</u>	<u>-</u>
<u>5,925</u>	<u>5,736</u>	<u>190</u>	<u>30,740</u>	<u>30,559</u>	<u>181</u>	<u>61,644</u>	<u>51,490</u>	<u>10,154</u>
<u>5,925</u>	<u>5,736</u>	<u>190</u>	<u>30,740</u>	<u>30,559</u>	<u>181</u>	<u>61,644</u>	<u>51,490</u>	<u>10,154</u>
<u>\$ (611)</u>	<u>(421)</u>	<u>\$ 190</u>	<u>\$ (1,809)</u>	<u>(1,628)</u>	<u>\$ 181</u>	<u>\$ (7,481)</u>	<u>2,672</u>	<u>\$ 10,154</u>
	45			1,386			17,285	
	-			-			-	
	<u>45</u>			<u>1,386</u>			<u>17,285</u>	
	<u>(376)</u>			<u>(242)</u>			<u>19,957</u>	
	<u>4,885</u>			<u>14,674</u>			<u>211,334</u>	
	<u>\$ 4,509</u>			<u>\$ 14,432</u>			<u>\$ 231,292</u>	

This schedule continued on next page.

STATE OF MICHIGAN
 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, 2000
 (In Thousands)

Statutory/Budgetary Basis	MICHIGAN STATE PARK ENDOWMENT FUND			MICHIGAN NONGAME FISH AND WILDLIFE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	6,113	6,113	-	882	882	-
Operating transfers in	10,000	10,000	-	2,400	2,400	-
Total Revenues and Other Sources	<u>16,113</u>	<u>16,113</u>	<u>-</u>	<u>3,282</u>	<u>3,282</u>	<u>-</u>
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	<u>7,991</u>	<u>7,957</u>	<u>34</u>	<u>996</u>	<u>993</u>	<u>3</u>
Total Expenditures, Operating Transfers Out, and Encumbrances	<u>7,991</u>	<u>7,957</u>	<u>34</u>	<u>996</u>	<u>993</u>	<u>3</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ 8,122</u>	<u>8,156</u>	<u>\$ 34</u>	<u>\$ 2,286</u>	<u>2,289</u>	<u>\$ 3</u>
Reconciling Items:						
Encumbrances at September 30		1,189			47	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>1,189</u>			<u>47</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>9,345</u>			<u>2,336</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances		<u>84,343</u>			<u>4,568</u>	
Ending balances (GAAP Basis)		<u>\$ 93,688</u>			<u>\$ 6,904</u>	

FUNDS NOT ANNUALLY BUDGETED

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			FOREST DEVELOPMENT FUND			GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	ACTUAL	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	685	685	-	-	-	-
-	-	-	1	1	-	-	-	-
1,374	1,374	-	23,603	23,603	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,374</u>	<u>1,374</u>	<u>-</u>	<u>24,290</u>	<u>24,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,288</u>	<u>1,287</u>	<u>1</u>	<u>26,401</u>	<u>21,586</u>	<u>4,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,288</u>	<u>1,287</u>	<u>1</u>	<u>26,401</u>	<u>21,586</u>	<u>4,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 86</u>	<u>87</u>	<u>\$ 1</u>	<u>\$ (2,111)</u>	<u>2,704</u>	<u>\$ 4,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
	38			918		-	-	-
	-			-		7,960	(2,796)	28,622
	<u>38</u>			<u>918</u>		<u>7,960</u>	<u>(2,796)</u>	<u>28,622</u>
	<u>125</u>			<u>3,622</u>		<u>7,960</u>	<u>(2,796)</u>	<u>28,622</u>
	<u>21,882</u>			<u>5,768</u>		<u>76,964</u>	<u>4,262</u>	<u>9,229</u>
	<u>\$ 22,006</u>			<u>\$ 9,391</u>		<u>\$ 84,924</u>	<u>\$ 1,466</u>	<u>\$ 37,851</u>

This schedule continued on next page.

STATE OF MICHIGAN
**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, 2000
(In Thousands)

<u>Statutory/Budgetary Basis</u>	FUNDS NOT ANNUALLY BUDGETED					
	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE AUTHORITY	BOTTLE DEPOSITS FUND	TOTALS		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ 616	\$ 616	\$ -
From federal agencies	-	-	-	4,564	4,564	-
From licenses and permits	-	-	-	85,692	85,692	-
Miscellaneous	-	-	-	96,121	96,121	-
Operating transfers in	-	-	-	32,566	32,566	-
Total Revenues and Other Sources	-	-	-	219,559	219,559	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	-	-	-	227,681	207,776	19,904
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-	227,681	207,776	19,904
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	\$ (8,121)	11,783	\$ 19,904
Reconciling Items:						
Encumbrances at September 30	-	-	-		28,726	
Funds not annually budgeted	553	(157)	20,003		54,184	
Net Reconciling Items	553	(157)	20,003		82,910	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	553	(157)	20,003		94,694	
FUND BALANCES (GAAP BASIS)						
Beginning balances	8,019	(16)	97,899		625,433	
Ending balances (GAAP Basis)	\$ 8,572	\$ (173)	\$ 117,902		\$ 720,127	

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2000

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

Public Act 1 of 1936 (Extra Session) created this fund to account for administrative costs of the Unemployment Agency and the Employment Services Agency. Effective February 6, 1998, the Department of Consumer and Industry Services administers the Unemployment Agency and the Department of Career Development administers the Employment Services Agency. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (an expendable trust fund). Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from trust funds accumulated from employer premium payments. These activities are reported in the Michigan Unemployment Compensation Fund (an expendable trust fund).

SAFETY EDUCATION AND TRAINING FUND

Public Act 154 of 1974, as amended, imposes an annual levy on each insurance carrier licensed to do workers' disability compensation business in the State and on each self-insured employer. Public Act 24 of 1977 provided for the establishment of the Safety Education and Training Fund to receive these assessments for support of the Department of Consumer and Industry Service's Safety Education and Training Division.

UNINSURED EMPLOYERS' SECURITY FUND

Under P.A. 198 of 1993, this fund succeeded the former Workplace Health and Safety Fund. This fund provides workers' compensation benefits to employees injured on or after June 29, 1990 (and for related claims administration), where their employer failed to provide coverage for them. This fund recorded an equity transfer of \$21.7 million to the General Fund in fiscal year 1999-2000. This transfer was made to close the fund in accordance with P.A. 357 of 1996. Sufficient equity in common cash was retained to cover the remaining liabilities.

STATE CONSTRUCTION CODE FUND

The State Construction Code Fund was created by P.A. 230 of 1972, as amended. Fees received for building permit applications and other funds collected under this act are appropriated by the Legislature for the operation of the Department of Consumer and Industry Service's Bureau of Construction Codes and related indirect overhead expenditures.

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

The Homeowner Construction Lien Recovery Fund was established by P.A. 497 of 1980 to allow 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

This fund was created by P.A. 69 of 1997 to provide for the licensing, regulation and control of casino gaming activities in Michigan. The 5-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.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
 SEPTEMBER 30, 2000
 (In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	UNINSURED EMPLOYERS' SECURITY FUND
ASSETS			
Current Assets:			
Cash	\$ 106	\$ -	\$ -
Equity in Common Cash	-	3,427	1,253
Amounts due from federal agencies	14,090	-	-
Amounts due from local units	956	-	-
Other current assets	1,038	-	-
Total Current Assets	<u>16,189</u>	<u>3,427</u>	<u>1,253</u>
Total Assets	<u>\$ 16,189</u>	<u>\$ 3,427</u>	<u>\$ 1,253</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 356	\$ 41	\$ 3
Accounts payable and other liabilities	12,812	299	1,250
Amounts due to other funds	2,867	-	-
Deferred revenue	155	-	-
Total Current Liabilities	<u>16,189</u>	<u>341</u>	<u>1,253</u>
Total Liabilities	<u>16,189</u>	<u>341</u>	<u>1,253</u>
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	-	85	-
Restricted revenues	-	-	-
Multi-year projects	-	-	-
Total Reserved	<u>-</u>	<u>85</u>	<u>-</u>
Unreserved	<u>-</u>	<u>3,001</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>3,086</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 16,189</u>	<u>\$ 3,427</u>	<u>\$ 1,253</u>

STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE CASINO GAMING FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ -	\$ 106	\$ 87
12,470	3,047	-	20,197	44,477
-	-	-	14,090	12,207
-	-	-	956	1,254
57	-	487	1,582	1,754
<u>12,527</u>	<u>3,047</u>	<u>487</u>	<u>36,930</u>	<u>59,779</u>
<u>\$ 12,527</u>	<u>\$ 3,047</u>	<u>\$ 487</u>	<u>\$ 36,930</u>	<u>\$ 59,779</u>
\$ 16	\$ 4	\$ 90	\$ 510	\$ 905
298	12	1,265	15,935	13,948
36	-	850	3,754	6,000
-	-	4	158	1,809
<u>349</u>	<u>16</u>	<u>2,209</u>	<u>20,357</u>	<u>22,662</u>
<u>349</u>	<u>16</u>	<u>2,209</u>	<u>20,357</u>	<u>22,662</u>
13	-	57	155	246
33	-	6,405	6,438	1,420
-	-	777	777	1,337
<u>46</u>	<u>-</u>	<u>7,239</u>	<u>7,370</u>	<u>3,002</u>
<u>12,132</u>	<u>3,030</u>	<u>(8,961)</u>	<u>9,203</u>	<u>34,114</u>
<u>12,178</u>	<u>3,030</u>	<u>(1,722)</u>	<u>16,573</u>	<u>37,117</u>
<u>\$ 12,527</u>	<u>\$ 3,047</u>	<u>\$ 487</u>	<u>\$ 36,930</u>	<u>\$ 59,779</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	UNINSURED EMPLOYERS' SECURITY FUND
REVENUES			
From federal agencies	\$ 135,609	\$ -	\$ -
From local agencies	1,707	-	-
From services	-	-	-
From licenses and permits	-	-	-
Miscellaneous	<u>1,401</u>	<u>5,280</u>	<u>944</u>
Total Revenues	<u>138,718</u>	<u>5,280</u>	<u>944</u>
EXPENDITURES			
Current:			
General government	-	-	-
Labor, commerce, and regulatory	153,907	5,606	2,600
Debt service:			
Capital lease payments	<u>721</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>154,628</u>	<u>5,606</u>	<u>2,600</u>
Excess of Revenues over (under) Expenditures	<u>(15,910)</u>	<u>(326)</u>	<u>(1,656)</u>
OTHER FINANCING SOURCES (USES)			
Capital lease acquisitions	415	-	-
Operating transfers from other funds	17,881	-	-
Operating transfers to other funds	<u>(2,386)</u>	<u>(34)</u>	<u>(7)</u>
Total Other Financing Sources (Uses)	<u>15,910</u>	<u>(34)</u>	<u>(7)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	(360)	(1,662)
Fund Balances - Beginning of fiscal year	-	3,446	23,317
Equity transfers to other funds	<u>-</u>	<u>-</u>	<u>(21,655)</u>
Fund Balances - End of fiscal year	<u>\$ -</u>	<u>\$ 3,086</u>	<u>\$ -</u>

STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE CASINO GAMING FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ -	\$ 135,609	\$ 128,235
-	-	-	1,707	389
-	-	-	-	76
8,105	-	64	8,169	8,440
<u>811</u>	<u>644</u>	<u>19,482</u>	<u>28,564</u>	<u>23,561</u>
<u>8,916</u>	<u>644</u>	<u>19,546</u>	<u>174,049</u>	<u>160,702</u>
-	-	9,065	9,065	6,974
9,662	956	-	172,731	160,961
-	-	-	721	1,161
<u>9,662</u>	<u>956</u>	<u>9,065</u>	<u>182,517</u>	<u>169,096</u>
<u>(746)</u>	<u>(311)</u>	<u>10,481</u>	<u>(8,468)</u>	<u>(8,394)</u>
-	-	-	415	-
-	-	-	17,881	18,861
<u>(66)</u>	<u>(43)</u>	<u>(6,182)</u>	<u>(8,717)</u>	<u>(6,993)</u>
<u>(66)</u>	<u>(43)</u>	<u>(6,182)</u>	<u>9,578</u>	<u>11,867</u>
(811)	(354)	4,299	1,111	3,473
12,990	3,385	(6,021)	37,117	33,643
-	-	-	(21,655)	-
<u>\$ 12,178</u>	<u>\$ 3,030</u>	<u>\$ (1,722)</u>	<u>\$ 16,573</u>	<u>\$ 37,117</u>

STATE OF MICHIGAN
**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, 2000
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From federal agencies	\$ 135,609	\$ 135,609	\$ -
From local agencies	1,707	1,707	-
From licenses and permits	-	-	-
Miscellaneous	1,401	1,401	-
Operating transfers in	17,881	17,881	-
Total Revenues and Other Sources	156,598	156,598	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Career Development	42,939	42,939	-
Consumer and Industry Services	113,659	113,659	-
Treasury	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	156,598	156,598	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ -	-	\$ -
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)		-	
FUND BALANCES (GAAP BASIS)			
Beginning balances		-	
Equity transfer to other funds		-	
Ending balances (GAAP Basis)		\$ -	

<u>SAFETY EDUCATION AND TRAINING FUND</u>			<u>STATE CONSTRUCTION CODE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	8,105	8,105	-
5,280	5,280	-	811	811	-
-	-	-	-	-	-
<u>5,280</u>	<u>5,280</u>	<u>-</u>	<u>8,916</u>	<u>8,916</u>	<u>-</u>
-	-	-	-	-	-
5,788	5,725	62	9,957	9,741	216
-	-	-	-	-	-
<u>5,788</u>	<u>5,725</u>	<u>62</u>	<u>9,957</u>	<u>9,741</u>	<u>216</u>
<u>\$ (507)</u>	<u>(445)</u>	<u>\$ 62</u>	<u>\$ (1,040)</u>	<u>(824)</u>	<u>\$ 216</u>
	85			13	
	-			-	
	<u>85</u>			<u>13</u>	
	(360)			(811)	
	3,446			12,990	
	-			-	
	<u>\$ 3,086</u>			<u>\$ 12,178</u>	

This schedule continued on next page.

STATE OF MICHIGAN
**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, 2000
 (In Thousands)

	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From federal agencies	\$ -	\$ -	\$ -
From local agencies	-	-	-
From licenses and permits	-	-	-
Miscellaneous	644	644	-
Operating transfers in	-	-	-
	644	644	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Career Development	-	-	-
Consumer and Industry Services	1,530	999	531
Treasury	-	-	-
	1,530	999	531
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (885)</u>	<u>(354)</u>	<u>\$ 531</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>(354)</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances		3,385	
Equity transfers to other funds		-	
Ending balances (GAAP Basis)		<u>\$ 3,030</u>	

STATE CASINO GAMING FUND			FUND NOT ANNUALLY BUDGETED	TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	UNINSURED EMPLOYERS' SECURITY FUND ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$ 135,609	\$ 135,609	\$ -
-	-	-	-	1,707	1,707	-
64	64	-	-	8,169	8,169	-
19,482	19,482	-	-	27,619	27,619	-
-	-	-	-	17,881	17,881	-
<u>19,546</u>	<u>19,546</u>	<u>-</u>	<u>-</u>	<u>190,985</u>	<u>190,985</u>	<u>-</u>
-	-	-	-	42,939	42,939	-
-	-	-	-	130,933	130,124	809
<u>16,982</u>	<u>15,304</u>	<u>1,678</u>	<u>-</u>	<u>16,982</u>	<u>15,304</u>	<u>1,678</u>
<u>16,982</u>	<u>15,304</u>	<u>1,678</u>	<u>-</u>	<u>190,855</u>	<u>188,367</u>	<u>2,487</u>
<u>\$ 2,564</u>	<u>4,242</u>	<u>\$ 1,678</u>	<u>-</u>	<u>\$ 131</u>	<u>2,618</u>	<u>\$ 2,487</u>
	57		-		155	
	<u>-</u>		<u>(1,662)</u>		<u>(1,662)</u>	
	<u>57</u>		<u>(1,662)</u>		<u>(1,507)</u>	
	<u>4,299</u>		<u>(1,662)</u>		<u>1,111</u>	
	(6,021)		23,317		37,117	
	<u>-</u>		<u>(21,655)</u>		<u>(21,655)</u>	
	<u>\$ (1,722)</u>		<u>\$ -</u>		<u>\$ 16,573</u>	



STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

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

MICHIGAN VETERANS' TRUST FUND

This fund was created by P.A. 9 of 1946 (First Extra Session) to finance programs to assist veterans and their beneficiaries. The fund is governed by a seven member board of trustees. Resources are provided by investment and common cash earnings and by transfers from the General Fund. 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.

SCHOOL AID FUND

This fund was created in 1955 by an amendment to the 1908 Constitution. Its continued existence was provided for by the 1963 Constitution. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. Payments of aid to school districts are based on a statutory formula.

The fund receives State revenues restricted to local school programs, including: the constitutionally dedicated sixty percent of the collections of sales tax imposed at a rate of 4% and all of the collections of sales tax imposed at the additional rate of 2%; State Lottery Fund earnings; 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.

SCHOOL BOND LOAN FUND

Article 9, Section 16, of the State Constitution and P.A. 74 of 1955 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. The proceeds of State bonds are credited to the fund as an "Other Financing Source." When loans are made, operating transfers are recorded to the General Fund, which receives loan payments and provides financing for debt service. The loans receivable are recorded as assets in the General Fund.

CHILDREN'S TRUST FUND

The Children's Trust Fund was established by P.A. 249 of 1982 to support the State Child Abuse and Neglect Prevention Board. Established under P.A. 250 of 1982, the purpose of the board is to coordinate and fund activities for the prevention of child abuse and neglect in the State. The fund is administered within the Family Independence Agency.

Revenues are derived from taxpayer donations made on the individual's income tax return, other gifts, interest earnings, and grants from the federal government. One-half of the donations made on income tax returns are placed in a trust corpus. When the total assets of the fund exceed \$20 million, only the earnings credited to the fund will be available for disbursement. P.A. 291 of 2000 provided for a transfer of \$13.1 million from the General Fund to bring the total assets of the fund to an amount exceeding the \$20 million.

MICHIGAN MERIT AWARD TRUST FUND

This fund was created by P.A. 94 of 1999 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. Expenditures from the fund are primarily for the Michigan Merit Award Scholarship program.

TOBACCO SETTLEMENT TRUST FUND

P.A. 489 of 2000 created this fund 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. Expenditures from the fund are for a variety of programs as determined by the Legislature.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' TRUST FUND	SCHOOL AID FUND
ASSETS			
Current Assets:			
Equity in Common Cash	\$ 1,264,434	\$ 4,100	\$ 302,168
Taxes, interest, and penalties receivable	-	-	843,896
Amounts due from federal agencies	-	-	358
Amounts due from local units	-	186	21,883
Other current assets	-	484	697
Total Current Assets	<u>1,264,434</u>	<u>4,770</u>	<u>1,169,001</u>
Taxes, interest, and penalties receivable	-	-	11,896
Amounts due from local units	-	-	1,732
Investments	-	44,618	-
Total Assets	<u>\$ 1,264,434</u>	<u>\$ 49,388</u>	<u>\$ 1,182,629</u>
 LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ -	\$ 14	\$ 26
Accounts payable and other liabilities	-	404	185,075
Amounts due to other funds	-	5	-
Amounts due to component units	-	136	-
Bonds and notes payable	-	-	-
Deferred revenue	-	-	-
Total Current Liabilities	<u>-</u>	<u>558</u>	<u>185,102</u>
Long-Term Liabilities:			
Deferred revenue	-	-	11,896
Total Liabilities	<u>-</u>	<u>558</u>	<u>196,997</u>
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	-	-	980
Restricted revenues	-	-	9,899
Multi-year projects	-	-	119,600
Funds held as permanent investments	-	49,000	-
Noncurrent assets	-	-	1,732
Total Reserved	<u>-</u>	<u>49,000</u>	<u>132,211</u>
Unreserved	<u>1,264,434</u>	<u>(171)</u>	<u>853,420</u>
Total Fund Balances	<u>1,264,434</u>	<u>48,830</u>	<u>985,632</u>
Total Liabilities and Fund Balances	<u>\$ 1,264,434</u>	<u>\$ 49,388</u>	<u>\$ 1,182,629</u>

SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	TOBACCO SETTLEMENT TRUST FUND	TOTALS	
				SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 30,873	\$ 13,944	\$ 103,885	\$ 183,808	\$ 1,903,212	\$ 1,275,240
-	-	-	-	843,896	749,256
-	-	-	-	358	7
-	-	-	22	22,090	29,680
-	110	25,285	58,997	85,572	343,937
<u>30,873</u>	<u>14,054</u>	<u>129,170</u>	<u>242,827</u>	<u>2,855,129</u>	<u>2,398,120</u>
-	-	-	-	11,896	11,464
-	-	-	-	1,732	2,288
-	6,756	-	-	51,374	54,719
<u>\$ 30,873</u>	<u>\$ 20,811</u>	<u>\$ 129,170</u>	<u>\$ 242,827</u>	<u>\$ 2,920,131</u>	<u>\$ 2,466,591</u>
\$ -	\$ 37	\$ 3,829	\$ 37	\$ 3,943	\$ 2,328
-	142	90,660	11,255	287,536	135,090
-	-	2	-	7	68,425
-	-	-	-	136	169
44,813	-	-	-	44,813	-
-	-	25,285	58,997	84,282	235,513
<u>44,813</u>	<u>179</u>	<u>119,775</u>	<u>70,289</u>	<u>420,716</u>	<u>441,524</u>
-	-	-	-	11,896	11,464
<u>44,813</u>	<u>179</u>	<u>119,775</u>	<u>70,289</u>	<u>432,612</u>	<u>452,988</u>
-	10	79	10,611	11,681	-
-	-	-	-	9,899	899
-	-	2,116	73,464	195,180	-
-	20,455	-	-	69,455	56,855
-	-	-	-	1,732	2,288
-	20,465	2,195	84,075	287,947	60,042
<u>(13,940)</u>	<u>167</u>	<u>7,200</u>	<u>88,463</u>	<u>2,199,573</u>	<u>1,953,561</u>
<u>(13,940)</u>	<u>20,632</u>	<u>9,395</u>	<u>172,538</u>	<u>2,487,520</u>	<u>2,013,603</u>
<u>\$ 30,873</u>	<u>\$ 20,811</u>	<u>\$ 129,170</u>	<u>\$ 242,827</u>	<u>\$ 2,920,131</u>	<u>\$ 2,466,591</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	<u>COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND</u>	<u>MICHIGAN VETERANS' TRUST FUND</u>	<u>SCHOOL AID FUND</u>
REVENUES			
Taxes	\$ -	\$ -	\$ 9,270,822
From federal agencies	-	-	121,550
Miscellaneous	<u>73,951</u>	<u>3,318</u>	<u>16,338</u>
Total Revenues	<u>73,951</u>	<u>3,318</u>	<u>9,408,710</u>
EXPENDITURES			
Current:			
General government	-	-	-
Education	-	-	10,056,580
Family independence services	-	-	-
Public safety and corrections	-	4,492	-
Labor, commerce, and regulatory	-	-	-
Health services	-	-	-
Total Expenditures	<u>-</u>	<u>4,492</u>	<u>10,056,580</u>
Excess of Revenues over (under) Expenditures	<u>73,951</u>	<u>(1,174)</u>	<u>(647,870)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from:			
State Lottery Fund	-	-	618,514
Other funds	<u>100,000</u>	<u>-</u>	<u>452,114</u>
Total operating transfers from other funds	100,000	-	1,070,627
Operating transfers to other funds	(132,000)	(26)	(12,999)
Operating transfers to component units	<u>-</u>	<u>-</u>	<u>(163)</u>
Total Other Financing Sources (Uses)	<u>(32,000)</u>	<u>(26)</u>	<u>1,057,466</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	41,951	(1,200)	409,595
Fund Balances - Beginning of fiscal year	<u>1,222,483</u>	<u>50,030</u>	<u>576,036</u>
Fund Balances - End of fiscal year	<u>\$ 1,264,434</u>	<u>\$ 48,830</u>	<u>\$ 985,632</u>

SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	TOBACCO SETTLEMENT TRUST FUND	TOTALS	
				FISCAL YEARS ENDED	
				SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ -	\$ -	\$ 9,270,822	\$ 8,688,714
-	908	-	-	122,459	107,477
-	1,760	77,528	181,418	354,313	200,730
-	2,668	77,528	181,418	9,747,593	8,996,921
126	-	2,903	10,157	13,186	1,424
-	-	97,465	1,926	10,155,972	9,643,111
-	2,394	-	-	2,394	2,002
-	-	-	-	4,492	4,220
-	-	-	12,202	12,202	-
-	-	-	9,810	9,810	-
126	2,394	100,369	34,096	10,198,058	9,650,757
(126)	274	(22,841)	147,322	(450,464)	(653,837)
-	-	-	-	618,514	621,131
-	13,146	-	-	565,260	737,734
-	13,146	-	-	1,183,773	1,358,865
(64,193)	(11)	-	-	(209,229)	(147,573)
-	-	-	(50,000)	(50,163)	-
(64,193)	13,134	-	(50,000)	924,381	1,211,292
(64,319)	13,408	(22,841)	97,322	473,917	557,455
50,379	7,224	32,235	75,216	2,013,603	1,456,148
\$ (13,940)	\$ 20,632	\$ 9,395	\$ 172,538	\$ 2,487,520	\$ 2,013,603

STATE OF MICHIGAN
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

<u>Statutory/Budgetary Basis</u>	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES AND OTHER SOURCES			
Taxes	\$ -	\$ -	\$ -
From federal agencies	-	-	-
Miscellaneous	73,951	73,951	-
Operating transfers in	37,100	100,000	62,900
Total Revenues and Other Sources	111,051	173,951	62,900
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Career Development	-	-	-
Colleges and Universities Grants	-	-	-
Community Health	-	-	-
Education	-	-	-
Family Independence Agency	-	-	-
Management and Budget	132,000	132,000	-
Military and Veterans Affairs	-	-	-
Treasury	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	132,000	132,000	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (20,949)	41,951	\$ 62,900
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)		41,951	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,222,483	
Ending balances (GAAP Basis)		\$ 1,264,434	

MICHIGAN VETERANS' TRUST FUND			SCHOOL AID FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 9,270,822	\$ 9,270,822	\$ -
-	-	-	121,550	121,550	-
3,318	3,318	-	16,338	16,338	-
-	-	-	1,070,627	1,070,627	-
<u>3,318</u>	<u>3,318</u>	<u>-</u>	<u>10,479,337</u>	<u>10,479,337</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,071,850	10,070,722	1,127
-	-	-	-	-	-
-	-	-	-	-	-
4,742	4,519	224	-	-	-
-	-	-	-	-	-
<u>4,742</u>	<u>4,519</u>	<u>224</u>	<u>10,071,850</u>	<u>10,070,722</u>	<u>1,127</u>
\$ (1,424)	(1,201)	\$ 224	\$ 407,488	408,615	\$ 1,127
-	-	-	-	980	-
-	-	-	-	-	-
-	-	-	-	980	-
-	(1,200)	-	-	409,595	-
-	50,030	-	-	576,036	-
-	<u>\$ 48,830</u>	-	<u>\$ 985,632</u>		-

This schedule continued on next page.

