State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2006

JENNIFER M. GRANHOLM
Governor

ROBERT L. EMERSON
State Budget Director
Office of the State Budget

MICHAEL J. MOODY, CPA
Director
Office of Financial Management

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Office of the State Budget

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT L. EMERSON
DIRECTOR

March 30, 2007

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

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2006.

INTRODUCTION TO THE REPORT

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

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

Report: The SOMCAFR is divided into 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 independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provide an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules.
- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.

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

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

The Management and Budget Act requires each principal department to appoint an internal auditor and to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, to provide corrective action plans and time

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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.

Independent Auditors: The Office of the Auditor General (OAG) is the principal auditor of the SOMCAFR. The OAG also relies on the opinions of outside public accounting firms, particularly for component unit financial statements (such as the Michigan State Housing Development Authority and 10 of the State's universities), the larger pension and other employee benefit trust funds, and the Unemployment Compensation funds. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2006 are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2006 are fairly presented in accordance with GAAP and issued unqualified opinions.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial statement and performance audits of the various State departments, agencies, and institutions of higher education. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act 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.

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

PROFILE OF THE GOVERNMENT

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

Executive Branch: The Executive Branch consists of 19 principal departments. Sixteen principal departments are headed by commissions and/or directors appointed by the elected governor. Elected officials head two principal departments, Attorney General and State, and one, Education, is headed by an elected board.

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

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

U.S. Economy: The current U.S. economic expansion is now five years old, having begun in November 2001. The U.S. economy, as measured by inflation-adjusted gross domestic product, is estimated to have grown 3.3% in 2006 and is predicted to slow substantially to 2.2% in 2007 before rebounding to 2.7% growth in 2008.

Light vehicle sales fell 450,000 units to 16.5 million units, the lowest level since 1998. The Big Three vehicle market share continued to shrink. As a result, Big Three vehicle sales fell from 9.7 million units to 8.9 million units, the lowest level since 1992. Light vehicle sales are forecast to be 16.3 million units in 2007 and 16.5 million units in 2008.

U.S. employment has increased each month since mid-2003. Employment gains in 2006 averaged approximately 190,000 jobs a month. Monthly U.S. employment now exceeds its pre-recession peak by 4.6 million jobs. For calendar year 2006, U.S. employment rose 1.8%. The U.S. unemployment rate is projected to remain relatively stable with a 4.6% and 4.7% unemployment rate in 2007 and 2008, respectively.

Michigan Economy: Michigan's economy relies heavily on the performance of the manufacturing sector in general and the auto industry specifically. Given extremely weak manufacturing employment performance, declining vehicle production, continued declines in Big 3 market share along with continued supply rationalization among vehicle suppliers, Michigan employment performance has been below the national average. Substantial productivity gains in the vehicle industry have also contributed to Michigan's sub-par employment performance.

Michigan personal income is forecast to increase 2.8% in 2007 and 3.0% in 2008. In fiscal year 2007, wages and salaries are expected to grow by 1.5% and then slow to 1.2% growth in fiscal year 2008. The inflation rate is expected to remain moderate at 1.3% in fiscal year 2007 and 2.5% in fiscal year 2008.

MAJOR INITIATIVES AND FUTURE PROJECTS

Jobs and Economy: Strong business and entrepreneurial investment, a skilled and dedicated workforce, and effective infrastructure and transportation systems fuel Michigan's economic engine. During fiscal year 2006, the State created the 21st Century Jobs Fund and provided $400 million to invest in areas such as life science technology, advanced automotive, manufacturing and materials technology and alternative energy technology. Over the next decade, the State will invest $2 billion in public and private resources to diversify the economy and create jobs.

State government is also committed to investing in its workforce. The Michigan Opportunity Partnership, created to fast-track jobs in high demand areas such as health care and the building trades, is aimed at matching and placing qualified resources in new jobs. In addition, beginning in 2006 and continuing in 2007, the departments of Human Services and Labor and Economic Growth are collaborating on a new Jobs, Employment and Training (JET) pilot to provide intensive services to long-term cash recipients in order to reduce poverty and welfare dependency, which is expected to save $11 million in 2007.

The effective and efficient movement of people and goods is critical to growing Michigan's economy. Continued investment in road infrastructure projects is necessary to keep pace with the accelerated demands of modern commerce. Over $3.4 billion, or 8.1%, of the State's total fiscal year 2007 budget is dedicated to transportation programs such as new construction and maintenance for local road and bridge projects, airport infrastructure improvements, and public transportation programs.

Education: The State is committed to providing a quality education to all age levels. Over $15.3 billion, or 36.1%, of the State's total fiscal year 2007 budget is devoted to educating Michigan citizens through its public schools, community colleges and universities.

The School Aid Budget, totaling $13.1 billion, reflects the commitment to provide all students in the K-12 educational system with the tools they need to succeed in a global economy. During fiscal year 2007, the minimum foundation allowance was increased to $7,100 per pupil, the highest amount in the state's history. In addition, a new after school program for middle school pupils was created to focus on math, science and computer technology and help students meet local, state and federal standards and better prepare students for more rigorous high school curriculum expectations.

In order to compete in a global economy, Michigan must significantly increase the number of citizens who attend and complete post-secondary education programs. To support this goal, state colleges and universities will receive $2.1 billion during fiscal year 2007.

Health and Human Services: For fiscal year 2007, the two departments primarily responsible for health and human services, the Department of Community Health and Department of Human Services, account for $15.7 billion, or 36.9%, of the overall State budget.

While the State administers a variety of health and human services programs, Medicaid is the most extensive, accounting for $8.6 billion of the fiscal year 2007 budget. This program provides a social safety net for low-income families and vulnerable adults, by providing coverage to over 1.5 million people, of which nearly 900,000 are children. The program ensures that low-income families, the elderly, and the disabled receive high-quality, cost effective health care, while reducing the burden of uncompensated care costs on providers.

During 2006, the State announced the Michigan First Healthcare Plan, with the overall goal of making quality health care accessible to all Michigan residents. By partnering with insurers, the business community, and health care providers, the plan will create a competitive market-based health insurance exchange to expand access to more than 500,000 low-income parents and adults. The state anticipates receiving federal approval for this program this spring.

Hometown Security: Protection of Michigan's residents is a top priority and a core function of state government, accounting for $2.9 billion, or 6.8%, of the overall State budget in fiscal year 2007. Hometown security requires a balanced spectrum of state activities from street-level public safety programs, to military preparedness of the Michigan National Guard, to the incarceration of dangerous felons. The departments of Corrections, Judiciary, Military and Veterans Affairs, and State Police are charged with providing protection services to our citizens.

Environment: State government is committed to the conservation, protection, management, use, and enjoyment of the State's natural resources for current and future generations. Michigan has 11,000 inland lakes, 36,000 miles of rivers and streams, and 3,000 miles of freshwater shoreline. Numerous park and recreation areas enable Michigan's citizens and visitors to enjoy outdoor recreation in a fun and safe environment on public lands and waters while benefiting the economy. Michigan lands also yield several agricultural products which rank number one nationally in the State's second largest industry – agricultural production.

Efforts to enhance the quality of Michigan's natural environment are primarily the responsibilities of the departments of Agriculture, Environmental Quality and Natural Resources who will spend approximately $845.7 million in fiscal year 2007.

Better Government: Making government more cost effective and efficient is a primary focus of state government. Better government in Michigan means keeping the budget balanced, providing fast and friendly service to all citizens, cutting red tape, and frugally managing the workplaces, tools, and equipment of state government. It also means improving collaboration in order to increase efficiencies, improving services through the use of technology, making Michigan more equitable for all residents, and making state government a great place to work.

The State is continuing with a number of technology initiatives in fiscal year 2007 that will result in streamlining and consolidating computer operations and equipment. For example, the Human Resources Call Center, created in the Department of Civil Service, streamlines human resource operations and is estimated to save $25 million by 2009. In addition, the Department of Human Services continues to develop an integrated human services delivery system to improve services to citizens in need.

State government agencies, local units of governments and school districts are exploring efforts to consolidate and share resources to keep spending in check. Consolidating business services, administrative personnel and other like services will help cut waste and create efficiencies across state government.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose content satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for 19 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Sincerely,

Robert L. Emerson
State Budget Director

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Michigan

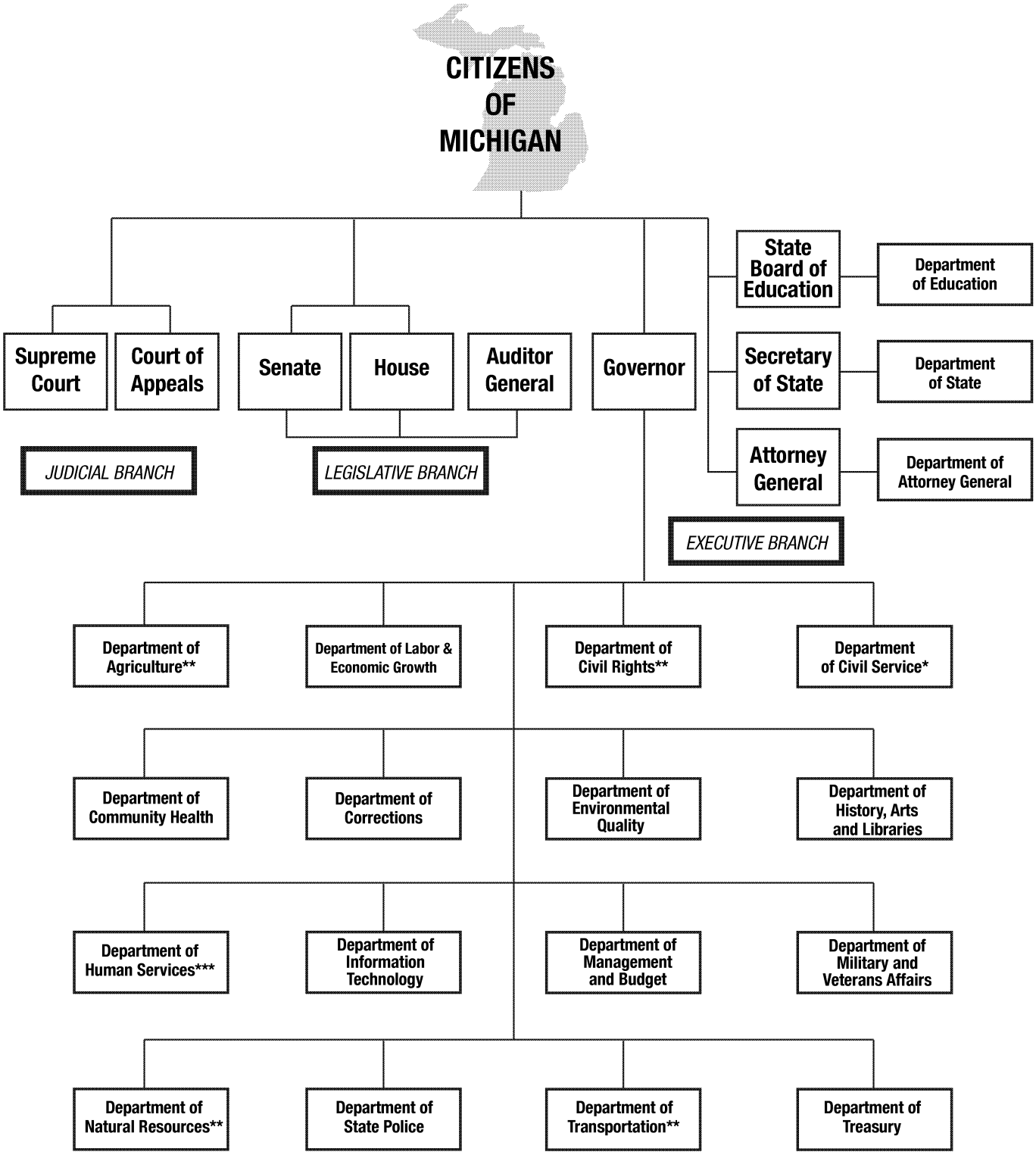
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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

President

Executive Director

STATE OF MICHIGAN
ORGANIZATIONAL STRUCTURE



* Has Commission appointed by Governor
** Has Commission appointed by Governor, confirmed by Senate
*** Formerly the Family Independence Agency

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

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

LEGISLATIVE BRANCH

Honorable Michael Bishop
Majority Leader of the Senate

Honorable Andy Dillon
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable Jennifer M. Granholm, Governor

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

Honorable Mike Cox, Attorney General

Honorable Terri Lynn Land, Secretary of State

State Board of Education
Kathleen N. Straus, President
- John C. Austin
- Elizabeth W. Bauer
- Carolyn L. Curtin
- Nancy Danhof
- Marianne Yared McGuire
- Reginald M. Turner
- Casandra E. Ulbrich
- Honorable Jennifer M. Granholm (Ex Officio)

Michael P. Flanagan
Superintendent of Public Instruction

Michigan Commission of Agriculture
- James E. Byrum, Chair
- Donald M. Coe
- Ann Jousma-Miller
- Dale N. Norton
- Vacant

Mitch Irwin, Director, Department of Agriculture

Civil Rights Commission
- Mohammed Abdrabboh, Chair
- Mark Bernstein
- Kelvin W. Scott
- Tarun K. Sharma
- Karen Henry Stokes
- Matthew Wesaw
- J. Michael Zelley
- Vacant

Linda V. Parker, Director, Department of Civil Rights

Civil Service Commission
- Susan Grimes Munsell, Chair
- F. Thomas Lewand
- Sherry L. McMillan
- Vacant

James D. Farrell, Director, Department of Civil Service

Janet Olszewski, Director
Department of Community Health

Patricia L. Caruso, Director
Department of Corrections

Steven E. Chester, Director
Department of Environment Quality

William Anderson, Director
Department of History, Arts and Libraries

Marianne Udow, Director
Department of Human Services

Teresa M. Takai, Director
Department of Information Technology

Keith W. Cooley, Director
Department of Labor and Economic Growth

Lisa Webb Sharpe, Director
Department of Management and Budget

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

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

Natural Resources Commission
Keith J. Charters, Chair
- Mary C. Brown
- Hurley J. Coleman, Jr.
- Darnell Earley
- Bob Garner
- John M. Madigan
- Franklin C. Wheatlake

Rebecca A. Humphries, Director
Department of Natural Resources

Lt. Col. Peter C. Munoz, Director
Department of State Police

Transportation Commission
- Ted B. Wahby, Chair
- Linda Miller Atkinson
- Vincent J. Brennan
- Maureen Miller Brosnan
- James R. Rosendall
- James S. Scalici

Kirk T. Steudle, Director
Department of Transportation

Robert J. Kleine, State Treasurer

II. FINANCIAL SECTION

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

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, principally as of and for the year ended September 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act - Administration Fund, State Building Authority - Debt Service Fund, State Building Authority - Capital Projects Fund, Attorney Discipline System, State Sponsored Group Insurance 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, Michigan Education Savings Program, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, Mackinac Bridge Authority, Mackinac Island State Park Commission, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan State Hospital Finance Authority, State Bar of Michigan, Farm Produce Insurance Authority, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Total Revenues/Additions
Governmental Activities	1.6%	1.5%
Business-Type Activities	96.8%	84.5%
Aggregate Discretely Presented Component Units	92.7%	92.0%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate Remaining Fund Information	93.5%	67.6%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 14, budgetary comparison schedules and corresponding notes on pages 100 through 103, and information about infrastructure assets reported using the modified approach on pages 104 and 105 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Sincerely,

Thomas H. McTavish

Thomas H. McTavish, C.P.A.
Auditor General
March 28, 2007

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide:

- At September 30, 2006, the State's assets exceeded its liabilities by $16.8 billion.
- The State's unrestricted net assets were ($1.7) billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.
- The State's total net assets decreased by $692.2 million (4.0 percent) during fiscal year 2006 as a result of long-term debt issuance and continued unemployment.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $3.7 billion. Of this amount, $1.0 billion is *unreserved fund balance* in the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds and, therefore, available to fund general-purpose expenditures of those funds in future years. The remaining $2.7 billion is reserved for specific purposes, such as education and transportation.
- The State's three major governmental funds, the General Fund, Counter-Cyclical Budget and Economic Stabilization Fund, and the School Aid Fund, all closed the fiscal year with positive fund balances, totaling a combined $1.1 billion, with $1.1 billion reserved for specific purposes such as education and multi-year projects. The General Fund and the Counter-Cyclical Budget and Economic Stabilization Fund ended the year with unreserved fund balances of $2.5 million and $2.0 million, respectively. In the School Aid Fund, the entire fund balance of $7.4 million is reserved for specific purposes.
- The State's proprietary funds reported net assets at year-end of $630.2 million. This represents a decrease of $271.8 million (30.1 percent) compared to the prior year-end, mostly resulting from the increase in unemployment benefits paid from the Michigan Unemployment Compensation Funds.

Long-term Debt:

- The State's total long-term debt (bonds and notes payable) as of September 30, 2006 was $7.6 billion. This is an increase of $1.7 billion since the last fiscal year-end. The increase represents the net difference between new issuances, payments, and refundings of outstanding debt, mostly related to the Michigan Tobacco Settlement Finance Authority ($490.5 million) and the State Building Authority ($834.8 million).

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Assets (pages 16 and 17) presents all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets measure whether the State's financial position is improving or not.

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

Both statements report three activities:

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

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

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 18 authorities and 10 universities that are reported as discretely presented component units of the State.

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

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

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

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 43 of this report.

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

The fund financial statements begin on page 22 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 108 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* -- Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

- *Proprietary funds* -- When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary (enterprise and internal service) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Vehicle and Travel Services. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary funds* -- The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 34. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net assets decreased $692.2 million (4.0 percent) over the course of this fiscal year's operations. The net assets of the governmental activities decreased $420.4 million (2.5 percent) and business-type activities had a decrease of $271.8 million (30.1 percent).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005 *	2006	2005 *	2006	2005 *
Current and other non-current assets	$10,118.9	$ 9,558.5	$ 1,618.4	$ 1,956.5	$11,737.4	$11,515.0
Capital assets	19,227.7	19,144.1	.4	.6	19,228.2	19,144.6
Total assets	29,346.7	28,702.6	1,618.8	1,957.1	30,965.5	30,659.7
Current liabilities	4,253.1	4,084.2	624.2	637.0	4,877.4	4,721.2
Long-term liabilities	8,925.8	8,030.2	364.4	418.1	9,290.2	8,448.3
Total liabilities	13,178.9	12,114.4	988.6	1,055.1	14,167.6	13,169.5
Net assets:						
Invested in capital assets, net of related debt	15,827.6	15,433.6	.4	.6	15,828.0	15,434.2
Restricted	2,065.0	2,086.8	622.0	894.5	2,686.9	2,981.3
Unrestricted	(1,724.8)	(932.2)	7.8	6.9	(1,717.0)	(925.3)
Total net assets	$16,167.8	$16,588.2	$ 630.2	$ 902.0	$16,798.0	$17,490.2

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

The largest component of the State's net assets ($15.8 billion) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising $2.7 billion. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The State's unrestricted net assets were ($1.7) billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

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

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

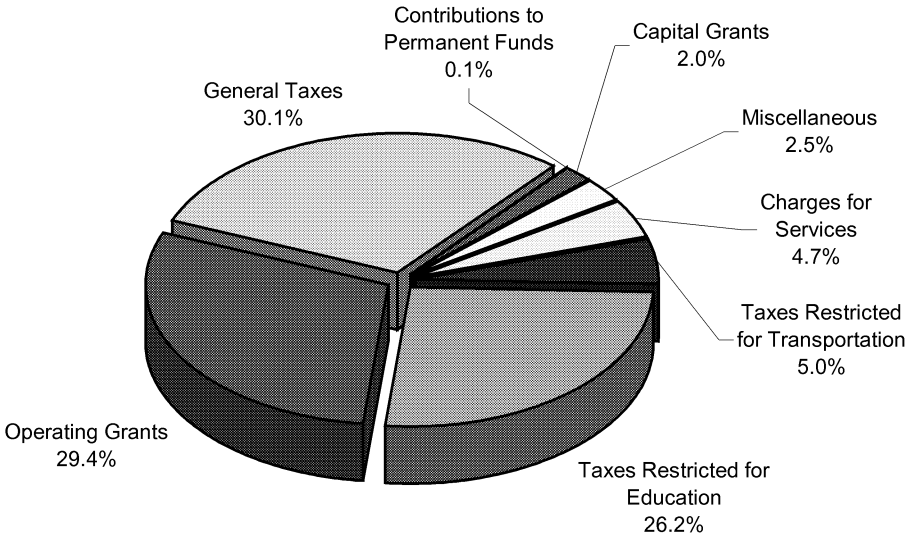
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005 *	2006	2005	2006	2005 *
Revenues						
Program revenues						
Charges for services	$1,862.1	$1,871.0	$4,682.7	$4,422.1	$6,544.8	$6,293.1
Operating grants	11,624.8	11,792.1	53.9	54.1	11,678.7	11,846.3
Capital grants	779.3	805.6	-	-	779.3	805.6
General revenues						
General taxes	11,905.8	11,842.6	12.7	12.2	11,918.5	11,854.8
Taxes restricted for educational purposes	10,389.8	10,294.1	-	-	10,389.8	10,294.1
Taxes restricted for transportation purposes	1,994.8	1,995.6	-	-	1,994.8	1,995.6
Unrestricted investment and interest earnings	10.0	14.1	4.9	2.8	14.9	16.9
Miscellaneous	1,004.0	788.8	-	.1	1,004.0	788.9
Total revenues	39,570.5	39,403.9	4,754.1	4,491.2	44,324.6	43,895.2
Expenses						
General government	2,288.5	1,877.4	-	-	2,288.5	1,877.4
Education	14,695.2	14,531.4	-	-	14,695.2	14,531.4
Human Services	4,384.3	4,154.8	-	-	4,384.3	4,154.8
Public safety and corrections	2,541.6	2,320.4	-	-	2,541.6	2,320.4
Conservation, environment, etc.	688.4	652.3	-	-	688.4	652.3
Labor, commerce, and regulatory	951.5	936.5	-	-	951.5	936.5
Health services	9,963.4	10,179.7	-	-	9,963.4	10,179.7
Transportation	3,133.1	3,107.0	-	-	3,133.1	3,107.0
Tax expenditures	834.0	815.3	-	-	834.0	815.3
Intergovernmental - revenue sharing	1,103.6	1,112.9	-	-	1,103.6	1,112.9
Interest on long-term debt	306.8	287.5	-	-	306.8	287.5
Liquor Purchase Revolving Fund	-	-	583.0	557.4	583.0	557.4
State Lottery Fund	-	-	1,584.2	1,447.3	1,584.2	1,447.3
Attorney Discipline System	-	-	4.1	3.9	4.1	3.9
Michigan Unemployment Compensation Funds	-	-	1,990.2	1,892.5	1,990.2	1,892.5
Total expenses	40,890.5	39,975.3	4,161.5	3,901.0	45,052.0	43,876.3
Excess (deficiency) Before Contributions and Transfers	(1,320.0)	(571.3)	592.6	590.2	(727.3)	18.9
Contributions to permanent fund principal	35.2	41.0	-	-	35.2	41.0
Transfers	864.4	859.3	(864.4)	(859.3)	-	-
Increase (decrease) in net assets	(420.4)	329.0	(271.8)	(269.0)	(692.2)	59.9
Net assets – beginning restated	16,588.2	16,259.2	902.0	1,171.0	17,490.2	17,430.2
Net assets – ending	$16,167.8	$16,588.2	$630.2	$902.0	$16,798.0	$17,490.2

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

Governmental Activities:

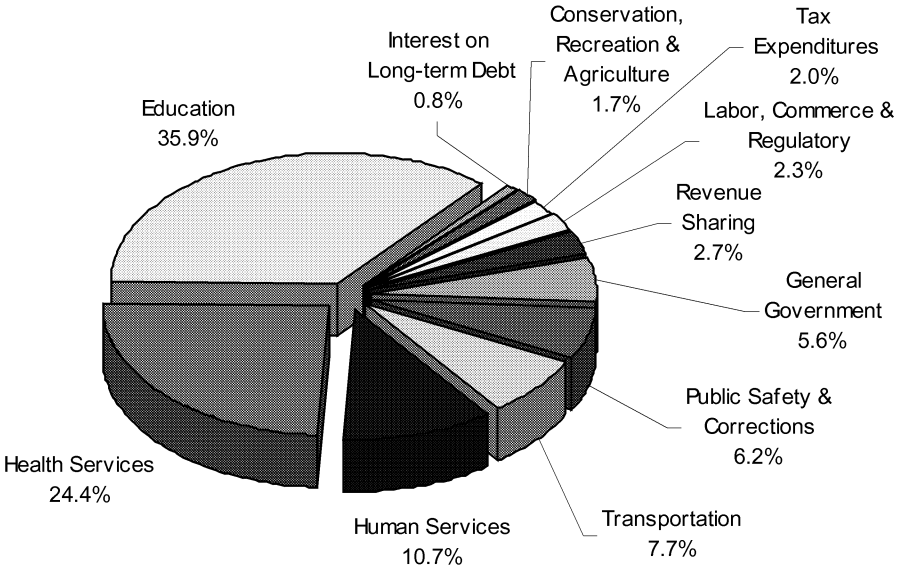
The following chart depicts revenues of the governmental activities for the fiscal year:

Revenues - Governmental Activities for Fiscal Year Ending September 30, 2006
($39.6 billion)



The following chart depicts expenses of the governmental activities for the fiscal year:

Expenses - Governmental Activities for Fiscal Year Ending September 30, 2006
($40.9 billion)



Business-type Activities

The business-type activities' net assets decreased by $271.8 million (30.1 percent) during the fiscal year. Factors contributing to these results included:

- The increase in unemployment in the State resulted in the Michigan Unemployment Compensation Funds finishing the fiscal year with a decrease in net assets of $256.2 million (30.4 percent).
- The State Lottery Fund's net assets decreased by $16.4 million (31.2 percent), which resulted from a decrease in the market value of investments that Lottery holds to fund future payments due for lottery prizes.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of $3.7 billion. Of this total amount, $1.0 billion constitutes unreserved fund balance, which is available for appropriation for the general purposes of the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The transportation-related funds ($230.1 million) and the other state funds ($483.6 million) comprise a significant portion of the unreserved fund balance. Although reported as unreserved fund balances, these amounts are dedicated to those specific funds and can only be used for specific activities. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments, such as capital outlay projects.

General Fund

The General Fund is the chief operating fund of the State. At the end of fiscal year 2006, the General Fund unreserved fund balance was $2.5 million and the reserved fund balance was $1.1 billion. Total fund balance decreased during the fiscal year by $384.2 million (26.4 percent), primarily because prior year fund balances were needed to support spending.

General Fund Budgetary Highlights:

During fiscal year 2006, the State was again faced with difficult budget challenges that resulted in amendments to the original budget by various supplemental appropriations and appropriation reductions. The following summarizes the differences between the original and final budget amounts:

- General-purpose tax revenues of $8.4 billion were $251.7 million more than the original estimate of $8.1 billion.
- Restricted revenue inflows of $14.2 billion were $169.2 million less than the estimated $14.4 billion.
- The General Fund received transfers of $256.0 million from other appropriated funds. The largest transfer was from the Liquor Purchase Revolving Fund, totaling $152.4 million.

Differences between the final budget and actual spending result from spending authority lapses of $88.2 million and restricted revenue authorized, but not spent, of $8.4 million.

The Michigan State Police finished the year with net over-expenditures of $2.9 million. All other agencies finished the year with lapses.