STATE OF MICHIGAN
**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, 2000
(In Thousands)

Statutory/Budgetary Basis	CHILDREN'S TRUST FUND			MICHIGAN MERIT AWARD TRUST FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	908	908	-	-	-	-
Miscellaneous	1,760	1,760	-	77,528	77,528	-
Operating transfers in	13,146	13,146	-	-	-	-
Total Revenues and Other Sources	15,814	15,814	-	77,528	77,528	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Career Development	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	100,634	97,465	3,169
Community Health	-	-	-	-	-	-
Education	-	-	-	-	-	-
Family Independence Agency	3,047	2,415	631	-	-	-
Management and Budget	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
Treasury	-	-	-	3,000	2,982	18
Total Expenditures, Operating Transfers Out, and Encumbrances	3,047	2,415	631	103,634	100,447	3,187
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 12,767	13,399	\$ 631	\$ (26,106)	(22,919)	\$ 3,187
Reconciling Items:						
Encumbrances at September 30		10			79	
Funds not annually budgeted		-			-	
Net Reconciling Items		10			79	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		13,408			(22,841)	
FUND BALANCES (GAAP BASIS)						
Beginning balances		7,224			32,235	
Ending balances (GAAP Basis)		\$ 20,632			\$ 9,395	

TOBACCO SETTLEMENT TRUST FUND			FUND NOT ANNUALLY BUDGETED	TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	SCHOOL BOND LOAN FUND ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$ 9,270,822	\$ 9,270,822	\$ -
-	-	-	-	122,459	122,459	-
181,418	181,418	-	-	354,313	354,313	-
-	-	-	-	1,120,873	1,183,773	62,900
<u>181,418</u>	<u>181,418</u>	<u>-</u>	<u>-</u>	<u>10,868,466</u>	<u>10,931,366</u>	<u>62,900</u>
22,250	22,250	-	-	22,250	22,250	-
-	-	-	-	100,634	97,465	3,169
43,374	10,374	33,000	-	43,374	10,374	33,000
1,926	1,926	-	-	10,073,776	10,072,649	1,127
-	-	-	-	3,047	2,415	631
50,000	50,000	-	-	182,000	182,000	-
-	-	-	-	4,742	4,519	224
10,157	10,157	-	-	13,157	13,139	18
<u>127,708</u>	<u>94,708</u>	<u>33,000</u>	<u>-</u>	<u>10,442,980</u>	<u>10,404,811</u>	<u>38,169</u>
<u>\$ 53,711</u>	<u>86,711</u>	<u>\$ 33,000</u>	<u>-</u>	<u>\$ 425,486</u>	<u>526,555</u>	<u>\$ 101,069</u>
	10,611		-		11,681	
	-		(64,319)		(64,319)	
	10,611		(64,319)		(52,639)	
	<u>97,322</u>		<u>(64,319)</u>		<u>473,917</u>	
	<u>75,216</u>		<u>50,379</u>		<u>2,013,603</u>	
	<u>\$ 172,538</u>		<u>\$ (13,940)</u>		<u>\$ 2,487,520</u>	



STATE OF MICHIGAN
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

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

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

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

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Public Acts 326 and 327 of 1988 established this fund to service bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Also pursuant to P.A. 284 of 1998 and part 196 of Act 451 of 1994, the fund services bond issues of the Clean Michigan Initiative Bond Fund-Local Projects, Clean Michigan Initiative Bond Fund-State Projects, and Clean Michigan Initiative Bond Fund-Environmental Projects. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 established this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. The Legislature appropriates funds from the General Fund to meet principal and interest requirements and paying agents fees.

STATE BUILDING AUTHORITY

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

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

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was created by P.A. 132 of 1993 to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund, including short or long-term debt instruments. The Authority is governed by a five member board of directors.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Equity in Common Cash	-	-	6
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	<u>-</u>	<u>-</u>	<u>6</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	\$ -	\$ -	\$ 6
Amounts due to other funds	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>6</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>6</u>
Fund Balances:			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ 5,871	\$ 5,871	\$ -
5	-	6,930	6,941	3,848
-	165,742	50,818	216,560	205,704
-	1,378	564	1,943	1,385
<u>5</u>	<u>167,120</u>	<u>64,183</u>	<u>231,314</u>	<u>210,936</u>
-	67,739	-	67,739	36,565
<u>\$ 5</u>	<u>\$ 234,860</u>	<u>\$ 64,183</u>	<u>\$ 299,054</u>	<u>\$ 247,502</u>
\$ 5	\$ 1,312	\$ 5,900	\$ 7,223	\$ 492
-	8	-	8	36
<u>5</u>	<u>1,320</u>	<u>5,900</u>	<u>7,231</u>	<u>529</u>
<u>5</u>	<u>1,320</u>	<u>5,900</u>	<u>7,231</u>	<u>529</u>
-	233,540	58,283	291,822	246,973
-	233,540	58,283	291,822	246,973
<u>\$ 5</u>	<u>\$ 234,860</u>	<u>\$ 64,183</u>	<u>\$ 299,054</u>	<u>\$ 247,502</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	<u>COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND</u>	<u>COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND</u>	<u>RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND</u>
REVENUES			
Miscellaneous	\$ -	\$ 1	\$ -
Total Revenues	<u>-</u>	<u>1</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	-	-	-
Education	-	-	-
Debt Service:			
Bond principal retirement	17,745	8,295	29,755
Bond interest and fiscal charges	<u>29,464</u>	<u>12,913</u>	<u>33,109</u>
Total Expenditures	<u>47,209</u>	<u>21,208</u>	<u>62,863</u>
Excess of Revenues over (under) Expenditures	<u>(47,209)</u>	<u>(21,207)</u>	<u>(62,863)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issue	-	-	-
Payment to refunded bond escrow agent	-	-	-
Operating transfers from other funds	47,209	21,208	62,863
Operating transfers to other funds	<u>-</u>	<u>(1)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>47,209</u>	<u>21,207</u>	<u>62,863</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	-
Fund Balances - Beginning of fiscal year	-	-	-
Equity transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ 20,136	\$ 2,226	\$ 22,364	\$ 18,437
-	20,136	2,226	22,364	18,437
-	-	105	105	195
-	1,112	-	1,112	627
6,280	124,075	13,670	199,820	218,266
16,475	100,305	10,168	202,434	195,708
22,755	225,492	23,943	403,470	414,796
(22,755)	(205,356)	(21,717)	(381,106)	(396,359)
-	-	-	-	336,145
-	-	-	-	(360,810)
22,755	218,499	57,772	430,307	394,181
-	(349)	(4,001)	(4,351)	(10,002)
22,755	218,151	53,771	425,956	359,514
-	12,795	32,055	44,850	(36,846)
-	220,745	26,228	246,973	283,737
-	-	-	-	82
\$ -	\$ 233,540	\$ 58,283	\$ 291,822	\$ 246,973



STATE OF MICHIGAN
DESCRIPTIONS OF CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

COMBINED RECREATION BOND FUND - STATE PROJECTS

This fund was established in 1988 and operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The balances remaining 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 1998 as part of a \$675 million bond package known as the "Clean Michigan Initiative." The proceeds from the bond package approved in 1988 are being used to construct, expand, and develop recreational facilities at State parks. The proceeds from the bond package approved in 1998 are being used for infrastructure improvements at State parks with the installation or upgrade of drinking water systems or rest room facilities as a first priority.

ADVANCE FINANCING FUNDS

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

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

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

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

STATE BUILDING AUTHORITY

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

This capital projects fund, which accounts for the construction of State projects, certain equipment financing, and higher education related projects, reports bond proceeds as an "Other financing source," investment revenue during construction as "miscellaneous revenue," and construction expenditures as "capital outlay," "grant expenditures," or "operating transfers out." Short-term borrowings to provide temporary financing are recorded as fund liabilities if they have not been refinanced with long-term debt prior to financial statement preparation. Operating transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the State Building Authority Advance Financing Fund, transfers to component unit State universities for amounts expended in their plant funds, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's General Fixed Assets Account Group, accumulated expenditures for incomplete State projects are reflected as "Construction in progress" and completed State projects are recorded as "Buildings."

STATE OF MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	COMBINED RECREATION BOND FUND- STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS	
				SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
ASSETS					
Current Assets:					
Equity in Common Cash	\$ 16,638	\$ -	\$ -	\$ 16,638	\$ 4,085
Amounts due from other funds	-	129,502	-	129,502	37,541
Amounts due from component units	-	18,551	-	18,551	4,977
Amounts due from federal agencies	-	5,458	-	5,458	8,802
Amounts due from local units	-	2,711	-	2,711	1,626
Investments	-	-	20,180	20,180	35,761
Other current assets	-	16,875	138	17,013	216
Total Current Assets	<u>16,638</u>	<u>173,099</u>	<u>20,317</u>	<u>210,054</u>	<u>93,010</u>
Total Assets	<u>\$ 16,638</u>	<u>\$ 173,099</u>	<u>\$ 20,317</u>	<u>\$ 210,054</u>	<u>\$ 93,010</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 15	\$ 820	\$ -	\$ 834	\$ 313
Accounts payable and other liabilities	2,001	185,150	264	187,414	87,017
Amounts due to other funds	-	22,195	129,502	151,697	73,347
Amounts due to component units	-	-	-	-	129
Bonds and notes payable	-	-	348,070	348,070	187,120
Interest payable	-	-	324	324	258
Deferred revenue	-	24,017	-	24,017	-
Total Current Liabilities	<u>2,015</u>	<u>232,181</u>	<u>478,160</u>	<u>712,356</u>	<u>348,184</u>
Total Liabilities	<u>2,015</u>	<u>232,181</u>	<u>478,160</u>	<u>712,356</u>	<u>348,184</u>
Fund Balances:					
Reserves for:					
Construction and debt service	-	-	11,290	11,290	10,384
Total Reserved	<u>-</u>	<u>-</u>	<u>11,290</u>	<u>11,290</u>	<u>10,384</u>
Unreserved	<u>14,622</u>	<u>(59,082)</u>	<u>(469,133)</u>	<u>(513,593)</u>	<u>(265,559)</u>
Total Fund Balances	<u>14,622</u>	<u>(59,082)</u>	<u>(457,843)</u>	<u>(502,302)</u>	<u>(255,175)</u>
Total Liabilities and Fund Balances	<u>\$ 16,638</u>	<u>\$ 173,099</u>	<u>\$ 20,317</u>	<u>\$ 210,054</u>	<u>\$ 93,010</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	COMBINED RECREATION BOND FUND- STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS	
				FISCAL YEARS ENDED	
				SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
REVENUES					
From federal agencies	\$ -	\$ 9,835	\$ -	\$ 9,835	\$ 8,774
Miscellaneous	830	5,045	2,868	8,743	8,771
	830	14,880	2,868	18,578	17,545
EXPENDITURES					
Current:					
General government	-	145	-	145	-
Education	-	15,146	57,118	72,264	23,264
Capital outlay	5,327	64,910	161,410	231,647	163,247
	5,327	80,202	218,528	304,056	186,511
Excess of Revenues over (under) Expenditures	(4,497)	(65,322)	(215,659)	(285,478)	(168,966)
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issues	15,382	-	133,635	149,016	85,488
Operating transfers from other funds	-	77,209	-	77,209	36,013
Operating transfers to other funds	(2)	(7)	(60,205)	(60,214)	(35,820)
Operating transfers to component units	-	(194)	(127,468)	(127,662)	(32,516)
	15,380	77,008	(54,038)	38,350	53,166
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	10,883	11,687	(269,698)	(247,128)	(115,800)
Fund Balances - Beginning of fiscal year	3,739	(70,769)	(188,145)	(255,175)	(139,293)
Equity transfer to other funds	-	-	-	-	(82)
Fund Balances - End of fiscal year	\$ 14,622	\$ (59,082)	\$ (457,843)	\$ (502,302)	\$ (255,175)

STATE OF MICHIGAN
DESCRIPTIONS OF ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

LIQUOR PURCHASE REVOLVING FUND

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

STATE LOTTERY FUND

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

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

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
ASSETS				
Current Assets:				
Cash	\$ 1	\$ 2	\$ 3	\$ 4,385
Equity in Common Cash	56,605	7,221	63,826	80,072
Inventories	2,908	2,320	5,228	8,089
Investments	-	107,278	107,278	128,985
Securities Lending Collateral	-	232,628	232,628	218,471
Other current assets	5,112	49,711	54,824	45,983
Total Current Assets	<u>64,627</u>	<u>399,161</u>	<u>463,788</u>	<u>485,986</u>
Investments	-	717,632	717,632	906,691
Property, plant, and equipment:				
Land	-	-	-	98
Buildings and equipment	-	4,273	4,273	11,118
Allowance for depreciation	-	(3,823)	(3,823)	(9,665)
Total property, plant, and equipment	<u>-</u>	<u>450</u>	<u>450</u>	<u>1,552</u>
Total Assets	<u>\$ 64,627</u>	<u>\$ 1,117,243</u>	<u>\$ 1,181,870</u>	<u>\$ 1,394,228</u>
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Warrants outstanding	\$ 2,366	\$ 1,377	\$ 3,743	\$ 6,819
Obligations under security lending	-	232,628	232,628	218,471
Accounts payable and other liabilities	53,528	157,975	211,502	222,769
Amounts due to other funds	67	65	131	78
Deferred revenue	2	-	2	5
Total Current Liabilities	<u>55,962</u>	<u>392,045</u>	<u>448,007</u>	<u>448,143</u>
Long-Term Liabilities:				
Prize awards payable	-	672,505	672,505	872,555
Other long-term liabilities	1,989	1,817	3,806	4,000
Total Liabilities	<u>57,951</u>	<u>1,066,367</u>	<u>1,124,318</u>	<u>1,324,697</u>
Fund Equity:				
Retained earnings - unreserved	<u>6,676</u>	<u>50,877</u>	<u>57,552</u>	<u>69,531</u>
Total Fund Equity	<u>6,676</u>	<u>50,877</u>	<u>57,552</u>	<u>69,531</u>
Total Liabilities and Fund Equity	<u>\$ 64,627</u>	<u>\$ 1,117,243</u>	<u>\$ 1,181,870</u>	<u>\$ 1,394,228</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

			TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
OPERATING REVENUES	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND		
Operating revenues	\$ 567,312	\$ 1,736,487	\$ 2,303,799	\$ 2,297,741
Total Operating Revenues	<u>567,312</u>	<u>1,736,487</u>	<u>2,303,799</u>	<u>2,297,741</u>
OPERATING EXPENSES				
Salaries, wages, and other administrative	43,932	201,326	245,257	245,328
Interest expense	-	23	23	-
Depreciation	72	481	552	648
Purchases for resale	413,924	-	413,924	386,170
Lottery prize awards	-	920,800	920,800	944,508
Other operating expenses	521	-	521	576
Total Operating Expenses	<u>458,449</u>	<u>1,122,630</u>	<u>1,581,078</u>	<u>1,577,230</u>
Operating Income (Loss)	<u>108,863</u>	<u>613,857</u>	<u>722,721</u>	<u>720,511</u>
NONOPERATING REVENUES (EXPENSES)				
Specific tax on spirits	9,991	-	9,991	9,304
Interest revenue	5,688	8,219	13,907	8,584
Investment revenue (expense) - net	-	73,745	73,745	(15,005)
Other nonoperating revenues	2,827	-	2,827	41
Amortization of prize award obligation discount	-	(67,061)	(67,061)	(73,267)
Interest expense	-	(14,224)	(14,224)	(14,550)
Total Nonoperating Revenues (Expenses)	<u>18,506</u>	<u>679</u>	<u>19,186</u>	<u>(84,892)</u>
Income (Loss) Before Operating Transfers	<u>127,369</u>	<u>614,537</u>	<u>741,906</u>	<u>635,618</u>
OPERATING TRANSFERS				
Operating transfers to:				
School Aid Fund	-	(618,514)	(618,514)	(621,131)
Other funds	(127,369)	(8,002)	(135,371)	(121,269)
Total operating transfers to other funds	<u>(127,369)</u>	<u>(626,515)</u>	<u>(753,885)</u>	<u>(742,401)</u>
Total Operating Transfers In (Out)	<u>(127,369)</u>	<u>(626,515)</u>	<u>(753,885)</u>	<u>(742,401)</u>
Net Income (Loss)	<u>-</u>	<u>(11,979)</u>	<u>(11,979)</u>	<u>(106,783)</u>
Retained Earnings - Beginning of fiscal year	6,676	62,855	69,531	182,814
Equity transfers to other funds	-	-	-	(6,500)
Retained Earnings - End of fiscal year	<u>\$ 6,676</u>	<u>\$ 50,877</u>	<u>\$ 57,552</u>	<u>\$ 69,531</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 108,863	\$ 613,857	\$ 722,721	\$ 720,511
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	72	481	552	648
Other adjustments	6	-	6	41
Changes in assets and liabilities:				
Inventories	3,850	(988)	2,862	(683)
Other assets	(3,871)	(4,979)	(8,850)	1,286
Accounts payable and other liabilities	5,625	(284,196)	(278,572)	(116,182)
Amounts due to other funds	15	39	53	(53)
Deferred revenue	(3)	-	(3)	(484)
Net cash provided (used) by operating activities	<u>\$ 114,555</u>	<u>\$ 324,213</u>	<u>\$ 438,769</u>	<u>\$ 605,084</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Specific tax on spirits	\$ 9,991	\$ -	\$ 9,991	\$ 9,304
Operating transfers to other funds	(127,369)	(626,515)	(753,885)	(742,401)
Equity transfers to other funds	-	-	-	(6,500)
Net cash provided (used) by noncapital financing activities	<u>\$ (117,378)</u>	<u>\$ (626,515)</u>	<u>\$ (743,894)</u>	<u>\$ (739,597)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ -	\$ (105)	\$ (105)	\$ (212)
Proceeds from sale of property, plant, and equipment	3,475	-	3,475	-
Net cash provided (used) by capital and related financing activities	<u>\$ 3,475</u>	<u>\$ (105)</u>	<u>\$ 3,370</u>	<u>\$ (212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	\$ -	\$ (111,742)	\$ (111,742)	\$ -
Proceeds from sale and maturities of investment securities	-	381,093	381,093	132,571
Interest and dividends on investments	5,688	8,229	13,917	8,671
Proceeds from securities lending activities	-	15,160	15,160	15,681
Expenses from securities lending activities	-	(14,224)	(14,224)	(14,550)
Net cash provided (used) by investing activities	<u>\$ 5,688</u>	<u>\$ 278,515</u>	<u>\$ 284,203</u>	<u>\$ 142,373</u>
Net cash provided (used) - all activities	\$ 6,340	\$ (23,892)	\$ (17,552)	\$ 7,648
Cash and cash equivalents at beginning of year	47,900	29,738	77,638	69,990
Cash and cash equivalents at end of year	<u>\$ 54,240</u>	<u>\$ 5,846</u>	<u>\$ 60,087</u>	<u>\$ 77,638</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Per balance sheet classifications:				
Cash	\$ 1	\$ 2	\$ 3	\$ 4,385
Equity in common cash	56,605	7,221	63,826	80,072
Warrants outstanding	(2,366)	(1,377)	(3,743)	(6,819)
Cash and cash equivalents at end of year	<u>\$ 54,240</u>	<u>\$ 5,846</u>	<u>\$ 60,087</u>	<u>\$ 77,638</u>



STATE OF MICHIGAN
DESCRIPTIONS OF INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

CORRECTIONAL INDUSTRIES REVOLVING FUND

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

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The repayment provisions from Executive Order 1992-13 resulted in no required payment in fiscal year 1999-2000, however \$2 million was paid against the principal because sufficient cash was available.

MOTOR TRANSPORT FUND

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

OFFICE SERVICES REVOLVING FUND

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

INFORMATION TECHNOLOGY AND ENERGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. The cost of providing services is charged to the user agencies. During fiscal year 1999-2000, the use of the fund was expanded to account for the purchase of bulk gas, which is used by State agencies.

RISK MANAGEMENT FUND

This fund was administratively established to account 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 General Long Term Obligations Account Group 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 which provide health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the general purpose financial statements entitled "Risk Management" provides additional information about this fund.

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

STATE OF MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ 21
Equity in Common Cash	5,298	-	-
Amounts due from other funds	-	-	-
Amounts due from federal agencies	-	-	-
Inventories	15,594	287	2,058
Other current assets	266	16,905	323
Total Current Assets	<u>21,158</u>	<u>17,193</u>	<u>2,402</u>
Advances to other funds	-	-	-
Property, plant, and equipment:			
Buildings and equipment	38,931	18,264	27,892
Allowance for depreciation	(18,111)	(12,580)	(11,741)
Construction in progress	2,532	-	-
Total property, plant, and equipment	<u>23,352</u>	<u>5,684</u>	<u>16,150</u>
Other noncurrent assets	-	955	-
Total Assets	<u>\$ 44,511</u>	<u>\$ 23,832</u>	<u>\$ 18,552</u>
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Warrants outstanding	\$ 605	\$ 6	\$ 439
Accounts payable and other liabilities	2,702	2,294	4,296
Amounts due to other funds	73	10,324	4,623
Bonds and notes payable	-	-	-
Deferred revenue	-	634	36
Total Current Liabilities	<u>3,380</u>	<u>13,258</u>	<u>9,394</u>
Long-Term Liabilities:			
Advances from other funds	8,210	-	-
Bonds and notes payable	-	-	-
Other long-term liabilities	1,025	430	3,985
Total Liabilities	<u>12,615</u>	<u>13,688</u>	<u>13,379</u>
Fund Equity:			
Contributed Capital:			
From other funds	1,533	8,444	809
Total Contributed Capital	<u>1,533</u>	<u>8,444</u>	<u>809</u>
Retained earnings - unreserved	<u>30,362</u>	<u>1,700</u>	<u>4,364</u>
Total Fund Equity	<u>31,895</u>	<u>10,144</u>	<u>5,173</u>
Total Liabilities and Fund Equity	<u>\$ 44,511</u>	<u>\$ 23,832</u>	<u>\$ 18,552</u>

INFORMATION TECHNOLOGY AND ENERGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 34	\$ -	\$ 13	\$ 68	\$ 22
-	14,445	74,695	94,438	72,852
-	-	33,358	33,358	27,269
-	-	-	-	20
474	-	-	18,414	16,611
381	-	8,713	26,588	22,231
<u>889</u>	<u>14,445</u>	<u>116,779</u>	<u>172,866</u>	<u>139,004</u>
-	-	-	-	18,297
155,287	4	5,603	245,981	222,600
(103,320)	(4)	(303)	(146,060)	(120,618)
-	-	-	2,532	2,532
<u>51,967</u>	<u>-</u>	<u>5,300</u>	<u>102,453</u>	<u>104,514</u>
<u>-</u>	<u>-</u>	<u>82,914</u>	<u>83,870</u>	<u>79,168</u>
<u>\$ 52,856</u>	<u>\$ 14,445</u>	<u>\$ 204,994</u>	<u>\$ 359,189</u>	<u>\$ 340,983</u>
\$ 719	\$ 4,807	\$ 1,433	\$ 8,008	\$ 1,347
20,212	3,102	101,283	133,889	116,517
6,927	3	-	21,950	17,746
6,881	-	-	6,881	10,677
1,045	-	-	1,715	1,587
<u>35,784</u>	<u>7,912</u>	<u>102,716</u>	<u>172,443</u>	<u>147,873</u>
-	-	-	8,210	28,507
-	-	-	-	6,881
<u>10,128</u>	<u>5,585</u>	<u>89,339</u>	<u>110,493</u>	<u>96,419</u>
<u>45,912</u>	<u>13,497</u>	<u>192,054</u>	<u>291,146</u>	<u>279,680</u>
-	-	-	10,786	9,977
-	-	-	10,786	9,977
<u>6,943</u>	<u>948</u>	<u>12,939</u>	<u>57,257</u>	<u>51,325</u>
<u>6,943</u>	<u>948</u>	<u>12,939</u>	<u>68,043</u>	<u>61,302</u>
<u>\$ 52,856</u>	<u>\$ 14,445</u>	<u>\$ 204,994</u>	<u>\$ 359,189</u>	<u>\$ 340,983</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2000

(In Thousands)

	<u>CORRECTIONAL INDUSTRIES REVOLVING FUND</u>	<u>MOTOR TRANSPORT FUND</u>	<u>OFFICE SERVICES REVOLVING FUND</u>
OPERATING REVENUES	\$ 44,096	\$ 60,950	\$ 58,916
OPERATING EXPENSES:			
Salaries, wages, and other administrative	18,629	5,467	26,000
Depreciation	1,451	939	2,417
Purchases for resale	-	-	31,142
Purchases for prison industries	16,723	-	-
Premiums and claims	-	1,675	54
Other operating expenses:			
Leased vehicles expense	-	34,961	-
Vehicle maintenance expense	1	22,462	-
Total other operating expenses	<u>1</u>	<u>57,423</u>	<u>-</u>
 Total Operating Expenses	 <u>36,804</u>	 <u>65,504</u>	 <u>59,612</u>
 Operating Income (Loss)	 <u>7,292</u>	 <u>(4,554)</u>	 <u>(697)</u>
NONOPERATING REVENUES (EXPENSES):			
Other nonoperating revenues	-	-	-
Interest expense	(279)	-	(208)
Other nonoperating expense	<u>(84)</u>	<u>-</u>	<u>(19)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(363)</u>	 <u>-</u>	 <u>(227)</u>
 Income (Loss) Before Operating Transfers	 <u>6,929</u>	 <u>(4,554)</u>	 <u>(924)</u>
OPERATING TRANSFERS:			
Operating transfers to other funds	<u>(257)</u>	<u>(24)</u>	<u>(36)</u>
 Total Operating Transfers In (Out)	 <u>(257)</u>	 <u>(24)</u>	 <u>(36)</u>
 Net Income (Loss)	 6,672	 (4,578)	 (960)
Retained Earnings - Beginning of fiscal year	<u>23,690</u>	<u>6,278</u>	<u>5,324</u>
Retained Earnings - End of fiscal year	<u>\$ 30,362</u>	<u>\$ 1,700</u>	<u>\$ 4,364</u>

INFORMATION TECHNOLOGY AND ENERGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 116,802	\$ 2,342	\$ 694,315	\$ 977,421	\$ 877,963
76,432	1,369	38,720	166,617	161,556
28,566	-	-	33,373	29,090
9,381	-	-	40,522	32,262
-	-	-	16,723	12,236
-	1,842	651,241	654,811	624,706
-	-	-	34,961	27,220
-	-	-	22,463	19,275
-	-	-	57,424	46,495
114,379	3,211	689,960	969,471	906,345
2,423	(869)	4,354	7,950	(28,381)
-	-	-	-	30
(1,111)	-	-	(1,598)	(1,739)
-	-	-	(103)	(77)
(1,111)	-	-	(1,701)	(1,786)
1,313	(869)	4,354	6,249	(30,167)
-	-	-	(317)	(270)
-	-	-	(317)	(270)
1,313	(869)	4,354	5,932	(30,437)
5,631	1,818	8,585	51,325	81,762
\$ 6,943	\$ 948	\$ 12,939	\$ 57,257	\$ 51,325

STATE OF MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 7,292	\$ (4,554)	\$ (697)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,451	939	2,417
Amortization of prepaid expense	-	-	93
Interest (nonprogram) and investment income	-	-	-
Changes in assets and liabilities:			
Amounts due from other funds	-	-	-
Amounts due from federal agencies	-	-	-
Inventories	(1,379)	(19)	69
Other assets	363	446	79
Accounts payable and other liabilities	952	346	1,743
Amounts due to other funds	17	1,418	112
Deferred revenue	-	571	(5)
Net cash provided (used) by operating activities	<u>\$ 8,697</u>	<u>\$ (853)</u>	<u>\$ 3,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	\$ -	\$ -	\$ -
Loans or loan repayments to other funds	(2,000)	-	-
Operating transfers to other funds	(257)	(24)	(36)
Net cash provided (used) by noncapital financing activities	<u>\$ (2,257)</u>	<u>\$ (24)</u>	<u>\$ (36)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (2,752)	\$ (12)	\$ (2,714)
Principal paid on bond and loan maturities	-	-	-
Interest paid	(279)	-	-
Capital lease payments (including imputed interest expense)	-	-	(1,487)
Proceeds from sale of property, plant, and equipment	-	895	158
Net cash provided (used) by capital and related financing activities	<u>\$ (3,031)</u>	<u>\$ 883</u>	<u>\$ (4,043)</u>
Net cash provided (used) - all activities	\$ 3,409	\$ 6	\$ (268)
Cash and cash equivalents at beginning of year	<u>1,284</u>	<u>(11)</u>	<u>(149)</u>
Cash and cash equivalents at end of year	<u>\$ 4,693</u>	<u>\$ (6)</u>	<u>\$ (418)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per balance sheet classifications:			
Cash	\$ -	\$ -	\$ 21
Equity in common cash	5,298	-	-
Warrants outstanding	(605)	(6)	(439)
Cash and cash equivalents at end of year	<u>\$ 4,693</u>	<u>\$ (6)</u>	<u>\$ (418)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ 1,955
Capital lease liabilities entered into during the year	-	-	(1,955)
Contributed fixed assets	-	-	809
Gain (loss) on disposal of capital assets	(84)	-	(19)
Total noncash investing, capital, and financing activities	<u>\$ (84)</u>	<u>\$ -</u>	<u>\$ 790</u>

INFORMATION TECHNOLOGY AND ENERGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999 (RESTATED*)
\$ 2,423	\$ (869)	\$ 4,354	\$ 7,950	\$ (28,381)
28,566	-	-	33,373	29,090
-	-	-	93	-
-	-	-	-	107
-	-	12,208	12,208	5,509
20	-	-	20	(20)
(474)	-	-	(1,803)	(1,542)
(113)	-	(9,834)	(9,058)	(6,814)
5,317	824	8,238	17,420	6,465
(15,640)	1	-	(14,092)	6,650
(410)	(29)	-	128	376
<u>\$ 19,690</u>	<u>\$ (73)</u>	<u>\$ 14,966</u>	<u>\$ 46,239</u>	<u>\$ 11,440</u>
\$ -	\$ -	\$ -	\$ -	\$ (3,430)
-	-	-	(2,000)	(107)
-	-	-	(317)	(270)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,317)</u>	<u>\$ (3,808)</u>
(5,684)	\$ -	\$ (2,650)	\$ (13,812)	\$ (23,812)
(10,677)	-	-	(10,677)	(10,368)
-	-	-	(279)	(285)
(3,747)	-	-	(5,234)	(1,214)
-	-	-	1,053	1,414
<u>\$ (20,108)</u>	<u>\$ -</u>	<u>\$ (2,650)</u>	<u>\$ (28,949)</u>	<u>\$ (34,265)</u>
\$ (417)	\$ (73)	\$ 12,316	\$ 14,972	\$ (26,633)
(268)	9,711	60,959	71,526	98,159
<u>\$ (685)</u>	<u>\$ 9,638</u>	<u>\$ 73,275</u>	<u>\$ 86,499</u>	<u>\$ 71,526</u>
\$ 34	\$ -	\$ 13	\$ 68	\$ 22
-	14,445	74,695	94,438	72,852
(719)	(4,807)	(1,433)	(8,008)	(1,347)
<u>\$ (685)</u>	<u>\$ 9,638</u>	<u>\$ 73,275</u>	<u>\$ 86,499</u>	<u>\$ 71,526</u>
\$ 15,986	\$ -	\$ -	\$ 17,941	\$ 773
(15,986)	-	-	(17,941)	-
-	-	-	809	69
-	-	-	(103)	(29)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 813</u>

* The prior amounts have been restated to correct errors and to reclassify amounts to new lines.



STATE OF MICHIGAN
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS - BY CLASSIFICATION
 SEPTEMBER 30, 2000
 (In Thousands)

	EXPENDABLE TRUST FUNDS	PENSION TRUST FUNDS**	AGENCY FUNDS	TOTALS	
				SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
ASSETS					
Current Assets:					
Cash	\$ 778	\$ 3,855	\$ 1,481	\$ 6,113	\$ 11,664
Equity in Common Cash	168,777	194,235	5,019	368,031	345,887
Taxes, interest, and penalties receivable	123,304	-	-	123,304	129,533
Amounts due from other funds	1,157	89,129	-	90,286	11,331
Amounts due from component units	171	-	-	171	179
Amounts due from federal agencies	24,421	-	-	24,421	17,346
Amounts due from local units	25,401	-	-	25,401	21,212
Investments	3,242,285	2,455,732	15,629	5,713,647	5,049,077
Security lending collateral	-	694,418	-	694,418	1,425,368
Other current assets	82,009	790,970	4,627	877,606	612,343
Total Current Assets	3,668,303	4,228,338	26,756	7,923,398	7,623,940
Investments	3,331,576	50,407,533	120,303	53,859,412	48,933,324
Other noncurrent assets	49,347	-	358,896	408,243	439,304
Total Assets	\$ 7,049,226	\$ 54,635,872	\$ 505,955	\$ 62,191,053	\$ 56,996,568
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 6,841	\$ 7,989	\$ 4	\$ 14,834	\$ 19,783
Accounts payable and other liabilities	139,168	98,390	27,219	264,778	296,168
Amounts due to other funds	3,742	76,912	10	80,664	207
Deferred revenue	15,887	-	-	15,887	7,968
Obligations under security lending	-	694,418	-	694,418	1,425,368
Total Current Liabilities	165,638	877,709	27,233	1,070,581	1,749,494
Long-Term Liabilities:					
Advances from other funds	1,184	-	-	1,184	6,651
Deferred revenue	58	-	-	58	117
Other long-term liabilities	4,913	-	478,721	483,634	532,687
Total Liabilities	171,794	877,709	505,955	1,555,458	2,288,949
Fund Balances:					
Reserved for Pension and Postemployment Health-care Benefits	-	53,758,162	-	53,758,162	48,586,540
Unreserved	6,877,432	-	-	6,877,432	6,121,078
Total Fund Balances	6,877,432	53,758,162	-	60,635,595	54,707,618
Total Liabilities and Fund Balances	\$ 7,049,226	\$ 54,635,872	\$ 505,955	\$ 62,191,053	\$ 56,996,568

** The Combining Statement of Plan Net Assets has been converted to conform with a classified balance sheet.

STATE OF MICHIGAN
DESCRIPTIONS OF EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

MICHIGAN UNEMPLOYMENT COMPENSATION FUND

The Michigan Unemployment Compensation Fund is administered by the Unemployment Agency within the Department of Consumer and Industry Services. The 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).

MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENT FUND

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

SECOND INJURY FUND

Public Act 317 of 1969, as amended, created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The fund is supervised by the administrator who is appointed by the fund's Board of Trustees. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers.

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS

The State Employees' Deferred Compensation Fund I (457) and the State Employees' Deferred Compensation Fund II (401k) are combined for reporting purposes. These funds were administratively established to account for deferred compensation plans which 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. A footnote to the General Purpose Financial Statements, titled "Deferred Compensation Plans," includes additional information on the plans.

STATE OF MICHIGAN
DESCRIPTIONS OF EXPENDABLE TRUST FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds column 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 local and federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result of this, the fund balances of these funds are usually zero.

The Special Federal Bridge Replacement Fund was established in conjunction with the Federal Highway Act of 1970, Section 144. This section was authorized by Congress to assist states in reconstructing or replacing roadway bridges which are found to be unsafe or obsolete.

The Federal County Road Fund was established in conjunction with the Federal Aid Highway Act of 1944. This act authorizes funds for projects on the secondary road system which are selected by the Michigan Department of Transportation in cooperation with county road commissions and the Bureau of Public Roads.

The Federal Urban Transportation System Fund was created to administer provisions of the Federal Highway Act of 1970, Section 106. The responsibility for administration of the act was placed in the Michigan Department of Transportation by Section 302(a) of Title 23, United States Code, and was authorized by section 7(m) of P.A. 286 of 1964. The principal objective of the fund is the improvement of urban highway systems in cooperation with local units of government.

The Highway Topics and Safety Program Fund was established in conjunction with the Federal Aid Highway Acts of 1968 and 1973. The objective of this program is to improve the safety and operating conditions of the existing street and road systems in urban areas.

The Metropolitan Planning Fund was established by the Federal Highway Act of 1973, Sections 112 and 134, to account for Federal funds that reimburse local regional planning agencies for operating expenses.

MISCELLANEOUS TRUST ACCOUNTS FUND

This fund is used to report the transactions of several legally separated activities in which the State holds funds in a fiduciary manner. These activities include the following "funds": Vietnam Veterans' Memorial Monument; Children's Institute Trust; Escheats; Gifts, Bequests, and Deposits Investment; Silicosis, Dust Disease, and Logging Industry Compensation; Assigned Claims Plan; Agricultural College Fund - Morrill Act; Hospital Patients' Trust; Federal Housing Administration Mortgages Escrow; Self-Insurers' Security; Special Assessment Deferment; Utility Consumer Representation; and Workers' Disability Compensation-Multiple Trust Funds.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	<u>MICHIGAN UNEMPLOYMENT COMPENSATION FUND</u>	<u>MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENT FUND</u>	<u>SECOND INJURY FUND</u>
ASSETS			
Current Assets:			
Cash	\$ 751	\$ -	\$ -
Equity in Common Cash	-	82,896	16,219
Taxes, interest, and penalties receivable	123,304	-	-
Amounts due from other funds	770	387	-
Amounts due from component units	171	-	-
Amounts due from federal agencies	649	-	-
Amounts due from local units	10,603	-	-
Investments	3,080,207	-	-
Other current assets	18,511	-	25
Total Current Assets	<u>3,234,967</u>	<u>83,283</u>	<u>16,244</u>
Investments	-	-	-
Other noncurrent assets	-	-	-
Total Assets	<u>\$ 3,234,967</u>	<u>\$ 83,283</u>	<u>\$ 16,244</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ -	\$ -	\$ 964
Accounts payable and other liabilities	55,610	-	2,787
Amounts due to other funds	387	-	7
Deferred revenue	287	-	3,467
Total Current Liabilities	<u>56,284</u>	<u>-</u>	<u>7,224</u>
Long-Term Liabilities:			
Advances from other funds	-	-	-
Deferred revenue	-	-	-
Other long-term liabilities	-	-	-
Total Liabilities	<u>56,284</u>	<u>-</u>	<u>7,224</u>
Fund Balances:			
Unreserved	<u>3,178,684</u>	<u>83,283</u>	<u>9,019</u>
Total Fund Balances	<u>3,178,684</u>	<u>83,283</u>	<u>9,019</u>
Total Liabilities and Fund Balances	<u>\$ 3,234,967</u>	<u>\$ 83,283</u>	<u>\$ 16,244</u>

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ 27	\$ 778	\$ 694
-	-	69,662	168,777	185,201
-	-	-	123,304	129,533
-	-	-	1,157	1,431
-	-	-	171	179
-	23,771	-	24,421	17,346
-	14,798	-	25,401	21,212
161,964	-	114	3,242,285	2,830,240
27,550	211	35,711	82,009	55,960
<u>189,515</u>	<u>38,780</u>	<u>105,514</u>	<u>3,668,303</u>	<u>3,241,796</u>
3,317,251	-	14,325	3,331,576	2,972,304
48,127	-	1,219	49,347	49,040
<u>\$ 3,554,894</u>	<u>\$ 38,780</u>	<u>\$ 121,058</u>	<u>\$ 7,049,226</u>	<u>\$ 6,263,140</u>
\$ -	\$ 3,413	\$ 2,464	\$ 6,841	\$ 6,857
-	29,503	51,269	139,168	113,592
-	3,345	3	3,742	207
-	2,519	9,614	15,887	7,968
<u>-</u>	<u>38,780</u>	<u>63,350</u>	<u>165,638</u>	<u>128,624</u>
-	-	1,184	1,184	6,651
-	-	58	58	117
-	-	4,913	4,913	6,670
<u>-</u>	<u>38,780</u>	<u>69,506</u>	<u>171,794</u>	<u>142,062</u>
3,554,894	-	51,553	6,877,432	6,121,078
3,554,894	-	51,553	6,877,432	6,121,078
<u>\$ 3,554,894</u>	<u>\$ 38,780</u>	<u>\$ 121,058</u>	<u>\$ 7,049,226</u>	<u>\$ 6,263,140</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	MICHIGAN UNEMPLOYMENT COMPENSATION FUND	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENT FUND	SECOND INJURY FUND
REVENUES	<u> </u>	<u> </u>	<u> </u>
Taxes	\$ 1,051,046	\$ -	\$ -
From federal agencies	15,739	-	-
From local agencies	-	-	-
Miscellaneous	<u>197,658</u>	<u>18,848</u>	<u>16,443</u>
Total Revenues	<u>1,264,443</u>	<u>18,848</u>	<u>16,443</u>
EXPENDITURES			
Current:			
General government	-	-	-
Education	-	-	-
Family independence services	-	-	-
Public safety and corrections	-	-	-
Labor, commerce, and regulatory	905,863	-	27,875
Health services	-	-	-
Transportation	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>905,863</u>	<u>-</u>	<u>27,875</u>
Excess of Revenues over (under) Expenditures	<u>358,580</u>	<u>18,848</u>	<u>(11,432)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from other funds	-	-	-
Operating transfers to other funds	<u>-</u>	<u>(17,892)</u>	<u>(16)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(17,892)</u>	<u>(16)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	358,580	956	(11,448)
Fund Balances - Beginning of fiscal year - as previously reported	2,820,104	82,327	20,467
Effect of accounting change	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning of fiscal year - restated	2,820,104	82,327	20,467
Equity transfers from other funds	-	-	-
Equity transfers to other funds	-	-	-
Equity transfers to component units	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of fiscal year	<u>\$ 3,178,684</u>	<u>\$ 83,283</u>	<u>\$ 9,019</u>

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ -	\$ -	\$ -	\$ 1,051,046	\$ 1,015,566
-	166,468	-	182,207	133,218
-	46,504	-	46,504	43,096
<u>569,500</u>	<u>492</u>	<u>153,444</u>	<u>956,385</u>	<u>964,448</u>
<u>569,500</u>	<u>213,464</u>	<u>153,444</u>	<u>2,236,143</u>	<u>2,156,329</u>
163,569	-	55,613	219,182	199,808
-	-	19	19	19
-	-	-	-	1,557
-	-	32,204	32,204	31,883
-	-	8,422	942,161	949,287
-	-	3,122	3,122	3,344
-	224,493	-	224,493	158,605
<u>163,569</u>	<u>224,493</u>	<u>99,380</u>	<u>1,421,180</u>	<u>1,344,503</u>
<u>405,931</u>	<u>(11,029)</u>	<u>54,064</u>	<u>814,962</u>	<u>811,826</u>
-	11,216	155	11,371	114
-	(187)	(51,884)	(69,979)	(71,378)
-	11,029	(51,729)	(58,608)	(71,264)
405,931	-	2,335	756,355	740,563
3,148,963	-	49,217	6,121,078	3,503,306
-	-	-	-	1,885,289
<u>3,148,963</u>	<u>-</u>	<u>49,217</u>	<u>6,121,078</u>	<u>5,388,595</u>
-	-	219	219	765
-	-	(219)	(219)	(765)
-	-	-	-	(8,079)
<u>\$ 3,554,894</u>	<u>\$ -</u>	<u>\$ 51,553</u>	<u>\$ 6,877,432</u>	<u>\$ 6,121,078</u>



STATE OF MICHIGAN
DESCRIPTIONS OF PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

Additional Pension Trust Fund information regarding plan membership, benefits and funding requirements may be found in the footnote to the financial statements entitled "Pension Benefits and Other Postemployment Benefits."

LEGISLATIVE RETIREMENT FUND

The Legislative Retirement System (LRS) was created by P.A. 261 of 1957 to provide retirement allowances, survivors' allowances, and other benefits for members of the Legislature and the presiding officers and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partly finance the fund. In addition, legislative appropriations, interest on fund investments, and court fees complete the financing.

Public Act 486 of 1996 amended the LRS enabling legislation to provide that members elected after March 31, 1997, participate in the State's defined contribution plan.

STATE POLICE RETIREMENT FUND

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

STATE EMPLOYEES' RETIREMENT FUND

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

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

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981, the Public School Employees' Chapter I Retirement Fund was merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. The two original funds were created by Public Acts 136 of 1945 and 259 of 1974, respectively. Administrative policy is governed by an eight member board.

Financing for the fund is provided by employer contributions and investment earnings. Under P.A. 91 of 1985, additional amounts may be contributed by employees to a "member investment plan."