School Aid Fund

Fund balance at September 30, 2006, totaled $7.4 million, a decrease of $90.6 million (92.5 percent) from the prior year. Revenues and transfers to the fund totaled $12.6 billion, up $132.1 million from the prior year. Expenditures totaled $12.6 billion, an increase of $243.2 million over the previous year. The School Aid Stabilization Fund began the year with a $93.7 million reserve. This balance was used to support an increase of $175 per-pupil in the foundation allowance.

Counter-Cyclical Budget and Economic Stabilization Fund

During the year, the BSF received $65,000 in interest earnings. As a result, fund balance increased to $2.0 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2006, the State had invested $19.2 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled $183.6 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005 *	2006	2005	2006	2005 *
Land	$ 3,207.2	$3,187.6	$ -	$ -	$ 3,207.2	$ 3,187.6
Land improvement	83.5	83.6	-	-	83.5	83.6
Buildings and improvements	2,123.6	2,195.4	-	-	2,123.6	2,195.4
Equipment	196.0	191.4	.4	.6	196.4	192.0
Infrastructure	12,629.2	12,578.5	-	-	12,629.2	12,578.5
Other	19.8	19.8	-	-	19.8	19.8
Subtotal	18,259.3	18,256.4	.4	.6	18,259.7	18,257.0
Construction in progress	968.5	887.6	-	-	968.5	887.6
Total	$19,227.7	$19,144.1	$ .4	$ .6	$19,228.2	$19,144.6

The most significant impact on capital assets during the year resulted from the road and bridge construction and repair projects.

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,521 lane miles of roads and 4,729 bridges (spans in excess of 20 feet).

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to have no more than 30% of roads in poor or very poor condition. The most recent condition assessment, completed for calendar year 2005, indicated that 18.6% of roads were considered poor or very poor.

The State's bridges have assessed conditions that are better than the established benchmarks. The most recent assessment (2005) indicated that the condition of the bridges had improved from the condition reported for 2004. For calendar year 2005, 15.2% of the bridges were assessed as structurally deficient.

The State's fiscal year 2007 capital outlay appropriations projects spending $180.5 million for new construction and special maintenance projects. In addition, $432.8 million of unspent capital outlay authorizations that existed at September 30, 2006 are available to spend in fiscal year 2007. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA) and the Michigan Tobacco Settlement Finance Authority (MTSFA), blended component units of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The State is not legally obligated for the debt issued by SBA or MTSFA. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. MTSFA's bonds provided funding to the 21st Century Jobs Fund and will be used for economic development initiatives. More detailed information regarding the State's long-term obligations is presented in Notes 12 and 14 to the financial statements.

Outstanding Bonded Debt as of September 30
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds (backed by the State)	$1,793.5	$1,645.1	$ -	$ -	$1,793.5	$1,645.1
Revenue bonds and notes (backed by specific tax and fee revenues)	5,842.6	4,280.8	-	-	5,842.6	4,280.8
Total	$7,636.1	$5,925.9	$ -	$ -	$7,636.1	$5,925.9

During the year, the State issued general obligation refunding bonds to retire older bonds as well as issued revenue-dedicated bonds to retire grant anticipation notes and to secure more favorable interest rates and reduce certain debt service payments. In addition, the Michigan Tobacco Settlement Finance Authority issued taxable tobacco settlement asset backed bonds of $490.5 million to fund economic development initiatives.

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

Limitations on Debt
The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. In fiscal year 2006 the State issued and repaid short-term borrowing totaling $1.3 billion.

ECONOMIC CONDITION AND OUTLOOK

Michigan's economy relies heavily on the performance of the manufacturing sector, in general, and the auto industry, specifically. Given weak manufacturing employment performance, declining vehicle production, continued declines in Big 3 market share, and continued supply rationalization among vehicle suppliers, Michigan's employment performance has been below the national average. Substantial productivity gains in the manufacturing sector and vehicle industry have also contributed to Michigan's sub-par employment performance.

For 2006, Michigan employment is estimated to have declined by 39,000 jobs (0.9 percent) – the sixth straight year that Michigan employment has declined. From Michigan's employment peak in June 2000, Michigan has lost approximately 325,000 jobs. In contrast, Michigan employment had increased approximately 375,000 jobs above its pre-recession peak by this time after the 1990-1991 recession.

Personal income was up an estimated 4.0 percent and wages and salaries income rose an estimated 2.0 percent in 2006. Personal income growth outpaced the increase in consumer prices as measured by the Detroit consumer price index (3.2 percent) but wages and salaries income did not.

With continued but slower U.S. economic growth, Michigan employment is expected to decline in 2007 at a slower pace than in 2006 with 2007 employment falling by 0.2 percent. Michigan personal income and wages and salaries income are projected to rise 4.2 percent and 3.1 percent, respectively, in 2007. Consumer prices are projected to increase 2.3 percent.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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

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

STATE OF MICHIGAN
E PLURIBUS UNUM
TUEBOR
SI QUÆRIS PENINSULAM AMŒNAM
CIRCUMSPICE
Office of the State Budget

II. FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006
(In Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 7,307	$ 7,709	**$ 15,016**	$ 769,684
Equity in common cash (Note 5)	1,078,067	82,477	**1,160,544**	156,799
Taxes, interest, and penalties receivable (Note 6)	5,075,376	-	**5,075,376**	-
Internal balances	19,147	(19,147)	**-**	-
Amounts due from component units	4,653	359	**5,012**	334
Amounts due from primary government	-	-	**-**	188,407
Amounts due from federal government	974,007	1,425	**975,432**	41,124
Amounts due from local units	190,495	36,635	**227,130**	750,988
Inventories	48,679	7,128	**55,808**	19,301
Investments (Note 8)	227,686	454,054	**681,740**	1,760,878
Securities lending collateral (Note 8)	196,338	391,855	**588,193**	-
Other current assets	657,126	286,959	**944,086**	491,433
Total Current Assets	8,478,882	1,249,454	**9,728,336**	4,178,949
Restricted Assets:				
Cash and cash equivalents	-	-	**-**	50,797
Investments	-	-	**-**	395,272
Mortgages and loans receivable	-	-	**-**	47,553
Taxes, interest, and penalties receivable (Note 6)	304,350	-	**304,350**	-
Amounts due from federal government	9,365	-	**9,365**	-
Amounts due from local units	583,963	-	**583,963**	2,790,007
Mortgages and loans receivable	-	-	**-**	3,595,857
Investments (Note 8)	656,075	350,780	**1,006,856**	2,612,202
Capital Assets (Note 9):				
Land and other non-depreciable assets	3,244,164	-	**3,244,164**	112,624
Buildings, equipment, and other depreciable assets	4,831,068	4,741	**4,835,809**	4,334,695
Less accumulated depreciation	(2,195,897)	(4,329)	**(2,200,226)**	(1,644,887)
Infrastructure	12,379,939	-	**12,379,939**	102,722
Construction in progress	968,476	-	**968,476**	161,272
Total capital assets	19,227,750	412	**19,228,162**	3,066,425
Interest in joint ventures (Note 7)	32,644	-	**32,644**	-
Other noncurrent assets	53,662	18,200	**71,862**	315,407
Total Assets	$ 29,346,692	$ 1,618,846	**$ 30,965,538**	$ 17,052,468
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 100,164	$ 8,092	**$ 108,256**	$ 5,009
Obligations under security lending	196,338	391,855	**588,193**	-
Accounts payable and other liabilities	2,506,371	223,433	**2,729,804**	325,980
Income tax refunds payable (Note 15)	672,394	-	**672,394**	-
Amounts due to component units	2,319	-	**2,319**	154
Amounts due to primary government	-	-	**-**	5,897
Bonds and notes payable (Notes 12 and 13)	260,755	-	**260,755**	895,972
Interest payable	126,763	-	**126,763**	106,764
Deferred revenue	105,448	524	**105,972**	69,806
Current portion of other long-term obligations (Note 14)	282,597	319	**282,916**	119,651
Total Current Liabilities	4,253,149	624,224	**4,877,372**	1,529,234
Prize awards payable (Note 14)	-	316,304	**316,304**	-
Deferred revenue	18,570	-	**18,570**	3,048
Bonds and notes payable (Notes 12 and 13)	7,206,112	-	**7,206,112**	7,939,623
Noncurrent portion of other long-term obligations (Note 14)	1,701,094	48,099	**1,749,192**	1,502,326
Total Liabilities	$ 13,178,925	$ 988,626	**$ 14,167,551**	$ 10,974,230

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
NET ASSETS				
Invested in capital assets, net of related debt	$ 15,827,600	$ 412	**$ 15,828,012**	$ 1,956,023
Restricted For:				
Education	-	-	**-**	229,041
Construction and debt service	-	-	**-**	321,036
Public safety and corrections	4,947	-	**4,947**	-
Conservation, environment, recreation, and agriculture	451,310	-	**451,310**	-
Health and human services	47,716	-	**47,716**	-
Transportation	791,443	-	**791,443**	-
Unemployment compensation	-	585,903	**585,903**	-
Labor and economic growth	63,269	-	**63,269**	-
Other purposes	98,595	36,079	**134,674**	1,947,682
Funds Held as Permanent Investments:				
Expendable	100,276	-	**100,276**	36,257
Nonexpendable	507,409	-	**507,409**	221,221
Unrestricted	(1,724,799)	7,827	**(1,716,972)**	1,366,978
Total Net Assets	$ 16,167,767	$ 630,220	**$ 16,797,987**	$ 6,078,238

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	$ 2,288,504	$ 965,130	$ 67,794	$ 30,177
Education	14,695,186	9,306	1,415,093	-
Human services	4,384,311	56,367	3,066,192	-
Public safety and corrections	2,541,630	160,829	187,764	-
Conservation, environment, recreation, and agriculture	688,407	251,591	154,239	389
Labor, commerce, and regulatory	951,519	262,021	600,361	-
Health services	9,963,373	72,564	5,688,295	-
Transportation	3,133,137	84,280	445,048	748,703
Tax expenditures (Note 15)	834,000	-	-	-
Intergovernmental-revenue sharing	1,103,625	-	-	-
Interest on long-term debt	306,788	-	-	-
Total governmental activities	40,890,480	1,862,089	11,624,786	779,269
Business-type Activities:				
Liquor Purchase Revolving Fund	582,982	718,085	-	-
State Lottery Fund	1,584,186	2,232,204	35,105	-
Attorney Discipline System	4,122	4,631	-	-
Michigan Unemployment Compensation Funds	1,990,197	1,727,761	18,827	-
Total business-type activities	4,161,487	4,682,681	53,932	-
Total primary government	$ 45,051,967	$ 6,544,770	$ 11,678,718	$ 779,269
Component Units:				
Authorities:				
Michigan Education Trust	$ 55,314	$ 158	$ 49,442	$ -
Michigan State Housing Development Authority	548,483	163,911	395,952	-
Michigan Municipal Bond Authority	171,620	124,449	375,752	-
Non-Major	561,179	174,839	243,280	5,450
State Universities:				
Central Michigan University	315,284	214,379	28,128	4,153
Western Michigan University	435,371	269,317	59,680	2,758
Non-Major	1,367,907	830,635	176,071	9,034
Total component units	$ 3,455,158	$ 1,777,688	$ 1,328,306	$ 21,395

General Revenues:
- Taxes:
  - General:
    - Sales and use
    - Personal income
    - Single business
    - Other
  - Restricted For Educational Purposes:
    - Sales and use
    - Personal income
    - Education, property, and real estate transfers
    - Other
  - Restricted For Transportation Purposes:
    - Sales and use
    - Gasoline and diesel fuel
    - Motor vehicle weight
    - Other
- Unrestricted investment and interest earnings
- Miscellaneous
- Contributions to permanent fund principal

Payments from State of Michigan
Transfers
- Total general and other revenue, payments, and transfers
  - Change in net assets

Net assets-beginning-restated
Net assets-ending

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

NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
$ (1,225,403)	$ -	**$ (1,225,403)**	$ -
(13,270,787)	-	**(13,270,787)**	-
(1,261,753)	-	**(1,261,753)**	-
(2,193,036)	-	**(2,193,036)**	-
(282,188)	-	**(282,188)**	-
(89,137)	-	**(89,137)**	-
(4,202,514)	-	**(4,202,514)**	-
(1,855,106)	-	**(1,855,106)**	-
(834,000)	-	**(834,000)**	-
(1,103,625)	-	**(1,103,625)**	-
(306,788)	-	**(306,788)**	-
(26,624,336)	-	**(26,624,336)**	-
-	135,103	**135,103**	-
-	683,124	**683,124**	-
-	509	**509**	-
-	(243,609)	**(243,609)**	-
-	575,127	**575,127**	-
(26,624,336)	575,127	**(26,049,209)**	-
-	-	-	(5,714)
-	-	-	11,380
-	-	-	328,582
-	-	-	(137,610)
-	-	-	(68,623)
-	-	-	(103,616)
-	-	-	(352,167)
-	-	-	(327,768)
2,665,614	-	**2,665,614**	-
5,123,885	-	**5,123,885**	-
1,926,884	-	**1,926,884**	-
2,189,417	12,654	**2,202,070**	-
5,240,334	-	**5,240,334**	-
2,069,435	-	**2,069,435**	-
2,320,578	-	**2,320,578**	-
759,440	-	**759,440**	-
66,405	-	**66,405**	-
1,054,766	-	**1,054,766**	-
867,663	-	**867,663**	-
5,974	-	**5,974**	-
9,991	4,861	**14,851**	96,448
1,003,976	-	**1,003,976**	120,522
35,153	-	**35,153**	-
-	-	-	624,047
864,406	(864,406)	-	-
26,203,921	(846,892)	**25,357,029**	841,017
(420,415)	(271,766)	**(692,181)**	513,248
16,588,182	901,986	**17,490,168**	5,564,990
$ 16,167,767	$ 630,220	**$ 16,797,987**	$ 6,078,238

STATE OF MICHIGAN
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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

GENERAL FUND

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

COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

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

SCHOOL AID FUND

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

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

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 108.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
ASSETS					
Current Assets:					
Cash	$ 6,945	$ -	$ -	$ 349	**$ 7,295**
Equity in common cash (Note 5)	-	2,017	-	836,847	**838,864**
Taxes, interest, and penalties receivable (Note 6)	2,876,556	-	2,092,181	106,639	**5,075,376**
Amounts due from other funds (Note 17)	533,307	-	18,017	1,412,499	**1,963,824**
Amounts due from component units	518	-	-	4,043	**4,561**
Amounts due from federal agencies	743,230	-	51,085	159,692	**954,007**
Amounts due from local units	51,905	-	43,574	95,017	**190,495**
Inventories	24,832	-	-	7,256	**32,088**
Investments (Note 8)	-	-	-	227,686	**227,686**
Securities lending collateral	-	-	-	196,338	**196,338**
Other current assets	369,469	-	-	250,961	**620,430**
Total Current Assets	4,606,762	2,017	2,204,857	3,297,327	**10,110,963**
Taxes, interest, and penalties receivable (Note 6)	254,109	-	48,318	1,923	**304,350**
Advances to other funds (Note 17)	7,295	-	-	-	**7,295**
Amounts due from federal agencies	9,365	-	-	-	**9,365**
Amounts due from local units	530,380	-	5,845	47,738	**583,963**
Investments (Note 8)	-	-	-	656,075	**656,075**
Other noncurrent assets	7,637	-	-	5,308	**12,945**
Total Assets	$ 5,415,548	$ 2,017	$ 2,259,020	$ 4,008,371	**$ 11,684,956**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 89,320	$ -	$ 650	$ 8,026	**$ 97,995**
Obligations under security lending	-	-	-	196,338	**196,338**
Accounts payable and other liabilities (Note 22)	1,607,319	-	139,365	631,361	**2,378,045**
Income tax refunds payable (Note 15)	672,394	-	-	-	**672,394**
Amounts due to other funds (Note 17)	48,905	-	1,737,986	208,720	**1,995,610**
Amounts due to component units	2,319	-	-	-	**2,319**
Bonds and notes payable	-	-	-	57,000	**57,000**
Interest payable	-	-	-	326	**326**
Deferred revenue	1,563,810	-	325,351	238,536	**2,127,697**
Total Current Liabilities	3,984,066	-	2,203,352	1,340,306	**7,527,724**
Long-Term Liabilities:					
Deferred revenue	362,243	-	48,318	6,321	**416,881**
Total Liabilities	4,346,308	-	2,251,669	1,346,628	**7,944,605**
Fund Balances:					
Reserved fund balance (Note 21)	1,066,757	-	7,350	1,649,898	**2,724,006**
Unreserved fund balance reported in:					
General Fund	2,482	-	-	-	**2,482**
Special revenue funds	-	2,017	-	866,121	**868,138**
Debt service funds	-	-	-	189,851	**189,851**
Capital projects funds	-	-	-	(87,918)	**(87,918)**
Permanent funds	-	-	-	43,791	**43,791**
Total Fund Balances	1,069,240	2,017	7,350	2,661,743	**3,740,351**
Total Liabilities and Fund Balances	$ 5,415,548	$ 2,017	$ 2,259,020	$ 4,008,371	**$ 11,684,956**

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006
(In Thousands)

Total fund balances for governmental funds		$ 3,740,351
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 9)		
Land and other non-depreciable assets	3,234,994	
Buildings, equipment, and other depreciable assets	4,226,356	
Infrastructure	12,379,939	
Construction in progress	968,476	
Interest in joint ventures	32,644	
Accumulated depreciation	(1,805,488)	19,036,922
Certain tax revenues are earned but not available and therefore are not reported in the funds.		2,138,768
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		298,913
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		218,398
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a current available resource and is not reported in the funds. (Note 10)		1,451
Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.		39,266
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 14)		
Capital lease obligations	(234,903)	
Compensated absences	(490,673)	
Workers' compensation	(111,826)	
Litigation	(469,260)	
Net pension obligations	(457,667)	
Other long-term liabilities	(5,669)	(1,769,997)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement. (Note 12)		
Bonds and notes payable	(7,720,102)	
Unamortized premiums	(284,563)	
Less unamortized discounts	496,444	
Less deferred loss amount on refundings	98,354	
Accrued interest payable	(126,437)	(7,536,305)
Net assets of governmental activities		$ 16,167,767

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS
REVENUES					
Taxes	$ 11,809,223	$ -	$ 10,393,976	$ 1,995,725	**$ 24,198,924**
From federal agencies	9,538,417	-	1,360,742	1,260,863	**12,160,022**
From local agencies	105,566	-	-	18,536	**124,101**
From services	266,147	-	-	3,447	**269,593**
From licenses and permits	275,063	-	-	162,497	**437,560**
Special Medicaid reimbursements	93,621	-	-	-	**93,621**
Miscellaneous	747,142	65	84,914	717,737	**1,549,857**
Total Revenues	22,835,178	65	11,839,632	4,158,803	**38,833,678**
EXPENDITURES					
Current:					
General government	1,397,949	-	-	237,429	**1,635,378**
Education	1,925,200	-	12,636,481	197,311	**14,758,992**
Human services	4,337,871	-	-	3,903	**4,341,774**
Public safety and corrections	2,453,084	-	-	2,061	**2,455,145**
Conservation, environment, recreation, and agriculture	343,850	-	-	298,966	**642,815**
Labor, commerce, and regulatory	759,205	-	-	193,716	**952,921**
Health services	9,861,386	-	-	96,718	**9,958,104**
Transportation	-	-	-	2,082,846	**2,082,846**
Tax expenditures (Note 15)	834,000	-	-	-	**834,000**
Capital outlay	48,527	-	-	1,413,878	**1,462,405**
Intergovernmental-revenue sharing	1,103,625	-	-	-	**1,103,625**
Debt service:					
Bond principal retirement	-	-	-	773,826	**773,826**
Bond interest and fiscal charges	-	-	-	294,093	**294,093**
Capital lease payments	48,567	-	-	616	**49,183**
Total Expenditures	23,113,264	-	12,636,481	5,595,363	**41,345,108**
Excess of Revenues over (under) Expenditures	(278,086)	65	(796,849)	(1,436,559)	**(2,511,430)**
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	-	1,453,606	**1,453,606**
Premium on bond issuance	-	-	-	46,234	**46,234**
Discount on bond issuance	-	-	-	(496,466)	**(496,466)**
Refunding bonds issued	-	-	-	1,494,050	**1,494,050**
Payment to refunded bond escrow agent	-	-	-	(563,776)	**(563,776)**
Capital lease acquisitions	30,086	-	-	3,973	**34,059**
Proceeds from sale of capital assets	1,339	-	-	12,635	**13,974**
Transfers from other funds (Note 19)	256,044	-	750,731	2,130,996	**3,137,772**
Transfers to other funds (Note 19)	(393,535)	-	(44,500)	(1,833,921)	**(2,271,956)**
Total Other Financing Sources (Uses)	(106,067)	-	706,231	2,247,332	**2,847,496**
Net changes in fund balances	(384,153)	65	(90,617)	810,772	**336,067**
Fund Balances - Beginning of fiscal year	1,453,393	1,953	97,968	1,850,971	**3,404,284**
Fund Balances - End of fiscal year	$ 1,069,240	$ 2,017	$ 7,350	$ 2,661,743	**$ 3,740,351**

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

Net change in fund balance - total governmental funds		$ 336,067
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 9)		
Land and other non-depreciable assets	19,572	
Buildings, equipment, and other depreciable assets	191,523	
Infrastructure additions	61,412	
Construction in progress	80,832	
Gain on disposal of capital assets	9,105	
Accumulated depreciation	(131,755)	230,689
Certain revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		(3,414)
Increase in equity interest in joint ventures (Note 7)		735
Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		101,233
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		9,953
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments. (Note 12)		
Bond proceeds and premiums received	(2,993,890)	
Repayment of bond principal	773,826	
Payment to refunded bond escrow agent	563,776	
Discount on bond issuances	496,444	
Accrued interest and amortization	(12,286)	
Deferred issue costs	16,268	(1,155,862)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. (Note 14)		
Net pension obligation	(108,767)	
Capital lease payments	18,114	
Compensated absences payments	28,845	
Litigation settlements and payments	131,676	
Workers' compensation	(5,180)	
Other	(4,505)	60,184
Change in net assets of governmental activities		$ (420,415)

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

STATE OF MICHIGAN
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PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

STATE LOTTERY FUND

Michigan Compiled Laws Section 432.41 established the State Lottery Fund and MCL Section 432.5 created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1991. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net assets balance represents the unrealized cumulative gain or loss on investments, as required by 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.

MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

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

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

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

Non-Major Funds

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

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 178.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash	$ 2	$ 6,112	$ 1,596	**$ 7,709**	$ 13
Equity in common cash (Note 5)	4,215	12,336	65,926	**82,477**	239,203
Amounts due from other funds (Note 17)	-	4,953	-	**4,953**	25,557
Amounts due from component units	-	359	-	**359**	92
Amounts due from federal agencies	-	1,425	-	**1,425**	20,000
Amounts due from local units	-	36,635	-	**36,635**	-
Inventories	4,301	-	2,827	**7,128**	16,591
Investments (Note 8)	85,073	366,989	1,992	**454,054**	-
Securities lending collateral	391,855	-	-	**391,855**	-
Other current assets	61,375	218,551	7,033	**286,959**	35,623
Total Current Assets	546,821	647,359	79,374	**1,273,553**	337,080
Investments (Note 8)	350,780	-	-	**350,780**	-
Capital Assets (Note 9):					
Land and other non depreciable assets	-	-	-	**-**	9,170
Buildings and equipment	4,019	-	722	**4,741**	604,712
Allowance for depreciation	(3,632)	-	(697)	**(4,329)**	(390,409)
Total capital assets	387	-	25	**412**	223,473
Other noncurrent assets	-	18,200	-	**18,200**	-
Total Assets	$ 897,988	$ 665,559	$ 79,398	**$ 1,642,946**	$ 560,552
LIABILITIES					
Current Liabilities:					
Warrants outstanding	$ 2,587	$ -	$ 5,505	**$ 8,092**	$ 2,169
Accounts payable and other liabilities (Note 22)	130,848	28,047	64,320	**223,215**	90,320
Amounts due to other funds (Note 17)	18,167	6,018	132	**24,317**	11,557
Deferred revenue	-	378	146	**524**	17,121
Obligations under security lending (Note 8)	391,855	-	-	**391,855**	-
Current portion of other long-term obligations (Note 14)	192	-	128	**319**	95,972
Total Current Liabilities	543,650	34,443	70,230	**648,323**	217,138
Long-Term Liabilities:					
Advances from other funds (Note 17)	-	-	-	**-**	7,295
Prize awards payable	316,304	-	-	**316,304**	-
Noncurrent portion of other long-term obligations (Note 14)	1,956	45,213	930	**48,099**	117,721
Total Liabilities	861,909	79,656	71,160	**1,012,725**	342,154
NET ASSETS					
Invested in capital assets, net of related debt	$ 387	$ -	$ 25	**$ 412**	$ 206,140
Restricted For:					
Unemployment compensation	-	585,903	-	**585,903**	-
Other purposes	36,079	-	-	**36,079**	5,498
Unrestricted	(387)	-	8,214	**7,827**	6,760
Total Net Assets	$ 36,079	$ 585,903	$ 8,239	**$ 630,220**	$ 218,398

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Operating revenues	$ 2,232,204	$ 1,727,761	$ 722,716	**$ 4,682,681**	$ 1,729,382
Total Operating Revenues	2,232,204	1,727,761	722,716	**4,682,681**	1,729,382
OPERATING EXPENSES					
Salaries, wages, and other administrative	270,491	6	61,466	**331,962**	530,366
Depreciation	157	-	13	**170**	51,606
Purchases for resale	-	-	524,559	**524,559**	78,301
Purchases for prison industries	-	-	-	**-**	16,286
Lottery prize awards	1,268,175	-	-	**1,268,175**	-
Premiums and claims	-	-	164	**164**	992,761
Unemployment benefits	-	1,925,144	-	**1,925,144**	-
Other operating expenses	-	65,047	902	**65,950**	47,865
Total Operating Expenses	1,538,822	1,990,197	587,104	**4,116,123**	1,717,185
Operating Income (Loss)	693,382	(262,436)	135,612	**566,558**	12,197
NONOPERATING REVENUES (EXPENSES)					
Specific tax on spirits	-	-	12,654	**12,654**	-
Interest revenue	4,084	-	4,779	**8,863**	-
Investment revenue (expense) - net	31,021	18,827	82	**49,930**	-
Other nonoperating revenues	-	-	-	**-**	336
Amortization of prize award obligation discount	(29,388)	-	-	**(29,388)**	-
Interest expense	(15,976)	-	-	**(15,976)**	(1,075)
Other nonoperating expense	-	-	-	**-**	(177)
Total Nonoperating Revenues (Expenses)	(10,258)	18,827	17,514	**26,083**	(915)
Income (Loss) Before Transfers	683,124	(243,609)	153,126	**592,641**	11,282
TRANSFERS					
Transfers To:					
School Aid Fund	(688,017)	-	-	**(688,017)**	-
Other funds	(11,479)	(12,550)	(152,360)	**(176,389)**	(1,328)
Total transfers to other funds	(699,496)	(12,550)	(152,360)	**(864,406)**	(1,328)
Change in net assets	(16,372)	(256,159)	766	**(271,766)**	9,953
Total net assets - Beginning of fiscal year - restated	52,451	842,062	7,472	**901,986**	208,445
Total net assets - End of fiscal year	$ 36,079	$ 585,903	$ 8,239	**$ 630,220**	$ 218,398