JUDGES' RETIREMENT FUND

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

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

STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND

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

STATE OF MICHIGAN
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
 SEPTEMBER 30, 2000
 (In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND	STATE EMPLOYEES' RETIREMENT FUND
ASSETS			
Cash	\$ -	\$ -	\$ 51
Equity in Common Cash	6,024	4,388	65,053
Receivables:			
Employee	-	-	-
Employer	91	-	785
Interest and dividends	824	4,437	41,068
Due from other funds	-	1,436	10,782
Sale of investments	485	5,906	58,960
Total receivables	1,400	11,779	111,594
Investments at fair value:			
Short term investments	-	44,174	356,567
Bonds, notes, mortgages, and preferred stock	62,385	240,463	2,233,729
Common stock	101,732	544,219	5,051,960
Real estate	-	99,980	955,549
Alternative investments	-	190,027	1,780,634
International investments	-	77,010	714,817
Mutual funds	12,905	-	-
Pooled investment funds	-	-	-
Money market funds	-	-	-
Total investments	177,022	1,195,872	11,093,256
Securities lending collateral	-	15,972	145,828
Property, plant, and equipment:			
Buildings and equipment	-	-	6
Allowance for depreciation	-	-	(6)
Total property, plant, and equipment	-	-	-
Total assets	184,447	1,228,011	11,415,782
LIABILITIES			
Warrants outstanding	31	131	1,777
Accounts payable and other liabilities	1,928	559	5,566
Amounts due to other funds	1	-	-
Obligations under security lending	-	15,972	145,828
Total liabilities	1,960	16,662	153,170
Net assets held in trust for pension and postemployment health-care benefits	<u>\$ 182,487</u>	<u>\$ 1,211,349</u>	<u>\$ 11,262,612</u>
Reconciliation of net assets held in trust:			
Pension benefits (a schedule of funding progress for each plan is presented in Note 11)	\$ 177,842	\$ 1,212,683	\$ 11,247,932
Postemployment health-care benefits	4,645	(1,334)	14,680
Total net assets held in trust for benefits	<u>\$ 182,487</u>	<u>\$ 1,211,349</u>	<u>\$ 11,262,612</u>

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 3,804	\$ -	\$ -	\$ 3,855	\$ 9,662
84,312	34,458	-	194,235	155,783
-	-	8,834	8,834	4,806
336,715	154	-	337,744	314,986
147,919	1,424	-	195,672	196,733
-	-	76,911	89,129	9,900
181,116	2,252	-	248,720	34,799
665,750	3,830	85,745	880,099	561,224
1,967,856	42,000	45,136	2,455,732	2,204,587
7,881,171	71,388	-	10,489,136	10,458,843
18,025,329	148,306	-	23,871,546	24,268,145
3,227,606	32,503	-	4,315,638	3,543,013
6,171,250	46,646	-	8,188,557	4,734,142
2,512,941	20,131	-	3,324,898	2,678,910
-	-	146,852	159,757	107,844
-	-	56,427	56,427	33,434
-	-	1,574	1,574	-
39,786,152	360,973	249,989	52,863,265	48,028,918
529,146	3,472	-	694,418	1,425,368
18	-	-	24	24
(18)	-	-	(24)	(24)
-	-	-	-	-
41,069,164	402,734	335,734	54,635,872	50,180,954
5,994	57	-	7,989	12,895
88,389	1,948	-	98,390	156,151
-	76,911	-	76,912	1
529,146	3,472	-	694,418	1,425,368
623,529	82,388	-	877,709	1,594,414
\$ 40,445,634	\$ 320,346	\$ 335,734	\$ 53,758,162	\$ 48,586,540
\$ 40,312,341	\$ 320,689	\$ 335,734	\$ 53,607,221	\$ 48,410,650
133,293	(343)	-	150,941	175,890
\$ 40,445,634	\$ 320,346	\$ 335,734	\$ 53,758,162	\$ 48,586,540

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND	STATE EMPLOYEES' RETIREMENT FUND
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
From members	\$ 426	\$ 1,115	\$ 9,664
From employers	3,257	36,529	289,225
From other plans	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total contributions	3,683	37,644	298,888
Investment income:			
Net appreciation (depreciation) in fair value of investments	13,453	113,681	1,075,284
Interest, dividends, and other	5,609	32,488	302,174
Securities lending income	-	1,693	15,447
	<u> </u>	<u> </u>	<u> </u>
Total investment income (loss)	19,062	147,862	1,392,906
Less investment expense:			
Investment activity expense	29	1,622	15,082
Securities lending expense	-	1,583	14,452
	<u> </u>	<u> </u>	<u> </u>
Net investment income (loss)	19,033	144,658	1,363,371
Miscellaneous income	1,146	-	3
	<u> </u>	<u> </u>	<u> </u>
Total additions	23,862	182,302	1,662,262
Deductions:			
Benefits paid to participants or beneficiaries	5,804	56,693	458,804
Medical, dental, and life insurance for retirants	2,824	18,938	208,628
Refunds and transfers to other systems	272	-	222
Administrative expense	933	159	3,954
	<u> </u>	<u> </u>	<u> </u>
Total deductions	9,834	75,790	671,608
Net increase (decrease)	14,028	106,512	990,655
Net plan assets held in trust for pension and postemployment health-care benefits - Beginning of fiscal year (Note 11)			
	<u>168,458</u>	<u>1,104,838</u>	<u>10,271,958</u>
Net plan assets held in trust for pension and postemployment health-care benefits - End of fiscal year			
	<u>\$ 182,487</u>	<u>\$ 1,211,349</u>	<u>\$ 11,262,612</u>
Reconciliation of net increase in assets:			
Net increase (decrease) in assets held in trust for pension benefits	\$ 11,834	\$ 109,930	\$ 1,023,052
Net increase (decrease) in assets held in trust for postemployment benefits	2,194	(3,418)	(32,397)
	<u> </u>	<u> </u>	<u> </u>
Total net increase (decrease)	<u>\$ 14,028</u>	<u>\$ 106,512</u>	<u>\$ 990,655</u>

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
\$ 355,230	\$ 3,199	\$ 10,913	\$ 380,547	\$ 573,823
1,084,256	-	31,629	1,444,895	1,248,159
-	-	77,074	77,074	1,671
1,439,486	3,199	119,616	1,902,516	1,823,653
3,719,066	31,588	18,933	4,972,005	5,516,590
1,095,438	12,855	11,067	1,459,631	1,348,104
56,061	368	-	73,569	78,715
4,870,565	44,810	30,000	6,505,205	6,943,410
52,693	302	-	69,727	50,424
52,442	344	-	68,821	74,231
4,765,431	44,164	30,000	6,366,657	6,818,755
398	-	-	1,548	1,171
6,205,315	47,363	149,615	8,270,720	8,643,578
1,735,936	15,261	12,951	2,285,450	2,123,530
425,761	450	-	656,601	575,027
17,487	78,766	15	96,762	13,085
53,955	517	766	60,285	56,542
2,233,139	94,994	13,733	3,099,098	2,768,183
3,972,176	(47,630)	135,882	5,171,622	5,875,395
36,473,458	367,976	199,852	48,586,540	42,711,145
\$ 40,445,634	\$ 320,346	\$ 335,734	\$ 53,758,162	\$ 48,586,540
\$ 3,963,378	\$ (47,504)	\$ 135,882	\$ 5,196,571	\$ 5,922,863
8,798	(126)	-	(24,949)	(47,468)
\$ 3,972,176	\$ (47,630)	\$ 135,882	\$ 5,171,622	\$ 5,875,395

STATE OF MICHIGAN
DESCRIPTIONS OF AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

FINANCIAL INSTITUTIONS DEPOSITS FUND

This fund was administratively created as of October 1, 1988. It is used to account for security deposits held by the State Treasurer on behalf of banks which operate trust departments. Deposits are in the form of securities or other acceptable assets.

ENVIRONMENTAL QUALITY DEPOSITS FUND

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

INSURANCE CARRIER DEPOSITS FUND

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

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals which have defeased Michigan State Hospital Finance Authority (MSHFA) bonds. The fund also includes additional escrow and paying agent activities performed by the State Treasurer including paying agent transactions for the State Building Authority.

CHILD SUPPORT COLLECTION FUND

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

STATE OF MICHIGAN
**COMBINING STATEMENT OF CHANGES IN ASSETS AND
 LIABILITIES - AGENCY FUNDS**
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	BALANCE OCTOBER 1, 1999 (RESTATED*)	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2000
FINANCIAL INSTITUTIONS DEPOSITS FUND				
ASSETS				
Other noncurrent assets	\$ 13,690	\$ 15,090	\$ 27,280	\$ 1,500
Total Assets	<u>\$ 13,690</u>	<u>\$ 15,090</u>	<u>\$ 27,280</u>	<u>\$ 1,500</u>
LIABILITIES				
Long-Term Liabilities:				
Other long-term liabilities	\$ 13,690	\$ 15,090	\$ 27,280	\$ 1,500
Total Liabilities	<u>\$ 13,690</u>	<u>\$ 15,090</u>	<u>\$ 27,280</u>	<u>\$ 1,500</u>
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	\$ 3,371	\$ 501	\$ 1,432	\$ 2,440
Total Assets	<u>\$ 3,371</u>	<u>\$ 501</u>	<u>\$ 1,432</u>	<u>\$ 2,440</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	\$ 3,371	\$ 500	\$ 1,431	\$ 2,440
Total Liabilities	<u>\$ 3,371</u>	<u>\$ 500</u>	<u>\$ 1,431</u>	<u>\$ 2,440</u>
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	\$ 1,531	\$ 50,383	\$ 49,335	\$ 2,579
Total Current Assets	1,531	50,383	49,335	2,579
Other noncurrent assets	376,574	446,883	466,061	357,396
Total Assets	<u>\$ 378,105</u>	<u>\$ 497,266</u>	<u>\$ 515,396</u>	<u>\$ 359,975</u>
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 29	\$ -	\$ 26	\$ 4
Accounts payable and other liabilities	1,600	50,696	50,005	2,291
Total Current Liabilities	1,629	50,696	50,030	2,295
Long-Term Liabilities:				
Other long-term liabilities	376,476	447,555	466,351	357,680
Total Liabilities	<u>\$ 378,105</u>	<u>\$ 498,251</u>	<u>\$ 516,381</u>	<u>\$ 359,975</u>

Continued on next page.

STATE OF MICHIGAN
**COMBINING STATEMENT OF CHANGES IN ASSETS AND
 LIABILITIES - AGENCY FUNDS (Continued)**
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	BALANCE OCTOBER 1, 1999 (RESTATED*)	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2000
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Current Assets:				
Cash	\$ 1,308	\$ 31,766	\$ 31,794	\$ 1,281
Equity in Common Cash	1	44	45	-
Investments	14,250	17,772	16,393	15,629
Other current assets	5,059	14,572	15,003	4,627
Total Current Assets	<u>20,618</u>	<u>64,154</u>	<u>63,235</u>	<u>21,538</u>
Investments	<u>136,689</u>	<u>2,989</u>	<u>19,375</u>	<u>120,303</u>
Total Assets	<u>\$ 157,307</u>	<u>\$ 67,143</u>	<u>\$ 82,610</u>	<u>\$ 141,840</u>
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 1	\$ -	\$ 1	\$ -
Accounts payable and other liabilities	21,454	30,284	29,440	22,299
Total Current Liabilities	<u>21,455</u>	<u>30,284</u>	<u>29,441</u>	<u>22,299</u>
Long-Term Liabilities:				
Other long-term liabilities	<u>135,852</u>	<u>21,257</u>	<u>37,567</u>	<u>119,542</u>
Total Liabilities	<u>\$ 157,307</u>	<u>\$ 51,541</u>	<u>\$ 67,008</u>	<u>\$ 141,840</u>
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Current Assets:				
Cash	\$ -	\$ 17,378	\$ 17,179	\$ 200
Total Assets	<u>\$ -</u>	<u>\$ 17,378</u>	<u>\$ 17,179</u>	<u>\$ 200</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	\$ -	\$ 17,364	\$ 17,175	\$ 190
Amounts due to other funds	-	10	-	10
Total Liabilities	<u>\$ -</u>	<u>\$ 17,374</u>	<u>\$ 17,175</u>	<u>\$ 200</u>

Continued on next page.

STATE OF MICHIGAN
**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	BALANCE OCTOBER 1, 1999 (RESTATED*)	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2000
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash	\$ 1,308	\$ 49,145	\$ 48,972	\$ 1,481
Equity in Common Cash	4,903	50,928	50,813	5,019
Investments	14,250	17,772	16,393	15,629
Other current assets	5,059	14,572	15,003	4,627
Total Current Assets	<u>25,520</u>	<u>132,417</u>	<u>131,181</u>	<u>26,756</u>
Investments	136,689	2,989	19,375	120,303
Other noncurrent assets	<u>390,264</u>	<u>461,973</u>	<u>493,341</u>	<u>358,896</u>
Total Assets	<u>\$ 552,473</u>	<u>\$ 597,379</u>	<u>\$ 643,897</u>	<u>\$ 505,955</u>
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 31	\$ -	\$ 27	\$ 4
Accounts payable and other liabilities	26,425	98,845	98,051	27,219
Amounts due to other funds	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
Total Current Liabilities	<u>26,456</u>	<u>98,855</u>	<u>98,077</u>	<u>27,233</u>
Long-Term Liabilities:				
Other long-term liabilities	<u>526,017</u>	<u>483,902</u>	<u>531,198</u>	<u>478,721</u>
Total Liabilities	<u>\$ 552,473</u>	<u>\$ 582,757</u>	<u>\$ 629,275</u>	<u>\$ 505,955</u>

* Amounts presented on the October 1, 1999 column have been restated to remove balances for the Metropolitan Planning Fund, now included with the Transportation Related Trust Funds, an expendable trust fund.



STATE OF MICHIGAN
COMBINING BALANCE SHEET
COMPONENT UNITS
SEPTEMBER 30, 2000
(In Thousands)

	TOTALS				
	GOVERNMENTAL AND TRUST	PROPRIETARY	STATE UNIVERSITIES	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
ASSETS					
Current Assets:					
Cash	\$ 5,961	\$ 424,084	\$ 181,146	\$ 611,191	\$ 690,011
Equity in Common Cash	-	197,798	-	197,798	34,382
Amounts due from component units	73	8,319	300	8,692	82,776
Amounts due from primary government	315	2,562	142,162	145,040	191,015
Amounts due from federal agencies	18,756	2,777	8,973	30,506	34,117
Amounts due from local units	-	640,851	-	640,851	504,871
Inventories	-	407	15,987	16,395	17,682
Investments	84,327	634,195	187,004	905,526	1,060,575
Other current assets	10,166	266,722	72,185	349,072	336,353
Total Current Assets	<u>119,598</u>	<u>2,177,714</u>	<u>607,758</u>	<u>2,905,070</u>	<u>2,951,781</u>
Advances to component units	-	-	416	416	338
Amounts due from local units	-	1,617,092	-	1,617,092	1,481,250
Mortgages and loans receivable	1,154	2,527,499	68,420	2,597,073	2,479,229
Investments	5,433	2,208,556	235,880	2,449,869	1,966,991
Property, plant, and equipment (net)	7,286	17,012	1,986,372	2,010,670	1,824,601
Other noncurrent assets	-	169,901	8,679	178,579	172,435
Total Assets	<u>\$ 133,471</u>	<u>\$ 8,717,773</u>	<u>\$ 2,907,525</u>	<u>\$ 11,758,769</u>	<u>\$ 10,876,626</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
Current Liabilities:					
Accounts payable and other liabilities	\$ 16,380	\$ 112,804	\$ 176,463	\$ 305,647	\$ 253,610
Amounts due to component units	12,428	-	-	12,428	82,203
Amounts due to primary government	944	1,851	2,828	5,623	5,234
Bonds and notes payable	-	719,349	31,821	751,169	612,153
Interest payable	-	80,032	2,713	82,745	73,051
Deferred revenue	35	20,290	51,600	71,925	61,428
Total Current Liabilities	<u>29,788</u>	<u>934,326</u>	<u>265,424</u>	<u>1,229,538</u>	<u>1,087,680</u>
Long-Term Liabilities:					
Deferred revenue	-	-	-	-	447
Bonds and notes payable	-	4,691,796	656,010	5,347,805	5,074,347
Other long-term liabilities	32,603	1,075,021	52,076	1,159,700	1,214,926
Total Liabilities	<u>62,391</u>	<u>6,701,142</u>	<u>973,510</u>	<u>7,737,043</u>	<u>7,377,400</u>
Fund Equity and Other Credits:					
Investment in general fixed assets	7,286	-	1,343,153	1,350,439	1,249,201
Contributed capital	-	1,080,515	-	1,080,515	927,058
Retained Earnings:					
Reserved	-	209,115	-	209,115	284,056
Unreserved	-	727,000	-	727,000	446,766
Total Retained Earnings	<u>-</u>	<u>936,116</u>	<u>-</u>	<u>936,116</u>	<u>730,822</u>
Fund Balances:					
Reserves for:					
Restricted funds of universities	-	-	230,556	230,556	187,268
Total Reserved	<u>-</u>	<u>-</u>	<u>230,556</u>	<u>230,556</u>	<u>187,268</u>
Unreserved	<u>63,794</u>	<u>-</u>	<u>360,306</u>	<u>424,100</u>	<u>404,877</u>
Total Fund Balances	<u>63,794</u>	<u>-</u>	<u>590,861</u>	<u>654,656</u>	<u>592,145</u>
Total Fund Equity and Other Credits	<u>71,080</u>	<u>2,016,631</u>	<u>1,934,014</u>	<u>4,021,725</u>	<u>3,499,225</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 133,471</u>	<u>\$ 8,717,773</u>	<u>\$ 2,907,525</u>	<u>\$ 11,758,769</u>	<u>\$ 10,876,626</u>



STATE OF MICHIGAN
DESCRIPTIONS OF COMPONENT UNITS – GOVERNMENTAL AND TRUST
FISCAL YEAR ENDED SEPTEMBER 30, 2000

MACKINAC BRIDGE AUTHORITY

The Mackinac Bridge Authority (MBA) was created by P.A. 21 of 1950. Public Act 214 of 1952, as amended, empowered MBA to construct and operate a bridge between the lower peninsula of Michigan and the upper peninsula. Financing for the operation and maintenance of the bridge is provided by fares and earnings on investments. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years. MBA has not recorded a liability and the State funds have not recorded receivables for the subsidies because the reimbursements are contingent upon future net revenues and the repayment commitment is long-term and budgetary in nature. When repayments are made, they are reported as operating transfers to the primary government.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the creation of the Michigan Higher Education Facilities Authority (MHEFA) for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. MHEFA consists of an eleven member commission, nine of whom are appointed by the Governor with the advice and consent of the Senate and two of whom 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, which are not recorded as liabilities of MHEFA. MHEFA's administrative operations, which are reflected in these statements, are financed by fees.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by P.A. 270 of 1984 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. Executive Order 1999-1, as amended, transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF. The order further placed MSF as an autonomous entity in the Department of Management and Budget. MSF is governed by a board of nine members, consisting of the Directors of the State Departments of Consumer and Industry Services and Treasury plus seven members appointed by the Governor with the advice and consent of the Senate. Prior to the 1998-99 fiscal year, this fund had been reported as a proprietary component unit.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority (MHEAA) was created by the Legislature through P.A. 77 of 1960, as amended. It is governed by a 16 member board, each member being 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. 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. MHEAA utilizes a trust and a proprietary fund. The trust fund accounts for the assets and earnings that are property of the federal government under the Higher Education Amendments of 1998. The proprietary fund accounts for the property of MHEAA.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
COMPONENT UNITS - GOVERNMENTAL AND TRUST
 SEPTEMBER 30, 2000
 (In Thousands)

	<u>MACKINAC BRIDGE AUTHORITY</u>	<u>MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY</u>
ASSETS		
Current Assets:		
Cash	\$ 270	\$ -
Amounts due from component units	-	-
Amounts due from primary government	-	315
Amounts due from federal agencies	-	-
Investments	26,953	-
Other current assets	<u>863</u>	<u>27</u>
Total Current Assets	<u>28,087</u>	<u>342</u>
Investments	-	-
Mortgages and loans receivable	-	-
Property, plant, and equipment	<u>7,286</u>	<u>-</u>
Total Assets	<u>\$ 35,373</u>	<u>\$ 342</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Accounts payable and other liabilities	\$ 2,159	\$ -
Amounts due to component units	-	-
Amounts due to primary government	940	-
Deferred revenue	<u>30</u>	<u>-</u>
Total Current Liabilities	<u>3,128</u>	<u>-</u>
Long-Term Liabilities:		
Deferred revenue	-	-
Other long-term liabilities	<u>466</u>	<u>-</u>
Total Liabilities	<u>3,594</u>	<u>-</u>
Fund Equity and Other Credits:		
Investment in general fixed assets	7,286	-
Unreserved fund balance	<u>24,493</u>	<u>342</u>
Total Fund Equity and other credits	<u>31,779</u>	<u>342</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 35,373</u>	<u>\$ 342</u>

MICHIGAN STRATEGIC FUND	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	TOTALS	
		SEPTEMBER 30, 2000	SEPTEMBER 30, 1999 (RESTATED*)
\$ 79	\$ 5,612	\$ 5,961	\$ 1,680
-	73	73	2,846
-	-	315	70,320
11,881	6,875	18,756	16,741
-	57,373	84,327	47,326
8,357	919	10,166	9,602
<u>20,317</u>	<u>70,852</u>	<u>119,598</u>	<u>148,514</u>
-	5,433	5,433	40,823
-	1,154	1,154	1,069
-	-	7,286	7,919
<u>\$ 20,317</u>	<u>\$ 77,440</u>	<u>\$ 133,471</u>	<u>\$ 198,325</u>
\$ 7,799	\$ 6,422	\$ 16,380	\$ 12,976
12,428	-	12,428	79,357
5	-	944	1,310
6	-	35	293
<u>20,238</u>	<u>6,422</u>	<u>29,788</u>	<u>93,935</u>
-	-	-	447
-	32,137	32,603	32,137
<u>20,238</u>	<u>38,560</u>	<u>62,391</u>	<u>126,520</u>
-	-	7,286	7,919
<u>79</u>	<u>38,880</u>	<u>63,794</u>	<u>63,886</u>
<u>79</u>	<u>38,880</u>	<u>71,080</u>	<u>71,805</u>
<u>\$ 20,317</u>	<u>\$ 77,440</u>	<u>\$ 133,471</u>	<u>\$ 198,325</u>

* Prior year amounts have been restated to reclassify contributed capital into fund balance and to remove activity now being reported by the Michigan Economic Development Corporation.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPONENT UNITS - GOVERNMENTAL AND TRUST
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

	<u>MACKINAC BRIDGE AUTHORITY</u>	<u>MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY</u>
REVENUES		
From federal agencies	\$ -	\$ -
From services	-	106
From licenses and permits	10,679	-
Miscellaneous	<u>1,588</u>	<u>17</u>
Total Revenues	<u>12,268</u>	<u>124</u>
EXPENDITURES		
Current:		
Education	-	83
Labor, commerce, and regulatory	-	-
Transportation	<u>14,426</u>	<u>-</u>
Total Expenditures	<u>14,426</u>	<u>83</u>
Excess of Revenues over (under) Expenditures	<u>(2,159)</u>	<u>40</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers from primary government	-	-
Operating transfers to component units	-	-
Operating transfers to primary government	<u>(250)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(250)</u>	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other (Uses)	<u>(2,409)</u>	<u>40</u>
Fund Balances - Beginning of fiscal year - as previously reported	26,902	302
Effect of accounting change	-	-
Fund Balances - Beginning of fiscal year - restated	<u>26,902</u>	<u>302</u>
Equity transfer from component units	-	-
Equity transfer from primary government	-	-
Equity transfer to component units	<u>-</u>	<u>-</u>
Fund Balances - End of fiscal year	<u>\$ 24,493</u>	<u>\$ 342</u>

MICHIGAN STRATEGIC FUND	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	TOTALS	
		FISCAL YEARS ENDED	
		SEPTEMBER 30, 2000	SEPTEMBER 30, 1999 (RESTATED*)
\$ 54,130	\$ -	\$ 54,130	\$ 33,555
-	95,511	95,617	90,286
-	-	10,679	10,883
10,546	-	12,152	38,201
<u>64,677</u>	<u>95,511</u>	<u>172,579</u>	<u>172,925</u>
-	93,255	93,338	91,219
55,049	-	55,049	53,749
-	-	14,426	8,040
<u>55,049</u>	<u>93,255</u>	<u>162,813</u>	<u>153,008</u>
<u>9,628</u>	<u>2,256</u>	<u>9,766</u>	<u>19,917</u>
165,333	-	165,333	101,050
(174,941)	-	(174,941)	(126,814)
-	-	(250)	(250)
<u>(9,608)</u>	<u>-</u>	<u>(9,858)</u>	<u>(26,014)</u>
20	2,256	(92)	(6,097)
59	36,624	63,886	23,681
-	-	-	172,897
<u>59</u>	<u>36,624</u>	<u>63,886</u>	<u>196,578</u>
-	-	-	36,118
-	-	-	8,079
-	-	-	(170,793)
<u>\$ 79</u>	<u>\$ 38,880</u>	<u>\$ 63,794</u>	<u>\$ 63,886</u>

* Prior year amounts have been restated to reclassify contributed capital into fund balance and to remove activity now being reported by the Michigan Economic Development Corporation.

STATE OF MICHIGAN
DESCRIPTIONS OF COMPONENT UNITS - PROPRIETARY
FISCAL YEAR ENDED SEPTEMBER 30, 2000

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

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

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

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 which the purchaser is required to pay is based on several factors. Among these are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

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

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority (MHESLA) within the Department of Education, for the purpose of making loans to qualified students (or their parents) attending participating institutions of higher education. Executive Order 95-3 transferred MHESLA from the Department of Education to the Department of Treasury, effective April 5, 1996. MHESLA may issue revenue-dedicated debt in the principal amounts necessary to provide funds for achieving its purpose. MHESLA is governed by a board comprised of the same members as the Michigan Higher Education Assistance Authority. Of these members, 15 are appointed by the Governor with the consent of the Senate. The State Treasurer, an ex officio member, serves as chairman.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority (MHEAA) was created by the Legislature through P.A. 77 of 1960, as amended. It is governed by a 16 member board, each member being 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. 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. MHEAA utilizes a trust fund and a proprietary fund. The trust fund accounts for assets and earnings that are property of the federal government under the Higher Education Amendments of 1998. The proprietary fund accounts for property of MHEAA.

STATE OF MICHIGAN
DESCRIPTIONS OF COMPONENT UNITS - PROPRIETARY (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000

MACKINAC ISLAND STATE PARK COMMISSION

The Mackinac Island State Park Commission was established by P.A. 355 of 1927, as amended. It consists of seven members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue dedicated bonds. Operating transfers to the Commission are principally from the General Fund for park operations.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

The Michigan State Housing Development Authority (MSHDA) was created by P.A. 346 of 1966, as amended, 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. Members of MSHDA are appointed by the Governor. MSHDA, which is administratively within the Department of Consumer and Industry Services, has a June 30 fiscal year-end.