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	$ -	$ 64,785	$ -	**$ 64,785**	$ -
Receipts from customers	2,226,296	1,633,977	718,085	**4,578,358**	1,710,819
Membership dues	-	-	4,395	**4,395**	-
Payments to employees	(14,018)	-	(16,765)	**(30,782)**	(190,508)
Payments to suppliers	(51,095)	-	(566,049)	**(617,144)**	(692,286)
Payments to prize winners	(1,364,165)	-	-	**(1,364,165)**	-
Payments for commissions to retailers	(206,249)	-	-	**(206,249)**	-
Claims paid	-	(1,986,299)	-	**(1,986,299)**	(767,267)
Other receipts	-	27,131	843	**27,974**	386
Other payments	-	(6)	(1,411)	**(1,417)**	(7,920)
Net cash provided (used) by operating activities	$ 590,769	$ (260,412)	$ 139,098	**$ 469,455**	$ 53,225
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other nonoperating revenues	$ -	$ -	$ -	**$ -**	$ -
Advances from federal government	-	165,800	-	**165,800**	-
Advance repayments to federal government	-	(165,800)	-	**(165,800)**	-
Loans or loan repayments from other funds	-	-	-	**-**	16,777
Loans or loan repayments to other funds	-	-	-	**-**	(15,220)
Specific tax on spirits	-	-	12,654	**12,654**	-
Transfers to other funds	(692,059)	(16,341)	(152,360)	**(860,759)**	(1,328)
Other receipts	-	-	-	**-**	24
Net cash provided (used) by noncapital financing activities	$ (692,059)	$ (16,341)	$ (139,706)	**$ (848,106)**	$ 252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	$ -	$ -	$ -	**$ -**	$ (30,347)
Interest paid	-	-	-	**-**	(339)
Capital lease payments (including imputed interest expense)	-	-	-	**-**	(10,777)
Proceeds from sale of capital assets	-	-	-	**-**	155
Net cash provided (used) by capital and related financing activities	$ -	$ -	$ -	**$ -**	$ (41,308)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	$ (2,048)	$ -	$ -	**$ (2,048)**	$ -
Proceeds (purchases) from sale and maturities of investment securities	95,130	263,987	(41)	**359,076**	-
Interest and dividends on investments	4,084	18,827	4,779	**27,690**	-
Income from securities lending activities	16,318	-	-	**16,318**	-
Expenses from securities lending activities	(15,976)	-	-	**(15,976)**	-
Net cash provided (used) by investing activities	$ 97,508	$ 282,814	$ 4,738	**$ 385,059**	$ -
Net cash provided (used) - all activities	$ (3,782)	$ 6,061	$ 4,130	**$ 6,409**	$ 12,168
Cash and cash equivalents at beginning of year	5,412	12,387	57,887	**75,685**	224,879
Cash and cash equivalents at end of year	$ 1,629	$ 18,448	$ 62,017	**$ 82,094**	$ 237,047

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

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR				
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR	**TOTALS**	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Assets Classifications:					
Cash	$ 2	$ 6,112	$ 1,596	**$ 7,709**	$ 13
Equity in common cash	4,215	12,336	65,926	**82,477**	239,203
Warrants outstanding	(2,587)	-	(5,505)	**(8,092)**	(2,169)
Cash and cash equivalents at end of year	$ 1,629	$ 18,448	$ 62,017	**$ 82,094**	$ 237,047
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 693,382	$ (262,436)	$ 135,612	**$ 566,558**	$ 12,197
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	157	-	13	**170**	51,606
Amortization of prize award obligation discount	(29,388)	-	-	**(29,388)**	-
Other reconciling items	183	-	-	**183**	-
Net Changes in Assets and Liabilities:					
Inventories	(943)	-	387	**(556)**	(1,826)
Other assets (net)	(5,912)	(6,459)	354	**(12,016)**	(38,503)
Accounts payable and other liabilities	(109)	8,539	2,871	**11,302**	29,751
Prize awards payable	(66,602)	-	-	**(66,602)**	-
Deferred revenue	-	(56)	(139)	**(195)**	-
Net cash provided (used) by operating activities	$ 590,769	$ (260,412)	$ 139,098	**$ 469,455**	$ 53,225
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Capital contributions	$ -	$ -	$ -	**$ -**	$ -
Cost of capital assets acquisitions financed by capital leases	-	-	-	**-**	10,845
Capital lease liabilities entered into during the year	-	-	-	**-**	(10,845)
Increase (decrease) in fair value of investments	(16,372)	-	-	**(16,372)**	-
Transfers to other funds (accrual)	(18,017)	(2,172)	-	**(20,189)**	-
Gain (loss) on disposal of capital assets	-	-	-	**-**	(170)
Total noncash investing, capital, and financing activities	$ (34,390)	$ (2,172)	$ -	**$ (36,562)**	$ (170)

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FIDUCIARY FUND FINANCIAL STATEMENTS

Individual fund financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 186.
Private Purpose Trust Funds, page 192.
Agency Funds, page 195.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash	$ 70	$ 1,754	$ 61,950
Equity in common cash (Note 5)	102,931	103,185	4,141
Receivables:			
From participants	183,361	-	-
From employers	650,449	-	-
Interest and dividends	1,606	397	-
Due from other funds (Note 17)	38,228	-	-
Due from component unit	350	-	-
Sale of investments	438	-	-
Investments at Fair Value (Note 8):			
Short term investments	1,434,704	-	13,504
Bonds, notes, mortgages, and preferred stock	9,057,155	17,126	20,285
Common stock	26,878,537	145	-
Real estate	4,327,297	-	-
Alternative investments	6,976,810	-	-
International investments	6,786,129	-	-
Mutual funds	2,206,947	1,228,138	-
Pooled investment funds	2,008,115	-	-
Money market funds	215,492	-	-
Guaranteed funding agreements	-	166,511	-
Securities lending collateral (Note 8)	8,646,845	5,938	-
Other current assets	-	6,982	1,286
Other noncurrent assets	-	-	382,639
Total assets	$ 69,515,461	$ 1,530,176	$ 483,806
LIABILITIES			
Warrants outstanding	$ 7,799	$ 1,546	$ 72
Accounts payable and other liabilities	85,967	7,052	79,689
Amounts due to other funds (Note 17)	3	-	1,073
Obligations under security lending	8,646,845	5,938	-
Other long-term liabilities	-	-	402,972
Total liabilities	$ 8,740,614	$ 14,535	$ 483,806
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, deferred compensation participants, and other purposes	$ 60,774,847	$ 1,515,641	
Reconciliation of Net Assets Held in Trust:			
Pension benefits (Note 10)	$ 56,302,494	$ -	
Postemployment health-care benefits	703,696	-	
Deferred compensation participants (Note 16)	3,768,657	-	
Other purposes	-	1,515,641	
Total net assets held in trust for benefits and other purposes	$ 60,774,847	$ 1,515,641	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
From participants	$ 817,227	$ 287,556
From employers	2,433,658	-
From clients	-	42,443
From gifts, bequests, and endowments	-	423
From other plans	5,803	-
From other governmental	65	-
Investment Income:		
Net appreciation (depreciation) in fair value of investments	5,367,313	48,555
Interest, dividends, and other	1,444,980	56,349
Securities lending income	202,043	110
Less Investment Expense:		
Investment activity expense	71,124	4,255
Securities lending expense	194,449	108
Net investment income (loss)	6,748,764	100,651
Escheated property	-	45,274
Miscellaneous income	4,509	937
Total Additions	10,010,026	477,286
DEDUCTIONS		
Benefits paid to participants or beneficiaries	3,885,135	59,145
Medical, dental, and life insurance for retirants	1,031,945	-
Refunds and transfers to other systems	24,584	-
Amounts distributed to clients, claimants, or third parties	-	92,542
Administrative expense	95,466	6,950
Transfers to other funds	126	-
Total Deductions	5,037,257	158,637
Net increase (decrease)	4,972,770	318,648
Net assets - Beginning of fiscal year	55,802,077	1,196,993
Net assets - End of fiscal year (Note 10)	$ 60,774,847	$ 1,515,641
Reconciliation of Net Increase in Assets:		
Net increase (decrease) in assets held in trust for pension benefits	$ 4,616,789	$ -
Net increase (decrease) in assets held in trust for postemployment benefits	116,020	-
Net increase (decrease) in assets held in trust for deferred compensation participants	239,961	-
Net increase (decrease) in assets held in trust for other purposes	-	318,648
Total net increase (decrease)	$ 4,972,770	$ 318,648

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

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COMPONENT UNIT FINANCIAL STATEMENTS

Major Funds

MICHIGAN EDUCATION TRUST

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

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

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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

MICHIGAN MUNICIPAL BOND AUTHORITY

Michigan Compiled Laws Section 141.1054 created the Michigan Municipal Bond Authority (MMBA) to assist local units of government in reducing their financing costs for public improvements, deficit reduction, and various other municipal purposes. The 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.

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

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

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

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

Non-Major Funds

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

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2006
(In Thousands)

	AUTHORITIES			
	MICHIGAN EDUCATION TRUST	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	NON-MAJOR
ASSETS				
Current Assets:				
Cash	$ 134,849	$ 314,522	$ 2,612	$ 67,102
Equity in common cash (Note 5)	-	-	86,011	70,788
Amounts due from component units	-	-	-	154
Amounts due from primary government	1,776	-	2,123	4,044
Amounts due from federal government	-	-	-	24,259
Amounts due from local units	-	-	742,047	8,724
Inventories	-	-	-	717
Investments (Note 8)	-	56,352	875,808	667,061
Other current assets	23,067	52,719	50,109	266,355
Total Current Assets	159,692	423,593	1,758,710	1,109,205
Restricted Assets:				
Cash and cash equivalents	-	-	-	5,545
Investments	-	-	-	3,018
Mortgages and loans receivable	-	-	-	-
Amounts due from local units	-	-	2,790,007	-
Mortgages and loans receivable	-	1,888,930	-	1,675,992
Investments (Note 8)	794,782	482,398	740,829	61,223
Capital Assets:				
Land and other non-depreciable assets	-	-	-	13,732
Buildings, equipment, and other depreciable assets	-	-	-	60,537
Less accumulated depreciation	-	-	-	(30,104)
Infrastructure	-	-	-	102,722
Construction in progress	-	-	-	28
Total capital assets	-	-	-	146,914
Other noncurrent assets	39,964	39,920	165,436	19,017
Total Assets	$ 994,439	$ 2,834,842	$ 5,454,982	$ 3,020,915
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ -	$ 5,009
Accounts payable and other liabilities	5	36,981	5,177	45,812
Amounts due to component units	-	-	-	154
Amounts due to primary government	-	-	559	2,921
Bonds and notes payable (Note 13)	-	42,580	777,822	35,196
Interest payable	-	12,289	76,360	8,610
Deferred revenue	-	-	5,781	1,411
Current portion of other long-term obligations	103,004	-	-	5,336
Total Current Liabilities	103,008	91,851	865,699	104,448
Deferred revenue	-	-	-	-
Bonds and notes payable (Note 13)	-	1,723,622	2,679,589	2,331,007
Noncurrent portion of other long-term obligations	915,009	399,363	47,843	65,121
Total Liabilities	$ 1,018,017	$ 2,214,836	$ 3,593,131	$ 2,500,576
NET ASSETS				
Invested in capital assets, net of related debt	$ -	$ -	$ -	$ 145,301
Restricted For:				
Education	-	-	-	263
Construction and debt service	-	265,313	-	17,909
Other purposes	-	-	1,850,288	30,036
Funds Held as Permanent Investments:				
Expendable	-	-	-	-
Nonexpendable	-	-	-	-
Unrestricted	(23,578)	354,693	11,563	326,830
Total Net Assets	$ (23,578)	$ 620,006	$ 1,861,851	$ 520,339

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

STATE UNIVERSITIES			
CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	**TOTALS**
$ 8,018	$ 17,704	$ 224,879	**$** 769,684
-	-	-	156,799
-	-	180	334
50,209	20,602	109,652	188,407
399	2,273	14,193	41,124
-	127	91	750,988
4,192	5,563	8,830	19,301
-	39,603	122,054	1,760,878
15,660	21,657	61,865	491,433
78,478	107,529	541,743	4,178,949
37,136	-	8,117	50,797
39,536	166,632	186,086	395,272
8,403	-	39,150	47,553
-	-	-	2,790,007
-	9,130	21,804	3,595,857
157,632	91,151	284,186	2,612,202
10,903	14,305	73,684	112,624
528,086	911,961	2,834,111	4,334,695
(237,393)	(329,867)	(1,047,523)	(1,644,887)
-	-	-	102,722
37,628	35,950	87,665	161,272
339,225	632,348	1,947,937	3,066,425
-	16,692	34,377	315,407
$ 660,410	$ 1,023,482	$ 3,063,398	**$** 17,052,468
$ -	$ -	$ -	**$** 5,009
49,342	44,610	144,053	325,980
-	-	-	154
579	60	1,778	5,897
4,910	8,260	27,204	895,972
1,621	1,469	6,415	106,764
10,396	7,709	44,510	69,806
-	613	10,699	119,651
66,847	62,721	234,659	1,529,234
-	-	3,048	3,048
177,527	280,175	747,703	7,939,623
15,132	22,803	37,055	1,502,326
$ 259,506	$ 365,699	$ 1,022,465	**$** 10,974,230
$ 192,271	$ 362,194	$ 1,256,258	**$** 1,956,023
49,091	13,067	166,621	229,041
3,797	4,363	29,653	321,036
-	46,507	20,850	1,947,682
-	-	36,257	36,257
-	53,727	167,494	221,221
155,746	177,925	363,800	1,366,978
$ 400,904	$ 657,783	$ 2,040,933	**$** 6,078,238

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS/ CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Authorities:					
Michigan Education Trust	$ 55,314	$ 158	$ 49,442	$ -	$ (5,714)
Michigan State Housing Development Authority	548,483	163,911	395,952	-	11,380
Michigan Municipal Bond Authority	171,620	124,449	375,752	-	328,582
Non-Major	561,179	174,839	243,280	5,450	(137,610)
State Universities:					
Central Michigan University	315,284	214,379	28,128	4,153	(68,623)
Western Michigan University	435,371	269,317	59,680	2,758	(103,616)
Non-Major	1,367,907	830,635	176,071	9,034	(352,167)
Total	$ 3,455,158	$ 1,777,688	$ 1,328,306	$ 21,395	$ (327,768)

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

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR RESTATED	NET ASSETS END OF YEAR
$ -	$ -	$ -	$ (5,714)	$ (17,865)	$ (23,578)
12,247	-	-	23,627	596,379	620,006
-	-	-	328,582	1,533,269	1,861,851
35,068	52,829	83,494	33,781	486,558	520,339
15,270	81,773	18	28,438	372,466	400,904
6,485	112,480	15,688	31,037	626,746	657,783
27,378	376,964	21,322	73,498	1,967,436	2,040,933
$ 96,448	$ 624,047	$ 120,522	$ 513,248	$ 5,564,990	$ 6,078,238

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

Blended Component Units
The State Building Authority, Michigan Tobacco Settlement Finance 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 primary government, using the blending method.

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

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

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

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

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

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

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

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

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

The Michigan Broadband Development Authority is a financing authority that assists in the build-out of broadband infrastructure to accelerate the deployment of high-speed Internet connections Statewide.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Transactions
The State's significant transactions with its major discretely presented component units result primarily from providing appropriations to the public universities, including $81.8 million to Central Michigan University and $112.5 million to Western Michigan University.

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

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

The State's Governor is responsible for appointing the members of the board of the Venture Michigan Fund, a private non-profit corporation. The State's accountability for this organization does not extend beyond the Governor's appointments. The Michigan Economic Development Corporation, a discretely presented component unit, has loaned $100,000 to the Venture Michigan Fund. This loan is to be repaid once the Venture Michigan Fund has raised $50 million in revenue.

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

Jointly Governed Organizations
The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a non-profit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2006, the State awarded contracts totaling $26.3 million to MPHI.

The City of Detroit, Charter County of Wayne, and the Department of Community Health of the State of Michigan appoint members of the board of the Detroit Wayne County Health Authority (DWCHA), a public agency. The DWCHA was established to plan, promote, and coordinate health services for at-risk population in the City of Detroit and Wayne County. The State does not appoint a majority of the board, has no right to the assets, and is not responsible for debts of DWCHA; therefore, the State's accountability for DWCHA does not extend beyond making the appointments. During fiscal year 2006, the State awarded contracts totaling $.3 million to DWCHA.

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting
The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

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

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

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

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

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

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

Fiduciary Fund Types:

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

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

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

Fiscal Year-Ends

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

Assets, Liabilities, and Net Assets/Fund Balance

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

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

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

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

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

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

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

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

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

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

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

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

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 9 and 11, 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 15 more fully describes this liability.

Prize Awards Payable
The State Lottery Fund makes long-term prize awards for certain games, most notably the lotto games. At September 30, 2006, long-term prize awards of $443.4 million were reported at a present value of $316.3 million, using discount rates ranging from 5.0 to 8.5%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling $120.7 million, are included with "Accounts payable and other liabilities" on the Statement of Net Assets.

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

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

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

Long-term liabilities are more fully described in Notes 12, 13, and 14.

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

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

Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation, times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave that increases from 0 to 50%, depending upon the balance of their sick leave hours. Sick leave is valued at 0 to 50% plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2006.

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

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

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

Reservations
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either 1) funds legally segregated for a specific use, or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Note 21 provides a disaggregation of reserved fund balances.

Revenues and Expenditures/Expenses

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

Interest on Long-Term Debt
Interest charges on the State's general long-term liabilities do not qualify as a direct expense of a function and are reported on this line, unless the borrowing is essential to the creation or continuing existence of a program. During fiscal year 2006, interest charges on general long-term liabilities totaling $30.2 million were reported as functional expenses.

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

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental-revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Tax expenditures, which represent income tax credit programs that are in substance grants, are also reported as current expenditures. These are described in more detail in Note 15.

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

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

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

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

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

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

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

Interfund Activity and Balances

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

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

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

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

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

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

PRIMARY GOVERNMENT:

MAJOR FUNDS

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

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

NON-MAJOR FUNDS

Governmental:

Special Revenue Funds:

Transportation Related:
- State Aeronautics Fund* (p. 116)
- State Trunkline Fund* (p. 116)
- Michigan Transportation Fund* (p. 116)
- Comprehensive Transportation Fund* (p. 116)
- Combined State Trunkline Bond Proceeds Fund (p. 117)
- Combined Comprehensive Transportation Bond Proceeds Fund (p. 117)
- Transportation Related Trust Funds (p. 117)

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

NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Major Constitutional and Statutory Provisions

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

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

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

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

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2006 are not yet complete. For fiscal year 2005, 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 59.4%, 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 2006.

Revenue Limits
Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be

refunded to personal income tax payers and payers of the State's 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 2006 are not final. For fiscal year 2005, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by $4.2 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2006.

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

The following table summarizes the transactions for the fund for fiscal year 2006 (in millions):

Beginning unreserved fund balance	$ 2.0
Interest Income	.1
Transfer to General Fund	-
Ending unreserved fund balance	$ 2.0

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

General Fund	
State Police	$ 3.0
General Fund Total	$ 3.0

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

Transportation Expenditures and Revenues
In prior fiscal years, local revenues and related expenditures were recorded for the local units' share of non-state owned construction projects within the State Aeronautics Fund, the State Trunkline Fund, the Comprehensive Transportation Fund, and the Transportation Related Trust Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances. Since there is no decrease in the State's net financial resources related to the local share of the construction projects, revenues and expenditures should not be recorded. As a result, local revenues and related expenditures of $113.7 million were removed from the State's financial statements.

Capital Assets
The beginning balances of infrastructure, construction in progress, and net assets invested in capital assets, net of related debt were adjusted to correct prior period errors.

Infrastructure was increased $172.8 million, Construction in Progress was decreased $131.5 million, and net assets invested in capital assets, net of related debt increased $41.3 million.

Information Technology Internal Service Fund
The beginning balances of land and other non-depreciable assets, buildings and equipment, allowance for depreciation, and net assets invested in capital assets, net of related debt were increased by $9.2 million, $221.2 million, $83.5 million, and $146.9 million, respectively, to reflect assets transferred by executive order in the prior fiscal year to the internal service fund.

Eastern Michigan University
Eastern Michigan University, a discretely presented component unit, decreased its beginning net assets by $2.0 million for a prior period adjustment of accounts receivable.

NOTE 5 – TREASURER'S COMMON CASH

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, and presented in this report as "Equity in common cash." Many funds, including pension (and other employee benefit) trust funds, use their equity in the pool as a short-term investment vehicle.

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

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

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

Investments and Deposits

The investment authority for the Common Cash pool is found in Michigan Compiled Laws (MCL) Sections 21.141 - 21.147. 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.

The Treasurer invests excess cash in short-term investments (cash equivalents), 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 fiscal year 2006.

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.

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

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to $159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2006 was $49.2 million. The interest rate is reset July 1 of each year in accordance with the loan agreement. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State taxes collected on cigarette sales. There were no repayments on the loans in fiscal year 2006.

Michigan Marina Dredging Loan Program: MCL Section 21.142d 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 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 maximum amount of a Michigan marina-dredging loan is $75 thousand per marina. The total amount of outstanding loans is statutorily limited to $20.0 million. The loans accrue interest at a rate of six percent and the loans' terms may not exceed seven years. Other details about the loans are available in the investment agreement. The total amount on loan at September 30, 2006 was $28.6 thousand; repayments during the year were $98.9 thousand.

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

The loans may not exceed $5.0 million in total, with loan periods not to exceed five years. As of September 30, 2006, loans outstanding totaled $3.5 million and mature on February 1, 2007.

The State Treasurer, as part of the modification to the loan, is required to subordinate a loan of not more than $5.0 million to the primary loan of a sugar beet growers' cooperative (Michigan Sugar Beet Growers, Inc.) and relinquish any enforcement powers or authority that may exist under the current contract or agreement.

Agriculture Disaster Relief Program: MCL Section 21.142a created this program to provide loans to assist farmers and businesses suffering losses as a result of a disaster. Financial institutions (banks) making these loans can have the cost of the loan covered by 1) earnings on funds deposited by the State, or 2) a subsidy of the cost.

The maximum loan is $150 thousand ($200 thousand under certain circumstances) to farmers and $400 thousand per legal entity to businesses. The total amount the State may deposit under this program is $30.0 million. Of that amount, no more than $10.0 million may be allocated to qualified agricultural loans made to businesses. Details on what constitutes a qualified loan can be found in the statute. Loans must be made before October 1, 2002, and must be repaid by October 1, 2007.

As of September 30, 2006, the State had deposited a total of $1.4 million with three different financial institutions. During the current fiscal year, subsidy payments totaled $3.4 million and repayments totaled $37.2 million.

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

Assets	
Cash on hand	$ -
Demand deposits	173.0
Time deposits - regular	-
Time deposits - Marina Loan Programs	.1
Time deposits - Agricultural Loan Program	1.4
Prime commercial paper - at cost	1,295.5
Interest receivable	2.9
Emergency loans to local units - at cost	51.2
Michigan Sugar Beet Loan Program	3.5
Total assets	$ 1,527.6
Equities	
Fund equities (net) in Common Cash (1):	
Governmental activities	$ 1,078.1
Business-type activities	82.5
Fiduciary funds	210.3
Discretely presented component units	156.8
Net fund equities	$ 1,527.6

(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 17 summarizes interfund receivables and liabilities.

The following paragraphs provide disclosures about deposits and investments of the Common Cash pool, as required by GASB Statement No. 3 as amended by Statement No. 40. Please see Note 8 for information about deposits and investments that are not part of the Common Cash pool.

Common Cash Deposits

Custodial Credit Risk

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

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

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

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

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

At September 30, 2006, the carrying amount of deposits, including time and demand deposits, was $174.4 million. The deposits were reflected in the accounts of the banks at $174.4 million. Of the bank balance, $4.0 million was covered by federal depository insurance, $169.9 million was collateralized with securities held by the State's agent in the State's name, and $.5 million of demand deposits was exposed to custodial credit risk and was uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled $112.0 million at September 30, 2006.

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

Michigan Compiled Laws Section 487.714 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. MCL Section 21.142a allows for an exemption to the principal office or branch provision for deposits related to the Agriculture Disaster Relief Program if the proceeds of the investment will be committed to qualified loans in this State. The State had no Common Cash deposits subject to foreign currency risk at September 30, 2006.

Common Cash Investments

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

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

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

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

The counterparty, or

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

The State Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2006, Common Cash investments were not exposed to custodial credit risk.

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

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

Emergency municipal loans are evidenced by unrated notes held by the State in the State's name. At September 30, 2006, prime commercial paper investments were rated at A-1 or P-1.

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

The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2006, the fair value of prime commercial paper was $1.3 billion; the weighted average maturity was 16 days.

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

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, for revenues earned in fiscal year 2006, which will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles.

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

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

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

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

Tax	General Fund	Special Revenue Funds	Total
Sales & use	$ 321.2	$ 647.5	$ 968.7
Individual income	1,769.4	233.7	2,003.1
Single business	1,470.8	-	1,470.8
State education (property)	-	1,481.9	1,481.9
Telephone & telegraph	40.3	-	40.3
Motor fuel	-	224.4	224.4
Insurance - retaliatory	64.5	-	64.5
Tobacco products	95.4	66.0	161.4
Quality assurance assessment	171.0	-	171.0
Other	28.1	51.8	79.8
Penalties and interest	1,086.1	-	1,086.1
Gross taxes receivable	5,046.8	2,705.3	7,752.1
Less allowance for uncollectibles	1,916.1	456.2	2,372.3
Total taxes receivable (net)	$ 3,130.7	$ 2,249.1	$ 5,379.7
As reported on the financial statements			
Current Taxes Receivable	$ 2,876.6	$ 2,198.8	$ 5,075.4
Noncurrent Taxes Receivable	254.1	50.2	304.3
Total Taxes Receivable (net)	$ 3,130.7	$ 2,249.1	$ 5,379.7

NOTE 7 – JOINT VENTURES

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

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

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

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

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

For the period ending December 31, 2005 (the Authority's most recently audited financial statements), its net assets increased by approximately $1.3 million. The Bridge and the ancillary assets on Michigan's side of the Bridge, in addition to one-half of the balance of funds not required to pay liabilities, represent the State's equity interest. The State is obligated to pay one-half of any claims incurred by the Authority that are not covered by insurance or existing resources. The State's equity interest of $7.6 million is reflected as an asset in the government-wide statements.

NOTE 8 – DEPOSITS AND INVESTMENTS

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

Deposits - Primary Government

Custodial Credit Risk
In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At present, only the Michigan Unemployment Compensation Funds (MUCF), the State Treasurer's Escrow and Paying Agent Fund, the Attorney Discipline System, and the Michigan Educational Savings Plan maintain these deposits and are exposed to custodial credit risk.

The Michigan Employment Security Commission (MESC) administers, under the auspices of the federal government, the deposits of the MUCF. Tax collections are deposited in a clearing account as required by the Michigan Employment Security Act. Refunds are paid from that account; after the clearance of vouchers for refunds, all other money remaining in the fund, less amounts needed for refunds and judgments, must be deposited with the Secretary of the Treasury of the United States of America to the credit of the State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act, 42 USC 1104. These deposits are maintained in the Federal Reserve Bank. At year-end, the carrying amount of these deposits, excluding those classified as investments, was negative $14.8 million, which was caused by a net book cash overdraft. The bank balance of the deposits was $11.0 million, of which $.1 million was covered by federal depository insurance and $10.9 million was book-entry securities held by pledging custodial banks at the Federal Reserve Bank in the State's name.

The deposits of the State Treasurer's Escrow and Paying Agent Fund were reflected in bank accounts at $.2 million; these deposits were uninsured and uncollateralized, and were therefore exposed to custodial credit risk. This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals that have defeased Michigan State Hospital Finance Authority (MSHFA) bonds. MCL 331.73g allows that the deposits shall be held in trust by the State Treasurer or by a financial institution qualified to serve as trustee pursuant to a trust

agreement entered into between the authority issuing the refunding bonds and the State Treasurer or the financial institution providing for the investment and disposition of the funds.