MICHIGAN MUNICIPAL BOND AUTHORITY

The Michigan Municipal Bond Authority (MMBA) was created by P.A. 227 of 1985, as amended, 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 an organization within the State Department of Treasury. MMBA is governed by a board of trustees consisting of the State Treasurer, two appointees of the Governor, and five residents of the State to be 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. Financing for this activity is provided by the federal government and matching funds provided by the State, investment interest earnings and/or other available funds. MMBA's separately issued financial reports provide a separate accounting of this fund's activities.

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.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article VII, Section 28 of the Michigan Constitution of 1963 and Act No. 7 of the Public Acts of 1967, is a public body corporation created by a ten year contract (inter-local agreement) between participating local economic development corporations formed under Act No. 338 of the Public Acts of 1974 and the Michigan Strategic Fund (MSF). MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 17 members appointed to eight year, staggered terms by the Governor.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
COMPONENT UNITS - PROPRIETARY
 SEPTEMBER 30, 2000
 (In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN EDUCATION TRUST	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
ASSETS				
Current Assets:				
Cash	\$ 339	\$ 39,517	\$ 39,781	\$ 1,464
Equity in Common Cash	-	-	-	-
Amounts due from component units	-	-	-	-
Amounts due from primary government	32	540	242	638
Amounts due from federal agencies	-	-	1,817	898
Amounts due from local units	-	-	-	-
Inventories	-	-	-	-
Investments	2,671	-	77,875	-
Other current assets:				
Mortgages and loans receivable	-	-	79,714	-
Interest receivable	132	12,444	19,923	127
Miscellaneous	876	4,385	236	-
Total other current assets	<u>1,008</u>	<u>16,829</u>	<u>99,874</u>	<u>127</u>
Total Current Assets	<u>4,049</u>	<u>56,886</u>	<u>219,589</u>	<u>3,127</u>
Amounts due from local units	-	-	-	-
Mortgages and loans receivable	-	-	664,984	-
Investments	5,874	729,744	78,599	3,002
Property, plant, and equipment (net)	52	-	-	-
Other noncurrent assets	-	11,783	10,666	-
Total Assets	<u>\$ 9,975</u>	<u>\$ 798,414</u>	<u>\$ 973,838</u>	<u>\$ 6,128</u>
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts payable and other liabilities	\$ 26	\$ 49,464	\$ 706	\$ 23
Amounts due to component units	-	-	-	-
Amounts due to primary government	-	-	-	-
Bonds and notes payable	-	-	38,665	-
Interest payable	-	-	9,629	-
Deferred revenue	-	-	-	-
Total Current Liabilities	<u>26</u>	<u>49,464</u>	<u>49,000</u>	<u>23</u>
Long-Term Liabilities:				
Bonds and notes payable	-	-	796,930	-
Other long-term liabilities:				
Tuition benefits	-	583,450	-	-
Escrow funds	-	-	-	-
Miscellaneous	428	50	30,871	467
Total other long-term liabilities	<u>428</u>	<u>583,500</u>	<u>30,871</u>	<u>467</u>
Total Liabilities	<u>455</u>	<u>632,964</u>	<u>876,801</u>	<u>490</u>
Fund Equity:				
Contributed Capital:				
From primary government	-	-	-	-
From other governmental units	-	-	-	-
Total Contributed Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained Earnings:				
Reserved	-	-	9,365	-
Unreserved	9,520	165,450	87,672	5,638
Total Retained Earnings	<u>9,520</u>	<u>165,450</u>	<u>97,037</u>	<u>5,638</u>
Total Fund Equity	<u>9,520</u>	<u>165,450</u>	<u>97,037</u>	<u>5,638</u>
Total Liabilities and Fund Equity	<u>\$ 9,975</u>	<u>\$ 798,414</u>	<u>\$ 973,838</u>	<u>\$ 6,128</u>

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	STATE BAR OF MICHIGAN	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	TOTALS	
					SEPTEMBER 30, 2000	SEPTEMBER 30, 1999 (RESTATED*)
\$ 1,283	\$ 297,546	\$ 293	\$ 1,136	\$ 42,725	\$ 424,084	\$ 532,772
-	-	18,371	-	179,427	197,798	34,382
-	-	-	-	8,319	8,319	79,357
436	27	648	-	-	2,562	2,760
-	-	-	-	62	2,777	10,759
-	-	640,851	-	-	640,851	504,871
407	-	-	-	-	407	393
-	116,189	416,522	4,361	16,577	634,195	880,146
-	45,405	-	-	4,440	129,560	139,064
-	21,335	55,522	-	1,047	110,530	88,075
62	18,421	1	2,419	231	26,632	21,774
62	85,161	55,523	2,419	5,718	266,722	248,913
2,188	498,923	1,132,208	7,916	252,828	2,177,714	2,294,352
-	-	1,617,092	-	-	1,617,092	1,481,250
-	1,846,140	-	-	16,374	2,527,499	2,410,844
3,479	448,989	848,380	-	90,489	2,208,556	1,684,235
3,989	-	-	7,162	5,809	17,012	8,159
-	4,814	142,572	-	66	169,901	165,535
\$ 9,656	\$ 2,798,865	\$ 3,740,252	\$ 15,079	\$ 365,566	\$ 8,717,773	\$ 8,044,376
\$ 201	\$ 31,135	\$ 6,383	\$ 2,135	\$ 22,730	\$ 112,804	\$ 96,470
-	-	-	-	-	-	2,846
83	1,767	-	-	-	1,851	976
185	74,110	606,389	-	-	719,349	594,918
11	18,729	51,664	-	-	80,032	70,407
-	18,767	-	1,483	41	20,290	9,283
481	144,508	664,435	3,618	22,771	934,326	774,901
2,628	1,916,026	1,971,731	4,480	-	4,691,796	4,481,798
-	-	-	-	-	583,450	634,277
-	287,301	-	-	-	287,301	307,633
-	70,420	84,882	-	17,151	204,270	187,886
-	357,721	84,882	-	17,151	1,075,021	1,129,796
3,109	2,418,255	2,721,049	8,098	39,921	6,701,142	6,386,496
-	-	141,813	-	-	141,813	132,538
-	-	767,910	-	170,793	938,703	794,519
-	-	909,722	-	170,793	1,080,515	927,058
4,296	195,454	-	-	-	209,115	284,056
2,251	185,156	109,481	6,981	154,851	727,000	446,766
6,547	380,610	109,481	6,981	154,851	936,116	730,822
6,547	380,610	1,019,203	6,981	325,644	2,016,631	1,657,880
\$ 9,656	\$ 2,798,865	\$ 3,740,252	\$ 15,079	\$ 365,566	\$ 8,717,773	\$ 8,044,376

* Prior year amounts have been restated to reclassify amounts relating to tuition benefit obligations and to include activities that were previously reported by the Michigan Strategic Fund.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
PROPRIETARY COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN EDUCATION TRUST	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION
OPERATING REVENUES					
Operating revenues	\$ -	\$ -	\$ -	\$ 15,960	\$ 3,201
Interest income	490	47,022	50,491	549	-
Investment revenue (expense) - net	-	(6,788)	10,998	-	-
Miscellaneous:					
Federal revenues	-	-	9,026	3,964	-
Other	1,044	111	-	-	-
Total miscellaneous	1,044	111	9,026	3,964	-
Total Operating Revenues	1,534	40,345	70,515	20,474	3,201
OPERATING EXPENSES					
Salaries, wages, and other administrative	1,122	1,837	11,132	9,325	4,408
Interest expense	-	-	41,938	-	-
Depreciation	11	-	-	-	306
Purchases for resale	-	-	-	-	379
Other operating expenses:					
Loan loss expense	-	-	-	-	-
Tuition benefit expense	-	(25,659)	-	-	-
Amortization of deferred issue costs	-	-	867	-	-
Miscellaneous	-	-	7,197	10,089	-
Total other operating expenses	-	(25,659)	8,064	10,089	-
Total Operating Expenses	1,133	(23,822)	61,134	19,414	5,093
Operating Income (Loss)	401	64,167	9,381	1,060	(1,892)
NONOPERATING REVENUES (EXPENSES)					
Federal grant revenue	-	-	-	-	-
Interest revenue	-	-	-	-	276
Other nonoperating revenues	-	-	-	-	82
Nonoperating grants	-	-	-	-	-
Interest expense	-	-	-	-	(167)
Other nonoperating expense	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-	-	192
Income (Loss) Before Operating Transfers	401	64,167	9,381	1,060	(1,700)
OPERATING TRANSFERS					
Operating transfers from component units	-	-	-	-	-
Operating transfers from primary government	-	-	-	-	1,948
Operating transfers to primary government	-	-	-	-	-
Operating transfers to component units	-	-	-	-	-
Total Operating Transfers In (Out)	-	-	-	-	1,948
Net Income (Loss)	401	64,167	9,381	1,060	247
Retained Earnings - Beginning of fiscal year - restated	9,119	101,283	87,656	4,578	6,300
Effect of accounting change	-	-	-	-	-
Retained Earnings - Beginning of fiscal year -	9,119	101,283	87,656	4,578	6,300
Equity transfer to component units	-	-	-	-	-
Retained Earnings - End of fiscal year	\$ 9,520	\$ 165,450	\$ 97,037	\$ 5,638	\$ 6,547

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	STATE BAR OF MICHIGAN	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	TOTALS	
				FISCAL YEARS ENDED	
				SEPTEMBER 30, 2000	SEPTEMBER 30, 1999 (RESTATED*)
\$ -	\$ -	\$ 8,421	\$ -	\$ 27,582	\$ 24,752
142,271	152,122	-	1,086	394,030	371,374
30,043	-	-	12,756	47,009	5,388
6,567	-	-	-	19,557	15,007
10,976	4,468	300	3,171	20,069	23,224
17,543	4,468	300	3,171	39,627	38,232
189,857	156,590	8,721	17,012	508,249	439,745
25,440	5,859	9,567	38,684	107,374	80,403
120,022	125,952	-	-	287,912	277,812
-	-	-	-	317	310
-	-	-	-	379	439
1,693	-	-	-	1,693	1,542
-	-	-	-	(25,659)	56,256
-	3,238	-	-	4,105	3,767
5,197	-	9	-	22,493	24,493
6,891	3,238	9	-	2,632	86,058
152,353	135,048	9,576	38,684	398,613	445,023
37,503	21,541	(855)	(21,672)	109,635	(5,278)
80,811	-	-	4,102	84,913	72,353
-	-	319	-	595	1,169
-	-	281	1,461	1,825	9,363
(92,124)	-	-	(74,937)	(167,062)	(120,695)
-	-	(46)	-	(213)	(231)
-	-	-	(566)	(566)	(14)
(11,313)	-	554	(69,940)	(80,508)	(38,055)
26,190	21,541	(301)	(91,612)	29,127	(43,332)
-	-	-	174,941	174,941	126,814
-	-	-	-	1,948	1,809
-	-	-	-	-	(995)
-	-	-	(723)	(723)	-
-	-	-	174,218	176,166	127,628
26,190	21,541	(301)	82,606	205,293	84,296
354,420	87,940	7,282	72,245	730,822	854,026
-	-	-	-	-	(171,381)
354,420	87,940	7,282	72,245	730,822	682,645
-	-	-	-	-	(36,118)
<u>\$ 380,610</u>	<u>\$ 109,481</u>	<u>\$ 6,981</u>	<u>\$ 154,851</u>	<u>\$ 936,116</u>	<u>\$ 730,822</u>

* Prior year amounts have been restated to reflect changes required by federal regulations and to include activities that were previously reported by the Michigan Strategic Fund.

STATE OF MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS - PROPRIETARY
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN EDUCATION TRUST	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 401	\$ 64,167	\$ 9,381	\$ 1,060
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	11	-	-	-
Amortization of deferred items (net)	(24)	-	867	-
Interest (nonprogram) and investment income	(466)	(40,122)	(10,998)	(549)
Interest expense	-	-	41,938	-
Other adjustments	-	-	-	-
Changes in assets and liabilities:				
Amounts due from component units	-	-	-	-
Amounts due from primary government	72	219	(242)	244
Amounts due from federal agencies	-	-	(270)	308
Amounts due from local units	-	-	-	-
Inventories	-	-	-	-
Mortgages and loans receivable (program loans)	-	-	(78,307)	-
Other assets	161	(3,704)	(3,938)	-
Accounts payable and other liabilities	(3)	(4,950)	3,080	(1,993)
Amounts due to other funds	-	-	-	-
Amounts due to component units	-	-	-	(2,846)
Amounts due to primary government	-	-	(295)	-
Deferred revenue	-	-	-	-
Tuition benefit obligation (nonaccretion portion)	-	(50,827)	-	-
Net cash provided (used) by operating activities	<u>\$ 152</u>	<u>\$ (35,217)</u>	<u>\$ (38,784)</u>	<u>\$ (3,776)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other nonoperating revenues	\$ -	\$ -	\$ -	\$ -
Proceeds from sale of bonds and notes	-	-	181,585	-
Principal repayments on bonds and notes	-	-	(128,350)	-
Interest paid	-	-	(41,600)	-
Grants received from federal government	-	-	-	-
Nonoperating grants	-	-	-	-
Other nonoperating expenses	-	-	-	-
Operating transfers from component units	-	-	-	-
Operating transfers from primary government	-	-	-	-
Operating transfers to component units	-	-	-	-
Operating transfers to primary government	-	-	-	-
Equity transfers to component units	-	-	-	-
Equity transfers from primary government	-	-	-	-
Equity transfers from component units	-	-	-	-
Other noncapital financing provided	-	-	-	-
Other noncapital financing used	(170)	-	(888)	-
Net cash provided (used) by noncapital financing activities	<u>\$ (170)</u>	<u>\$ -</u>	<u>\$ 10,747</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes	\$ -	\$ -	\$ -	\$ -
Acquisition and construction of capital assets	(2)	-	-	-
Principal paid on bond and loan maturities	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	\$ (3,578)	\$ (135,913)	\$ (671,858)	\$ (9,905)
Proceeds from sale and maturities of investment securities	3,175	144,454	668,672	11,920
Interest and dividends on investments	459	46,910	10,783	468
Net cash provided (used) by investing activities	<u>\$ 56</u>	<u>\$ 55,452</u>	<u>\$ 7,597</u>	<u>\$ 2,483</u>
Net cash provided (used) - all activities	\$ 36	\$ 20,234	\$ (20,440)	\$ (1,293)
Cash and cash equivalents at beginning of year - restated	303	19,283	60,221	2,757
Cash and cash equivalents at end of year	<u>\$ 339</u>	<u>\$ 39,517</u>	<u>\$ 39,781</u>	<u>\$ 1,464</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Per balance sheet classifications:				
Cash	\$ 339	\$ 39,517	\$ 39,781	\$ 1,464
Equity in Common Cash	-	-	-	-
Cash and cash equivalents at end of year	<u>\$ 339</u>	<u>\$ 39,517</u>	<u>\$ 39,781</u>	<u>\$ 1,464</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
	\$ -	\$ -	\$ -	\$ -

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	STATE BAR OF MICHIGAN	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	TOTALS	
					SEPTEMBER 30, 2000	SEPTEMBER 30, 1999 (RESTATED*)
\$ (1,892)	\$ 37,503	\$ 21,541	\$ (855)	\$ (21,672)	\$ 109,635	\$ (5,278)
306	-	-	-	-	317	310
8	-	3,238	-	-	4,089	3,686
-	(30,043)	(58,274)	-	(12,756)	(153,209)	(90,494)
-	120,022	125,952	-	-	287,912	277,812
-	6,693	-	1,510	-	8,203	586
-	-	-	-	71,038	71,038	(79,357)
(133)	-	-	-	-	161	(1,674)
-	(2,503)	-	-	(62)	(2,527)	(6,878)
-	-	(273,751)	-	3,901	(269,850)	(373,356)
(15)	-	-	-	-	(15)	(49)
-	(23,104)	-	-	(5,741)	(107,151)	23,225
68	(1,631)	(6,334)	(1,288)	(63)	(16,730)	(11,173)
94	35,933	(419)	(1,512)	5,558	35,787	58,829
-	1,394	-	-	-	1,394	(837)
-	-	-	-	-	(2,846)	2,846
-	-	-	-	-	(295)	(147)
-	-	-	1,483	41	1,524	(42)
-	-	-	-	-	(50,827)	28,071
<u>\$ (1,564)</u>	<u>\$ 144,264</u>	<u>\$ (188,048)</u>	<u>\$ (662)</u>	<u>\$ 40,244</u>	<u>\$ (83,392)</u>	<u>\$ (173,918)</u>
\$ 7	\$ -	\$ -	\$ -	\$ 1,461	\$ 1,468	\$ -
-	145,987	818,994	-	-	1,146,566	1,455,355
(175)	(190,847)	(497,710)	-	-	(817,082)	(991,340)
-	(117,884)	(112,552)	-	-	(272,036)	(261,053)
-	80,811	136,104	-	4,102	221,017	72,353
-	(92,124)	-	-	(74,937)	(167,062)	1,511
-	-	-	-	(566)	(566)	-
-	-	-	-	174,941	174,941	126,814
1,948	-	-	-	-	1,948	1,809
-	-	-	-	(723)	(723)	-
-	-	-	-	-	-	(995)
-	-	-	-	-	-	(3,851)
-	-	17,354	-	-	17,354	-
-	-	-	-	-	-	170,793
75	-	-	-	-	75	42
-	-	-	-	-	(1,058)	(1,318)
<u>\$ 1,855</u>	<u>\$ (174,057)</u>	<u>\$ 362,189</u>	<u>\$ -</u>	<u>\$ 104,278</u>	<u>\$ 304,843</u>	<u>\$ 570,120</u>
\$ -	\$ -	\$ -	\$ 6,359	\$ -	\$ 6,359	\$ -
(545)	-	-	(3,218)	(5,809)	(9,574)	(1,613)
-	-	-	(3,607)	-	(3,607)	-
(167)	-	-	-	-	(167)	(330)
<u>\$ (711)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (466)</u>	<u>\$ (5,809)</u>	<u>\$ (6,989)</u>	<u>\$ (1,943)</u>
\$ -	\$ (161,592)	\$ (227,551)	\$ (2,890)	\$ (45,329)	\$ (1,258,616)	\$ (1,394,837)
215	136,888	-	2,399	-	967,724	1,112,629
276	17,806	41,382	319	12,756	131,158	134,708
<u>\$ 491</u>	<u>\$ (6,899)</u>	<u>\$ (186,169)</u>	<u>\$ (172)</u>	<u>\$ (32,573)</u>	<u>\$ (159,734)</u>	<u>\$ (147,500)</u>
\$ 71	\$ (36,692)	\$ (12,028)	\$ (1,300)	\$ 106,140	\$ 54,728	\$ 246,760
1,213	334,238	30,692	2,436	116,011	567,153	320,394
<u>\$ 1,283</u>	<u>\$ 297,546</u>	<u>\$ 18,664</u>	<u>\$ 1,136</u>	<u>\$ 222,151</u>	<u>\$ 621,882</u>	<u>\$ 567,153</u>
\$ 1,283	\$ 297,546	\$ 293	\$ 1,136	\$ 42,725	\$ 424,084	\$ 532,772
-	-	18,371	-	179,427	197,798	34,382
<u>\$ 1,283</u>	<u>\$ 297,546</u>	<u>\$ 18,664</u>	<u>\$ 1,136</u>	<u>\$ 222,151</u>	<u>\$ 621,882</u>	<u>\$ 567,153</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Prior year amounts have been restated to include activities that were previously reported by the Michigan Strategic Fund.



STATE OF MICHIGAN
DESCRIPTIONS OF COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2000

The State has thirteen legally separate public universities, ten of which are included in this report as component units and three of which are excluded. Included are the ten universities whose governing boards are appointed by the Governor and for which the State is, therefore, defined as being legally accountable. Excluded are those three that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The three that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, which are local units of government.

The information presented in this report for the ten included universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2000. The ten included universities 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.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
COMPONENT UNITS - STATE UNIVERSITIES
 JUNE 30, 2000
 (In Thousands)

	CENTRAL MICHIGAN UNIVERSITY	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS					
Current Assets:					
Cash	\$ 78,007	\$ 9,331	\$ 16,626	\$ 36,086	\$ (763)
Amounts due from component units	-	-	-	70	-
Amounts due from primary government	15,853	18,688	15,254	24,471	5,208
Amounts due from federal agencies	2,057	1,298	422	71	-
Inventories	2,660	465	1,216	1,731	877
Investments	-	-	22,041	-	6,612
Other current assets	6,033	18,277	2,446	8,065	1,481
Total Current Assets	<u>104,610</u>	<u>48,060</u>	<u>58,004</u>	<u>70,493</u>	<u>13,414</u>
Advances to component units	1	-	-	-	-
Mortgages and loans receivable	7,853	7,829	15,510	8,267	2,271
Investments	43,249	28,734	24,429	65,340	7,689
Property, plant, and equipment					
Land	18,798	33,786	11,816	32,827	8,390
Buildings and equipment	327,918	367,591	251,033	221,552	85,448
Allowance for depreciation	(158,041)	(151,460)	(114,107)	(71,871)	(47,323)
Construction in progress	23,194	20,828	23,696	56,621	21,314
Total property, plant, and equipment	<u>211,869</u>	<u>270,745</u>	<u>172,438</u>	<u>239,129</u>	<u>67,830</u>
Other noncurrent assets	-	1,110	1,939	494	-
Total Assets	<u>\$ 367,583</u>	<u>\$ 356,479</u>	<u>\$ 272,321</u>	<u>\$ 383,724</u>	<u>\$ 91,204</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
Current Liabilities:					
Accounts payable and other liabilities	\$ 14,207	\$ 27,158	\$ 12,562	\$ 22,325	\$ 3,249
Amounts due to primary government	562	617	454	107	138
Bonds and notes payable	3,185	3,407	1,834	3,355	765
Interest payable	-	449	1,455	809	-
Deferred revenue	10,362	6,311	5,097	8,866	1,165
Total Current Liabilities	<u>28,316</u>	<u>37,943</u>	<u>21,402</u>	<u>35,463</u>	<u>5,318</u>
Long-Term Liabilities:					
Bonds and notes payable	94,456	86,799	74,229	46,940	19,280
Other long-term liabilities					
Escrow funds	-	-	-	-	2,782
Miscellaneous	3,040	7,214	5,670	3,266	3,282
Total other long-term liabilities	<u>3,040</u>	<u>7,214</u>	<u>5,670</u>	<u>3,266</u>	<u>6,063</u>
Total Liabilities	<u>125,813</u>	<u>131,956</u>	<u>101,301</u>	<u>85,669</u>	<u>30,661</u>
Fund Equity and Other Credits:					
Investment in general fixed assets	114,228	192,202	113,820	130,912	48,458
Fund Balances:					
Reserves for:					
Restricted funds of universities	34,508	12,043	29,053	89,350	6,254
Total Reserved	<u>34,508</u>	<u>12,043</u>	<u>29,053</u>	<u>89,350</u>	<u>6,254</u>
Unreserved	<u>93,033</u>	<u>20,277</u>	<u>28,146</u>	<u>77,793</u>	<u>5,830</u>
Total Fund Balances	<u>127,541</u>	<u>32,321</u>	<u>57,199</u>	<u>167,143</u>	<u>12,085</u>
Total Fund Equity and Other Credits	<u>241,770</u>	<u>224,522</u>	<u>171,020</u>	<u>298,055</u>	<u>60,542</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 367,583</u>	<u>\$ 356,479</u>	<u>\$ 272,321</u>	<u>\$ 383,724</u>	<u>\$ 91,204</u>