The bank deposits of the Attorney Discipline System were $48.5 thousand; these deposits were not covered by FDIC insurance, but risk was minimal as none of these deposits were uninsured or uncollateralized. The System has no policy to address custodial credit risk. It assesses financial institutions' risk levels; only those with acceptable levels of risk are used as depositories.

The deposits of the Michigan Educational Savings Program were reflected in bank accounts at $.9 million; $.1 million was insured and $.8 million was uninsured and uncollateralized. The level of risk for each financial institution is evaluated and assessed; only those with an acceptable estimated risk level are used as depositories. The program has no other policy for controlling this risk.

Investments - Primary Government

The following table shows the carrying amounts and fair values of investments of the primary government by investment type and in total (in millions) at September 30, 2006:

Primary Government Total Investments
(In millions)

Investment Types	Pension Funds	Deferred Compensation Defined Benefit Funds	Other Funds	Total
Commercial paper	$ 3,747.6	$ -	$ -	$ 3,747.6
Money market accounts	-	215.5	260.0	475.4
Government securities	4,537.4	-	1,199.9	5,737.3
Corporate bonds and notes	3,892.2	-	513.5	4,405.7
Mutual funds	108.1	2,098.8	950.5	3,157.5
Pooled investment funds	-	2,008.1	-	2,008.1
Equities	26,520.8	-	.1	26,521.0
Guaranteed investment contracts	-	-	43.8	43.8
Funding agreements	-	-	166.5	166.5
International	5,620.5	-	-	5,620.5
Real estate	4,172.4	-	-	4,172.4
Alternative	6,877.6	-	-	6,877.6
Accrued income	119.0	-	-	119.0
Cash collateral	(17.8)	-	-	(17.8)
Unsettled investments	(9.2)	-	-	(9.2)
Total	$ 55,568.8	$ 4,322.4	$ 3,134.3	$ 63,025.5

As reported on the Statement of Net Assets	
Current investments	$ 681.7
Noncurrent investments	1,006.9
Total Investments	$ 1,688.6

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

	Current Investments	Noncurrent Investments	Total
Governmental Activities	$ 227.7	$ 656.1	$ 883.8
Business-type activities	454.1	350.8	804.8
Fiduciary funds	1,448.2	59,888.7	61,336.9
Total Investments	$ 2,129.9	$ 60,895.5	$ 63,025.5

Authority

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

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

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

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

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

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2006, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

Derivatives
The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefit) trust funds in derivatives to provide additional diversification. Such investments were made in swap agreements, Standard & Poor's 500 and Standard & Poor's Midcap Index futures contracts, and option contracts during the year. At September 30, 2006, there was $5.3 billion invested in swap agreements, futures contracts, and option contracts. Derivatives are not used for speculation and they are not used to leverage the investment portfolios. Approximately 10% of the total pension (and other employee benefit) trust funds portfolio has been invested from time to time in swap agreements, futures contracts, and option contracts. The swap agreements pay quarterly to the counterparty, over the term of the swap agreements, interest indexed to the three month London Interbank Offered Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. United States domestic LIBOR-based floating rate notes and short-term investments were purchased in the open market to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these floating rate notes and short-term investments. Swap agreements represent the largest category of derivatives used and total approximately 9% of the total portfolio.

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

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

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

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

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

The State Treasurer does not have a policy for limiting custodial credit risk. As of September 30, 2006, government securities with a market value of $24.4 million were exposed to custodial credit risk. These securities were held by the counterparty, not in the name of the retirement systems.

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

All long-term fixed income investments, unless unrated, must be investment-grade at the time of purchase, unless specific requirements are met. Investment grade, as defined in MCL Section 38.1132 includes: investments in the top four major grades, rated by two national rating services. The State Treasurer's policy is to use Standard & Poor's (AAA, AA, A, BBB); and

Moody's (Aaa, Aa, A, Baa). The primary government's rated debt investments as of September 30, 2006, are presented below. Note that securities backed by the full faith and credit of the United States Government are excluded.

Debt Investments (In millions)

Investment Type	Fair Value	Rating S & P	Fair Value	Rating Moody's
Pension (and Other Employee Benefit) Trust Funds:				
Retirement Systems:				
Commercial paper	$ 2,892.6	A-1	$ 3,409.7	P-1
	99.5	A-2	139.3	P-2
	755.5	Unrated	198.6	Unrated
Government securities				
U.S. agencies – sponsored	2,999.2	AAA	2,999.2	Aaa
U.S. agencies – sponsored	79.3	Unrated	79.3	Unrated
Corporate bonds & notes	601.1	AAA	616.1	Aaa
	843.8	AA	1,136.7	Aa
	1,524.1	A	1,012.2	A
	369.3	BBB	477.5	Baa
	4.0	BB	4.9	Ba
	5.4	B	17.4	B
	84.4	Unrated	167.2	Unrated
International*	395.4	AAA	345.3	Aaa
	880.9	AA	1,406.3	Aa
	1,160.9	A	555.6	A
	-	Unrated	130.0	Unrated
Equity*	50.1	AA	339.0	Aa
	289.0	A	-	A
Mutual funds	46.1	Unrated	46.1	Unrated
Total	13,080.7		13,080.7	
Deferred Compensation/Defined Contribution:				
Common trust funds	$ 13.8	AAA	$ 13.8	Unavailable
	1,064.0	AA+	1,064.0	Unavailable
	179.0	AA/AA-	179.0	Unavailable
	72.9	AA2	72.9	Unavailable
	17.0	Unrated	17.0	Unrated
Mutual funds	50.5	AA	50.5	Unavailable
Money market funds	215.5	A-1+	215.5	Unavailable
Total	1,612.6		1,612.6	
Other Primary Government Funds:				
Government securities				
U.S. agencies - sponsored	$ 297.5	AAA	$ 297.5	Aaa
U.S. agencies - sponsored	47.4	A-1+	47.4	Unavailable
Corporate bonds & notes	68.3	AAA	68.3	Aaa
	14.9	AA	5.4	Aa
	43.8	A	53.2	A
	2.9	BBB	2.9	Baa
Guaranteed investment contract	37.8	AAA	37.8	Unavailable
Mutual funds	94.9	Unavailable	94.9	Aaa
	288.7	Unavailable	288.7	Aa1/Aa2
	2.0	Unrated	2.0	Unrated
Treasury trust fund pool	367.0	Unrated	367.0	Unrated
Total	1,265.1		1,265.1	
Total Primary Government	$ 15,958.3		$ 15,958.3	

*International and Equity Investment types consist of domestic floating rate notes that are used as part of a Swap strategy.

Interest Rate Risk

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

The State Treasurer's policy states that cash equivalents are invested in short term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2006, the fair value of prime commercial paper was $3.7 billion; the weighted average maturity was 41 days.

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

As of September 30, 2006, the pension trust funds had the following long-term debt securities:

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

	Fair Value	Duration In Years
Retirement Systems:		
Governmental		
U.S. Treasury	$ 580.8	3.1
U.S. Agency – Backed	1,257.9	5.7
U.S. Agency – Sponsored	3,078.6	3.7
Total Government	4,917.3	
Corporate	3,432.1	4.4
International*		
U.S. Treasury	99.9	.5
U.S. Agency - Sponsored	49.8	.1
Corporate	2,387.4	.1
Total International	2,537.1	
Equities*	339.0	.6
Mutual fund - fixed income	46.1	5.5
Total	$11,271.6	
Deferred Compensation/Defined Benefit:		
Common trust funds		
Traditional GIC/BICs	$ 179.0	2.0
Buy and hold synthetics	30.8	1.4
Global wrap synthetic contracts	1,064.0	3.2
SSgA daily bond market index fund	72.9	4.6
	1,346.6	
Money market funds	215.5	.1
Mutual funds	50.5	8.5
Total	1,612.6	
Total Pension (and Other Employee Benefit) Trust Funds	$12,884.2	

*International and Equities contain Domestic Government and Corporate Securities as a part of their derivative strategies. The interest rates reset on a quarterly basis for these securities.

For the other primary government funds, fixed income is invested in a laddered, time-segmented structure allowing for intermittent cash flows as needed.

As of September 30, 2006, the primary government, excluding pension trust funds, had the following debt securities:

Other Funds
Debt Securities (In millions)

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less Than 1	1 To 5	6 To 10	More Than 10
U.S. Treasury SLGS	$ 33.8	$ 13.5	$ 20.3	$ -	$ -
U.S. Treasury bonds	435.9	85.1	226.7	96.9	27.2
U.S. Bonds – backed	18.5	-	.2	1.1	17.1
U.S. Agency bonds – sponsored	344.8	30.9	66.1	184.8	63.0
Corporate bonds	129.8	-	35.4	46.5	47.9
Guaranteed investment contracts	43.8	-	6.0	-	37.8
Mutual funds	385.6	2.0	-	383.6	-
Total	$ 1,392.2	$ 131.5	$ 354.7	$ 712.8	$ 193.1

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. The pension trust funds invest in various foreign securities. These investments are limited to 20% of the total assets of the system, and are additionally limited to 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in MCL Sections 38.1133 and 38.1140. The types of foreign securities include equities, fixed income, mutual funds, real estate, and limited partnerships. At September 30, 2006, foreign investments were approximately 6% of total assets of the systems; total foreign investments were $3.7 billion. As of September 30, 2006, the pension (and other employee benefits) trust funds held the following investments subject to foreign currency risk:

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

		Market Value (In U.S. Dollars)			
				Equities - International	
Currency	Country	Alternative Investments**	Equities	Equities	Derivatives*
Retirement Systems:					
Americas					
Dollar	Canada	$ -	$ 19.7	$ -	$ -
Peso	Mexico	-	73.7	-	-
Europe					
Euro	European Union	463.1	134.5	32.2	235.0
Franc	Switzerland	-	42.6	-	51.6
Krona	Sweden	-	9.1	-	10.8
Krone	Denmark	-	-	.6	8.0
Krone	Norway	-	4.5	.1	8.8
Sterling	United Kingdom	24.6	61.1	2.4	128.3
Asia/Pacific					
Dollar	Australia	-	15.8	-	31.9
Dollar	Hong Kong	-	3.1	-	21.7
Yen	Japan	8.3	80.3	.3	118.5
Dollar	New Zealand	-	-	-	-
Won	Singapore	-	-	-	5.0
Won	South Korea	-	9.7	-	40.5
Mutual Funds					
Various	Various	198.8	680.8	720.0	-
Total		$ 694.8	$ 1,134.9	$ 755.6	$ 660.1
Deferred Compensation/Defined Contribution:					
Mutual Funds					
Various	Various	$ -	$ 447.1	$ -	$ -
Total		$ 694.8	$ 1,582.1	$ 755.6	$ 660.1

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2006 through September 2009, with an average maturity of 1.1 years. For more information, see the derivatives section of this note.

**$198.8 million of investments disclosed in this column consist of international real estate investments held by the pension trust funds.

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

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

At September 30, 2006, there were no investments in any single issuer more than 5% of the system's assets, nor were there any investments totaling more than 5% of the obligations of any one issuer, other than U.S. Government Securities as described above.

Pension trust fund investments represent 95.0% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund and MUCF.

The State Lottery Fund investments, $435.9 million, are all in the form of zero coupon U.S. Treasury bonds. These investments are held to provide funding for deferred prize awards.

Securities Lending Transactions
Under the authority of MCL 38.1133, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. State statutes allow the State to participate in securities lending transactions, via a Securities Lending Authorization Agreement, authorizing 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, at the direction of the State Treasurer, lent 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, Canadian provincial debt, and irrevocable bank letters of credit 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: 1) 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; or 2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. The agent bank indemnified the State by agreeing to purchase replacement securities, or return cash collateral in the event the borrower failed to return the loaned securities or pay distributions thereon. There were no such 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 State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in a collective investment pool along with the cash collateral of other qualified and non-qualified tax-exempt plan lenders. As of September 30, 2006, the investment pool had an average duration of 22 days and an average expected maturity of 678 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2006, the retirement systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the State as of September 30, 2006, were $9.2 billion and $9.0 billion, respectively.

Deposits and Investments - Discretely Presented Component Units

Deposits
At year-end, the carrying amount of discretely presented component units deposits, excluding those classified as investments, was $415.4 million. The deposits were reflected in the accounts of the banks at $421.0 million. Of the bank balance, $392.2 million was uninsured and uncollateralized and therefore exposed to custodial credit risk.

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

Restricted Assets

Restricted investments on the government-wide Statement of Net Assets, totaling $395.3 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.

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

		Investment Maturities (In Years)				
	Fair Market Value	Less Than 1	1 To 5	6 To 10	More Than 10	N/A
Deposits:						
Time deposits	$ 41.4	$ 36.4	$ 5.0	$ -	$ -	$ -
Government money market accounts	352.2	352.2	-	-	-	-
Investments:						
Commercial paper	227.3	227.3	-	-	-	-
Short-term notes	104.9	100.8	2.0	1.9	.1	-
Repurchase agreements	208.9	145.0	47.6	-	16.4	-
Government securities	1,735.5	1,026.2	326.4	199.4	183.4	-
Insured mortgage backed securities	238.3	6.1	6.3	1.5	224.3	-
Government backed securities	223.4	23.7	.5	14.8	184.4	-
Investment agreements	16.6	8.2	-	-	8.4	-
Corporate bonds and notes	202.0	21.1	96.6	66.3	18.1	-
Preferred stock	.9	-	-	-	.9	-
Equities	92.3	34.1	1.6	-	12.0	44.6
Real estate	4.6	.7	-	-	3.8	.1
Venture capital & leveraged buyouts	19.5	-	-	12.0	7.5	-
Government money market funds	5.1	5.1	-	-	-	-
Mutual Bond Funds	294.3	146.9	107.5	32.4	.3	7.2
Mutual Equity Funds	666.0	47.3	-	-	258.6	360.1
Guaranteed investment contracts	748.2	143.9	75.1	19.8	509.4	-
Pooled investment funds	33.5	33.5	-	-	-	-
Other investments	34.3	2.4	-	-	31.3	.5
Total Investments	$ 5,249.1	$ 2,361.1	$ 668.5	$ 348.1	$ 1,458.9	$ 412.5

Less Investments Reported as "Cash" on Statement of Net Assets	480.7
Total Investments	$ 4,768.4

As Reported on Statement of Net Assets	
Current investments	$ 1,760.9
Noncurrent restricted investments	395.3
Noncurrent investments	2,612.2
Total Investments	$ 4,768.4

NOTE 9 – CAPITAL ASSETS

Primary Government

Summary of Significant Accounting Policies

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

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

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

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

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

Asset	Years
Equipment	2-25
Buildings	5-50
Infrastructure	15-40
Land Improvements	5-40

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

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

Capital asset activities for the fiscal year ended September 30, 2006, were as follows (in millions):

Governmental Activities	Beginning Balance (restated)*	Additions	Deletions	Adjustments and Reclass-ifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 3,187.6	$ 90.0	$ (70.5)	$ .2	$ 3,207.2
Land improvements	17.2	-	-	-	17.2
Construction in progress	887.6	309.7	(230.1)	1.2	968.5
Infrastructure	12,318.5	197.8	(136.4)	-	12,379.9
Mineral rights	19.8	-	-	-	19.8
Total capital assets, not being depreciated	16,430.8	597.5	(437.0)	1.4	16,592.6
Capital assets, being depreciated:					
Land improvements	110.3	3.2	(2.5)	.9	111.9
Equipment and vehicles	812.2	69.5	(148.4)	4.8	738.1
Buildings	3,377.5	116.2	(161.9)	(3.9)	3,327.9
Infrastructure	640.3	13.3	(.5)	-	653.1
Total capital assets, being depreciated	4,940.4	202.1	(313.3)	1.8	4,831.1
Less accumulated depreciation for:					
Land improvements	(43.9)	(3.4)	1.7	-	(45.6)
Equipment and vehicles	(620.8)	(58.8)	138.8	(1.3)	(542.1)
Buildings	(1,182.1)	(97.2)	67.1	7.9	(1,204.3)
Infrastructure	(380.3)	(24.0)	.5	-	(403.9)
Total accumulated depreciation	(2,227.1)	(183.4)	208.1	6.5	(2,195.9)
Total capital assets, being depreciated, net	2,713.3	18.8	(105.2)	8.3	2,635.2
Governmental activity capital assets, net	$ 19,144.1	$ 616.2	$ (542.2)	$ 9.7	$ 19,227.7

Beginning balances for construction in progress and infrastructure were restated due to prior period errors. See Note 4 for additional information on these restatements.

The Department of Human Services expenses in the Statement of Activities include an impairment loss of $152.9 thousand for two buildings due to roof damage and possible mold contamination. Two additional buildings were impaired for the same reasons but are fully depreciated. The Department of Human Services has no intention of repairing the impaired sections of the buildings.

The Department of Community Health abandoned three buildings that became uninhabitable due to asbestos contamination. No impairment loss was incurred due to abandonment of these buildings because all three buildings are fully depreciated.

In all cases, the historical cost of the buildings has been adjusted to the lower of carrying value or fair value in the above table.

Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclass-ifications	Ending Balance
Capital assets, being depreciated:					
Buildings	$ -	$ -	$ -	$ -	$ -
Equipment	4.7	-	-	-	4.7
Total capital assets, being depreciated	4.7	-	-	-	4.7
Less accumulated depreciation for:					
Buildings	-	-	-	-	-
Equipment	(4.2)	(.2)	-	-	(4.3)
Total accumulated depreciation	(4.2)	(.2)	-	-	(4.3)
Total capital assets, being depreciated, net	.6	(.2)	-	-	.4
Business-type activity capital assets, net	$ .6	$ (.2)	$ -	$ -	$ .4

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

	Amount
Governmental Activities:	
General Government	$ 22.0
Education	.3
Human Services	10.8
Public Safety and Corrections	48.7
Conservation, Environment, Recreation, and Agriculture	9.3
Labor, Commerce, and Regulatory	1.6
Health Services	6.9
Transportation	32.3
Depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets.	51.6
Total Depreciation Expense – Governmental Activities	$ 183.4
Business-type Activities:	
Enterprise	.2
Total Depreciation Expense – Business-type Activities	$ .2

Discretely Presented Component Units

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

	Amount
State Universities:	
Land and other non-depreciable assets	$ 98.9
Buildings, equipment, and other depreciable assets	4,274.2
Construction in progress	161.2
Total	4,534.3
Less accumulated depreciation	(1,614.8)
Capital Assets, net – State Universities	2,919.5
Capital Assets, net – Authorities	146.9
Capital Assets, Total – Discretely Presented Component Units	$ 3,066.4

NOTE 10 – PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS

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, except LRS, may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

As mandated by legislation, all new State of Michigan employees 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	**LRS**	**SPRS**	**SERS**	**PSERS**	**JRS**	**MRP**
Current active:						
Vested	23	1,094	31,175	118,900	290	1,210
Nonvested	1	606	1,418	188,239	1	9,930
Retirees & beneficiaries receiving benefits	276	2,712	46,005	157,070	533	2,934
Inactive members with vested deferred benefits	51	12	7,422	15,877	16	1,092
Current members with vested deferred benefits	-	129	-	-	-	-

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.

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 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.

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 Public School Employees' Retirement System (PSERS) is a cost-sharing, multiple-employer, State-wide defined benefit retirement system. Statute requires a reconciliation of required contributions and actual contributions in the PSERS. Michigan Compiled Laws Section 38.1341 provides that any overage or shortage must be paid in installments over five years.

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

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.

Effective in fiscal year 2001, SPRS, SERS, and PSERS use the valuation for the previous fiscal year for their respective reports. This approach is consistent with Governmental Accounting Standards Board (GASB) Statement No. 25. Consistent with this approach the most recent actuarial valuation was performed as of September 30, 2005.

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 (amounts in millions):

	LRS	SPRS	SERS	MRP
Required contribution rates:				
State	-	30.65%	19.50%	-**
Plan Members	***	-	-	-
Annual Pension Cost and Net Pension Obligation:				
Annual required contribution	$ -	$ 36.06	$ 366.65	$ 3.61
Interest on net pension asset (obligation)	(.12)	1.78	25.53	.77
Adjustment to annual required contribution	.43	(1.29)	(27.05)	(.82)
Annual pension cost	.31	36.55	365.12	3.56
Contributions made	-	25.03	270.71	2.95
Change in net pension asset/obligation	.31	11.52	94.42	.61
Change in actuarial estimate	-	(.35)	2.27	-
Net pension (asset) obligation at beginning of fiscal year	(1.76)	22.64	316.82	9.75
Net pension (asset) obligation at end of fiscal year	$ (1.45)	$ 33.81	$ 413.51	$ 10.36
Significant Actuarial Assumptions used include:				
Latest actuarial valuation date	9/30/06	9/30/05	9/30/05	9/30/05
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percent of payroll closed	Level percent of payroll closed	Level dollar closed	Level dollar closed
Remaining amortization period	5 years	31 years	31 years	31 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%	3.5 – 93.5%	3.5-14.4%	4%
Includes inflation at	4%	3.5%	3.5%	3.5%
Cost-of-living adjustments	4% annual compounded (not compounded for legislators who first became members after 1/1/95)	2% annual non-compounded with maximum annual increase $500	3% annual non-compounded with maximum annual increase $300	3.5% for special duty retirants

*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.

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

	PSERS	JRS
Required contribution rates:		
State	N/A	**
Plan Members	3.9*	5.90
Number of participating employers	717	159

N/A - Not available

*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):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
LRS							
	9/30/06	$ 159.3	$ 158.4	$ (0.9)	100.6%	$ 2.0	(46.6)%
	9/30/05	157.5	154.7	(2.8)	101.8	2.0	(139.2)
	9/30/04	161.9	151.9	(10.0)	106.6	2.0	(494.4)
SPRS**							
	9/30/05	1,090.3	1,300.3	210.0	83.8	117.6	178.5
	9/30/04	1,117.7	1,255.8	138.1	89.0	119.7	115.4
	9/30/03	1,139.1	1,186.4	47.3	96.0	113.2	41.8
SERS**							
	9/30/05	9,896.7	12,400.4	2,503.6	79.8	1,880.2	133.2
	9/30/04	10,149.3	12,004.0	1,854.7	84.5	1,889.4	98.2
	9/30/03	10,440.6	11,761.1	1,320.5	88.8	1,859.6	71.0
PSERS**							
	9/30/05	38,211.0	48,206.0	9,995.0	79.3	10,206.0	97.9
	9/30/04	38,784.0	46,317.0	7,533.0	83.7	10,407.0	72.4
	9/30/03	38,726.0	44,769.0	6,043.0	86.5	10,044.0	60.2
JRS							
	9/30/06	282.8	243.7	(39.1)	116.0	33.1	(118.1)
	9/30/05	278.4	243.4	(35.0)	114.4	34.9	(100.3)
	9/30/04	286.9	236.4	(50.4)	121.3	37.5	(134.6)
MRP*							
	9/30/05	-	40.6	40.6	-	.5	8,120.0
	9/30/03	-	41.3	41.3	-	.6	6,883.0
	9/30/01	-	38.0	38.0	-	.5	7,600.0

*Actuarial valuation performed biennially.

**The most recent actuarial valuation was performed as of September 30, 2005.

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 Obligation (Asset)
LRS				
	2003-04	.1	-	(1.9)
	2004-05	.1	-	(1.8)
	2005-06	.3	-	(1.5)
SPRS				
	2003-04	27.4	90.6	16.7
	2004-05	32.5	81.8	22.6
	2005-06	36.6	68.5	33.8
SERS				
	2003-04	262.1	39.6	266.2
	2004-05	307.1	83.5	316.8
	2005-06	365.1	74.1	413.5
MRP				
	2003-04	3.6	76.8	9.0
	2004-05	3.6	78.7	9.8
	2005-06	3.6	82.9	10.4

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			
	2003-04	978.0	71.3
	2004-05	1,023.3	75.7
	2005-06	1,161.8	85.7
JRS			
	2003-04	-	-
	2004-05	-	-
	2005-06	.6	100.0

REQUIRED SUPPLEMENTARY 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 ((b-a)/c)
9/30/01	-	38.0	38.0	-	.5	7,600.0
9/30/03	-	41.3	41.3	-	.6	6,883.0
9/30/05	-	40.6	40.6	-	.5	8,120.0

Actuarial valuation performed biennially; plans with biennial valuations need not present duplicate information for the tervening years.

Schedule of Employer Contributions for MRP:

Year Ended September 30	Annual Required Contribution	Percentage Contributed
2006	3.6	82.9
2005	3.6	78.7
2004	3.6	76.8
2003	3.3	79.5
2002	3.3	81.9
2001	3.0	76.4

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

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 System (defined benefit), Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. The Plan is administered by the Department of Management and Budget. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. Employer contributions to the plan for the year totaled $69.0 million. Participant contributions to the plan were $25.2 million. The reports may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-5103.

The following investments represent 5% or more of net plan assets at September 30, 2006: Common Trust Funds: Traditional GICs/BICs, $59.0 million; Global Wrap Synthetic Contracts, $309.4 million; SSGA Daily Bond Market Index Fund, $50.8 million; Money Market Funds, $168.4 million; Mutual Funds, $35.1 million.

Effective September 30, 2000, the assets and coverage of members of the Judges' Retirement System were transferred to the State Employees' Defined Contribution Retirement Plan.

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 $69.4 million for the year ending June 30, 2006.

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

Effective January 1, 2004, the State Bar of Michigan assumed responsibility for the retirement plans of State Bar employees who participated in the State of Michigan's Defined Contribution Retirement Plan (Plan). All monies held in the Plan on behalf of participating State Bar employees were subsequently transferred to the newly established State Bar 401(a) retirement plan and the 457(b) retirement plan. The State Bar of Michigan is required to make minimum contributions and may establish other benefit provisions for their retirement plans. The State Bar of Michigan's contribution to the new plans was $.4 million for the year ended September 30, 2006.

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

Other Postemployment Benefits

In addition to the pension benefits previously described in this Note, State statutes require that the State provide certain other 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, 2006, the actuarial accrued liability for life insurance premiums was $8.7 million with net assets available for benefits of $16.6 million. The expense for life insurance premiums was $.2 million in fiscal year 2006.

The net assets available for benefits relate to residual balances from funding provided in prior fiscal years. Michigan Compiled Laws Section 38.11 created a health advance funding subaccount within the State Employees' Retirement System as a means to begin prefunding, on an actuarial basis, health benefits for participants in the system. During fiscal year 2006, there were no pension contributions transferred to the subaccount.

Following is a brief summary of the other post employment benefits as of September 30, 2006:

	LRS	SPRS	SERS	JRS	PSERS	TOTAL
Participants eligible for benefits	349	2,712	46,005	533	157,070	206,669
Contribution rates for current employees (% of payroll)	0.0%	N/A	N/A	2.0%	N/A	
Percentage of pre-Medicare premiums paid by participants	0.0%	5%	5%	5%	10%*	
Expense for year (in millions)	$ 4.4	$ 29.5	$362.6	$ .6	$634.8	$1,031.9
Net assets available for benefits (in millions)	$13.4	-	$ 60.1	-	$630.2	$ 703.7

*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 11 – LEASES

Accounting Policy

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

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

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

Most leases have cancellation clauses with 1 to 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 they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

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

Leases that exist between the State and the State Building Authority (SBA, a blended component unit) are not recorded as leases in this report. In their separately issued financial statements, SBA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by SBA to construct the assets associated with the leases. Future payments to SBA are, therefore, not included in the schedules of lease commitments below. Note 12 provides information on the amount of the Authority's bonds outstanding and a schedule of debt service requirements.

Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled $59.3 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled $28.2 million, $31.8 million, and $26.3 million, respectively, during the fiscal year.