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	TOTALS	
					JUNE 30, 2000	JUNE 30, 1999
\$ 12,001	\$ 12,701	\$ 5,287	\$ 14,346	\$ (2,475)	\$ 181,146	\$ 155,559
12	103	114	-	-	300	572
11,784	12,089	12,324	4,937	21,553	142,162	117,935
1,370	187	1,765	-	1,804	8,973	6,617
1,821	1,438	434	311	5,035	15,987	17,289
1,044	2,256	29,869	2,775	122,408	187,004	133,103
3,878	4,557	5,375	3,005	19,066	72,185	77,838
<u>31,910</u>	<u>33,332</u>	<u>55,168</u>	<u>25,375</u>	<u>167,392</u>	<u>607,758</u>	<u>508,915</u>
377	-	-	-	38	416	338
9,887	7,759	2,154	505	6,385	68,420	67,316
9,890	24,848	21,799	-	9,902	235,880	241,934
16,558	9,734	11,836	11,190	25,028	179,963	171,373
266,261	178,781	230,896	165,777	603,091	2,698,349	2,561,485
(136,972)	(74,947)	(94,662)	(57,344)	(240,260)	(1,146,987)	(1,066,334)
25,489	26,459	30,518	16,706	10,222	255,047	141,998
<u>171,336</u>	<u>140,027</u>	<u>178,588</u>	<u>136,329</u>	<u>398,080</u>	<u>1,986,372</u>	<u>1,808,523</u>
-	-	-	-	5,135	8,679	6,899
<u>\$ 223,400</u>	<u>\$ 205,965</u>	<u>\$ 257,709</u>	<u>\$ 162,209</u>	<u>\$ 586,931</u>	<u>\$ 2,907,525</u>	<u>\$ 2,633,925</u>
\$ 16,298	\$ 14,637	\$ 14,605	\$ 4,162	\$ 47,260	\$ 176,463	\$ 144,163
519	180	236	-	15	2,828	2,948
11,439	2,795	1,440	775	2,825	31,821	17,235
-	-	-	-	-	2,713	2,644
2,146	3,090	5,896	1,897	6,768	51,600	51,852
<u>30,402</u>	<u>20,702</u>	<u>22,177</u>	<u>6,834</u>	<u>56,868</u>	<u>265,424</u>	<u>218,843</u>
11,890	43,225	45,230	37,440	196,520	656,010	592,549
-	-	-	-	-	2,782	2,432
705	3,526	7,432	1,373	13,787	49,295	50,561
<u>705</u>	<u>3,526</u>	<u>7,432</u>	<u>1,373</u>	<u>13,787</u>	<u>52,076</u>	<u>52,993</u>
42,997	67,453	74,839	45,647	267,175	973,510	864,385
146,807	98,918	120,834	104,391	272,583	1,343,153	1,241,282
13,677	14,779	21,502	5,898	3,490	230,556	187,268
<u>13,677</u>	<u>14,779</u>	<u>21,502</u>	<u>5,898</u>	<u>3,490</u>	<u>230,556</u>	<u>187,268</u>
19,919	24,816	40,534	6,273	43,683	360,306	340,990
33,596	39,595	62,036	12,171	47,174	590,861	528,259
180,403	138,513	182,870	116,563	319,757	1,934,014	1,769,540
<u>\$ 223,400</u>	<u>\$ 205,965</u>	<u>\$ 257,709</u>	<u>\$ 162,209</u>	<u>\$ 586,931</u>	<u>\$ 2,907,525</u>	<u>\$ 2,633,925</u>

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS - STATE UNIVERSITIES
 FISCAL YEAR ENDED JUNE 30, 2000
 (In Thousands)

	CENTRAL MICHIGAN UNIVERSITY	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
REVENUES AND OTHER ADDITIONS					
Unrestricted current fund revenues	\$ 156,077	\$ 120,894	\$ 94,247	\$ 101,662	\$ 21,879
Government grants and contracts - restricted	77,174	13,827	12,288	52,682	3,268
Private gifts, grants, and contracts - restricted	5,051	12,498	4,008	8,535	1,418
Investment income - restricted	7,495	87	3,794	738	295
Realized gains on investments - restricted	-	-	-	1,466	220
Realized gains on investments - unrestricted	-	(22)	-	2,024	-
Interest on loans receivable	442	207	645	209	-
Expended for plant facilities	22,862	31,225	42,524	41,525	845
Retirement of indebtedness	2,375	7,734	1,516	3,085	-
Other sources - restricted	27	2,560	-	1,500	1,993
Other sources - unrestricted	-	-	-	3,016	-
Total revenues and other additions	271,503	189,010	159,021	216,443	29,917
EXPENDITURES AND OTHER DEDUCTIONS					
Educational and general expenditures	253,436	180,828	112,255	166,000	32,066
Auxiliary enterprises expenditures	45,393	26,713	29,461	21,681	9,198
Indirect costs recovered	473	-	-	601	-
Refunded to grantors	12	-	-	-	-
Loan cancellations and write-offs	132	-	454	236	123
Administrative and collection costs	201	403	209	-	20
Expended for plant facilities	22,173	31,225	42,524	41,525	349
Retirement of indebtedness	2,375	7,734	1,516	3,085	-
Interest on indebtedness	5,037	4,924	3,829	1,635	997
Disposal of plant facilities	645	-	(10)	105	57
Depreciation	12,579	11,441	8,954	7,449	3,757
Total expenditures and other deductions	342,455	263,268	199,194	242,318	46,567
TRANSFERS					
Operating transfers from primary government	86,300	93,132	66,608	76,463	24,544
Net increase (decrease) for the year	15,349	18,873	26,436	50,588	7,895
Total Fund Equity and Other Credits - Beginning of fiscal year	226,421	205,649	144,584	247,467	52,648
Total Fund Equity and Other Credits - End of fiscal year	\$ 241,770	\$ 224,522	\$ 171,020	\$ 298,055	\$ 60,542

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	TOTALS	
					JUNE 30, 2000	JUNE 30, 1999
\$ 74,420	\$ 52,672	\$ 82,778	\$ 32,213	\$ 209,694	\$ 946,535	\$ 875,230
27,188	9,488	24,534	5,635	90,449	316,534	299,882
29,152	5,035	6,051	1,708	9,856	83,314	59,077
822	53	943	644	1,104	15,974	10,595
(23)	380	-	-	-	2,043	323
-	824	-	-	-	2,827	1,688
329	154	41	50	138	2,215	1,844
22,513	27,349	20,176	21,577	20,109	250,706	253,936
417	920	1,380	405	12,180	30,012	47,774
-	-	125	2,608	2,480	11,292	11,497
-	-	646	-	-	3,662	3,721
<u>154,818</u>	<u>96,877</u>	<u>136,674</u>	<u>64,840</u>	<u>346,010</u>	<u>1,665,113</u>	<u>1,565,567</u>
136,454	92,725	124,460	52,845	325,729	1,476,799	1,372,473
19,813	16,391	21,624	6,480	75,803	272,558	249,868
4,702	221	1,204	284	-	7,485	6,675
-	-	-	-	-	12	3
10	109	23	18	91	1,197	707
-	94	25	246	15	1,212	846
22,513	27,349	20,176	21,577	20,109	249,521	252,752
417	920	1,380	405	12,180	30,012	50,936
645	1,371	2,961	1,416	7,096	29,911	30,957
1	1,104	-	-	216	2,119	3,550
8,759	5,313	9,012	5,751	25,901	98,915	89,293
<u>193,314</u>	<u>145,598</u>	<u>180,865</u>	<u>89,022</u>	<u>467,141</u>	<u>2,169,742</u>	<u>2,058,061</u>
57,712	62,973	56,644	26,623	118,103	669,103	620,674
19,216	14,252	12,453	2,440	(3,028)	164,474	128,180
<u>161,187</u>	<u>124,260</u>	<u>170,417</u>	<u>114,122</u>	<u>322,785</u>	<u>1,769,540</u>	<u>1,641,360</u>
<u>\$ 180,403</u>	<u>\$ 138,513</u>	<u>\$ 182,870</u>	<u>\$ 116,563</u>	<u>\$ 319,757</u>	<u>\$ 1,934,014</u>	<u>\$ 1,769,540</u>

STATE OF MICHIGAN
**COMBINING STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCES**
COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2000
(In Thousands)

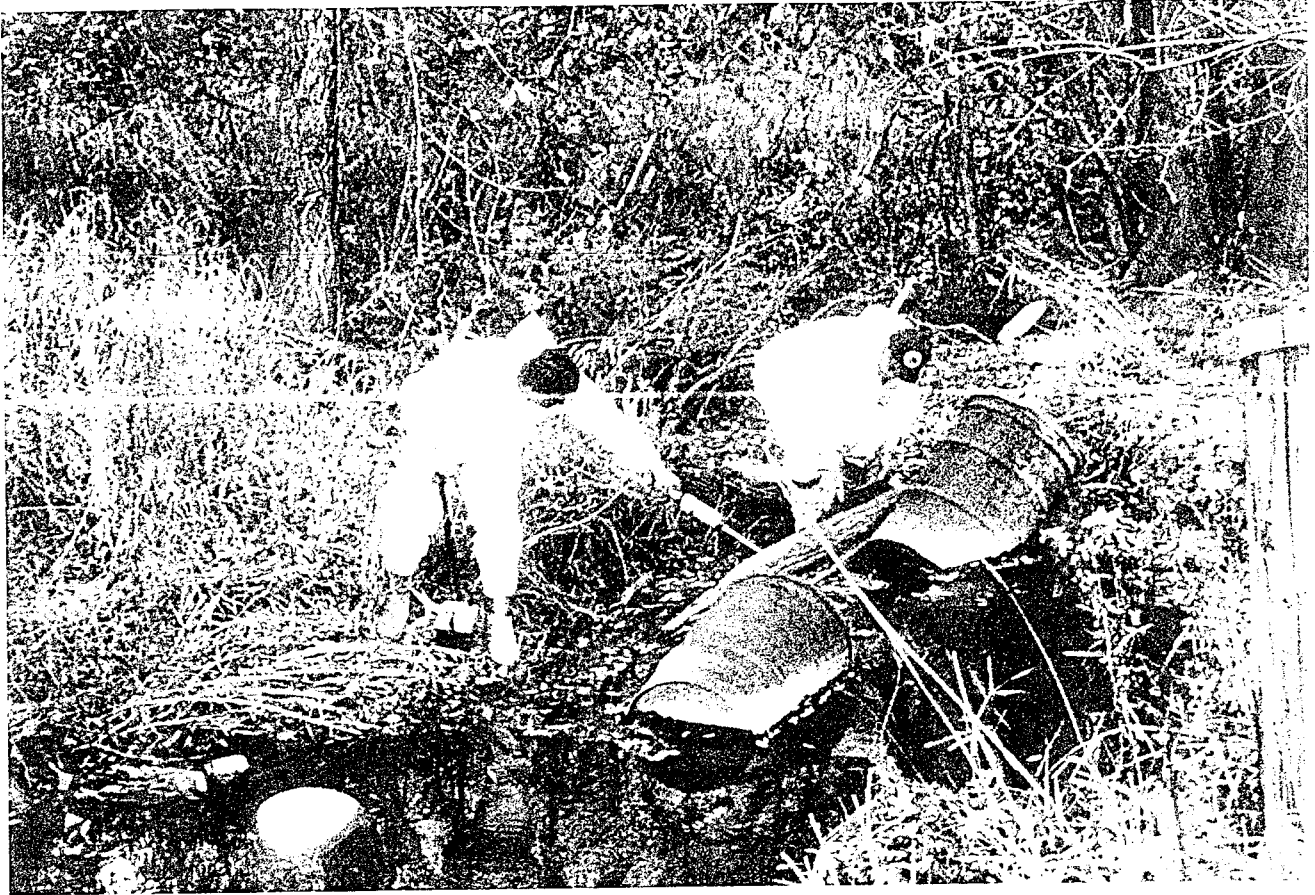
	CENTRAL MICHIGAN UNIVERSITY	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
REVENUES					
Tuition and fees	\$ 91,563	\$ 82,144	\$ 42,063	\$ 68,616	\$ 11,407
Governmental contracts and grants	77,104	13,564	11,547	52,060	3,141
Private gifts, grants and contracts	4,365	10,279	12,584	22,116	999
Indirect cost recoveries (deduct)	124	-	222	181	-
Endowment income	1,119	-	-	1,475	130
Other investment income	4,423	1,541	2,302	1,953	353
Sales and services of educational activities	10,663	4,895	7,320	1,287	737
Sales and services of auxiliary activities, net	45,965	30,600	31,622	21,560	9,371
Other sources	-	1,539	-	6,531	(35)
TOTAL REVENUES	<u>235,326</u>	<u>144,562</u>	<u>107,661</u>	<u>175,779</u>	<u>26,104</u>
EXPENDITURES					
Instruction	92,216	75,629	49,444	61,007	13,334
Research	1,434	3,374	270	1,637	244
Public service	12,804	12,781	454	8,272	712
Academic support	15,876	19,119	15,761	14,634	2,701
Student services	14,470	20,025	8,686	12,892	1,743
Institutional support	22,077	25,671	25,475	8,224	4,293
Operation and maintenance of plant	11,749	12,464	7,887	33,301	3,028
Scholarships and fellowships	82,371	17,716	14,517	54,961	4,211
Auxiliary activities	45,393	26,713	28,609	16,416	9,198
TOTAL EXPENDITURES	<u>298,391</u>	<u>213,492</u>	<u>151,102</u>	<u>211,345</u>	<u>39,464</u>
MANDATORY TRANSFERS (IN) OUT					
Student services-loan fund matching grant	19	12	27	44	13
Debt service	7,410	8,140	5,321	7,479	964
Research and other matching grants	-	-	215	-	-
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>305,819</u>	<u>221,645</u>	<u>156,666</u>	<u>218,867</u>	<u>40,441</u>
OTHER TRANSFERS AND (ADDITIONS) DEDUCTIONS					
Operating transfers from primary government	(80,478)	(83,471)	(53,111)	(54,706)	(13,357)
OTHER TRANSFERS (IN) OUT					
Capital improvements	11,492	5,881	3,331	6,419	1,612
Other	223	3	906	5,709	(216)
TOTAL EXPENDITURES AND TRANSFERS	<u>237,057</u>	<u>144,057</u>	<u>107,792</u>	<u>176,289</u>	<u>28,480</u>
REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	(1,731)	505	(132)	(510)	(2,377)
Fund Balances - Beginning of fiscal year as restated	28,934	21,907	26,143	34,130	2,152
Change in restricted revenue held for future expenditures	672	(334)	115	(13,129)	35
Fund Balances - End of fiscal year	<u>\$ 27,876</u>	<u>\$ 22,078</u>	<u>\$ 26,126</u>	<u>\$ 20,491</u>	<u>\$ (190)</u>

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	TOTALS	
					JUNE 30, 2000	JUNE 30, 1999
\$ 39,619	\$ 25,456	\$ 53,140	\$ 23,837	\$ 105,283	\$ 543,128	\$ 500,441
27,156	9,229	24,313	5,130	90,395	313,639	297,439
15,031	2,413	7,770	2,052	15,655	93,264	55,254
-	(25)	-	405	-	908	929
-	685	806	-	-	4,215	3,718
1,061	965	1,034	819	4,626	19,078	16,761
8,216	6,639	4,028	2,404	14,693	60,882	54,683
18,754	17,206	19,232	6,151	79,621	280,082	267,157
-	-	-	687	(1,607)	7,115	8,260
<u>109,837</u>	<u>62,567</u>	<u>110,323</u>	<u>41,487</u>	<u>308,665</u>	<u>1,322,310</u>	<u>1,204,640</u>
49,216	29,776	53,655	21,207	102,749	548,233	505,813
21,329	903	6,268	938	10,769	47,166	47,727
2,841	8,665	756	1,114	9,172	57,570	51,508
10,324	8,330	10,315	8,139	32,109	137,308	124,020
5,029	10,534	10,259	4,112	19,445	107,195	97,685
13,323	9,924	14,960	7,501	29,736	161,185	132,700
8,201	8,797	8,894	5,101	25,157	124,580	96,053
29,061	11,132	24,057	6,781	100,918	345,723	326,751
19,308	16,391	19,294	5,306	75,803	262,431	247,806
<u>158,632</u>	<u>104,451</u>	<u>148,458</u>	<u>60,198</u>	<u>405,858</u>	<u>1,791,390</u>	<u>1,630,064</u>
87	87	-	51	18	358	545
256	3,411	4,555	1,315	9,099	47,949	42,073
-	-	-	-	-	215	215
<u>158,975</u>	<u>107,948</u>	<u>153,013</u>	<u>61,564</u>	<u>414,975</u>	<u>1,839,913</u>	<u>1,672,897</u>
(51,848)	(48,818)	(48,083)	(24,955)	(116,518)	(575,346)	(543,487)
388	3,579	5,110	2,610	-	40,422	34,589
89	(31)	209	1,784	16,065	24,741	25,504
<u>107,604</u>	<u>62,678</u>	<u>110,249</u>	<u>41,002</u>	<u>314,522</u>	<u>1,329,731</u>	<u>1,189,504</u>
2,233	(111)	74	485	(5,857)	(7,420)	15,136
6,770	6,407	23,558	6,678	57,378	214,057	188,762
759	674	854	505	1,607	(8,243)	10,159
<u>\$ 9,762</u>	<u>\$ 6,970</u>	<u>\$ 24,486</u>	<u>\$ 7,667</u>	<u>\$ 53,128</u>	<u>\$ 198,394</u>	<u>\$ 214,057</u>



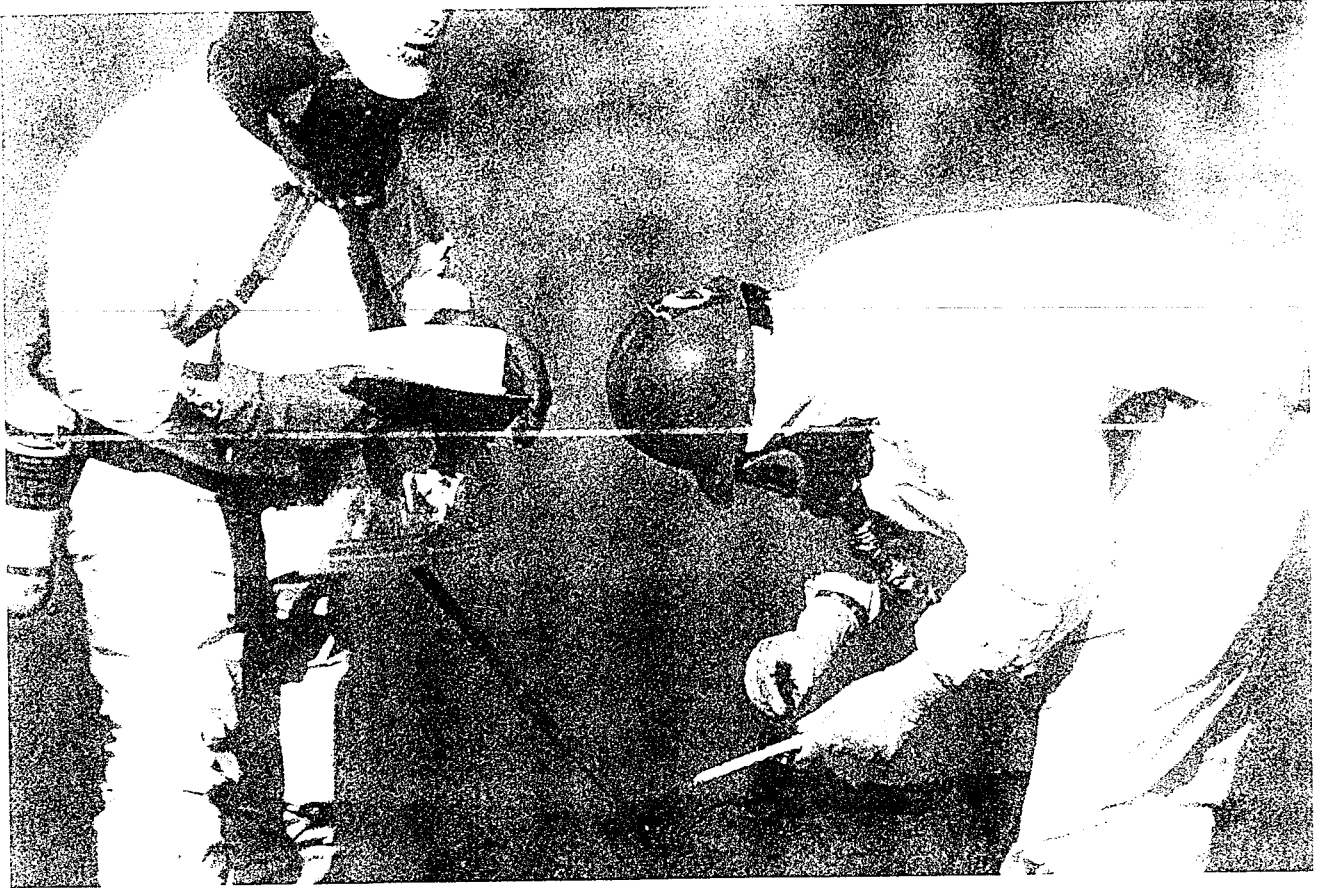
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OK
OK 3



4. DEQ field employees take readings with their vapor analyzers while conducting a site evaluation. The drums are being tested for leakage. (Photo of the two men with two barrels)

OK
OK
4



3. Members of DEQ's Environmental Response Division take samples from a drum to determine its contents during a site inspection. (~~Closeup photo of two men in suits looking at a barrel~~)

II FINANCIAL SECTION

SUPPLEMENTAL FINANCIAL DATA SCHEDULES



STATE OF MICHIGAN
SCHEDULE OF GENERAL FIXED ASSETS ACCOUNT GROUP BY FUNCTION
 SEPTEMBER 30, 2000
 (In Thousands)

FUNCTION	LAND	BUILDINGS	EQUIPMENT	EQUITY INTERESTS IN JOINT VENTURES	TOTAL
General government	\$ 31,722	\$ 376,099	\$ 33,663	\$ -	\$ 441,484
Education	760	16,534	888	-	18,182
Family independence services	3,180	176,427	42,850	-	222,457
Public safety and corrections	63,661	1,439,358	55,982	-	1,559,000
Conservation, environment, recreation, and agriculture	154,996	99,500	70,366	25,000	349,861
Labor, commerce, and regulatory	711	21,998	43,786	-	66,495
Health services	15,612	213,894	14,155	-	243,661
Transportation	10,830	97,293	107,220	-	215,343
Total general fixed assets allocated to functions	<u>\$ 281,471</u>	<u>\$ 2,441,102</u>	<u>\$ 368,909</u>	<u>\$ 25,000</u>	3,116,482
Construction in progress					<u>554,986</u>
Total general fixed assets					<u>\$ 3,671,468</u>

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

FUNCTION	BALANCE OCTOBER 1, 1999	ADDITIONS	DELETIONS	ADJUSTMENTS AND RECLASSIFICATIONS	BALANCE SEPTEMBER 30, 2000
General government	\$ 466,102	\$ 5,778	\$ 6,001	\$ (24,395)	\$ 441,484
Education	14,079	1,292	120	2,930	18,182
Family independence services	222,322	18,003	16,241	(1,627)	222,457
Public safety and corrections	1,372,072	136,144	2,553	53,337	1,559,000
Conservation, environment, recreation, and agriculture	335,770	7,674	3,933	10,349	349,861
Labor, commerce, and regulatory	85,542	3,478	8,355	(14,169)	66,495
Health services	274,287	8,816	23,810	(15,633)	243,661
Transportation	208,664	19,934	20,825	7,570	215,343
Total general fixed assets allocated to functions	2,978,838	201,120	81,837	18,362	3,116,482
Construction in progress	355,662	237,769	-	(38,446)	554,986
Total general fixed assets	<u>\$ 3,334,499</u>	<u>\$ 438,890</u>	<u>\$ 81,837</u>	<u>\$ (20,084)</u>	<u>\$ 3,671,468</u>

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
TAXES			
Sales	\$ 6,277,498	\$ 1,630,638	\$ 4,646,860
Personal income	7,646,311	5,677,934	1,968,377
Single business	2,324,868	2,324,868	-
Use	1,355,389	902,519	452,871
State education (property)	1,381,420	-	1,381,420
Real estate transfer	257,093	-	257,093
Tobacco products	604,212	216,560	387,652
Beer and wine	50,036	50,036	-
Liquor	82,612	55,378	27,233
Horse race wagering	13,493	13,493	-
Intangibles	327	327	-
Estate and inheritance	185,526	185,526	-
Telephone and telegraph company	149,206	149,206	-
Commercial mobile radio service	12,303	12,303	-
Insurance company	191,946	191,946	-
Motor vehicle weight	755,163	66	755,097
Gasoline	922,952	-	922,952
Aviation fuel	7,732	-	7,732
Diesel fuel	144,132	-	144,132
Gas and oil severance	45,140	45,140	-
Industrial facilities	152,500	-	152,500
Convention hotel accommodation	18,319	18,319	-
Airport parking	16,982	16,982	-
Penalties and interest	137,797	137,797	-
Other	132,513	6,178	126,335
	<u>22,865,469</u>	<u>11,635,216</u>	<u>11,230,253</u>
FROM FEDERAL AGENCIES			
Department of Health and Human Services	5,646,043	5,645,135	908
Department of Education	802,464	680,914	121,550
Department of Agriculture	908,519	908,236	283
Department of Labor	213,307	77,697	135,609
Department of Housing and Urban Development	7,007	7,007	-
Environmental Protection Agency	35,711	35,711	-
Department of Energy	7,657	7,657	-
Department of Transportation	807,472	13,384	794,089
Department of Interior	17,512	13,961	3,551
Department of Defense	19,453	19,453	-
Department of Justice	62,232	62,232	-
Other	44,247	43,810	437
	<u>8,571,625</u>	<u>7,515,197</u>	<u>1,056,428</u>
FROM LOCAL AGENCIES			
Counties	128,315	117,734	10,581
Cities, villages, and townships	15,699	63	15,636
Colleges and universities	524	170	354
School districts	1,152	1,152	-
Multi-level governmental units	372	-	372
Other	27,819	8,954	18,865
	<u>173,882</u>	<u>128,073</u>	<u>45,808</u>
SPECIAL MEDICAID REIMBURSEMENTS			
	<u>1,059,343</u>	<u>1,059,343</u>	<u>-</u>
	1,059,343	1,059,343	-

Continued on next page.