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

Year Ended September 30	Operating Leases	Capital Leases			
		Principal	Interest	Executory Costs	Total
2007	$ 29.6	$ 24.6	$ 29.8	$ 24.9	$ 79.4
2008	23.1	20.4	27.9	24.3	72.6
2009	19.9	15.1	26.1	23.5	64.6
2010	16.3	13.3	24.4	22.7	60.4
2011	9.0	10.7	23.0	21.0	54.7
2012-2016	13.7	39.9	99.3	93.1	232.3
2017-2021	6.8	38.5	71.6	82.1	192.2
2022-2026	.6	39.6	45.5	70.4	155.5
Thereafter	-	50.1	13.9	61.2	125.2
Total	$ 119.0	$ 252.2	$ 361.5	$ 423.2	$ 1,036.9

The above capital leases relate to governmental activities which include the General Fund, special revenue funds, and the internal service funds. A liability of $252.2 million has been recorded in the government-wide statements for the capital lease principal.

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

Land	$ -
Buildings	316.0
Equipment	96.5
Total	412.5
Accumulated Depreciation	(191.2)
Net Land, Buildings, and Equipment	$ 221.3

Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled $.5 million during the fiscal year. There were no capital lease obligations.

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

Year Ended September 30	Operating Leases
2007	$ .5
2008	.5
2009	.4
2010	.4
2011	.3
	$ 2.1

Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled $57.4 million. Total capital lease obligations were $11.3 million, $2.5 million, and $0 for principal, interest, and executory costs, respectively, during the fiscal year.

NOTE 12 – BONDS AND NOTES PAYABLE – PRIMARY GOVERNMENT

General Information

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

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. In fiscal year 2006, the State issued general obligation notes to meet cash flow requirements of the General Fund.

Short-term debt activity for the fiscal year ended September 30, 2006, was as follows (in billions):

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

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

In previous years, the Department of Transportation issued grant anticipation notes. The notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate.

The notes are issued in accordance with the authorization provided in MCL Section 247.668b. The proceeds of the sale of the notes, together with investment earnings on the proceeds and other available monies, will be used to pay a portion of the costs to complete the Build Michigan II highway program, to pay capitalized interest on the notes, and to pay note issuance costs.

The principal and interest on the notes are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the Federal-Aid Highway Program. Payment of the principal and interest on the notes from the State share shall be subject to an appropriation each year by the Legislature in an amount sufficient to make the payments. As of September 30, 2006, principal payments of $516 million have been made on the notes. The amount outstanding at September 30, 2006, $84 million, is not disclosed in the table below.

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. In addition, the SBA issues commercial paper notes to fund capital projects prior to bonding. Short-term debt activity for the fiscal year ended September 30, 2006, follows (in millions):

	Beginning Balance	Draws	Repayments	Ending Balance
Commercial Paper Notes	$334.2	$173.1	$450.3	$ 57.0

Note 13 provides disclosures regarding the bonds and notes payable of the discretely presented component units.

Bonds Issued and Outstanding

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

	Amounts Issued	Outstanding 9/30/2006	Maturities First Year	Maturities Last Year	Average Interest Rate Percentage
General Obligation Bonded Debt					
General Obligation Refunding Debt:					
Series 2001 (Refunding)	$ 183.3	$ 157.8	2002	2016	4.76
Series 2002 (Refunding)	300.7	296.6	2004	2017	4.41
Series 2005 A (Refunding) (3)	86.8	86.8	2017	2021	5.00
Series 2005 B (Refunding) (3)	82.8	82.8	2013	2021	5.00
Series 2005 C (Refunding) (3)	21.1	21.1	2008	2013	4.17
Recreation and Environmental Protection:					
Series 1989 (1)	75.0	17.0	1991	2012	6.80
Series 1992 (1)	246.3	84.0	1994	2013	5.50
College Savings Bonds - Series 1992 Mini-bonds (1)	.5	1.2	2012	2012	6.50
Series 1992 A (1)(2)	13.9	5.8	1995	2013	6.17
Series 1993 (1)(2)	16.7	8.2	1996	2014	5.00
Series 1995 (1)	234.3	13.9	1997	2010	5.28
Series 1998 (1)	90.0	12.5	1999	2009	4.87
Series 1999 A (3)	81.8	15.6	2004	2010	5.47
Series 2000 (1)	60.0	12.7	2002	2011	5.24
Series 2001 (3)	56.8	30.0	2004	2012	4.82
Series 2003 (5)	10.0	6.0	2054	2054	0.00
Series 2003 A (1)(3)	200.0	200.0	2007	2021	5.00
Series 2006 A (1)(3)	105.0	105.0	2014	2026	4.58
Series 2006 B (5)	47.0	47.0	2007	2009	5.19
School Loan Bonds:					
Series 1995	180.0	8.7	1997	2007	5.64
Series 1998	160.0	51.5	2001	2012	4.80
Series 2005 B (4)	362.5	349.5	2008	2025	Variable
Series 2005 C (4)	113.1	113.1	2020	2024	Variable
Series 2006 A (4)	66.8	66.8	2017	2025	Variable
Total General Obligation Bonded Debt	2,794.3	1,793.5			
Revenue Dedicated Bonded Debt					
State Park Related:					
2002 – Gross Revenue Bonds	15.5	14.0	2004	2023	3.58
Total Revenue Dedicated Bonded Debt – State Park Related	15.5	14.0			
Transportation Related:					
Tax Dedicated Bonds:					
Michigan Comprehensive Transportation:					
Series 1998 (Series A Refunding)	38.6	33.7	2005	2011	4.81
Series 2001 (Series A Refunding)	27.8	27.8	2008	2022	5.01
Series 2002 (Series A Refunding)	89.6	46.5	2003	2011	5.07
Series 2002 (Series B)	82.3	21.0	2004	2012	5.13
Series 2003	35.0	21.0	2004	2023	3.61
Series 2005 (Refunding)	62.2	62.2	2009	2023	5.15
Series 2006 (Refunding)	53.7	53.7	2007	2031	4.54
State Trunkline Fund Bonds:					
Series 1989 (Series A)	135.8	15.7	1994	2009	6.75
Series 1992 (Series A Refunding)	253.6	62.4	2000	2013	5.76
Series 1992 (Series B Refunding)	99.6	9.4	2000	2013	5.68
Series 1996 (Series A)	54.5	1.2	1998	2007	5.76
Series 1998 (Series A Refunding)	377.9	377.0	2006	2027	5.03
Series 2001 (Series A)	308.2	38.3	2003	2012	4.96
Series 2002 (Refunding)	97.9	72.8	2004	2022	4.71
Series 2004 (Refunding)	103.5	99.8	2006	2022	4.13
Series 2004	185.7	100.5	2008	2019	4.36
Series 2005 (Refunding)	223.0	223.0	2010	2023	5.10
Series 2005 B (Refunding)	378.3	378.3	2010	2019	4.81
Series 2006 (Refunding)	244.5	244.5	2008	2022	4.74
Total Revenue Dedicated Bonded Debt –Transportation Related	2,851.6	1,888.8			

	Amounts Issued	Outstanding 9/30/2006	Maturities First Year	Maturities Last Year	Average Interest Rate Percentage
State Building Authority:					
1998 Series I Bonds (Refunding)	330.4	261.2	1999	2022	4.75
2001 Series I Bonds (Refunding)	419.7	375.9	2003	2026	5.26
2003 Series I (Refunding)	659.4	567.0	2004	2018	3.64
2003 Series II (Refunding)	392.6	174.5	2005	2030	4.42
2004 Series I	155.4	142.1	2005	2020	4.08
2005 Series I (Refunding)	293.4	292.0	2006	2040	4.84
2005 Series II (Refunding)	242.8	242.8	2007	2037	4.66
2005 Series II A Multi-modal	343.6	40.1	2018	2018	Variable
2005 Series II B Multi-modal	9.9	9.9	2007	2017	Variable
2006 Series I A Serial	438.3	438.3	2014	2037	4.80
2006 Series I A Capital Appreciation	891.8	891.8	2014	2037	4.80
2006 Series I B	13.7	13.7	2009	2014	4.80
Total State Building Authority Bonded Debt	4,191.0	3,449.3			
Tobacco Settlement Finance Authority:					
Series 2006 A (6)	363.1	363.1	2008	2034	7.31
Series 2006 B (6)	72.6	72.6	2008	2034	7.85
Series 2006 C (6)	54.8	54.8	2046	2046	8.50
Total Tobacco Settlement Finance Authority	490.5	490.5			
Total Revenue Dedicated Bonded Debt	7,548.6	5,842.6			
Total General Obligation and Revenue Dedicated Bonded Debt	$ 10,343.0	$ 7,636.1			

(1) Michigan Compiled Laws Sections 324.19301 and 324.71301 authorized the issuance of bonds totaling $800.0 million. As of September 30, 2006, $792.7 million of such bond proceeds had been received, leaving remaining authorization of $7.3 million. Sum of amounts issued in table differs by amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.

(2) The $13.9 million Series 1992A and the $16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Municipal Bond Authority (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) Michigan Compiled Laws Section 324.95102 authorized the issuance of bonds totaling $675.0 million. As of September 30, 2006, $495.1 million of such bond proceeds had been received, leaving remaining authorization of $179.9 million. Sum of amounts issued in table differs by amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.

(4) The Multi-Modal School Loan Bond Series, currently bear interest at a commercial paper rate and are remarketed at each maturity. For the future debt service requirements, interest was estimated at the interest rate in effect at September 30, 2006.

(5) November 2002, voters approved a ballot proposal in which the State would issue $1.0 billion in general obligations bonds to provide capital, which is then loaned to local units of government for water quality improvement projects. As of September 30, 2006, $47.2 million of such bond proceeds had been received, leaving remaining authorization of $952.8 million. Additionally, the State "issued" $100.0 million in bonds to a discretely presented component unit, the Michigan Municipal Bond Authority (MMBA). Although no cash traded hands, MMBA (the registered owner of the bonds) is holding the bond document as collateral and issuing their own revenue bonds to generate the capital. This transaction allows the State's General Fund to defer principal and interest costs until future years when the bond is repurchased/redeemed. MMBA will fund the principal and interest costs of the revenue bonds until such time that they request the State to honor the general obligation bond document.

On December 18, 2003, the State issued $100.0 million in bonds ($10.0 million relating to Strategic Water Quality and $90.0 million relating to the previously existing State Water Quality Revolving Fund). The $10.0 million bond relating to Strategic Water Quality includes a repurchase provision that requires the State to repurchase all or any portion of this bond upon 10 days prior written notice from the registered owner, MMBA. The State anticipates at this time that if the bond repurchase was acted on, the State would issue long-term debt to finance the repurchase. This bond is being used as collateral by MMBA for

the Strategic Water Quality bonds being issued by MMBA to local governments. The $10.0 million bond was reduced to a net obligation of $6.0 million when $4.0 million of the proceeds from General Obligation Recreation and Environmental Protection Series 2006B were used to refund a portion of the original obligation. For these reasons, the State has recognized the $6.0 million bond related to Strategic Water Quality as a liability in the entity-wide statements. The $90.0 million "bond" document issued for the State Water Quality Revolving Fund does not contain the 10 day repurchase provision that the $6.0 million bond does. Nor is the $90.0 million "bond" document being used as collateral by MMBA. For these reasons, the State has not recognized a liability for the $90.0 million "bond" document related to the existing State Water Quality Revolving Fund.

(6) The Michigan Tobacco Settlement Finance Authority (MTSFA) issued taxable Tobacco Settlement Asset-Backed Bonds as follows: $363.1 million Series 2006A Fixed Rate Turbo Bonds; $72.6 million Series 2006B Indexed Floating Rate Turbo Term Bonds; and $54.8 million Series 2006C Capital Appreciation Turbo Term Bonds.

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

The bonds were issued in accordance with the Purchase and Sale Agreement (the Agreement), dated May 1, 2006, between the State and MTSFA. Pursuant to the Agreement, MTSFA is purchasing the right, title, and interest in and to 13.3% of all the State's future TSRs payable to the State on or after April 1, 2008, as required under the terms of the MSA. Every issue of bonds shall be special revenue obligations payable from and secured by a pledge of TSRs and other assets, including without limitation the proceeds of the bonds deposited in a reserve fund for the benefit of the owners of the bonds, earnings on funds of the authority and other funds as may become available, upon the terms and conditions as specified by the authority in the authority resolution under which the bonds are issued or in a related trust agreement of trust indenture.

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

Capital Appreciation Bonds

Capital appreciation and convertible capital appreciation bonds are recorded in the preceding table and Section B at their accreted year-end book value. The table that follows summarizes capital appreciation bonds (in millions):

	Accreted Book Value	Ultimate Maturity Value	Fiscal Year Maturities	
			First Year	Last Year
General Obligation Bonds:				
Series 1989	$ 17.0	$ 20.3	1999	2012
Series 1992	14.3	17.6	2000	2012
College Savings Bonds - Series 1992 Mini-bonds	1.2	1.8	2012	2012
Series 1995	13.9	16.1	2001	2010
Revenue Dedicated – Transportation Related:				
State Trunkline – Series 1989 A	15.7	17.9	2004	2009
State Trunkline – Series 1992 A	62.4	75.8	2006	2013
State Trunkline – Series 1992 B	9.4	11.2	2006	2013
Revenue Dedicated – State Building Authority:				
2006 Series I A	395.3	891.8	2017	2037
Revenue Dedicated – Tobacco Settlement Finance Authority				
Series 2006 C	54.8	1,534.9	2046	2046

Advance Refundings and Defeasances

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

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

The State has defeased certain bonds by placing cash with an escrow agent in a trust to be used for future payment on the debt. The following table summarizes the defeased bonds outstanding at September 30 (in millions):

	Amounts Outstanding
Recreation and Environmental Protection:	
Series 1998	$ 50.4
Series 1999 A	56.1
Series 2000 (partial)	37.4
Series 2001	22.3
Series 2003	4.0
Total Recreation and Environmental	$ 170.2
School Loan Bonds:	
Series 1998 A	69.1
Total School Loan Bonds	$ 69.1
Comprehensive Transportation Fund Bonds:	
Series 2002 B (partial)	$ 52.9
Series 2003	9.9
	$ 62.8
State Trunkline Fund Bonds:	
Series 1996 A (partial)	$ 45.2
Series 2001 A (partial)	245.8
Series 2004 (partial)	85.2
	376.3
Total Transportation Related	$ 439.1
State Building Authority:	
1994 Series II	$ 9.4
1996 Series I	33.2
1997 Series I	59.0
1997 Series II	222.5
1998 Series I	69.1
2000 (MSP Phase II)	26.9
2001 (MSP Phase III)	37.3
2002 (MSP Phase IV)	27.0
1999 Series I	55.7
2001 Series I	93.5
2001 Series II	138.8
2000 Series 1	119.5
2002 Series III Refunding	199.3
2003 Series II Refunding	203.7
Total State Building Authority	$ 1,294.8

General Obligation
During the year, the State issued $47.0 million of General Obligation Bonds, Environmental Program Series 2006B maturing in years 2007 through 2009 with fixed interest rates. From the debt proceeds, $4.0 million was used to partially refund General Obligation Bonds, Strategic Water Quality Initiatives Fund Series 2003. As a result of this refunding, the State's debt service increased by $.2 million over the next three years. The refunded bond was a demand bond that did not carry an initial interest rate. This refunding did not generate an economic gain for the State.

Revenue Dedicated
During the year, the State issued fixed rate Comprehensive Transportation and Refunding Bonds Series 2006 for $53.7 million maturing in years 2007 through 2031. From the debt proceeds, $17.9 million was used to advance refund Comprehensive Transportation Series 1996A. As a result of this refunding, the State's debt service decreased by $1.1 million over the next eight years. The State achieved an economic gain of $.8 million through this refunding.

On October 26, 2005, the State Building Authority (SBA) issued 2005 Series II Bonds for $242.8 million; $121.1 million of revenue bonds to buyout the State of Michigan's capital lease on Constitution Hall, and $121.7 million of revenue refunding bonds to refund the 2000 Series I Bonds. The revenue refunding bonds were used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust, along with $3.1 million of Authority cash and $4.8 million of

issuance premium, for the purpose of generating resources for all future debt service payments on $121.8 million of bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $4.3 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce debt service payments during the first 14 years of the 30-year bond amortization and produce an economic gain of $10.5 million; however, if serviced serially through the maturity date of October 15, 2035, total payments under the refunding bond will exceed those of the refunded bonds by $36.8 million.

On January 19, 2006, the SBA issued 2005 Multi-Modal Series IIB Bonds for $9.9 million for a current refunding of $9.7 million of 2003 Series I Revenue Refunding Bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic loss of $.1 million and a reduction of $2.6 million in future debt service payments.

On September 6, 2006, the SBA issued 2006 Multi-Modal Series IA and Series IB Bonds for $1.3 billion, which included capital appreciation bonds having an ultimate maturity value of $891.8 million (which were discounted by $496.4 million for a net sales price of $395.3 million). The revenue refunding bonds, net of the deep-discount and along with $53.3 million of SBA cash and $20.6 million of issuance premium, were used to provide resources for the: (1) current refunding of $488.8 million of variable-rate revenue bonds (2005 Series I Multi-Modal for $185.3 million and 2005 Series II A for $303.5 million); and (2) advance refunding of $403.0 million of fixed-rate revenue bonds (2002 Series III for $199.3 million and 2003 Series II for $203.7 million). For the advance refunding, resources were used to purchase U.S. government securities that were placed in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The net carrying amount of the old debt exceeded the reacquisition price by $14.3 million, which is being netted with the new debt and amortized over the remaining life of the refunded debt. The current and advance refundings were undertaken to reduce debt service payments during the first 11 years of the 30-year bond amortization and produce an economic gain of $31.9 million; however, if serviced through the maturity date of October 15, 2036, total payments under the refunding bond will exceed those of the refunded bonds by $340.8 million.

Debt Service Requirements

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

	General Obligation			State Park, and Transportation Related		State Building Authority		Michigan Tobacco Settlement Finance Authority		
Fiscal Years Ending	Principal	Fixed Interest	*Estimated Interest	Principal	Fixed Interest	Principal	Interest	Principal	Interest	Total Principal And Interest
2007	$ 68.5	$ 58.1	$ 23.9	$ 51.2	$ 87.9	$ 84.1	$ 118.6	$ -	$ 33.3	$ 525.5
2008	76.5	58.0	23.9	76.2	88.2	85.2	103.5	1.8	32.1	545.3
2009	125.0	54.8	23.9	79.0	85.4	92.2	99.2	3.7	32.0	595.2
2010	84.1	48.9	23.9	112.4	82.2	97.4	94.5	4.4	31.8	579.5
2011	88.3	44.8	23.9	117.3	77.2	103.0	89.4	5.1	31.5	580.6
2012-2016	510.0	148.6	119.5	588.9	307.0	598.9	359.5	38.0	151.2	2,821.6
2017-2021	527.3	48.8	100.9	639.0	146.1	682.5	218.6	61.9	133.9	2,559.0
2022-2026	317.2	6.9	28.7	236.7	20.8	597.1	136.0	88.7	107.2	1,539.2
2027-2031	-	-	-	19.5	2.4	541.6	69.7	128.7	68.5	830.3
2032-2036	-	-	-	-	-	503.0	19.6	103.5	15.7	641.8
2037-2041	-	-	-	-	-	64.3	.2	-	-	64.5
Thereafter	6.0	-	-	-	-	-	-	54.8	1,480.1	1,540.9
Total	$ 1,802.8	$ 468.9	$ 368.7	$ 1,920.1	$ 897.1	$ 3,449.3	$1,308.9	$ 490.5	$ 2,117.3	$12,823.5

*Interest for Multi-Modal Bonds future debt service requirements was estimated at the rate in effect at September 30, 2006.

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 totaled $189.0 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.

Changes in Bonds and Notes Payable

Changes in bonds and notes payable for the year ended September 30, 2006, was as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
General obligation debt	$ 1,645.1	$ 221.8	$ 73.4	$ 1,793.5	$ 68.5	$ 1,725.0
Revenue bonds	1,666.3	303.9	67.4	1,902.8	51.2	1,851.6
State Building Authority	2,614.5	1,940.1	1,105.3	3,449.3	84.1	3,365.2
Tobacco Settlement Finance Authority	-	490.5	-	490.5	-	490.5
Notes Payable:						
Transportation related	172.0	-	88.0	84.0	-	84.0
Deferred Loss on Refundings:						
General obligation debt	(37.3)	-	4.0	(33.3)	-	(33.3)
Revenue dedicated debt	(32.8)	(.6)	2.3	(31.1)	-	(31.1)
State Building Authority	(66.9)	(12.7)	45.7	(33.9)	-	(33.9)
Unamortized Discounts:						
State Building Authority	-	(496.4)	-	(496.4)	-	(496.4)
Unamortized Premiums:						
General obligation debt	62.8	3.5	5.0	61.3	-	61.3
Revenue dedicated debt	100.8	12.5	6.8	106.4	-	106.4
State Building Authority	142.8	30.3	56.2	116.9	-	116.9
Total bonds and notes payable	$ 6,267.1	$ 2,492.8	$ 1,350.1	$ 7,409.9	$ 203.8	$ 7,206.1
Plus State Building Authority commercial paper notes reported as "Current Liabilities: Bonds and Notes Payable" on the Statement of Net Assets				57.0	57.0	-
As reported on the Statement of Net Assets				$ 7,466.9	$ 260.8	$ 7,206.1

NOTE 13 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

Bonds and Notes Payable

Bonds Payable

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

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

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

Fiscal Years Ending In	Principal	Fixed Interest	Estimated Interest	Total
2007	$ 358.7	$ 393.0	$ 7.8	$ 759.5
2008	290.8	377.1	7.6	675.5
2009	312.9	352.7	7.4	673.0
2010	364.5	339.3	7.1	710.8
2011	293.5	322.7	6.8	623.1
	1,620.3	1,784.8	36.7	3,441.8
2012-2016	1,490.9	1,403.8	30.0	2,924.7
2017-2021	1,528.5	1,049.3	23.7	2,601.5
2022-2026	900.5	726.1	12.0	1,638.6
2027-2031	843.7	542.8	4.1	1,390.5
2032-2036	411.5	399.2	-	810.7
2037-2041	1,441.8	176.2	-	1,618.0
	6,616.9	4,297.3	69.7	10,983.9
Total	8,237.2	$ 6,082.1	$ 106.5	$ 14,425.7
Deferred amount on refunding	(79.4)			
Unamortized discount	-			
Unamortized premium	139.8			
Total principal	$ 8,297.6			

Included in the table above is $1,020.8 million of demand bonds comprised of $56.4 million issued by the Michigan Higher Education Student Loan Authority, $816.5 million issued by the Michigan State Housing Development Authority, and $152.1 million issued by the State universities. Defeased bonds outstanding of the Michigan Municipal Bond Authority, Michigan Higher Education Student Loan Authority, and Michigan State Housing Development Authority are not reflected in the table above.

Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of $537.4 million as of September 30, 2006.

The Land Bank Fast Track Authority has long-term notes outstanding of $.2 million as of September 30, 2006. Grand Valley State University has short-term notes outstanding of $.1 million and long-term notes outstanding of $.3 million as of June 30, 2006.

Unrecorded Limited Obligation Debt

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

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2006, MHEFA had bonds outstanding of $419.6 million. Of this amount, $8.7 million of bonds have been defeased in substance, leaving a remaining undefeased balance of $410.9 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds which are not recorded as liabilities. The total amount issued for the period January 1, 1979 through September 30, 2006, was $7.1 billion. MSF also issues taxable bonds, which are not recorded as liabilities. The amount issued in fiscal year 2006 was $7.9 million. These borrowings are in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued $6.2 billion of no commitment bonds as of September 30, 2006. Of the above amount, $1.3 billion have been defeased in substance, leaving a remaining undefeased balance of $4.9 billion. Economic gains and accounting gains and losses, resulting from in-substance defeasance inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to $800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2006, limited obligation bonds had been issued totaling $701.1 million, of which seventeen issues totaling $171.2 million had been retired.

The MSHDA entered into several interest rate exchange agreements for a total of $741.4 million as of June 30, 2006, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.5% to 7.7%.

The Michigan Public Educational Facilities Authority (MPEFA) issues limited obligation bonds to finance loans to qualified public educational facilities for capital improvements. As of September 30, 2006, MPEFA had bonds outstanding of $9.0 million.

Short-Term Debt Activity

Western Michigan University used its revolving line of credit to finance a new student information system. Activity on the line of credit during Western Michigan University's fiscal year ended June 30, 2006, was as follows (in millions):

	Beginning Balance	Draws	Payments	Ending Balance
Line of Credit	$ 9.1	$ 4.4	$ 5.2	$ 8.3

NOTE 14 – OTHER LONG-TERM OBLIGATIONS

Primary Government

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

Capital Leases
This liability is described in more detail in Note 11.

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

Workers' Compensation
The gross amount of workers' compensation liability, $166.5 million at September 30, 2006, has been recorded at its discounted present value of $111.8 million, using a discount rate of approximately 8%. The present value of the current portion of this liability is $24.9 million. In fiscal year 2006 State agencies paid reimbursement for actual workers' compensation claims and administrative fees totaling $41.0 million.

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

Other Claims & Judgments
The governmental activities estimated liability for other claims and litigation losses, $368.9 million at September 30, 2006, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that costs will be incurred. Also included is an estimated liability totaling $.7 million for arbitrage payable to the federal government for interest earned on bond proceeds. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities represents overpayments by employers to the Michigan Unemployment Compensation Fund totaling $45.2 million.

Durant Settlement
The reported estimated liability for litigation losses includes the Donald Durant, et al v State of Michigan, et al consolidated cases, which totaled $274.3 million at September 30, 2006. 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 23 for additional disclosure regarding the Durant case and other contingencies.

Changes in Other Long-Term Obligations
Changes in long-term liabilities for the year ended September 30, 2006, are summarized as follows (in millions):

Governmental activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Other Long-term Obligations:						
Capital lease obligations	$ 406.3	$ 45.2	$ 199.2	$ 252.2	$ 24.6	$ 227.6
Compensated absences	548.4	243.9	273.6	518.7	51.5	467.3
Workers' compensation	106.6	28.9	23.7	111.8	24.9	87.0
Net pension obligations	349.2	108.5	-	457.7	-	457.7
Other claims & judgments	443.5	119.2	193.8	368.9	115.1	253.8
Durant settlement	331.7	-	57.4	274.3	66.5	207.8
Total Governmental Activities	$ 2,185.8	$ 545.6	$ 747.7	$ 1,983.7	$ 282.6	$ 1,701.1
Business-type Activities						
Other Long-term Obligations:						
Lottery prize awards*	$ 463.4	$ 31.2	$ 94.8	$ 399.8	$ 83.5	$ 316.3
Compensated absences	3.2	1.2	1.2	3.2	.3	2.9
Other claims & judgments	43.4	1.8	-	45.2	-	45.2
Total Business-type Activities	$ 509.9	$ 34.3	$ 96.0	$ 448.2	$ 83.8	$ 364.4

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

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

Discretely Presented Component Units

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

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

The actuarial report on the status of MET Plans B and C, as of September 30, 2006, shows the actuarial present value of future tuition obligations to be $487.4 million, as compared to the actuarially determined market value of assets available of $508.9 million. The actuarial assumptions used include: a projected tuition increase rate of 7.3% for all future years; and a discount rate of 4.75%.

The actuarial report on the status of MET Plan D, as of September 30, 2006, shows the actuarial present value of future tuition obligations to be $530.5 million, as compared to the actuarially determined market value of assets available of $485.4 million. The actuarial assumptions used include: a projected tuition increase rate of 7.3% for all future years; and a discount rate of 7.35%.

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.

On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is an integral part of the State of Michigan and, thus, the investment income realized by MET is not currently subject to federal income tax. On August 20, 1996, the Small Business Job Protection Act of 1996 (the "1996 Tax Act") was signed into law which included a provision adding a new section

to the Internal Revenue Code of 1986 defining "qualified state tuition programs." A qualified State tuition program is generally exempt from income tax, but is subject to unrelated business income tax. MET has no unrelated business income. Distributions made in excess of qualified higher education expenses (whether to the refund designee, beneficiary, or to a college on behalf of the beneficiary) are taxable income to the beneficiary or the refund designee. In May 1997, MET submitted a request for ruling to the 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 15 – INCOME TAX CREDITS AND REFUNDS

Income Tax Credits

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

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

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

Property tax credits:	
General homestead	$ 459.1
Senior citizens	306.3
Farmland preservation	30.0
Other property tax credits	37.2
Subtotal - property tax credits	832.6
Adoption credit	1.3
Home heating (excluding federal share)	.1
Total tax expenditures	$ 834.0

Income Tax Refunds Payable

The $672.4 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

NOTE 16 – DEFERRED COMPENSATION PLANS

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

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

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

Net assets available for plan benefits for the 457 plan and the 401k plan at September 30, 2006, were $2.0 and $1.8 billion, respectively.

NOTE 17 – INTERFUND RECEIVABLES AND PAYABLES

Primary Government

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

	Due To						
Due From	General Fund	School Aid Fund	Non-major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ -	$ -	$ 1.0	$ 15.5	$ 32.4	$ 48.9
School Aid Fund	503.0	-	1,235.0	-	-	-	1,738.0
Non-major Governmental Funds	26.1	-	177.2	.1	1.3	4.0	208.7
State Lottery Fund	-	18.0	-	-	-	.1	18.2
Unemployment Compensation Funds	1.9	-	.3	3.8	-	-	6.0
Non-major Enterprise Funds	-	-	-	-	-	.1	.1
Internal Service Funds	1.2	-	-	-	8.7	1.6	11.6
Fiduciary Funds	1.1	-	-	-	-	-	1.1
Total	$ 533.3	$ 18.0	$ 1,412.5	$ 5.0	$ 25.6	$ 38.2	$ 2,032.6

Interfund receivables and payables are recorded for 1) borrowings to eliminate negative balances in the Common Cash pool, as described in Note 5, 2) payroll liabilities for group insurance and retirement, and 3) tax accrual distributions for taxes collected in the following fiscal year.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $7.3 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction.

Discretely Presented Component Units

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

NOTE 18 – INTERFUND COMMITMENTS

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

Mackinac Bridge Authority
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, 2006, the Authority has repaid a total of $10.8 million of the advance from the Michigan Transportation Fund, leaving a balance of $52.3 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 19 – TRANSFERS

Interfund transfers for the year ended September 30, 2006, consisted of the following (in millions):

	Transferred To			
Transferred From	General Fund	School Aid Fund	Non-major Governmental Funds	Total
General Fund	$ -	$ 62.7	$ 330.8	$ 393.5
School Aid Fund	-	-	44.5	44.5
Non-major Governmental Funds	85.1	-	1,748.9	1,833.9
State Lottery Fund	11.5	688.0	-	699.5
Unemployment Compensation Funds	5.7	-	6.8	12.6
Non-major Enterprise Funds	152.4	-	-	152.4
Internal Service Funds	1.3	-	-	1.3
Fiduciary Funds	.1	-	-	.1
Total	$ 256.0	$ 750.7	$ 2,131.0	$ 3,137.8

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

NOTE 20 – FUND DEFICITS

Primary Government

Governmental Funds
The Advance Financing Funds, a capital projects fund, had a fund balance deficit of $37.6 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 that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of $52.2 million. The deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

Proprietary Funds
The Office Services Revolving Fund, an internal service fund, had a fund balance deficit of $8.3 million. The deficit resulted because rates charged were insufficient to cover expenses incurred. The rates were increased in fiscal year 2007 to eliminate the deficit.

Discretely Presented Component Units

All discretely presented component units have positive net asset balances as of September 30, 2006, with the exception of the Michigan Education Trust (MET) and Michigan Broadband Development Authority (MBDA). MET's fund deficit of $23.6 million was caused by interest earnings in the last year that were less than expected, and tuition and fee increases in the last year that were greater than expected. MBDA's fund deficit of $.1 million was caused by expenses for projects for which not all corresponding revenue was received.

NOTE 21 – FUND BALANCES AND NET ASSETS

Reservations - Primary Government

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

	General Fund	School Aid Fund	Other Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
Budgetary carry-forwards:						
Encumbrances	$ 14.9	$ .2	$ 145.0	$ -	$ 10.8	$ 171.0
Restricted revenues	565.8	-	247.8	-	-	813.7
Multi-year projects (capital outlay and work projects)	30.1	1.3	392.8	-	44.3	468.5
Construction and debt service	-	-	85.1	-	-	85.1
Revolving loan programs	5.0	-	55.2	-	-	60.2
Funds held as permanent investments	-	-	134.9	-	503.8	638.6
Noncurrent assets	450.9	5.8	29.7	-	-	486.5
Other purposes	-	-	-	.3	-	.3
Total Reserved Fund Balances	$ 1,066.8	$ 7.4	$ 1,090.7	$ .3	$ 558.9	$ 2,724.0

Budgetary carry-forwards represent unused spending authorization that continues to be available in the new year. Restricted revenue carry-forwards include revenues restricted by law for specified purposes. The largest restricted revenue carry-forward in the General Fund is related to the Refined Petroleum Fund in the amount of $98.2 million. The $30.1 million of multi-year projects in the General Fund includes $5.8 million of capital outlay and $24.4 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

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

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

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

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

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

Net Asset Designations - Primary Government

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

The State Sponsored Group Insurance Fund, an internal service fund described in Note 24, designated $80.3 million for future catastrophic losses.

Restricted Net Assets – Primary Government

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

	Restricted by Enabling Legislation	External or Constitutional Restrictions	Total
Governmental Activities:			
Restricted For:			
Public safety and corrections	$ 4.9	$ -	$ 4.9
Conservation, environment, recreation, and agriculture	441.8	9.5	451.3
Health and human services	28.7	19.1	47.7
Transportation	-	791.4	791.4
Labor and economic growth	63.3	-	63.3
Other purposes	92.6	6.0	98.6
Funds Held as Permanent Investments:			
Expendable	-	100.3	100.3
Nonexpendable	23.0	484.4	507.4
Total Restricted Net Assets - Governmental	$ 654.2	$ 1,410.7	$ 2,065.0
Business-Type Activities:			
Restricted For:			
Unemployment compensation	$ 585.9	$ -	$ 585.9
Other purposes	36.1	-	36.1
Total Restricted Net Assets – Business-Type	$ 622.0	$ -	$ 622.0
Total Primary Government:			
Restricted For:			
Public safety and corrections	$ 4.9	$ -	$ 4.9
Conservation, environment, recreation, and agriculture	441.8	9.5	451.3
Health and human services	28.7	19.1	47.7
Transportation	-	791.4	791.4
Unemployment compensation	585.9	-	585.9
Labor and economic growth	63.3	-	63.3
Other purposes	128.6	6.0	134.7
Funds Held as Permanent Investments:			
Expendable	-	100.3	100.3
Nonexpendable	23.0	484.4	507.4
Total Restricted Net Assets – Primary Government	$ 1,276.2	$ 1,410.7	$ 2,686.9

NOTE 22 – DISAGGREGATION OF PAYABLES

The line "Current Liabilities: Accounts payable and other liabilities," as presented on the government-wide Statement of Net Assets and the applicable Balance Sheets and Statements of Net Assets in the fund financial statements, consists of the following (in millions):

	General Fund	School Aid Fund	Non-major Govern-mental Funds	Other Funds	State Lottery Fund	Michigan Unemployment Compensation Funds	Non-major Enterprise Funds	Total
Medicaid Programs	$ 557.3	$ -	$ -	$ -	$ -	$ -	$ -	$ 557.3
Non-Medicaid Health Programs	200.5	-	-	-	-	-	-	200.5
Human Services Programs	174.9	-	.1	-	-	-	-	175.0
Transportation Programs	-	-	480.0	-	-	-	-	480.0
School Aid Programs	-	134.9	-	-	-	-	-	134.9
Other State Programs	281.9	-	36.2	-	-	-	-	318.1
Merit Award Scholarships	-	-	28.1	-	-	-	-	28.1
Payroll and Withholdings	163.5	-	21.1	-	.6	-	.5	185.6
Tax Refunds other than Income Tax	98.2	4.5	3.9	-	-	-	-	106.6
Unearned Receipts	102.1	-	10.1	-	-	-	-	112.2
Amounts Held for Others	28.9	-	20.5	-	1.0	-	-	50.4
Capital Project Related	-	-	31.4	-	-	-	-	31.4
Prize Awards	-	-	-	-	120.7	-	-	120.7
Liquor Purchase	-	-	-	-	-	-	63.7	63.7
Unemployment Payments	-	-	-	-	-	28.0	-	28.0
Internal Service Fund Liabilities	-	-	-	90.3	-	-	-	90.3
Due to Fiduciary Funds*	-	-	-	38.2	-	-	-	38.2
Miscellaneous	-	-	-	-	8.5	-	.2	8.7
Total	$ 1,607.3	$ 139.4	$ 631.4	$ 128.5	$ 130.8	$ 28.0	$ 64.3	$ 2,729.8

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

NOTE 23 – CONTINGENCIES AND COMMITMENTS

Primary Government

Litigation

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

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

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

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

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

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

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

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

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

On March 8, 2006, the Supreme Court issued an order vacating the August 4, 2005, Court of Appeals decision and remanded the issue to the Court of Appeals for reevaluation of the record keeping claim. The Court of Appeals appointed a Special Master to oversee discovery and make proposed findings to the Court of Appeals. Discovery is in progress.

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

Three public transit authorities intervened in the suit, asserting a single claim identical to that alleged by Plaintiffs with respect to the CTF. The Plaintiffs and Intervenors obtained two injunctions from the Ingham County Circuit. One injunction barred the State from diverting $20 million to the General Fund from the Michigan Transportation Fund (MTF) and the other barred the State from diverting $12.8 million to the General Fund from the CTF. On January 13, 2004, in a published opinion, the Court of Appeals vacated the CTF injunction, and remanded for dismissal, holding that Executive Order 2001-9 legitimately diverted $12.8 million from the CTF to the General Fund. On the same day, in an unpublished opinion, the Court of Appeals reversed in part and affirmed in part the MTF injunction, holding that $12.5 million was legitimately diverted from the MTF to the General Fund but that the remainder was not.

Both sides appealed to the Michigan Supreme Court. On November 8, 2005, the Michigan Supreme Court affirmed the State's position that the Governor properly transferred $12.8 million from the CTF to the General Fund for purposes of balancing the State's budget. Under Article 5, Section 20, of the State Constitution, the Governor may reduce expenditures, but may not do so "from funds constitutionally dedicated for specific purposes." The Supreme Court agreed that Article 9, Section 9, which establishes the CTF, does not constitutionally dedicate funds to the CTF and, thus, Executive Order 2001-9 did not impermissibly transfer funds.

On January 30, 2006, the Supreme Court denied the Defendants' application for leave to appeal. Therefore, the Court of Appeals' decision that $12.5 million was legitimately diverted from the MTF to the General Fund, but that $7.5 million was not, stands. The remaining issues in the case will go to trial in the Ingham Circuit Court in July 2007. At this stage, the amount in controversy is at least $27.3 million and may be as much as $47.3 million if the trial court concludes the matters decided by the Court of Appeals are to be relitigated. The State will argue that these Court of Appeals determinations should not be relitigated under the "law of the case" doctrine.

Comben v State of Michigan: Plaintiff Antrim County Treasurer sought a declaratory ruling whether owners of severed oil and gas interests were entitled to notice of tax foreclosures under the new tax foreclosure process adopted in MCL 211.78. The trial court held that under the general property tax act, the severance tax act, and the dormant minerals act, severed oil and gas rights are not subject to taxation and foreclosure. The Court of Appeals affirmed as to the severance tax act and the dormant minerals act. The Supreme Court vacated the Court of Appeals decision on the basis the State was not affected by the trial court's decision and lacked standing to appeal.

Black Stone Minerals Co v State of Michigan: A quiet title class action, severed from Comben v State of Michigan, seeks to quiet title to oil and gas rights acquired by the State by tax foreclosure after the oil and gas rights were severed from the surface ownership. The action was combined with a Court of Claims class action, with the same parties, seeking damages for severed oil and gas interests sold by the State after tax foreclosure. The State holds approximately 5.9 million acres of mineral rights, the vast majority of which were acquired by tax foreclosure. The trial court held that under the general property tax act, the severance tax act, and the dormant minerals act, severed oil and gas rights are not subject to taxation and foreclosure. Plaintiff originally projected as many as 250,000 acres of the State's oil and gas ownership were severed before tax foreclosure. Trial on the quiet title action was completed in 2006, with less than 7,000 acres of oil and gas claimed by the State determined to have been severed before tax foreclosure. Trial on the damage claim is scheduled for 2007. Although it is extremely difficult to quantify the State's exposure this early in the damage phase, it appears possible that damages at the trial level will be between $10 and $25 million.

Automobile Use Tax Revenue: Automobile manufacturers have filed a claim against the State, requesting a refund of use tax paid on vehicles used and resold. The Court of Appeals ruled for the plaintiff, stating that the usage is not subject to tax. The State seeks to appeal to the Supreme Court. The claim totals $65.4 million.

Federal Grants

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. As of September 30, 2006, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

Federal sanctions that may result in a loss to the State include $17.6 million for the Food Stamp Program.

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

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

Construction Projects
The Department of Transportation has entered into construction contracts that will be paid with transportation related funds. As of September 30, 2006, the balances remaining in these contracts equaled $765.2 million.

Contingent Liability for Local School District Bonds
Michigan Compiled Laws Section 388.1924, 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 September 30, 2006, the principal amount of qualified bonds outstanding was $13.9 billion. Total debt service requirements on these bonds including interest will approximate $1.3 billion in 2007. 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, 2006, is $655.9 million. Interest due on these loans as of September 30, 2006, is $121.8 million.

Discretely Presented Component Units

Student Loan Guarantees
The Michigan Higher Education Assistance Authority (MHEAA) is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State, other than MHEAA, is not liable for these loans. The MHEAA's default ratio is currently below 5% for the fiscal year ended September 30, 2006. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2006, 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. At the beginning of each fiscal year, MHEAA's reinsurance rate returns to 98%.

For loans made on or after October 1, 1998, the reinsurance rate will be 95%. In the event of future adverse default experience, MHEAA could be liable for up to 25% of such defaulted loans. Accordingly, MHEAA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 2006, is $911.6 million.

The MHEAA entered into commitment agreements with all lenders that provide, among other things, that the MHEAA will maintain cash and marketable securities at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended. The MHEAA was in compliance with this requirement as of September 30, 2006.

Multi-Family Mortgage Loans
As of June 30, 2006, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of $75.6 million and single-family mortgage loans in the amount of $21.7 million.

The MSHDA has committed up to approximately $2.1 million per year for up to 30 years from the date of completion of the respective developments (subject to three years advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under MSHDA's multi-family program.

NOTE 24 – RISK MANAGEMENT

Primary Government

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

The State has established two internal service funds, which are described below, to account for certain aspects of the risk management program. Fund expenditures (expenses) are recognized in the paying funds in a manner similar to purchased commercial insurance. For other uninsured losses not covered by an internal service fund program, such as general liability and property losses, the State recognizes fund liabilities in the fund incurring the loss as follows: governmental funds record an expenditure when a loss is due and payable; proprietary funds record an expense when it is probable that a loss has occurred and the amount can be reasonably estimated. As explained more fully in Note 14, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the government-wide financial statements.

For unemployment claims, the Unemployment Insurance Agency (UIA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UIA through September 30. During fiscal year 2006, expenditures for payments to former State employees (not including university employees) totaled $12.1 million. The potential liability for future payments cannot be estimated.

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

Risk Management Fund
This fund was established during fiscal year 1990 to account for insurance management activities implemented within the Department of Management and Budget. The 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 $6.3 million. This includes a long-term portion, which is recorded at $3.8 million. Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2006 and 2005 are as follows (in millions):

	2006	2005
Balance - beginning	$ 5.9	$ 7.5
Current year claims and changes in estimates	1.8	1.3
Claim payments	(1.4)	(2.9)
Balance - ending	$ 6.3	$ 5.9

Workers' compensation payments for State agencies are processed centrally through the Risk Management Fund. Changes in Workers' Compensation claims for the fiscal years ending September 30, 2006 and 2005, are as follows (in millions):

	2006	2005
Balance - beginning	$ 106.6	$ 106.5
Current year claims and changes in estimates	28.9	23.8
Claim payments	(23.7)	(23.7)
Balance - ending	$ 111.8	$ 106.6

Workers' Compensation is further described in Note 14.

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 $161.9 million. This includes a long-term portion, which is recorded at a discounted present value of $80.7 million using a discount rate of 10.5% (first 10 years of disability), 9.0% (next 10 years), and 6.0% thereafter for claims incurred prior to January 1, 1993. 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 2002 used a rate of 5.25%, 2003 through 2005 used a rate of 5.50%, and 2006 used a rate of 5.75%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net assets has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was $80.3 million at September 30, 2006. Unrestricted net assets totaled $61.8 million at September 30, 2006.

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, 2006 and 2005 are as follows (in millions):

	2006	2005
Balance - beginning	$ 167.3	$ 167.9
Current year claims and changes in estimates	941.6	889.1
Claim payments	(946.9)	(889.7)
Balance - ending	$ 161.9	$ 167.3

Discretely Presented Component Units

State Universities

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

NOTE 25 – SUBSEQUENT EVENTS

Short-Term Borrowing

On December 13, 2006, the State issued its $1.3 billion State of Michigan Full Faith and Credit General Obligation Notes, Fiscal Year 2007, Series A. The notes will mature on September 28, 2007, with an interest rate of 4.25%.

The Michigan Unemployment Compensation Fund obtained Federal Advances from the U.S. Department of Labor in accordance with provisions of Section 1201 of the Social Security Act in the first quarter of calendar year 2007. The total amount advanced and outstanding is $357.6 million.

Contingent Liabilities

A taxpayer has advised the State of an overpayment of Sales, Use, and Withholding taxes. The overpayment is estimated at $37 million to $100 million.

A taxpayer has filed a claim for an overpayment of Single Business Tax. The refund amount requested is $43.2 million.

As a result of a Treasury audit that reduced state aid to a local school district, the school district has requested a payment of $5.3 million, claiming they had already paid a portion of the reduction.

Long-Term Borrowing - Discretely Presented Component Units

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

	Bonds Issued
Michigan Higher Education Facilities Authority	$ 95.5
Michigan State Hospital Finance Authority	221.6
Michigan State Housing Development Authority	131.6
Michigan Municipal Bond Authority	150.0
Michigan Technological University	3.0
Saginaw Valley State University	24.4
Total	$ 626.0

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

Disbursements to Local Units of Government - Discretely Presented Component Units

On October 24, 2006, funds totaling $18.5 million were disbursed to qualified schools from the School Loan Revolving Fund.

The Michigan Municipal Bond Authority has entered into agreements with 101 communities to fund grants in the amount of $36.3 million.

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II. FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning budgetary fund balance	$ 835,452	$ 835,452	$ 835,452	$ -
Resources (inflows):				
General Purpose Revenues:				
Taxes	8,107,900	8,359,614	8,359,614	-
Federal	35,000	20,077	20,077	-
Local	2,000	207	207	-
Licenses and permits	54,000	50,661	50,661	-
Services	18,000	8,035	8,035	-
Miscellaneous	112,300	269,494	269,494	-
Proceeds from sale of capital assets	-	11	11	-
Transfers in	145,500	159,106	159,106	-
Restricted Revenues:				
Taxes	2,817,725	3,449,608	3,449,608	-
Federal	9,877,021	9,518,341	9,518,341	-
Local	323,914	198,979	198,979	-
Licenses and permits	319,322	224,402	224,402	-
Services	270,048	258,112	258,112	-
Miscellaneous	745,552	477,647	477,647	-
Proceeds from sale of capital assets	-	1,328	1,328	-
Transfers in	40,993	96,938	96,938	-
Total Revenue Inflows	22,869,275	23,092,561	23,092,561	-
Amounts Available for Appropriation	23,704,727	23,928,013	23,928,013	-
Charges to Appropriations (outflows):				
Legislative Branch	143,571	128,585	128,313	272
Judicial Branch	255,382	243,698	243,512	186
Executive Branch:				
Agriculture	119,178	89,087	88,752	335
Attorney General	63,821	59,873	59,726	147
Civil Rights	13,159	13,736	13,703	34
Civil Service	35,942	29,179	28,747	432
Colleges and Universities Grants	1,870,223	1,860,087	1,858,001	2,087
Community Health	10,203,894	10,274,197	10,212,788	61,409
Corrections	1,841,348	1,846,032	1,840,959	5,073
Education	163,830	135,622	134,470	1,152
Environmental Quality	410,516	186,761	186,186	576
Executive Office	5,376	5,376	5,329	46
History, Arts & Libraries	53,219	52,473	51,325	1,148
Human Services	4,423,855	4,352,364	4,350,989	1,375
Labor and Economic Growth	869,022	770,515	770,088	427
Management and Budget	176,742	230,393	226,497	3,896
Military and Veterans Affairs	111,597	114,058	112,900	1,158
Natural Resources	95,832	85,415	84,906	509
State	205,381	235,379	233,157	2,221
State Police	555,960	491,758	493,206	(1,448)
Transportation	-	-	-	-
Treasury	1,794,199	2,895,864	2,883,293	12,571
Intrafund expenditure reimbursements	-	(553,065)	(553,065)	-
Total Charges to Appropriations	23,412,043	23,547,389	23,453,781	93,609
Reconciling Items:				
Change in noncurrent assets	-	129,207	129,207	-
Net Reconciling Items	-	129,207	129,207	-
Ending Budgetary Fund Balance	$ 292,684	$ 509,831	$ 603,440	$ 93,609

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND				SCHOOL AID FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
$ 1,953	$ 1,953	$ 1,953	$ -	$ 93,668	$ 93,668	$ 93,668	$ -
-	-	-	-	10,695,999	10,393,976	10,393,976	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	65	65	-	-	40,414	40,414	-
-	-	-	-	-	-	-	-
-	-	-	-	654,300	688,017	688,017	-
-	-	-	-	-	-	-	-
-	-	-	-	1,392,587	1,360,742	1,360,742	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	44,500	44,500	44,500	-
-	-	-	-	-	-	-	-
-	-	-	-	62,714	62,714	62,714	-
-	65	65	-	12,850,100	12,590,363	12,590,363	-
1,953	2,017	2,017	-	12,943,768	12,684,032	12,684,032	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	12,757,151	12,688,284	12,680,471	7,812
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	12,757,151	12,688,284	12,680,471	7,812
-	-	-	-	-	(2,291)	(2,291)	-
-	-	-	-	-	(2,291)	(2,291)	-
$ 1,953	$ 2,017	$ 2,017	$ -	$ 186,617	$ (6,543)	$ 1,270	$ 7,812

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
SEPTEMBER 30, 2006
(In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	$ 23,928,013	$ 2,017	$ 12,684,032
Differences - budget to GAAP:			
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(835,452)	(1,953)	(93,668)
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,339)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(256,044)	-	(750,731)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 22,835,178	$ 65	$ 11,839,632
Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	$ 23,453,781	$ -	$ 12,680,471
Differences - budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	22,933	-	509
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(393,535)	-	(44,500)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP.	30,086	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 23,113,264	$ -	$ 12,636,481

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Statutory/Budgetary Presentation

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

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

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

The budgetary comparison schedule presented for the General Fund, the Budget Stabilization Fund, and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2006, as well as the actual resource inflows, outflows and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2005, and includes multi-year projects budgetary carry-forwards from the prior fiscal year.

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

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

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

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

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

Statutory/Budgetary Reconciliation

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

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

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

Statewide Authorization Dispositions

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

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,521 lane miles of roads and 4,729 bridges (spans in excess of 20 feet).

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

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

Roads

Measurement Scale

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

Rating	Bituminous Surface	Concrete Surface
1.0 = Excellent	Pavement shows no visible deterioration. Distresses are non-existent.	Same
2.0 = Good	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items include the start of small transverse and/or longitudinal cracks. Slight rutting may be apparent in the wheel path.	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items may include the start of small transverse and/or longitudinal cracks, or slight seam and joint separation. Joints may show very small amounts of deterioration.
3.0 = Fair	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Rutting may be a little more severe and hold small amounts of water.	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Through lanes and shoulders may begin to show separation from failing tie bars.
4.0 = Poor	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. Severe "shallow cracking" could be evident if the pavement is composite. If the segment has been patched, the cracks may be showing through. Rutting is severe and may effect driving.	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. If the segment has been patched, cracks may be showing through. Joint repairs could begin to fail. Shoulder and/or through-lane separation may be apparent. Popouts or spalling could also be present in the section.
5.0 = Very Poor /Failed	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking or severe alligator cracking. Shadow cracking in composite pavement is wider than 1". Rutting in wheel path may be severe and patching is no longer beneficial to pavement condition.	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking, joints failing, and the patching is no longer beneficial to pavement condition. Spalling and edge cracking could also be severe.

Established Condition Level

No more than 30% of the pavements shall be rated as "poor" or "very poor."

Assessed Conditions

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

Rating	2005	2004	2003	2002	2001
Good	81.4%	81.0%	80.0%	78.1%	78.0%
Poor	18.6%	19.0%	20.0%	21.9%	22.0%

Bridges

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

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

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

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

Calendar Year	Structurally Deficient
2005	15.2%
2004	15.8%
2003	16.6%
2002	20.3%
2001	20.9%

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

Fiscal Year	Estimated Spending	Actual Spending
2007	$1,013.0	-
2006	$1,109.0	$1,131.4
2005	$932.0	$1,072.3
2004	$921.0	$857.6
2003	$873.6	$791.3
2002	$993.3	$798.2

The budgeting process utilized by the Department of Transportation results in spending in one fiscal year from amounts that were budgeted in a previous year(s). Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. This table, and other tables within this narrative demonstrate that the State has incurred the necessary expenditures to meet its desired condition levels.