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for furnishing vehicle driver records	\$ 29,696	\$ 29,696	\$ -
Revenue for patient, ward, and inmate care	36,477	36,477	-
Other	44,121	43,424	697
	<u>110,294</u>	<u>109,597</u>	<u>697</u>
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	11,797	11,797	-
Motor vehicle operators' and chauffeurs' licenses	46,876	32,583	14,293
Examination fees - financial institutions and insurance industry	22,669	22,669	-
Concession and privilege fees - State parks	902	-	902
Motor vehicle related	60,997	5,826	55,171
Hunting, fishing, and trapping licenses	47,507	51	47,456
Public utility assessment fees	15,932	15,932	-
Consumer and Industry Services licenses and permits	70,835	62,730	8,105
Auto repair facilities and mechanics licenses and fees	4,384	4,384	-
Corporation franchise fees	12,936	12,936	-
Other	98,171	54,142	44,029
	<u>393,006</u>	<u>223,051</u>	<u>169,955</u>
MISCELLANEOUS			
Income from investments	250,709	75,723	174,986
Tobacco settlement proceeds	244,639	-	244,639
Various fines, fees, and assessments	61,776	44,293	17,483
Court fines, fees, and assessments	92,735	85,816	6,918
Oil and gas royalties, fees, assignments, and rentals	51,350	7,796	43,554
Environmental pollution settlements	15,506	4,586	10,921
State Fair revenue	6,791	6,791	-
Child support	46,620	46,620	-
Other	262,121	157,551	104,571
	<u>1,032,248</u>	<u>429,176</u>	<u>603,071</u>
Total Revenues	<u>34,205,867</u>	<u>21,099,653</u>	<u>13,106,214</u>
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	82,099	-	82,099
Capital lease acquisitions	22,330	21,915	415
Operating transfers from other funds:			
From Liquor Purchase Revolving Fund	127,369	127,369	-
From State Lottery Fund	626,515	8,002	618,514
From Escheats Fund	43,940	43,940	-
From other funds	1,832,991	163,014	1,669,977
Operating transfers from component units	354	104	250
Total Other Financing Sources	<u>2,735,599</u>	<u>364,344</u>	<u>2,371,254</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>\$ 36,941,465</u>	<u>\$ 21,463,997</u>	<u>\$ 15,477,468</u>

STATE OF MICHIGAN
SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2000

(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
TAXES			
Sales	\$ 1,630,638	\$ 148,492	\$ 1,482,146
Personal income	5,677,934	5,132,203	545,731
Single business	2,324,868	2,323,315	1,553
Use	902,519	896,031	6,488
Tobacco products	216,560	148,843	67,717
Beer and wine	50,036	50,036	-
Liquor	55,378	28,067	27,311
Horse race wagering	13,493	-	13,493
Intangibles	327	300	26
Estate and inheritance	185,526	177,401	8,125
Telephone and telegraph company	149,206	149,206	-
Commercial mobile radio service	12,303	-	12,303
Insurance company	191,946	191,943	3
Motor vehicle weight	66	-	66
Gas and oil severance	45,140	43,886	1,254
Convention hotel accommodation	18,319	(1,460)	19,779
Airport parking	16,982	(1,774)	18,757
Penalties and interest	137,797	130,309	7,488
Other	6,178	5,827	351
	<u>11,635,216</u>	<u>9,422,624</u>	<u>2,212,591</u>
FROM FEDERAL AGENCIES			
Department of Health and Human Services	5,645,135	23,509	5,621,626
Department of Education	680,914	2,251	678,663
Department of Agriculture	908,236	919	907,316
Department of Labor	77,697	583	77,115
Department of Housing and Urban Development	7,007	244	6,763
Environmental Protection Agency	35,711	3,506	32,205
Department of Energy	7,657	70	7,587
Department of Transportation	13,384	232	13,151
Department of Interior	13,961	130	13,831
Department of Defense	19,453	29	19,424
Department of Justice	62,232	123	62,110
Other	43,810	1,444	42,366
	<u>7,515,197</u>	<u>33,038</u>	<u>7,482,159</u>
FROM LOCAL AGENCIES			
Counties	117,734	1,131	116,603
Cities, villages, and townships	63	-	63
Colleges and universities	170	-	170
School districts	1,152	-	1,152
Other	8,954	675	8,279
	<u>128,073</u>	<u>1,806</u>	<u>126,268</u>
SPECIAL MEDICAID REIMBURSEMENTS			
	1,059,343	-	1,059,343
	<u>1,059,343</u>	<u>-</u>	<u>1,059,343</u>
FROM SERVICES			
Charges for vehicle driver records	29,696	1,270	28,426
Revenue for patient, ward, and inmate care	36,477	-	36,477
Other	43,424	5,119	38,305
	<u>109,597</u>	<u>6,390</u>	<u>103,207</u>

Continued on next page.

STATE OF MICHIGAN
SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2000

(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	\$ 11,797	\$ -	\$ 11,797
Motor vehicle operators' and chauffeurs' licenses	32,583	5,077	27,506
Examination fees - financial institutions and insurance industry	22,669	-	22,669
Motor vehicle related	5,826	517	5,309
Hunting, fishing, and trapping licenses	51	-	51
Public utility assessment fees	15,932	-	15,932
Consumer and Industry Services licenses and permits	62,730	15,760	46,970
Auto repair facilities and mechanics licenses and fees	4,384	10	4,375
Corporation franchise fees	12,936	5,749	7,188
Other	54,142	1,494	52,649
	<u>223,051</u>	<u>28,606</u>	<u>194,445</u>
MISCELLANEOUS			
Income from investments	75,723	64,102	11,622
Various fines, fees, and assessments	44,293	1,754	42,539
Court fines, fees, and assessments	85,816	3,627	82,190
Oil and gas royalties, fees, assignments, and rentals	7,796	-	7,796
Environmental pollution settlements	4,586	861	3,725
State Fair revenue	6,791	-	6,791
Child support	46,620	-	46,620
Other	157,551	36,600	120,950
	<u>429,176</u>	<u>106,943</u>	<u>322,233</u>
 Total Revenues	 <u>21,099,653</u>	 <u>9,599,407</u>	 <u>11,500,246</u>
OTHER FINANCING SOURCES			
Capital lease acquisitions	21,915	21,915	-
Operating transfers from other funds:			
From Liquor Purchase Revolving Fund	127,369	119,650	7,719
From State Lottery Fund	8,002	7,019	983
From Escheats Fund	43,940	40,183	3,758
From other funds	163,014	64,411	98,603
Operating transfers from component units	104	-	104
	<u>364,344</u>	<u>253,178</u>	<u>111,167</u>
 Total Other Financing Sources	 <u>364,344</u>	 <u>253,178</u>	 <u>111,167</u>
 Total Revenue and Other Financing Sources (GAAP Basis)	 <u>21,463,997</u>	 <u>9,852,584</u>	 <u>11,611,413</u>
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(21,915)	(21,915)	-
 Total Revenue and Other Financing Sources (budgetary basis)	 <u>\$ 21,442,082</u>	 <u>\$ 9,830,669</u>	 <u>\$ 11,611,413</u>

STATE OF MICHIGAN
SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
 FISCAL YEAR ENDED SEPTEMBER 30, 2000
 (In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR	RESTRICTED REVENUE ADDITIONS	LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED
Legislative Branch	\$ 149,892	\$ -	\$ 348	\$ 26,310	\$ 6,850	\$ (45)
Judicial Branch	165,883	-	-	17,611	56,147	(3,470)
Executive Branch:						
Agriculture	62,634	-	-	16,497	36,854	(5,468)
Attorney General	32,079	-	-	3,251	18,405	(280)
Career Development	41,639	-	1,083	1,902	304,059	-
Civil Rights	14,739	-	-	995	481	-
Civil Service	11,997	-	-	11,764	18,064	-
Colleges and Universities Grants	2,030,142	-	-	3,728	2,494	-
Community Health	2,639,994	-	40	54,329	5,880,850	(276,502)
Consumer and Industry Services	80,858	-	-	60,851	153,398	(64,028)
Corrections	1,482,956	-	-	58,362	54,781	(2,987)
Education	463,207	(1,257)	-	5,941	817,003	(4,383)
Environmental Quality	78,943	-	10	90,564	91,651	(54,087)
Executive Office	5,481	-	-	47	70	(70)
Family Independence Agency	1,169,288	-	9,460	58,338	2,208,672	(747)
Management and Budget	623,279	197	-	476,243	98,828	(33,461)
Military and Veterans Affairs	40,601	-	78	5,164	51,609	(1,958)
Natural Resources	77,745	-	186	40,084	45,747	(24,270)
State	60,784	-	-	22,533	106,988	(10,667)
State Police	278,939	-	-	38,941	96,128	(27,957)
Transportation	14,900	-	-	10,814	-	-
Treasury	167,616	1,060	-	264,949	2,183,584	(242,517)
Intrafund expenditure reimbursements	-	-	-	-	-	-
TOTAL	\$ 9,693,596	\$ -	\$ 11,205	\$ 1,269,215	\$ 12,232,663	\$ (752,898)

*Unused spending authority which does not lapse has been divided into two categories:

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 revenues which were not available for expenditure in the current year because they had not been appropriated.

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.

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

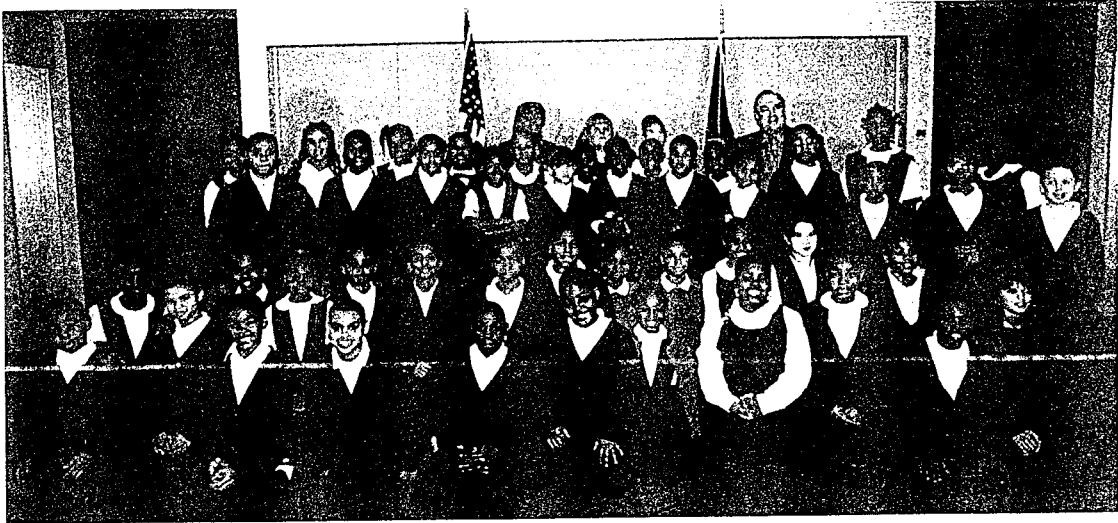
GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	"BUDGET"	"ACTUAL"		"FAVORABLE VARIANCES"		"UNFAVORABLE VARIANCES"
		AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
\$ 183,356	\$ (23,087)	\$ 160,269	\$ 157,917	\$ 1,688	\$ 166	\$ 498	\$ -
236,171	(10,318)	225,852	223,044	2,152	-	656	-
110,517	(18,300)	92,217	90,326	1,861	-	30	-
53,454	(278)	53,176	52,772	191	-	213	-
348,683	(10,235)	338,448	337,359	679	-	410	-
16,216	(1,000)	15,216	14,646	191	-	379	-
41,825	(1,679)	40,146	39,874	225	-	47	-
2,036,364	(3,239)	2,033,125	2,031,657	4	-	1,464	-
8,298,711	(7,681)	8,291,030	8,199,102	12,622	2,379	77,392	(466)
231,077	(548)	230,530	222,367	5,931	83	2,149	-
1,593,112	(20,587)	1,572,525	1,544,128	26,118	-	2,278	-
1,280,511	(65)	1,280,445	1,277,967	2,120	-	1,081	(723)
207,081	(23,956)	183,125	169,153	12,442	-	1,530	-
5,528	-	5,528	5,412	-	-	116	-
3,445,011	(55,346)	3,389,665	3,387,486	1,834	-	5,951	(5,606)
1,165,086	(359,005)	806,080	698,619	70,440	-	37,022	-
95,493	(2,599)	92,895	90,405	596	1,250	644	-
139,491	(14,325)	125,167	120,879	4,162	-	126	-
179,638	(8,911)	170,727	166,861	2,519	840	507	-
386,050	(14,221)	371,829	365,768	4,097	1,477	487	-
25,714	(11,363)	14,351	14,351	-	-	-	-
2,374,691	(24,851)	2,349,841	2,332,166	4,339	3,647	9,689	-
-	-	(621,250)	(621,250)	-	-	-	-
<u>\$ 22,453,781</u>	<u>\$ (611,594)</u>	<u>\$ 21,220,937</u>	<u>\$ 20,921,011</u>	<u>\$ 154,209</u>	<u>\$ 9,842</u>	<u>\$ 142,670</u>	<u>\$ (6,794)</u>

STATE OF MICHIGAN
SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2000
FISCAL YEAR ENDED SEPTEMBER 30, 2000
(In Thousands)

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>
Legislative Branch	\$ 149,892	\$ (1,780)	\$ 348
Judicial Branch	165,883	-	-
Executive Branch:			
Agriculture	62,634	-	-
Attorney General	32,079	-	-
Career Development	41,639	-	1,083
Civil Rights	14,739	-	-
Civil Service	11,997	-	-
Colleges and Universities Grants	2,030,142	-	-
Community Health	2,639,994	-	40
Consumer and Industry Services	80,858	-	-
Corrections	1,482,956	-	-
Education	463,207	(1,257)	-
Environmental Quality	78,943	-	10
Executive Office	5,481	-	-
Family Independence Agency	1,169,288	-	9,460
Management and Budget	623,279	197	-
Military and Veterans Affairs	40,601	-	78
Natural Resources	77,745	-	118
State	60,784	-	-
State Police	278,939	-	-
Transportation	14,900	-	-
Treasury	167,616	1,060	-
	<u>\$ 9,693,596</u>	<u>\$ (1,780)</u>	<u>\$ 11,138</u>
TOTAL	<u>\$ 9,693,596</u>	<u>\$ (1,780)</u>	<u>\$ 11,138</u>

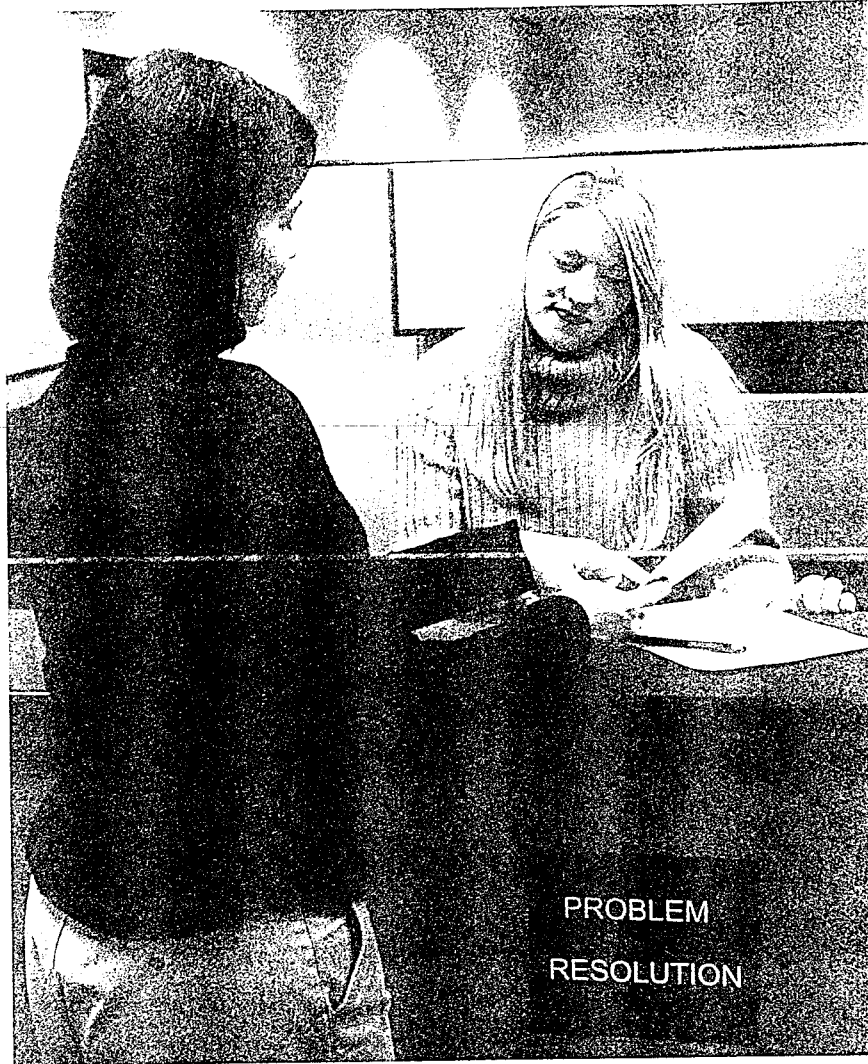
GROSS SPENDING AUTHORITY	"ACTUAL"		MULTI-YEAR PROJECT BALANCES FORWARD	"FAVORABLE VARIANCES"	"UNFAVORABLE VARIANCES"
	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD		LAPSES	OVEREXPENDED
\$ 148,460	\$ 140,328	\$ 632	\$ 7,032	\$ 469	\$ -
165,883	159,353	1,770	4,484	277	-
62,634	46,268	583	15,752	30	-
32,079	31,728	177	-	174	-
42,723	31,852	405	10,208	257	-
14,739	13,350	153	1,000	236	-
11,997	10,717	161	1,119	-	-
2,030,142	2,025,974	-	3,152	1,017	-
2,640,034	2,549,934	8,980	7,499	73,621	-
80,858	72,980	5,817	-	2,060	-
1,482,956	1,458,613	16,955	6,123	1,266	-
461,950	459,738	1,854	50	1,031	(723)
78,953	62,794	2,724	13,350	85	-
5,481	5,369	-	-	113	-
1,178,747	1,138,966	1,114	38,659	5,614	(5,606)
623,476	487,916	1,273	98,593	35,694	-
40,679	38,429	457	1,188	605	-
77,863	71,324	2,949	3,528	63	-
60,784	56,612	700	2,990	483	-
278,939	269,725	2,451	6,450	313	-
14,900	5,846	-	9,054	-	-
168,676	147,982	2,312	9,000	9,383	-
<u>\$ 9,702,954</u>	<u>\$ 9,285,796</u>	<u>\$ 51,466</u>	<u>\$ 239,230</u>	<u>\$ 132,791</u>	<u>\$ (6,329)</u>





Treasury administers the Golden Apple Award, which rewards elementary schools that excel or are most improved on the Michigan Education Assessment Program (MEAP) scores. The program is funded by the School Aid Fund. In this photo, Governor Engler presents the award to Detroit's Gompers Elementary School as the highest achieving and most improved elementary school in the State.

OK
Doug
Rogers



The Department of Treasury streamlines problem resolution by ensuring that customers with more difficult questions have access to specialized staff.

OK
Angela

III STATISTICAL SECTION



SCHEDULES

STATE OF MICHIGAN
REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Thousands)

SOURCE	1990-1991	1991-1992	1992-1993	1993-1994
TAXES:				
Sales	\$ 2,671,853	\$ 2,738,147	\$ 2,905,665	\$ 3,775,260
Personal Income (net of tax expenditures)	3,810,264	3,927,931	4,204,772	4,461,416
Amount reported as tax expenditures	856,800	964,700	975,200	1,067,700
Single Business	1,573,666	1,685,052	1,791,128	2,035,394
Use	474,278	479,979	529,532	725,091
State Education (Property)	-	-	-	446,863
Real Estate Transfer	-	-	-	-
Liquor, Beer, Wine, and Tobacco Products	375,478	360,461	358,887	510,312
Telephone and Telegraph Company	143,695	145,199	149,613	122,477
Insurance Company	175,973	178,304	188,196	194,442
Motor Vehicle and Fuel	1,152,595	1,185,774	1,244,816	1,287,765
Other	487,658	566,646	518,496	455,788
TOTAL TAXES	11,722,260	12,232,193	12,866,305	15,082,510
FEDERAL AGENCIES	4,820,694	5,379,072	5,923,406	6,370,178
LOCAL AGENCIES	154,282	178,660	148,956	156,267
SPECIAL MEDICAID REIMBURSEMENTS	400,935	454,257	738,026	900,461
SERVICES	115,280	107,939	110,543	113,757
LICENSES AND PERMITS	275,014	288,764	302,481	328,978
MISCELLANEOUS	420,839	448,480	427,227	478,194
TOTAL REVENUE	17,909,303	19,089,364	20,516,944	23,430,346
PROCEEDS FROM BOND ISSUES	7,967	461,957	14,179	166,036
CAPITAL LEASE ACQUISITIONS	36,990	24,349	18,304	8,778
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	\$ 17,954,259	\$ 19,575,671	\$ 20,549,427	\$ 23,605,160

- NOTES:
- (1) Beginning in fiscal year 1996-97, the State began reporting the federal share of child support collections as federal revenue, rather than as miscellaneous revenue. Prior year amounts have been reclassified to include the federal revenue which were previously reported on the "Miscellaneous" line.
 - (2) Beginning in fiscal year 1997-98, the State began reporting real estate transfer tax separately from State education (property) tax. Amounts of the real estate transfer tax for years prior to 1997-98 are not available.

<u>1994-1995</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>
\$ 4,884,198	\$ 5,171,598	\$ 5,389,802	\$ 5,617,331	\$ 5,901,733	\$ 6,277,498
5,013,472	5,438,788	5,930,404	6,316,125	6,907,933	7,144,211
459,600	429,618	470,000	477,000	486,100	502,100
2,130,395	2,187,418	2,224,319	2,349,148	2,360,533	2,324,868
942,885	1,034,886	1,092,216	1,159,258	1,283,017	1,355,389
1,155,601	1,272,288	1,348,832	1,256,874	1,273,459	1,381,420
-	-	-	227,852	261,696	257,093
734,645	698,007	662,287	689,451	739,972	736,859
127,189	135,412	145,805	151,964	150,334	149,206
213,638	205,996	182,389	142,565	199,463	191,946
1,338,692	1,334,349	1,424,963	1,695,068	1,784,970	1,829,979
468,399	611,716	569,300	543,391	609,665	714,899
<u>17,468,714</u>	<u>18,520,076</u>	<u>19,440,316</u>	<u>20,626,025</u>	<u>21,958,875</u>	<u>22,865,469</u>
6,532,050	7,469,416	7,653,495	7,679,490	7,902,699	8,571,625
183,282	197,972	168,247	165,443	183,822	173,882
490,517	598,654	593,402	585,179	690,799	1,059,343
122,532	120,415	114,354	107,623	113,415	110,294
348,873	353,266	353,492	376,909	383,778	393,006
<u>655,578</u>	<u>701,004</u>	<u>655,963</u>	<u>700,553</u>	<u>769,236</u>	<u>1,032,248</u>
<u>25,801,546</u>	<u>27,960,804</u>	<u>28,979,270</u>	<u>30,241,222</u>	<u>32,002,624</u>	<u>34,205,867</u>
541,881	6,149	54,021	251,454	-	82,099
<u>23,782</u>	<u>71,810</u>	<u>54,157</u>	<u>29,027</u>	<u>57,609</u>	<u>22,330</u>
<u>\$ 26,367,209</u>	<u>\$ 28,038,762</u>	<u>\$ 29,087,448</u>	<u>\$ 30,521,703</u>	<u>\$ 32,060,233</u>	<u>\$ 34,310,295</u>

STATE OF MICHIGAN
SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Thousands)

	<u>1990 - 1991</u>	<u>1991 - 1992</u>	<u>1992 - 1993</u>	<u>1993 - 1994</u>
Current:				
General government	\$ 885,173	\$ 935,530	\$ 906,287	\$ 844,696
Education	4,814,276	4,898,512	5,226,199	6,032,718
Family independence services (1)	6,213,263	6,209,410	6,964,193	7,596,169
Public safety and corrections	1,054,737	1,189,233	1,298,270	1,403,525
Conservation, environment, recreation, and agriculture	351,440	357,647	367,688	518,336
Labor, commerce, and regulatory	592,320	597,427	590,282	658,148
Health services (1)	1,323,303	1,304,679	1,370,988	1,428,218
Transportation	1,095,385	1,174,803	1,240,270	1,297,326
Tax expenditures	856,800	964,700	975,200	1,067,700
Capital outlay	524,731	517,777	538,647	523,512
Intergovernmental - revenue sharing	1,049,252	956,102	1,063,608	1,136,127
Debt service - capital lease payments	<u>51,498</u>	<u>47,515</u>	<u>39,279</u>	<u>36,341</u>
Total Expenditures	<u>\$ 18,812,178</u>	<u>\$ 19,153,334</u>	<u>\$ 20,580,911</u>	<u>\$ 22,542,815</u>

NOTES: (1) Beginning in fiscal year 1996-97 the State consolidated the Medical Services Administration (MSA), the Departments of Public Health and Mental Health to form the Department of Community Health and accounted for the combined operations as "Health services." MSA and Public Health expenditures were previously reported as "Health and welfare," which was renamed to "Family independence services." Prior year amounts have not been restated.

<u>1994 - 1995</u>	<u>1995 - 1996</u>	<u>1996 - 1997</u>	<u>1997 - 1998</u>	<u>1998 - 1999</u>	<u>1999 - 2000</u>
\$ 970,101	\$ 1,061,865	\$ 1,060,633	\$ 1,003,062	\$ 1,072,735	\$ 1,071,643
9,781,080	10,219,613	10,568,759	11,462,128	11,827,226	12,436,812
7,389,722	8,619,094	3,496,468	3,262,649	3,229,377	3,336,835
1,557,854	1,683,618	1,738,682	1,720,105	1,908,871	1,983,001
639,425	511,459	440,656	446,377	482,901	564,738
704,191	716,571	756,754	763,484	720,070	740,687
1,471,392	1,501,080	6,563,740	6,781,614	7,100,795	7,692,354
1,352,745	1,392,778	1,459,704	1,556,082	1,645,123	1,663,318
459,600	429,618	470,000	477,000	486,100	502,100
625,390	608,159	716,835	898,509	1,144,575	1,196,211
1,190,838	1,281,089	1,301,153	1,381,009	1,410,400	1,494,016
<u>38,523</u>	<u>44,932</u>	<u>57,562</u>	<u>58,905</u>	<u>59,287</u>	<u>52,027</u>
<u>\$ 26,180,861</u>	<u>\$ 28,069,878</u>	<u>\$ 28,630,947</u>	<u>\$ 29,810,925</u>	<u>\$ 31,087,460</u>	<u>\$ 32,733,741</u>

STATE OF MICHIGAN
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
 BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS**
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Thousands)

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST AND FISCAL CHARGES</u>	<u>TOTAL DEBT SERVICE EXPENDITURES</u>	<u>TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS</u>	<u>RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL FUND EXPENDITURES AND TRANSFERS</u>
1990-1991	\$ 23,565	\$ 9,557	\$ 33,122	\$ 15,386,993	.22 %
1991-1992	27,282	8,184	35,466	15,500,936	.23 %
1992-1993	19,342	18,341	37,683	17,120,555	.22 %
1993-1994	20,795	19,895	40,690	17,989,224	.23 %
1994-1995	23,584	19,081	42,665	17,549,649	.24 %
1995-1996	21,097	33,150	54,246	18,755,877	.29 %
1996-1997	29,857	34,143	64,000	18,571,900	.34 %
1997-1998	31,141	32,676	63,817	18,847,724	.34 %
1998-1999	34,751	45,055	79,806	20,027,355	.40 %
1999-2000	36,035	49,584	85,619	20,942,926	.41 %

NOTE: Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

STATE OF MICHIGAN
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Thousands)

<u>FISCAL YEAR</u>	<u>POPULATION*</u>	<u>GROSS BONDED DEBT</u>	<u>LESS DEBT SERVICE FUNDS</u>	<u>NET BONDED DEBT</u>	<u>NET BONDED DEBT PER CAPITA (IN DOLLARS)</u>
1990-1991	9,395	\$ 175,202	\$ 9,733	\$ 165,469	\$ 17.61
1991-1992	9,470	397,067	-	397,067	41.93
1992-1993	9,529	394,950	-	394,950	41.45
1993-1994	9,584	394,278	-	394,278	41.14
1994-1995	9,660	719,222	-	719,222	74.45
1995-1996	9,739	702,486	-	702,486	72.13
1996-1997	9,785	677,277	-	677,277	69.22
1997-1998	9,820	901,103	-	901,103	91.76
1998-1999	9,864	869,788	-	869,788	88.18
1999-2000	9,938	930,279	-	930,279	93.61

*SOURCE: U. S. Department of Commerce, Bureau of the Census and Michigan Department of Management and Budget.



STATE OF MICHIGAN
STATE BUILDING AUTHORITY (SBA) BONDED DEBT PER CAPITA
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Thousands)

<u>FISCAL YEAR</u>	<u>POPULATION*</u>	<u>SBA GROSS BONDED DEBT</u>	<u>LESS SBA DEBT SERVICE FUNDS</u>	<u>SBA NET BONDED DEBT</u>	<u>SBA NET BONDED DEBT PER CAPITA (IN DOLLARS)</u>
1990-1991	9,395	\$ 1,237,192	\$ 279,775	\$ 957,416	\$ 101.91
1991-1992	9,470	1,490,815	187,184	1,303,631	137.66
1992-1993	9,529	1,453,140	109,494	1,343,647	141.01
1993-1994	9,584	1,494,440	150,972	1,343,468	140.18
1994-1995	9,660	1,453,420	170,478	1,282,942	132.81
1995-1996	9,739	1,478,896	171,244	1,307,652	134.27
1996-1997	9,785	1,616,700	193,219	1,423,481	145.48
1997-1998	9,820	1,996,787	245,050	1,751,737	178.38
1998-1999	9,864	1,945,086	220,745	1,724,341	174.81
1999-2000	9,938	1,825,918	233,540	1,592,378	160.23

NOTE: State Building Authority (SBA) bonds are revenue dedicated bonds whose debt service requirements are financed by General Fund appropriations for rent of leased property, excess bond proceeds, and investment earnings. The bonds of the Authority are not considered direct debts or obligations of the State.

*SOURCE: U. S. Department of Commerce, Bureau of the Census and Michigan Department of Management and Budget.

STATE OF MICHIGAN
DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Millions)

	<u>1990-1991</u>	<u>1991-1992</u>	<u>1992-1993</u>	<u>1993-1994</u>
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 676.6	\$ 686.6	\$ 724.9	\$ 729.0
Registration Taxes	420.2	441.8	462.5	494.3
Miscellaneous Fees	59.9	61.8	64.4	70.0
Total	<u>1,156.7</u>	<u>1,190.2</u>	<u>1,251.8</u>	<u>1,293.3</u>
Less Deductions	<u>88.2</u>	<u>90.8</u>	<u>96.5</u>	<u>100.2</u>
Remaining Balance	1,068.5	1,099.4	1,155.3	1,193.1
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	<u>107.0</u>	<u>110.0</u>	<u>115.8</u>	<u>120.7</u>
Motor Vehicle Related Sales Tax Revenues	\$ 605.1	\$ 639.0	\$ 701.9	\$ 768.5
Allocation to Comprehensive Transportation Fund	<u>42.2</u>	<u>32.8</u>	<u>43.9</u>	<u>53.6</u>
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	\$ 149.2	\$ 142.8	\$ 159.7	\$ 174.3
Plus Other Revenues (primarily interest)	<u>3.4</u>	<u>1.1</u>	<u>1.3</u>	<u>1.8</u>
Money Available for Debt Service	<u>152.6</u>	<u>143.9</u>	<u>161.0</u>	<u>176.1</u>
Actual Annual Debt Service (1)	<u>20.6</u>	<u>17.0</u>	<u>20.1</u>	<u>20.7</u>
Debt Service Coverage	7.4 x	8.5 x	8.0 x	8.5 x

(1) The table above does not include debt service on refunded bonds.

Source: Michigan Department of Transportation.

<u>1994-1995</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>
\$ 756.3	\$ 761.7	\$ 821.0	\$ 1,022.7	\$ 1,066.3	\$ 1,066.5
521.2	564.5	596.5	664.8	709.9	755.1
<u>71.8</u>	<u>57.4</u>	<u>54.4</u>	<u>59.1</u>	<u>57.0</u>	<u>55.2</u>
1,349.3	1,383.6	1,471.9	1,746.6	1,833.2	1,876.8
<u>103.8</u>	<u>113.4</u>	<u>116.9</u>	<u>117.9</u>	<u>121.2</u>	<u>128.0</u>
1,245.5	1,270.2	1,355.0	1,628.7	1,712.0	1,748.8
<u>125.8</u>	<u>129.0</u>	<u>132.0</u>	<u>145.3</u>	<u>153.0</u>	<u>156.9</u>
\$ 747.1	\$ 837.5	\$ 799.4	\$ 834.7	\$ 897.4	\$ 999.3
<u>55.6</u>	<u>58.4</u>	<u>58.8</u>	<u>60.3</u>	<u>63.2</u>	<u>69.7</u>
\$ 181.4	\$ 187.4	\$ 191.0	\$ 205.6	\$ 216.3	\$ 226.6
<u>15.8</u>	<u>7.9</u>	<u>5.0</u>	<u>6.1</u>	<u>6.6</u>	<u>3.1</u>
<u>197.2</u>	<u>195.3</u>	<u>196.0</u>	<u>211.7</u>	<u>222.9</u>	<u>229.7</u>
<u>20.6</u>	<u>23.1</u>	<u>22.5</u>	<u>23.1</u>	<u>21.9</u>	<u>21.2</u>
9.6 x	8.5 x	8.7 x	9.2 x	10.2 x	10.8 x

STATE OF MICHIGAN
DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
 LAST TEN YEARS
 SEPTEMBER 30, 2000
 (In Millions)

	<u>1990-1991</u>	<u>1991-1992</u>	<u>1992-1993</u>	<u>1993-1994</u>
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 676.6	\$ 686.6	\$ 724.9	\$ 729.0
Registration Taxes	420.2	441.8	462.5	494.3
Miscellaneous Fees	59.9	61.8	64.4	70.0
Total	<u>1,156.7</u>	<u>1,190.2</u>	<u>1,251.8</u>	<u>1,293.3</u>
Less Deductions:				
Critical Bridge Debt Service	-	-	-	2.8
P. A. 51 Dedicated State Trunkline Fund Debt Service (1)	-	-	-	-
Collection Costs	76.0	78.4	83.6	84.2
Waterways/Recreational Improvement Fund	12.3	12.4	13.0	13.2
Comprehensive Transportation Fund (excluding interest)	107.0	110.0	115.8	120.7
Local Program Fund	-	-	20.0	33.0
Critical Bridge Fund	5.0	5.0	5.0	5.0
Economic Development Fund	36.8	36.8	36.8	36.8
Total Deductions	<u>237.1</u>	<u>242.6</u>	<u>274.2</u>	<u>295.7</u>
Constitutionally Restricted Revenues				
Available for Distribution	919.6	947.6	977.6	997.6
Plus Other Revenues (primarily interest)	7.5	5.5	11.0	5.5
Total Money Available for Distribution	<u>927.1</u>	<u>953.1</u>	<u>988.6</u>	<u>1,003.1</u>
Distributions to:				
Cities and Villages	204.5	209.4	217.9	218.6
County Road Commissions	361.3	371.3	385.0	392.2
State Trunkline Fund	361.3	372.4	385.7	392.2
Money Available for Debt Service				
State Trunkline Fund	361.3	372.4	385.7	392.2
P. A. 51 Dedicated State Trunkline Fund Debt Service (1)	-	-	-	-
Economic Development Fund	36.8	36.8	36.8	36.8
Local Program Fund	-	-	20.0	33.0
Critical Bridge Fund	-	-	-	2.8
Total Available for Debt Service	<u>398.1</u>	<u>409.2</u>	<u>442.5</u>	<u>464.8</u>
Actual Annual Debt Service (2)	31.8	29.4	31.9	34.5
Debt Service Coverage	12.5 x	13.9 x	13.9 x	13.5 x

(1) Beginning fiscal year 1997-98, the formula for the tax distribution was revised to apportion and appropriate \$43 million from the Michigan Transportation Fund to the State Trunkline Fund for debt service costs on State of Michigan projects. Prior year amounts are not available.

(2) The table above excludes amounts related to refunded bonds.

SOURCE: Michigan Department of Transportation.

<u>1994-1995</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>
\$ 756.3	\$ 761.7	\$ 821.0	\$ 1,022.7	\$ 1,066.3	\$ 1,066.5
521.2	564.5	596.5	664.8	709.9	755.1
71.8	57.4	54.4	59.1	57.0	55.2
<u>1,349.3</u>	<u>1,383.6</u>	<u>1,471.9</u>	<u>1,746.6</u>	<u>1,833.2</u>	<u>1,876.8</u>
1.3	1.6	1.6	1.6	1.4	2.4
-	-	-	43.0	43.0	43.0
90.2	99.8	101.2	55.4	58.4	64.0
13.4	13.6	14.1	17.9	18.4	18.6
125.8	129.0	132.2	145.3	153.0	156.9
33.0	33.0	33.0	33.0	33.0	33.0
5.0	5.0	5.0	5.0	5.0	5.0
36.8	36.8	36.8	40.3	40.3	40.3
<u>305.5</u>	<u>318.8</u>	<u>323.9</u>	<u>341.5</u>	<u>352.5</u>	<u>363.2</u>
1,043.8	1,064.7	1,148.1	1,405.1	1,480.7	1,513.6
12.7	18.8	59.7	13.9	11.6	15.8
<u>1,056.5</u>	<u>1,083.5</u>	<u>1,207.8</u>	<u>1,419.0</u>	<u>1,492.3</u>	<u>1,529.4</u>
233.2	239.5	270.5	302.7	318.7	326.7
411.4	421.4	477.9	534.3	561.0	575.0
411.9	422.7	459.3	582.0	612.7	627.7
411.9	422.7	459.3	582.0	612.7	627.7
-	-	-	43.0	43.0	43.0
36.8	36.8	36.8	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
-	-	-	1.6	1.4	2.4
<u>481.7</u>	<u>492.5</u>	<u>529.1</u>	<u>699.9</u>	<u>730.4</u>	<u>746.4</u>
42.5	58.2	59.7	61.4	57.8	47.2
11.3 x	8.5 x	8.9 x	11.4 x	12.6 x	15.8 x



ECONOMIC AND SOCIAL DATA

STATE OF MICHIGAN
ECONOMIC AND SOCIAL DATA

GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 57,022 square miles of land mass (exclusive of 1,194 square miles of inland water and 38,575 square miles of Great Lakes water area) with 3,288 miles of shoreline on four of the five Great Lakes. A combined water and land area of 96,791 square miles makes it the tenth largest state.

POPULATION

The following table presents population trends for Michigan for the last ten years (in thousands):

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Population	9,395	9,470	9,529	9,584	9,660	9,739	9,785	9,820	9,864	9,938
Percent Change	.9%	.8%	.6%	.6%	.8%	.8%	.5%	.4%	.4%	.8%

Source:

U.S. Department of Commerce, Bureau of the Census (estimated at July 1 except in 2000 it was actual as of April 1).

WEALTH

The following table presents per capita income, retail sales, taxable property, and bank deposits data for the last ten years:

<u>YEAR</u>	<u>Per Capita Income (a)</u>		<u>Retail Sales (b)</u>	<u>State Equalized Value of Taxable Property (c)</u>	<u>Bank Deposits (d)</u>
	<u>MI</u>	<u>U.S.</u>	<u>(In billions)</u>	<u>(In billions)</u>	<u>(In billions)</u>
1990	\$19,022	\$19,584	\$1,844.6	\$140.7	\$105.9
1991	19,318	20,089	1,855.9	150.9	109.5
1992	20,278	21,082	1,951.6	154.3	110.6
1993	21,390	21,718	2,082.1	167.9	111.8
1994	22,862	22,581	2,248.2	175.5	117.8
1995	23,975	23,562	2,359.0	186.4	117.4
1996	24,447	24,651	2,502.4	200.3	116.9
1997	25,570	25,874	2,610.6	216.7	118.2
1998	26,807	27,322	2,745.6	237.4	123.4
1999	28,113	28,542	2,994.9	261.0	122.3

Sources:

- (a) U.S. Department of Commerce, Bureau of Economic Analysis, September 2000 release.
- (b) U.S. Department of Commerce, Bureau of the Census, Monthly Retail Trade Survey.
- (c) State of Michigan, Department of Treasury, Property Tax Division.
- (d) State of Michigan, Department of Consumer & Industry Services, Office of Financial and Insurance Services, Division of Financial Institutions.
The amounts shown include state and national banks, state and federal credit unions, and state and federal savings banks.

STATE OF MICHIGAN
ECONOMIC AND SOCIAL DATA (Continued)

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the last ten calendar years:

<u>Year</u>	<u>Total Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1990	4,598	4,248	350	7.6%
1991	4,592	4,165	427	9.3%
1992	4,690	4,274	417	8.9%
1993	4,753	4,418	335	7.0%
1994	4,823	4,539	285	5.9%
1995	4,814	4,556	258	5.4%
1996	4,897	4,659	239	4.9%
1997	4,961	4,752	209	4.2%
1998	5,029	4,835	194	3.9%
1999	5,136	4,942	194	3.8%

Source: Michigan Department of Career Development, Employment Security Agency.

Wage and salary employees for the last five calendar years consisted of the following (in thousands):

<u>Wage and Salary Employment</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Goods Producing Industries:					
Manufacturing					
Durable Goods:					
Lumber & Wood Products	17.8	17.4	17.1	17.7	18.5
Furniture & Fixtures	38.0	37.9	38.8	41.7	43.7
Stone, Clay, and Glass Products	18.3	18.6	19.1	20.7	20.6
Primary Metals	38.1	36.9	36.7	37.3	37.7
Fabricated Metals	128.6	127.5	127.6	128.1	130.0
Industrial Machinery & Computer Equipment	134.4	133.7	134.9	135.1	132.1
Electrical Equipment except Computer	34.2	33.6	34.0	35.4	36.5
Transportation Equipment	298.6	294.9	289.2	287.8	295.9
Other Durable Goods	26.4	26.9	26.0	25.8	25.5
Total Durable Goods	<u>734.4</u>	<u>727.4</u>	<u>723.4</u>	<u>729.6</u>	<u>740.5</u>
Nondurable Goods:					
Food & Kindred Products	43.4	42.8	41.3	40.1	39.1
Textiles & Apparel	21.1	19.6	19.3	19.4	19.5
Paper & Allied Products	21.6	21.4	21.8	20.7	20.4
Printing & Publishing	43.9	43.8	43.7	43.7	42.6
Chemicals & Petroleum	45.3	45.1	44.8	45.4	44.6
Rubber & Miscellaneous Plastics	66.3	67.9	68.0	66.8	67.5
Other Nondurable Goods	3.7	3.7	4.0	4.0	3.6
Total Nondurable Goods	<u>245.3</u>	<u>244.3</u>	<u>242.9</u>	<u>240.1</u>	<u>237.3</u>
Total Manufacturing	<u>979.7</u>	<u>971.7</u>	<u>966.3</u>	<u>969.7</u>	<u>977.8</u>
Mining	8.4	7.6	7.6	7.8	6.9
Construction	<u>152.7</u>	<u>168.0</u>	<u>179.8</u>	<u>186.1</u>	<u>190.5</u>
Total Goods Producing Industries	<u>1,140.8</u>	<u>1,147.3</u>	<u>1,153.7</u>	<u>1,163.6</u>	<u>1,175.2</u>
Service Producing Industries:					
Transportation, Communications, and Utilities	167.0	170.4	173.5	177.7	176.6
Wholesale Trade	214.2	219.6	228.6	232.6	232.4
Retail Trade	789.6	805.6	817.4	822.8	840.4
Finance, Insurance, and Real Estate	196.3	202.4	205.7	208.5	208.8
Services	1,125.1	1,171.6	1,221.9	1,249.0	1,261.7
Government	<u>640.9</u>	<u>643.8</u>	<u>647.4</u>	<u>656.0</u>	<u>667.1</u>
Total Service Producing Industries	<u>3,133.0</u>	<u>3,213.4</u>	<u>3,294.4</u>	<u>3,346.6</u>	<u>3,386.9</u>
Total Wage and Salary Employment	<u>4,273.9</u>	<u>4,360.7</u>	<u>4,448.2</u>	<u>4,510.2</u>	<u>4,562.1</u>

Source: Michigan Department of Career Development, Employment Security Agency.

INDEX OF FUNDS AND COMPONENT UNITS

	<u>Page</u>
Advance Financing Funds	132
Bottle Deposits Fund	95
Central Michigan University.....	182
Child Support Collection Fund	162
Children’s Trust Fund.....	117
Combined Comprehensive Transportation Bond and Interest Redemption Fund.....	126
Combined Comprehensive Transportation Bond Proceeds Fund	81
Combined Environmental Protection Bond Fund	93
Combined Recreation Bond Fund – Local Projects.....	93
Combined Recreation Bond Fund – State Projects	132
Combined State Trunkline Bond and Interest Redemption Fund	126
Combined State Trunkline Fund Bond Proceeds Fund.....	81
Comprehensive Transportation Fund.....	80
Correctional Industries Revolving Fund	140
Counter-Cyclical Budget and Economic Stabilization Fund	116
Eastern Michigan University	182
Environmental Quality Deposits Fund.....	161
Ferris State University	182
Financial Institutions Deposits Fund	161
Forest Development Fund.....	94
Game and Fish Protection Fund.....	92
Game and Fish Protection Trust Fund	93
General Fund	4
Grand Valley State University	182
Homeowner Construction Lien Recovery Fund	107
Information Technology Revolving Fund.....	141
Insurance Carrier Deposits Fund	161
Judges’ Retirement Fund	157
Lake Superior State University.....	182
Legislative Retirement Fund.....	156
Liquor Purchase Revolving Fund	135
Mackinac Bridge Authority	168
Mackinac Island State Park Commission.....	175
Marine Safety Fund	92
Michigan Civilian Conservation Corps Endowment Fund	94
Michigan Economic Development Corporation	175
Michigan Education Trust	174
Michigan Employment Security Act – Administration Fund	106
Michigan Employment Security Act Contingent Fund.....	150
Michigan Higher Education Assistance Authority	169 & 174
Michigan Higher Education Facilities Authority.....	168
Michigan Higher Education Student Loan Authority	174
Michigan Merit Award Trust Fund.....	117
Michigan Municipal Bond Authority.....	175
Michigan Natural Resources Trust Fund	93
Michigan Nongame Fish and Wildlife Fund.....	94
Michigan State Hospital Finance Authority.....	174
Michigan State Housing Development Authority.....	175
Michigan State Parks Endowment Fund.....	93
Michigan State Waterways Fund.....	92

INDEX OF FUNDS AND COMPONENT UNITS (Continued)

	<u>Page</u>
Michigan Strategic Fund.....	169
Michigan Technological University.....	183
Michigan Transportation Fund	80
Michigan Underground Storage Tank Financial Assurance Finance Authority	95 & 127
Michigan Underground Storage Tank Financial Assurance Fund	95
Michigan Unemployment Compensation Fund	150
Michigan Veterans' Trust Fund	116
Miscellaneous Trust Accounts Fund.....	151
Motor Transport Fund.....	140
Northern Michigan University.....	183
Oakland University.....	183
Office Services Revolving Fund.....	140
Public School Employees' Retirement Fund	157
Recreation and Environmental Protection Bond Redemption Fund	126
Risk Management Fund	141
Safety Education and Training Fund	106
Saginaw Valley State University	183
School Aid Fund.....	116
School Bond Loan Fund	117
School Loan Bond Redemption Fund.....	127
Second Injury Fund.....	150
State Aeronautics Fund.....	80
State Bar of Michigan	175
State Building Authority.....	127 & 132
State Casino Gaming Fund	107
State Construction Code Fund	107
State Employees' Deferred Compensation Funds.....	151
State Employees' Defined Contribution Retirement Fund	157
State Employees' Retirement Fund	156
State Lottery Fund	135
State Park Improvement Fund	93
State Police Retirement Fund.....	156
State Sponsored Group Insurance Fund.....	141
State Treasurer's Escrow and Paying Agent Fund.....	162
State Trunkline Fund	80
Tobacco Settlement Trust Fund	117
Transportation Related Trust Funds.....	151
Uninsured Employers' Security Fund.....	106
Western Michigan University	183

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