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II. FINANCIAL SECTION

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

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
SEPTEMBER 30, 2006
(In Thousands)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	**TOTALS**
ASSETS					
Current Assets:					
Cash	$ 349	$ -	$ -	$ -	**$ 349**
Equity in common cash	692,052	1,465	1,906	141,424	**836,847**
Taxes, interest, and penalties receivable	106,639	-	-	-	**106,639**
Amounts due from other funds	1,403,946	-	8,553	-	**1,412,499**
Amounts due from component units	1,500	-	2,543	-	**4,043**
Amounts due from federal agencies	159,692	-	-	-	**159,692**
Amounts due from local units	90,043	-	4,943	31	**95,017**
Inventories	7,256	-	-	-	**7,256**
Investments	31,799	182,096	13,791	-	**227,686**
Securities lending collateral	43,274	-	-	153,064	**196,338**
Other current assets	229,227	925	7,669	13,140	**250,961**
Total Current Assets	2,765,777	184,486	39,405	307,658	**3,297,327**
Taxes, interest, and penalties receivable	1,923	-	-	-	**1,923**
Amounts due from local units	47,738	-	-	-	**47,738**
Investments	183,528	6,000	-	466,548	**656,075**
Other noncurrent assets	5,308	-	-	-	**5,308**
Total Assets	$ 3,004,274	$ 190,486	$ 39,405	$ 774,206	**$ 4,008,371**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 7,504	$ 1	$ 164	$ 358	**$ 8,026**
Obligations under security lending	43,274	-	-	153,064	**196,338**
Accounts payable and other liabilities	579,210	334	35,161	16,656	**631,361**
Amounts due to other funds	173,968	-	34,672	80	**208,720**
Bonds and notes payable	-	-	57,000	-	**57,000**
Interest payable	-	-	326	-	**326**
Deferred revenue	237,206	-	-	1,330	**238,536**
Total Current Liabilities	1,041,161	335	127,323	171,488	**1,340,306**
Long-Term Liabilities:					
Deferred revenue	6,321	-	-	-	**6,321**
Total Liabilities	1,047,482	335	127,323	171,488	**1,346,628**
Fund Balances:					
Reserved fund balance	1,090,670	300	-	558,927	**1,649,898**
Unreserved fund balance (deficit)	866,121	189,851	(87,918)	43,791	**1,011,845**
Total Fund Balances	1,956,792	190,151	(87,918)	602,718	**2,661,743**
Total Liabilities and Fund Balances	$ 3,004,274	$ 190,486	$ 39,405	$ 774,206	**$ 4,008,371**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTALS
REVENUES					
Taxes	$ 1,995,725	$ -	$ -	$ -	**$ 1,995,725**
From federal agencies	1,260,863	-	-	-	**1,260,863**
From local agencies	18,536	-	-	-	**18,536**
From services	3,447	-	-	-	**3,447**
From licenses and permits	162,497	-	-	-	**162,497**
Miscellaneous	625,503	6,940	2,216	83,078	**717,737**
Total Revenues	4,066,570	6,940	2,216	83,078	**4,158,803**
EXPENDITURES					
Current:					
General government	234,467	559	516	1,888	**237,429**
Education	149,002	8,803	39,507	-	**197,311**
Human services	3,903	-	-	-	**3,903**
Public safety and corrections	212	-	-	1,848	**2,061**
Conservation, environment, recreation, and agriculture	283,029	-	3	15,933	**298,966**
Labor, commerce, and regulatory	193,716	-	-	-	**193,716**
Health services	96,718	-	-	-	**96,718**
Transportation	2,082,685	161	-	-	**2,082,846**
Capital outlay	1,205,008	-	173,653	35,217	**1,413,878**
Debt Service:					
Bond principal retirement	-	773,826	-	-	**773,826**
Bond interest and fiscal charges	174	293,918	-	-	**294,093**
Capital lease payments	616	-	-	-	**616**
Total Expenditures	4,249,531	1,077,267	213,679	54,886	**5,595,363**
Excess of Revenues over (under) Expenditures	(182,961)	(1,070,327)	(211,464)	28,192	**(1,436,559)**
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	988,871	-	464,735	-	**1,453,606**
Premium on bond issuance	15,908	25,474	4,852	-	**46,234**
Discount on bond issuance	(22)	(496,444)	-	-	**(496,466)**
Refunding bonds issued	-	1,494,050	-	-	**1,494,050**
Capital lease acquisitions	3,973	-	-	-	**3,973**
Payment to refunded bond escrow agent	-	(563,776)	-	-	**(563,776)**
Proceeds from sale of capital assets	2,650	-	9,862	123	**12,635**
Transfers from other funds	1,495,072	606,851	19,074	10,000	**2,130,996**
Transfers to other funds	(1,797,938)	(564)	(25,334)	(10,085)	**(1,833,921)**
Total Other Financing Sources (Uses)	708,514	1,065,592	473,189	38	**2,247,332**
Excess of Revenues and Other Sources over (under) Expenditures Other Uses	525,553	(4,735)	261,725	28,229	**810,772**
Fund Balances - Beginning of fiscal year	1,431,239	194,886	(349,643)	574,489	**1,850,971**
Fund Balances - End of fiscal year	$ 1,956,792	$ 190,151	$ (87,918)	$ 602,718	**$ 2,661,743**

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 2006
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
ASSETS					
Current Assets:					
Cash	$ 153	$ 190	$ 6	$ -	**$ 349**
Equity in common cash	161,811	257,466	55,976	216,799	**692,052**
Taxes, interest, and penalties receivable	106,407	232	-	-	**106,639**
Amounts due from other funds	1,187,567	-	8,520	207,859	**1,403,946**
Amounts due from component units	1,379	118	-	3	**1,500**
Amounts due from federal agencies	144,858	960	13,874	-	**159,692**
Amounts due from local units	88,831	1,211	-	-	**90,043**
Inventories	7,028	228	-	-	**7,256**
Investments	-	-	-	31,799	**31,799**
Securities lending collateral	-	33,191	-	10,083	**43,274**
Other current assets	14,895	7,109	3,198	204,025	**229,227**
Total Current Assets	1,712,929	300,706	81,575	670,567	**2,765,777**
Taxes, interest, and penalties receivable	1,923	-	-	-	**1,923**
Amounts due from local units	42,264	5,474	-	-	**47,738**
Investments	-	107,711	-	75,816	**183,528**
Other noncurrent assets	3,312	643	-	1,353	**5,308**
Total Assets	$ 1,760,427	$ 414,534	$ 81,575	$ 747,737	**$ 3,004,274**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 5,424	$ 891	$ 688	$ 500	**$ 7,504**
Obligations under security lending	-	33,191	-	10,083	**43,274**
Accounts payable and other liabilities	502,414	30,832	17,339	28,625	**579,210**
Amounts due to other funds	163,130	1,316	9,482	40	**173,968**
Deferred revenue	27,155	958	6,115	202,978	**237,206**
Total Current Liabilities	698,123	67,188	33,624	242,226	**1,041,161**
Long-Term Liabilities:					
Deferred revenue	5,235	643	-	443	**6,321**
Total Liabilities	703,358	67,831	33,624	242,669	**1,047,482**
Fund Balances:					
Reserves For:					
Budgetary Carry-Forwards:					
Encumbrances	126,802	17,874	363	11	**145,049**
Restricted revenues	195,121	40,018	12,690	-	**247,828**
Multi-year projects	356,624	36,196	-	-	**392,820**
Construction and debt service	85,121	-	-	-	**85,121**
Revolving loan programs	34,518	20,723	-	-	**55,241**
Funds held as permanent investments	-	114,359	-	20,511	**134,871**
Noncurrent assets	28,831	-	-	910	**29,741**
Total Reserved	827,016	229,169	13,053	21,432	**1,090,670**
Unreserved	230,054	117,534	34,898	483,636	**866,121**
Total Fund Balances	1,057,069	346,704	47,951	505,068	**1,956,792**
Total Liabilities and Fund Balances	$ 1,760,427	$ 414,534	$ 81,575	$ 747,737	**$ 3,004,274**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS
REVENUES					
Taxes	$ 1,995,393	$ 332	$ -	$ -	**$ 1,995,725**
From federal agencies	1,124,346	3,146	132,289	1,081	**1,260,863**
From local agencies	18,536	-	-	-	**18,536**
From services	3,447	-	-	-	**3,447**
From licenses and permits	51,285	101,076	10,135	-	**162,497**
Miscellaneous	101,027	76,118	67,367	380,990	**625,503**
Total Revenues	3,294,034	180,672	209,792	382,071	**4,066,570**
EXPENDITURES					
Current:					
General government	-	483	17,168	216,816	**234,467**
Education	-	-	-	149,002	**149,002**
Human services	-	-	-	3,903	**3,903**
Public safety and corrections	-	-	-	212	**212**
Conservation, environment, recreation, and agriculture	-	283,029	-	-	**283,029**
Labor, commerce, and regulatory	-	-	193,716	-	**193,716**
Health services	-	-	-	96,718	**96,718**
Transportation	2,082,685	-	-	-	**2,082,685**
Capital outlay	1,195,178	9,830	-	-	**1,205,008**
Debt Service:					
Bond interest and fiscal charges	-	174	-	-	**174**
Capital lease payments	151	-	465	-	**616**
Total Expenditures	3,278,014	293,517	211,349	466,651	**4,249,531**
Excess of Revenues over (under) Expenditures	16,020	(112,845)	(1,557)	(84,580)	**(182,961)**
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	279,540	152,000	-	557,331	**988,871**
Premium on bond issuance	12,388	3,520	-	-	**15,908**
Discount on bond issuance	-	-	-	(22)	**(22)**
Capital lease acquisitions	-	-	3,973	-	**3,973**
Proceeds from sale of capital assets	2,650	-	-	-	**2,650**
Transfers from other funds	1,061,431	25,829	6,812	401,000	**1,495,072**
Transfers to other funds	(1,325,392)	(49,065)	(18,759)	(404,722)	**(1,797,938)**
Total Other Financing Sources (Uses)	30,617	132,284	(7,974)	553,587	**708,514**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	46,637	19,439	(9,530)	469,007	**525,553**
Fund Balances - Beginning of fiscal year	1,010,433	327,265	57,481	36,060	**1,431,239**
Fund Balances - End of fiscal year	$ 1,057,069	$ 346,704	$ 47,951	$ 505,068	**$ 1,956,792**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ 1,995,393	$ 1,995,393	$ -	$ 332	$ 332	$ -
From federal agencies	851,800	851,800	-	3,043	3,043	-
From local agencies	16,140	16,140	-	-	-	-
From services	3,447	3,447	-	-	-	-
From licenses and permits	51,285	51,285	-	101,076	101,076	-
Miscellaneous	83,584	83,584	-	34,218	34,218	-
Bonds and notes issued	-	-	-	-	-	-
Proceeds from sale of capital assets	2,650	2,650	-	-	-	-
Transfers in	1,061,431	1,061,431	-	25,829	25,829	-
Total Revenues and Other Sources	4,065,730	4,065,730	-	164,499	164,499	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Education	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Labor and Economic Growth	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	-	-	-	192,907	182,456	10,451
Transportation	4,368,531	4,206,581	161,950	-	-	-
Treasury	-	-	-	24	24	-
Total Expenditures, Transfers Out, and Encumbrances	4,368,531	4,206,581	161,950	192,930	182,480	10,451
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (302,802)	(140,852)	$ 161,950	$ (28,432)	(17,981)	$ 10,451
Reconciling Items:						
Encumbrances at September 30		126,802			16,008	
Funds not annually budgeted		60,687			21,411	
Net Reconciling Items		187,488			37,420	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		46,637			19,439	
FUND BALANCES (GAAP BASIS)						
Beginning balances		1,010,433			327,265	
Ending balances (GAAP Basis)		$ 1,057,069			$ 346,704	

REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,995,725	$ 1,995,725	$ -
132,289	132,289	-	1,081	1,081	-	988,213	988,213	-
-	-	-	-	-	-	16,140	16,140	-
-	-	-	-	-	-	3,447	3,447	-
10,135	10,135	-	-	-	-	162,497	162,497	-
37,698	37,698	-	257,612	257,612	-	413,113	413,113	-
-	-	-	490,501	490,501	-	490,501	490,501	-
-	-	-	-	-	-	2,650	2,650	-
6,812	6,812	-	401,000	401,000	-	1,495,072	1,495,072	-
186,934	186,934	-	1,150,194	1,150,194	-	5,567,357	5,567,357	-
-	-	-	387	387	-	387	387	-
-	-	-	146,500	136,642	9,858	146,500	136,642	9,858
-	-	-	96,718	96,718	-	96,718	96,718	-
-	-	-	16,359	16,359	-	16,359	16,359	-
-	-	-	4,418	3,896	522	4,418	3,896	522
165,427	162,450	2,977	-	-	-	165,427	162,450	2,977
-	-	-	969	212	757	969	212	757
-	-	-	-	-	-	192,907	182,456	10,451
-	-	-	-	-	-	4,368,531	4,206,581	161,950
34,481	34,481	-	896,719	427,627	469,092	931,223	462,131	469,092
199,908	196,931	2,977	1,162,070	681,842	480,229	5,923,440	5,267,834	655,606
$ (12,974)	(9,997)	$ 2,977	$ (11,876)	468,352	$ 480,229	$ (356,083)	299,523	$ 655,606
	363			11			143,184	
	104			644			82,846	
	467			655			226,030	
	(9,530)			469,007			525,553	
	57,481			36,060			1,431,239	
	$ 47,951			$ 505,068			$ 1,956,792	

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

STATE AERONAUTICS FUND

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

STATE TRUNKLINE FUND

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

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund. Receivables and payables between the State Trunkline Fund and the Blue Water Bridge Fund are presented as "Amounts due from other funds" and "Amounts due to other funds."

MICHIGAN TRANSPORTATION FUND

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

COMPREHENSIVE TRANSPORTATION FUND

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

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

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

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

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

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds reflects the activities of five sub-funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, the Highway Topics and Safety Program Fund, and the Metropolitan Planning Fund. The Michigan Department of Transportation is recognized as the legal representative of the State, including all governmental subdivisions, in the administration of these programs. The financing accounted for in these funds consists primarily of federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result, the fund balances of these funds are usually zero.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 2006
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
ASSETS				
Current Assets:				
Cash	$ -	$ 152	$ -	$ 1
Equity in common cash	21,738	-	-	45,216
Taxes, interest, and penalties receivable	615	-	105,792	-
Amounts due from other funds	-	758,846	175,181	10,609
Amounts due from component units	-	1,379	-	-
Amounts due from federal agencies	30,298	80,011	-	6,979
Amounts due from local units	20,073	22,343	-	1,045
Inventories	-	7,028	-	-
Other current assets	49	8,391	6,391	65
Total Current Assets	72,772	878,150	287,364	63,913
Taxes, interest, and penalties receivable	-	-	1,923	-
Amounts due from local units	404	36,654	-	5,206
Other noncurrent assets	-	2,154	-	1,158
Total Assets	$ 73,176	$ 916,958	$ 289,287	$ 70,277
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 1,457	$ 3,396	$ 342	$ 93
Accounts payable and other liabilities	49,079	146,906	221,666	12,247
Amounts due to other funds	56	4,761	47,941	67
Deferred revenue	-	9,134	17,414	-
Total Current Liabilities	50,592	164,196	287,364	12,407
Long-Term Liabilities:				
Deferred revenue	-	2,154	1,923	1,158
Total Liabilities	50,592	166,350	289,287	13,565
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	6,827	81,485	-	38,489
Restricted revenues	3,555	185,279	-	6,287
Multi-year projects	7,200	349,424	-	-
Construction and debt service	-	85,121	-	-
Revolving loan programs	2,200	20,468	-	11,850
Noncurrent assets	-	28,831	-	-
Total Reserved	19,781	750,608	-	56,627
Unreserved	2,803	-	-	86
Total Fund Balances	22,584	750,608	-	56,712
Total Liabilities and Fund Balances	$ 73,176	$ 916,958	$ 289,287	$ 70,277

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS
$ -	$ -	$ -	**$ 153**
-	94,858	-	**161,811**
-	-	-	**106,407**
242,932	-	-	**1,187,567**
-	-	-	**1,379**
914	-	26,655	**144,858**
3,340	-	42,030	**88,831**
-	-	-	**7,028**
-	-	-	**14,895**
247,186	94,858	68,686	**1,712,929**
-	-	-	**1,923**
-	-	-	**42,264**
-	-	-	**3,312**
$ 247,186	$ 94,858	$ 68,686	**$ 1,760,427**
$ 3	$ 6	$ 127	**$ 5,424**
25,774	5,226	41,516	**502,414**
83,262	-	27,043	**163,130**
606	-	-	**27,155**
109,646	5,233	68,686	**698,123**
-	-	-	**5,235**
109,646	5,233	68,686	**703,358**
-	-	-	**126,802**
-	-	-	**195,121**
-	-	-	**356,624**
-	-	-	**85,121**
-	-	-	**34,518**
-	-	-	**28,831**
-	-	-	**827,016**
137,540	89,625	-	**230,054**
137,540	89,625	-	**1,057,069**
$ 247,186	$ 94,858	$ 68,686	**$ 1,760,427**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	$ 5,974	$ -	$ 1,923,013	$ 66,405
From federal agencies	117,398	709,456	-	24,945
From local agencies	27	16,113	-	-
From services	529	25	2,893	-
From licenses and permits	308	17,499	33,105	374
Miscellaneous	5,735	68,470	7,903	1,477
Total Revenues	129,971	811,563	1,966,913	93,201
EXPENDITURES				
Current:				
Transportation	132,774	571,756	957,447	225,477
Capital outlay	-	959,745	-	8
Debt service:				
Capital lease payments	-	151	-	-
Total Expenditures	132,774	1,531,652	957,447	225,485
Excess of Revenues over (under) Expenditures	(2,803)	(720,089)	1,009,466	(132,284)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	-
Premium on bond issuance	-	-	-	-
Proceeds from sale of capital assets	17	2,633	-	-
Transfers from other funds	6,000	887,201	1,007	167,223
Transfers to other funds	(2,699)	(190,689)	(1,010,473)	(28,560)
Total Other Financing Sources (Uses)	3,318	699,145	(1,009,466)	138,663
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	515	(20,945)	-	6,379
Fund Balances - Beginning of fiscal year	22,069	771,553	-	50,333
Fund Balances - End of fiscal year	$ 22,584	$ 750,608	$ -	$ 56,712

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	**TOTALS**
$ -	$ -	$ -	**$ 1,995,393**
98,953	-	173,594	**1,124,346**
2,395	-	-	**18,536**
-	-	-	**3,447**
-	-	-	**51,285**
12,927	4,086	430	**101,027**
114,275	4,086	174,024	**3,294,034**
1,308	19,900	174,024	**2,082,685**
235,425	-	-	**1,195,178**
-	-	-	**151**
236,733	19,900	174,024	**3,278,014**
(122,457)	(15,813)	-	**16,020**
244,525	35,015	-	**279,540**
11,064	1,323	-	**12,388**
-	-	-	**2,650**
-	-	-	**1,061,431**
(92,971)	-	-	**(1,325,392)**
162,619	36,338	-	**30,617**
40,161	20,525	-	**46,637**
97,379	69,100	-	**1,010,433**
$ 137,540	$ 89,625	$ -	**$ 1,057,069**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 5,974	$ 5,974	$ -
From federal agencies	117,398	117,398	-
From local agencies	27	27	-
From services	529	529	-
From licenses and permits	308	308	-
Miscellaneous	5,735	5,735	-
Proceeds from sale of capital assets	17	17	-
Transfers in	6,000	6,000	-
Total Revenues and Other Sources	135,989	135,989	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	148,246	142,300	5,946
Total Expenditures, Transfers Out, and Encumbrances	148,246	142,300	5,946
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (12,257)	(6,312)	$ 5,946
Reconciling Items:			
Encumbrances at September 30		6,827	
Funds not annually budgeted		-	
Net Reconciling Items		6,827	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		515	
FUND BALANCES (GAAP BASIS)			
Beginning balances		22,069	
Ending balances (GAAP Basis)		$ 22,584	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 1,923,013	$ 1,923,013	$ -
709,456	709,456	-	-	-	-
16,113	16,113	-	-	-	-
25	25	-	2,893	2,893	-
17,499	17,499	-	33,105	33,105	-
68,470	68,470	-	7,903	7,903	-
2,633	2,633	-	-	-	-
887,201	887,201	-	1,007	1,007	-
1,701,397	1,701,397	-	1,967,920	1,967,920	-
1,855,127	1,803,827	51,299	2,063,417	1,967,920	95,497
1,855,127	1,803,827	51,299	2,063,417	1,967,920	95,497
$ (153,730)	(102,430)	$ 51,299	$ (95,497)	-	$ 95,497
	81,485			-	
	-			-	
	81,485			-	
	(20,945)			-	
	771,553			-	
	$ 750,608			$ -	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	COMPREHENSIVE TRANSPORTATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
Taxes	$ 66,405	$ 66,405	$ -
From federal agencies	24,945	24,945	-
From local agencies	-	-	-
From services	-	-	-
From licenses and permits	374	374	-
Miscellaneous	1,477	1,477	-
Proceeds from sale of capital assets	-	-	-
Transfers in	167,223	167,223	-
Total Revenues and Other Sources	260,424	260,424	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	301,742	292,534	9,207
Total Expenditures, Transfers Out, and Encumbrances	301,742	292,534	9,207
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (41,318)	(32,110)	$ 9,207
Reconciling Items:			
Encumbrances at September 30		38,489	
Funds not annually budgeted		-	
Net Reconciling Items		38,489	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		6,379	
FUND BALANCES (GAAP BASIS)			
Beginning balances		50,333	
Ending balances (GAAP Basis)		$ 56,712	

FUNDS NOT ANNUALLY BUDGETED			TOTALS		
COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS			
ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 1,995,393	$ 1,995,393	$ -
-	-	-	851,800	851,800	-
-	-	-	16,140	16,140	-
-	-	-	3,447	3,447	-
-	-	-	51,285	51,285	-
-	-	-	83,584	83,584	-
-	-	-	2,650	2,650	-
-	-	-	1,061,431	1,061,431	-
-	-	-	4,065,730	4,065,730	-
-	-	-	4,368,531	4,206,581	161,950
-	-	-	4,368,531	4,206,581	161,950
-	-	-	$ (302,802)	(140,852)	$ 161,950
-	-	-		126,802	
40,161	20,525	-		60,687	
40,161	20,525	-		187,488	
40,161	20,525	-		46,637	
97,379	69,100	-		1,010,433	
$ 137,540	$ 89,625	$ -		$ 1,057,069	

SPECIAL REVENUE FUNDS – CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

GAME AND FISH PROTECTION FUND

Established in 1921, this fund operates under MCL Sections 324.43546, 324.43553, 324.43556, and 324.43557 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 Game and Fish Protection Trust Fund. The fund provides financial support for statewide 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 MCL Sections 324.78105, 324.78110, 324.78111, and 324.78115. The fund 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.

In fiscal year 2003, P.A. 746 of 2002, Section 1602 required the transfer of $7.8 million from this fund to the General Fund. Section 1602(3) states that "It is the intent of the legislature that in the future the General Fund reimburse the State Waterways Fund." No receivable is recorded in this fund for this commitment because there is no repayment schedule and the repayment is considered long-term and budgetary in nature.

MARINE SAFETY FUND

Established in 1967, this fund operates under MCL Sections 324.44511, 324.44518, 324.80115, 324.80118, and 324.80119. The fund is financed principally by 49% of watercraft registration fees imposed by this law. 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 MCL Section 324.43702, to restrict certain assets for the purpose of generating interest and earnings for transfer to the Game and Fish Protection Fund. In addition, the Legislature may appropriate up to $6 million annually for use by the Game and Fish Protection Fund. 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, provide additional investment funding.

STATE PARK IMPROVEMENT FUND

Established in 1960, this fund operates under MCL Section 324.74108. The fund 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, debt service, and improvements of the State Park system. Revenues of this fund are pledged as necessary for repayment of State Park Gross Revenue Bonds.

COMBINED RECREATION BOND FUND - LOCAL PROJECTS

Established in 1988, this fund operates under MCL Sections 324.19606, 324.19607, 324.71506, and 324.71508. The residual balances in this fund reflect proceeds and investment earnings remaining from two bond packages: $70 million of general obligation bonds approved by voters in November 1988, as part of a $140 million bond package for financing state and local public recreation projects, and $50 million of general obligation bonds approved by voters in November of 1998, as part of a $675 million bond package known as the "Clean Michigan Initiative." Proceeds from the 1988 bond package provide grants and loans to local units of government in the amounts of $65 million for local recreation projects and $5 million to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package also provided grants to local units of government for local recreation projects pursuant to MCL Section 324.71602.

COMBINED ENVIRONMENTAL PROTECTION BOND FUND

This fund, which is administered by the Department of Environmental Quality (DEQ), was established by MCL Section 324.19056 to account for the proceeds of $660 million of Environmental Protection general obligation bonds approved by Michigan voters in November 1988. The statue specifies that the proceeds of these bonds be available to clean up sites of toxic and other environmental contamination, for solid waste projects, to capitalize the State Water Pollution Control Loan Fund, and to fund Michigan's participation in a regional Great Lakes Protection Fund.

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

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

MICHIGAN NONGAME FISH AND WILDLIFE FUND

Established in 1983, the fund currently operates under MCL Sections 324.43902 - 324.43907. Fund revenues are used to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales.

FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and operates under MCL Section 324.50507. 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 are 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, Mineral, and Fire Management Division and are used for forest management operations and practices. The Authority may, but thus far has not, issued bonds.

BOTTLE DEPOSITS FUND

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

The 75% distribution to 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).

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2006
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
ASSETS					
Current Assets:					
Cash	$ 4	$ -	$ -	$ 4	$ 89
Equity in common cash	23,254	40,938	2,573	8,297	8,900
Taxes, interest, and penalties receivable	-	232	-	-	-
Amounts due from component units	-	-	-	-	-
Amounts due from federal agencies	385	231	89	-	-
Amounts due from local units	-	-	-	-	-
Inventories	-	228	-	-	-
Securities lending collateral	250	-	-	30,777	-
Other current assets	4,391	13	3	1,659	80
Total Current Assets	28,285	41,642	2,665	40,737	9,068
Amounts due from local units	-	-	-	-	-
Investments	1,732	-	-	100,101	-
Other noncurrent assets	-	-	-	-	-
Total Assets	$ 30,016	$ 41,642	$ 2,665	$ 140,839	$ 9,068
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 150	$ 76	$ 38	$ -	$ 88
Obligations under security lending	250	-	-	30,777	-
Accounts payable and other liabilities	3,453	1,842	1,883	976	1,835
Amounts due to other funds	514	98	8	-	314
Deferred revenue	-	-	-	-	529
Total Current Liabilities	4,367	2,016	1,928	31,754	2,766
Long-Term Liabilities:					
Deferred revenue	-	-	-	-	-
Total Liabilities	4,367	2,016	1,928	31,754	2,766
Fund Balances:					
Reserves for:					
Budgetary Carry-Forwards:					
Encumbrances	1,842	11,512	115	-	924
Restricted revenues	12,972	-	-	-	-
Multi-year projects	676	25,180	-	-	1,717
Revolving loan programs	-	-	-	-	-
Funds held as permanent investments	1,668	-	-	103,085	-
Total Reserved	17,158	36,692	115	103,085	2,641
Unreserved	8,491	2,935	622	6,000	3,661
Total Fund Balances	25,649	39,626	737	109,085	6,302
Total Liabilities and Fund Balances	$ 30,016	$ 41,642	$ 2,665	$ 140,839	$ 9,068

COMBINED RECREATION BOND FUND-LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	$ 92	$ -	**$ 190**
2,165	99,504	422	12,922	58,491	**257,466**
-	-	-	-	-	**232**
-	118	-	-	-	**118**
-	-	-	256	-	**960**
-	900	-	-	311	**1,211**
-	-	-	-	-	**228**
-	-	2,164	-	-	**33,191**
-	19	59	150	735	**7,109**
2,165	100,541	2,644	13,421	59,538	**300,706**
-	-	-	-	5,474	**5,474**
-	-	5,879	-	-	**107,711**
-	-	-	-	643	**643**
$ 2,165	$ 100,541	$ 8,523	$ 13,421	$ 65,655	**$ 414,534**
$ -	$ 460	$ 3	$ 28	$ 48	**$ 891**
-	-	2,164	-	-	**33,191**
113	13,336	59	2,972	4,364	**30,832**
-	23	2	187	169	**1,316**
-	-	-	-	429	**958**
113	13,819	2,228	3,187	5,009	**67,188**
-	-	-	-	643	**643**
113	13,819	2,228	3,187	5,652	**67,831**
-	-	19	1,597	1,865	**17,874**
-	-	-	-	27,046	**40,018**
-	-	-	1,904	6,718	**36,196**
-	-	-	-	20,723	**20,723**
-	-	5,956	-	3,650	**114,359**
-	-	5,976	3,501	60,002	**229,169**
2,052	86,722	319	6,732	-	**117,534**
2,052	86,722	6,295	10,233	60,002	**346,704**
$ 2,165	$ 100,541	$ 8,523	$ 13,421	$ 65,655	**$ 414,534**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
REVENUES					
Taxes	$ -	$ 332	$ -	$ -	$ -
From federal agencies	2,213	389	89	-	-
From licenses and permits	49,897	6,811	4,762	-	39,606
Miscellaneous	3,277	2,583	228	15,553	308
Total Revenues	55,387	10,115	5,078	15,553	39,913
EXPENDITURES					
Current:					
General government	5	-	-	333	-
Conservation, environment, recreation, and agriculture	63,855	16,466	5,339	76	36,477
Bond interest and fiscal charges	-	-	-	-	-
Capital outlay	3,156	5,141	-	-	1,175
Total Expenditures	67,017	21,608	5,339	409	37,652
Excess of Revenues over (under) Expenditures	(11,631)	(11,492)	(261)	15,144	2,262
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-
Transfers from other funds	11,414	14,415	-	-	-
Transfers to other funds	(380)	(164)	(13)	(11,414)	(1,336)
Total Other Financing Sources (Uses)	11,034	14,251	(13)	(11,414)	(1,336)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(596)	2,758	(274)	3,730	925
Fund Balances - Beginning of fiscal year	26,245	36,868	1,011	105,355	5,377
Fund Balances - End of fiscal year	$ 25,649	$ 39,626	$ 737	$ 109,085	$ 6,302

COMBINED RECREATION BOND FUND-LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	FOREST DEVELOPMENT FUND	BOTTLE DEPOSITS FUND	**TOTALS**
$ -	$ -	$ -	$ -	$ -	**$ 332**
-	-	97	256	103	**3,146**
-	-	-	1	-	**101,076**
103	3,306	587	27,236	22,938	**76,118**
103	3,306	683	27,493	23,040	**180,672**
-	127	18	-	-	**483**
77	103,007	668	30,757	26,305	**283,029**
-	174	-	-	-	**174**
-	-	-	358	-	**9,830**
77	103,309	686	31,115	26,305	**293,517**
26	(100,003)	(3)	(3,622)	(3,264)	**(112,845)**
-	152,000	-	-	-	**152,000**
-	3,520	-	-	-	**3,520**
-	-	-	-	-	**25,829**
(2)	(24)	(3)	(1,158)	(34,571)	**(49,065)**
(2)	155,496	(3)	(1,158)	(34,571)	**132,284**
24	55,493	(6)	(4,779)	(37,835)	**19,439**
2,028	31,229	6,301	15,013	97,838	**327,265**
$ 2,052	$ 86,722	$ 6,295	$ 10,233	$ 60,002	**$ 346,704**

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, 2006

(In Thousands)

	GAME AND FISH PROTECTION FUND			MICHIGAN STATE WATERWAYS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 332	$ 332	$ -
From federal agencies	2,213	2,213	-	389	389	-
From licenses and permits	49,897	49,897	-	6,811	6,811	-
Miscellaneous	3,277	3,277	-	2,583	2,583	-
Transfers in	11,414	11,414	-	14,415	14,415	-
Total Revenues and Other Sources	66,800	66,800	-	24,530	24,530	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	73,786	69,234	4,552	34,881	33,284	1,597
Treasury	5	5	-	-	-	-
Total Expenditures, Transfers Out and Encumbrances	73,791	69,239	4,552	34,881	33,284	1,597
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (6,991)	(2,439)	$ 4,552	$ (10,351)	(8,753)	$ 1,597
Reconciling Items:						
Encumbrances at September 30		1,842			11,512	
Funds not annually budgeted		-			-	
Net Reconciling Items		1,842			11,512	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(596)			2,758	
FUND BALANCES (GAAP BASIS)						
Beginning balances		26,245			36,868	
Ending balances (GAAP Basis)		$ 25,649			$ 39,626	

MARINE SAFETY FUND			STATE PARK IMPROVEMENT FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
89	89	-	-	-	-
4,762	4,762	-	39,606	39,606	-
228	228	-	308	308	-
-	-	-	-	-	-
5,078	5,078	-	39,913	39,913	-
5,989	5,467	522	42,624	39,912	2,713
-	-	-	-	-	-
5,989	5,467	522	42,624	39,912	2,713
$ (911)	(389)	$ 522	$ (2,711)	2	$ 2,713
	115			924	
	-			-	
	115			924	
	(274)			925	
	1,011			5,377	
	$ 737			$ 6,302	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN NONGAME FISH AND WILDLIFE FUND			FOREST DEVELOPMENT FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
From federal agencies	97	97	-	256	256	-
From licenses and permits	-	-	-	1	1	-
Miscellaneous	587	587	-	27,236	27,236	-
Transfers in	-	-	-	-	-	-
Total Revenues and Other Sources	683	683	-	27,493	27,493	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	712	691	21	34,914	33,869	1,045
Treasury	18	18	-	-	-	-
Total Expenditures, Transfers Out and Encumbrances	730	709	21	34,914	33,869	1,045
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (47)	(26)	$ 21	$ (7,421)	(6,376)	$ 1,045
Reconciling Items:						
Encumbrances at September 30		19			1,597	
Funds not annually budgeted		-			-	
Net Reconciling Items		19			1,597	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(6)			(4,779)	
FUND BALANCES (GAAP BASIS)						
Beginning balances		6,301			15,013	
Ending balances (GAAP Basis)		$ 6,295			$ 10,233	

FUNDS NOT ANNUALLY BUDGETED				TOTALS		
GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND-LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	BOTTLE DEPOSITS FUND			
ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ 332	$ 332	$ -
-	-	-	-	3,043	3,043	-
-	-	-	-	101,076	101,076	-
-	-	-	-	34,218	34,218	-
-	-	-	-	25,829	25,829	-
-	-	-	-	164,499	164,499	-
-	-	-	-	192,907	182,456	10,451
-	-	-	-	24	24	-
-	-	-	-	192,930	182,480	10,451
-	-	-	-	$ (28,432)	(17,981)	$ 10,451
-	-	-	-		16,008	
3,730	24	55,493	(37,835)		21,411	
3,730	24	55,493	(37,835)		37,420	
3,730	24	55,493	(37,835)		19,439	
105,355	2,028	31,229	97,838		327,265	
$ 109,085	$ 2,052	$ 86,722	$ 60,002		$ 346,704	

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SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

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

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

SAFETY EDUCATION AND TRAINING FUND

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

STATE CONSTRUCTION CODE FUND

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

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Established by MCL Section 570.1201, the Homeowner Construction Lien Recovery Fund allows contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers.

STATE CASINO GAMING FUND

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

SECOND INJURY FUND

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

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

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

SELF-INSURERS' SECURITY FUND

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

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

UTILITY CONSUMER REPRESENTATION FUND

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
ASSETS				
Current Assets:				
Cash	$ -	$ -	$ -	$ -
Equity in common cash	-	4,033	2,441	3,759
Amounts due from other funds	260	-	-	-
Amounts due from federal agencies	13,874	-	-	-
Other current assets	16	-	83	-
Total Current Assets	14,150	4,033	2,524	3,759
Total Assets	$ 14,150	$ 4,033	$ 2,524	$ 3,759
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 109	$ 10	$ 20	$ 61
Accounts payable and other liabilities	4,822	240	528	97
Amounts due to other funds	9,219	50	98	1
Deferred revenue	-	-	-	-
Total Current Liabilities	14,150	300	646	159
Total Liabilities	14,150	300	646	159
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	-	326	37	-
Restricted revenues	-	-	-	-
Total Reserved	-	326	37	-
Unreserved	-	3,406	1,841	3,600
Total Fund Balances	-	3,732	1,878	3,600
Total Liabilities and Fund Balances	$ 14,150	$ 4,033	$ 2,524	$ 3,759

STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	**TOTALS**
$ 6	$ -	$ -	$ -	$ -	**$ 6**
14,455	7,307	2,868	17,516	3,598	**55,976**
-	8,260	-	-	-	**8,520**
-	-	-	-	-	**13,874**
79	1,731	174	1,117	-	**3,198**
14,540	17,298	3,041	18,633	3,598	**81,575**
$ 14,540	$ 17,298	$ 3,041	$ 18,633	$ 3,598	**$ 81,575**
$ 1	$ 252	$ 60	$ 175	$ -	**$ 688**
445	2,697	545	7,740	225	**17,339**
83	14	6	8	3	**9,482**
27	3,925	503	1,659	-	**6,115**
557	6,888	1,114	9,582	228	**33,624**
557	6,888	1,114	9,582	228	**33,624**
-	-	-	-	-	**363**
12,690	-	-	-	-	**12,690**
12,690	-	-	-	-	**13,053**
1,293	10,410	1,928	9,051	3,370	**34,898**
13,983	10,410	1,928	9,051	3,370	**47,951**
$ 14,540	$ 17,298	$ 3,041	$ 18,633	$ 3,598	**$ 81,575**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
REVENUES				
From federal agencies	$ 132,289	$ -	$ -	$ -
From licenses and permits	-	-	9,136	-
Miscellaneous	1	6,796	145	634
Total Revenues	132,291	6,796	9,281	634
EXPENDITURES				
Current:				
General government	-	-	-	-
Labor, commerce, and regulatory	141,823	8,224	13,158	1,477
Debt Service:				
Capital lease payments	465	-	-	-
Total Expenditures	142,288	8,224	13,158	1,477
Excess of Revenues over (under) Expenditures	(9,997)	(1,428)	(3,877)	(843)
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions	3,973	-	-	-
Transfers from other funds	6,812	-	-	-
Transfers to other funds	(788)	(38)	(86)	(1)
Total Other Financing Sources (Uses)	9,997	(38)	(86)	(1)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	(1,466)	(3,963)	(844)
Fund Balances - Beginning of fiscal year	-	5,199	5,841	4,444
Fund Balances - End of fiscal year	$ -	$ 3,732	$ 1,878	$ 3,600

STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	**TOTALS**
$ -	$ -	$ -	$ -	$ -	**$ 132,289**
999	-	-	-	-	**10,135**
30,122	16,781	2,373	9,315	1,200	**67,367**
31,121	16,781	2,373	9,315	1,200	**209,792**
16,657	-	-	-	511	**17,168**
-	18,232	2,312	7,800	691	**193,716**
-	-	-	-	-	**465**
16,657	18,232	2,312	7,800	1,201	**211,349**
14,464	(1,451)	61	1,516	(1)	**(1,557)**
-	-	-	-	-	**3,973**
-	-	-	-	-	**6,812**
(17,824)	(10)	(4)	(5)	(3)	**(18,759)**
(17,824)	(10)	(4)	(5)	(3)	**(7,974)**
(3,360)	(1,460)	57	1,510	(3)	**(9,530)**
17,342	11,870	1,871	7,541	3,373	**57,481**
$ 13,983	$ 10,410	$ 1,928	$ 9,051	$ 3,370	**$ 47,951**

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, 2006
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND			SAFETY EDUCATION AND TRAINING FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ 132,289	$ 132,289	$ -	$ -	$ -	$ -
From licenses and permits	-	-	-	-	-	-
Miscellaneous	1	1	-	6,796	6,796	-
Transfers in	6,812	6,812	-	-	-	-
Total Revenues and Other Sources	139,102	139,102	-	6,796	6,796	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Labor and Economic Growth	139,102	139,102	-	8,907	8,589	318
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	139,102	139,102	-	8,907	8,589	318
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ -	-	$ -	$ (2,111)	(1,793)	$ 318
Reconciling Items:						
Encumbrances at September 30		-			326	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			326	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-			(1,466)	
FUND BALANCES (GAAP BASIS)						
Beginning balances		-			5,199	
Ending balances (GAAP Basis)		$ -			$ 3,732	

STATE CONSTRUCTION CODE FUND			HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ -	$ -
9,136	9,136	-	-	-	-
145	145	-	634	634	-
-	-	-	-	-	-
9,281	9,281	-	634	634	-
15,884	13,282	2,602	1,534	1,478	56
-	-	-	-	-	-
15,884	13,282	2,602	1,534	1,478	56
$ (6,603)	(4,000)	$ 2,602	$ (901)	(844)	$ 56
	37			-	
	-			-	
	37			-	
	(3,963)			(844)	
	5,841			4,444	
	$ 1,878			$ 3,600	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	STATE CASINO GAMING FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From licenses and permits	999	999	-
Miscellaneous	30,122	30,122	-
Transfers in	-	-	-
Total Revenues and Other Sources	31,121	31,121	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Labor and Economic Growth	-	-	-
Treasury	34,481	34,481	-
Total Expenditures, Transfers Out, and Encumbrances	34,481	34,481	-
			-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (3,360)	(3,360)	$ -
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)		(3,360)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		17,342	
Ending balances (GAAP Basis)		$ 13,983	

FUNDS NOT ANNUALLY BUDGETED				TOTALS		
SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND			
ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ -	$ 132,289	$ 132,289	$ -
-	-	-	-	10,135	10,135	-
-	-	-	-	37,698	37,698	-
-	-	-	-	6,812	6,812	-
-	-	-	-	186,934	186,934	-
-	-	-	-	165,427	162,450	2,977
-	-	-	-	34,481	34,481	-
-	-	-	-	199,908	196,931	2,977
-	-	-	-	$ (12,974)	(9,997)	$ 2,977
-	-	-	-		363	
(1,460)	57	1,510	(3)		104	
(1,460)	57	1,510	(3)		467	
(1,460)	57	1,510	(3)		(9,530)	
11,870	1,871	7,541	3,373		57,481	
$ 10,410	$ 1,928	$ 9,051	$ 3,370		$ 47,951	

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SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

SCHOOL BOND LOAN FUND

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

21st CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21st Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. The bonds are issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 2015, the fund will also receive a portion of the tobacco settlement revenue received by the State.

MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY

Michigan Compiled Laws Section 129.264 created the Michigan Tobacco Settlement Finance Authority (MTSFA) to issue bonds necessary to provide sufficient funds to purchase all or a portion of the State's tobacco receipts from the master settlement agreement between tobacco manufacturers and the State. The Authority may also issue refunding bonds. Bonds are special revenue obligations that are payable primarily from and secured by a pledge of encumbered tobacco, revenue and other assets. These bonds are not a general obligation of the State. The Authority is required to disburse the net proceeds of the bonds to the 21st Century Jobs Trust Fund.

The Authority is administered by a seven-member board of directors, including the State Treasurer; the Director of the Department of Labor and Economic Growth; and five other members appointed by the Governor with varying levels of consent from the members of the legislature.

MICHIGAN MERIT AWARD TRUST FUND

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

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

CHILDREN'S TRUST FUND

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

ASSIGNED CLAIMS FACILITY AND PLAN FUND

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

MILITARY FAMILY RELIEF FUND

Michigan Compiled Laws Section 35.1213 created this fund to provide assistance to families of certain members of the reserve components of the United States armed forces on active duty. A qualified individual or the individual's family shall apply to the Department of Military and Veterans Affairs for a grant from the fund. Funds are received primarily from taxpayer contributions on his or her annual State tax return designating $1.00 or more of his or her refund to be credited to this fund.

MISCELLANEOUS SPECIAL REVENUE FUNDS

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	SCHOOL BOND LOAN FUND	21ST CENTURY JOBS TRUST FUND	MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY	MICHIGAN MERIT AWARD TRUST FUND
ASSETS				
Current Assets:				
Equity in common cash	$ 1,119	$ 172,283	$ 698	$ 37,465
Amounts due from other funds	-	207,859	-	-
Amounts due from component units	-	-	-	3
Investments	-	-	31,799	-
Securities lending collateral	-	-	-	-
Other current assets	-	-	1,476	201,005
Total Current Assets	1,119	380,143	33,974	238,473
Investments	-	-	54,254	-
Other noncurrent assets	-	-	-	-
Total Assets	$ 1,119	$ 380,143	$ 88,228	$ 238,473
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ -	$ 107
Obligations under security lending	-	-	-	-
Accounts payable and other liabilities	9	-	-	28,256
Amounts due to other funds	-	-	-	35
Deferred revenue	-	-	-	200,989
Total Current Liabilities	9	-	-	229,387
Deferred revenue	-	-	-	-
Total Liabilities	9	-	-	229,387
Fund Balances:				
Reserves for:				
Encumbrances	-	-	-	11
Funds held as permanent investments	-	-	-	-
Noncurrent assets	-	-	-	-
Total Reserved	-	-	-	11
Unreserved	1,109	380,143	88,228	9,075
Total Fund Balances	1,109	380,143	88,228	9,086
Total Liabilities and Fund Balances	$ 1,119	$ 380,143	$ 88,228	$ 238,473

CHILDREN'S TRUST FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS
$ 766	$ 1,002	$ 1,489	$ 1,977	**$ 216,799**
-	-	-	-	**207,859**
-	-	-	-	**3**
-	-	-	-	**31,799**
10,083	-	-	-	**10,083**
333	947	-	263	**204,025**
11,181	1,949	1,489	2,240	**670,567**
21,562	-	-	-	**75,816**
-	-	-	1,353	**1,353**
$ 32,743	$ 1,949	$ 1,489	$ 3,593	**$ 747,737**
$ 386	$ -	$ 5	$ 2	**$ 500**
10,083	-	-	-	**10,083**
146	-	214	1	**28,625**
5	-	-	-	**40**
41	1,949	-	-	**202,978**
10,659	1,949	219	3	**242,226**
-	-	-	443	**443**
10,659	1,949	219	446	**242,669**
-	-	-	-	**11**
20,511	-	-	-	**20,511**
-	-	-	910	**910**
20,511	-	-	910	**21,432**
1,573	-	1,270	2,237	**483,636**
22,084	-	1,270	3,147	**505,068**
$ 32,743	$ 1,949	$ 1,489	$ 3,593	**$ 747,737**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	SCHOOL BOND LOAN FUND	21ST CENTURY JOBS TRUST FUND	MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY	MICHIGAN MERIT AWARD TRUST FUND
REVENUES				
From federal agencies	$ -	$ -	$ -	$ -
Miscellaneous	507	-	1,645	252,397
Total Revenues	507	-	1,645	252,397
EXPENDITURES				
Current:				
General government	66,742	19,857	4,896	3,092
Education	-	-	-	149,002
Human services	-	-	-	-
Public safety and corrections	-	-	-	-
Health services	-	-	-	96,718
Total Expenditures	66,742	19,857	4,896	248,812
Excess of Revenues over (under) Expenditures	(66,235)	(19,857)	(3,251)	3,585
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	66,830	-	490,501	-
Discount on bond issuance	-	-	(22)	-
Transfers from other funds	-	400,000	1,000	-
Transfers to other funds	-	-	(400,000)	(4,000)
Total Other Financing Sources (Uses)	66,830	400,000	91,479	(4,000)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	595	380,143	88,228	(415)
Fund Balances - Beginning of fiscal year	515	-	-	9,501
Fund Balances - End of fiscal year	$ 1,109	$ 380,143	$ 88,228	$ 9,086

CHILDREN'S TRUST FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MILITARY FAMILY RELIEF FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	**TOTALS**
$ 1,081	$ -	$ -	$ -	**$ 1,081**
3,321	122,747	250	124	**380,990**
4,402	122,747	250	124	**382,071**
137	122,025	-	67	**216,816**
-	-	-	-	**149,002**
3,896	-	-	7	**3,903**
-	-	212	-	**212**
-	-	-	-	**96,718**
4,032	122,025	212	74	**466,651**
370	722	37	50	**(84,580)**
-	-	-	-	**557,331**
-	-	-	-	**(22)**
-	-	-	-	**401,000**
-	(722)	-	-	**(404,722)**
-	(722)	-	-	**553,587**
370	-	37	50	**469,007**
21,715	-	1,233	3,098	**36,060**
$ 22,084	$ -	$ 1,270	$ 3,147	**$ 505,068**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	21ST CENTURY JOBS TRUST FUND			MICHIGAN TOBACCO SETTLEMENT FINANCE AUTHORITY		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous	-	-	-	1,645	1,645	-
Bonds and notes issued	-	-	-	490,501	490,501	-
Transfers in	400,000	400,000	-	1,000	1,000	-
Total Revenues and Other Sources	400,000	400,000	-	493,145	493,145	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Education	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
Treasury	400,000	19,857	380,143	493,145	404,917	88,228
Total Expenditures, Transfers Out, and Encumbrances	400,000	19,857	380,143	493,145	404,917	88,228
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ -	380,143	$ 380,143	$ -	88,228	$ 88,228
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)		380,143			88,228	
FUND BALANCES (GAAP BASIS)						
Beginning balances		-			-	
Ending balances (GAAP Basis)		$ 380,143			$ 88,228	

MICHIGAN MERIT AWARD TRUST FUND			CHILDREN'S TRUST FUND			MILITARY FAMILY RELIEF FUND		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ -	$ -	$ -	$ 1,081	$ 1,081	$ -	$ -	$ -	$ -
252,397	252,397	-	3,321	3,321	-	250	250	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
252,397	252,397	-	4,402	4,402	-	250	250	-
387	387	-	-	-	-	-	-	-
146,500	136,642	9,858	-	-	-	-	-	-
96,718	96,718	-	-	-	-	-	-	-
16,359	16,359	-	-	-	-	-	-	-
-	-	-	4,418	3,896	522	-	-	-
-	-	-	-	-	-	969	212	757
3,437	2,716	721	137	137	-	-	-	-
263,401	252,822	10,579	4,555	4,032	522	969	212	757
$ (11,004)	(425)	$ 10,579	$ (153)	370	$ 522	$ (719)	37	$ 757
	11			-			-	
	-			-			-	
	11			-			-	
	(415)			370			37	
	9,501			21,715			1,233	
	$ 9,086			$ 22,084			$ 1,270	

This schedule continued on next page.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			TOTALS		
	SCHOOL BOND LOAN FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS			
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	$ -	$ -	$ -	$ 1,081	$ 1,081	$ -
Miscellaneous	-	-	-	257,612	257,612	-
Bonds and notes issued	-	-	-	490,501	490,501	-
Transfers in	-	-	-	401,000	401,000	-
Total Revenues and Other Sources	-	-	-	1,150,194	1,150,194	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Attorney General	-	-	-	387	387	-
Colleges and Universities Grants	-	-	-	146,500	136,642	9,858
Community Health	-	-	-	96,718	96,718	-
Education	-	-	-	16,359	16,359	-
Human Services	-	-	-	4,418	3,896	522
Military and Veterans Affairs	-	-	-	969	212	757
Treasury	-	-	-	896,719	427,627	469,092
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	1,162,070	681,842	480,229
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	$ (11,876)	468,352	$ 480,229
Reconciling Items:						
Encumbrances at September 30	-	-	-		11	
Funds not annually budgeted	595	-	50		644	
Net Reconciling Items	595	-	50		655	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	595	-	50		469,007	
FUND BALANCES (GAAP BASIS)						
Beginning balances	515	-	3,098		36,060	
Ending balances (GAAP Basis)	$ 1,109	$ -	$ 3,147		$ 505,068	

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DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all State Trunkline Fund-related bond issues allowed for under MCL Section 247.661. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all Comprehensive Transportation Fund-related bond issues allowed for under MCL Section 247.660b. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Michigan Compiled Laws Sections 324.19506 and 324.71506 established this fund to service bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Also pursuant to MCL Section 324.95102, the fund services bond issues of the Clean Michigan Initiative Bond Fund-Local Projects, Clean Michigan Initiative Bond Fund-State Projects, and Clean Michigan Initiative Bond Fund-Environmental Projects. This fund also reflects debt service transactions related to State Park Improvement Fund revenue bonds, issued pursuant to MCL Section 324.74106.

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

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

SCHOOL LOAN BOND REDEMPTION FUND

Michigan Compiled Laws Section 388.922 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to MCL Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment.

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

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operated under MCL Sections 324.21501 – 324.21563, to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund. Pursuant to MCL Section 324.21506, the fund financed the defeasement of principal and interest due on bonds issued by the authority, and all remaining money in the fund transferred to the Refined Petroleum Fund (a subfund of the General Fund) created in MCL Section 324.21506a.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in common cash	$ 27	$ -	$ 1,202
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	27	-	1,202
Investments	-	-	-
Total Assets	$ 27	$ -	$ 1,202
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ 1
Accounts payable and other liabilities	27	-	-
Total Current Liabilities	27	-	1
Total Liabilities	27	-	1
Fund Balances:			
Reserved for other purposes	-	-	300
Unreserved	-	-	901
Total Fund Balances	-	-	1,201
Total Liabilities and Fund Balances	$ 27	$ -	$ 1,202

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	**TOTALS**
$ 237	$ -	$ -	**$ 1,465**
-	182,096	-	**182,096**
-	925	-	**925**
237	183,021	-	**184,486**
-	6,000	-	**6,000**
$ 237	$ 189,021	$ -	**$ 190,486**
$ -	$ -	$ -	**$ 1**
237	71	-	**334**
237	71	-	**335**
237	71	-	**335**
-	-	-	**300**
-	188,950	-	**189,851**
-	188,950	-	**190,151**
$ 237	$ 189,021	$ -	**$ 190,486**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	$ -	$ -	$ 35
Total Revenues	-	-	35
EXPENDITURES			
Current:			
General government	-	-	16
Education	-	-	-
Transportation	-	161	-
Debt Service:			
Bond principal retirement	107,889	19,090	37,638
Bond interest and fiscal charges	79,691	12,049	46,106
Total Expenditures	187,579	31,299	83,760
Excess of Revenues over (under) Expenditures	(187,579)	(31,299)	(83,726)
OTHER FINANCING SOURCES (USES)			
Premium on bond issuance	-	63	-
Discount on bond issuance	-	-	-
Refunding bonds issued	-	18,670	-
Payment to refunded bond escrow agent	-	(18,573)	-
Transfers from other funds	187,579	31,139	83,779
Transfers to other funds	-	-	-
Total Other Financing Sources (Uses)	187,579	31,299	83,779
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	53
Fund Balances - Beginning of fiscal year	-	-	1,148
Fund Balances - End of fiscal year	$ -	$ -	$ 1,201

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS
$ -	$ 6,901	$ 4	**$ 6,940**
-	6,901	4	**6,940**
542	-	-	**559**
-	8,803	-	**8,803**
-	-	-	**161**
28,665	580,545	-	**773,826**
15,292	140,780	-	**293,918**
44,500	730,128	-	**1,077,267**
(44,500)	(723,227)	4	**(1,070,327)**
-	25,410	-	**25,474**
-	(496,444)	-	**(496,444)**
-	1,475,380	-	**1,494,050**
-	(545,203)	-	**(563,776)**
44,500	259,855	-	**606,851**
-	(469)	(95)	**(564)**
44,500	718,529	(95)	**1,065,592**
-	(4,697)	(91)	**(4,735)**
-	193,648	91	**194,886**
$ -	$ 188,950	$ -	**$ 190,151**

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CAPITAL PROJECTS FUNDS

COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund operates under MCL Sections 324.19601 – 324.19616, 324.71501 – 324.71514, and 324.74106 – 324.74113. The balances in the fund reflect proceeds and investment earnings remaining from two bond packages: $70 million of general obligation bonds approved by voters in November 1988 as part of a $140 million bond package for financing State and local public recreation projects and $50 million of general obligation bonds approved by voters in November 1998 as part of a $675 million bond package known as the "Clean Michigan Initiative."

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

ADVANCE FINANCING FUNDS

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

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

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

The Site Preparation Economic Development Fund is created through the annual appropriations process to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to MCL Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment. The Authority's five board members are appointed by the Governor.

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

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	COMBINED RECREATION BOND FUND-STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	**TOTALS**
ASSETS				
Current Assets:				
Equity in common cash	$ 1,906	$ -	$ -	**$ 1,906**
Amounts due from other funds	-	8,553	-	**8,553**
Amounts due from component units	-	2,543	-	**2,543**
Amounts due from local units	-	4,943	-	**4,943**
Investments	-	-	13,791	**13,791**
Other current assets	-	7,556	113	**7,669**
Total Current Assets	1,906	23,596	13,903	**39,405**
Total Assets	$ 1,906	$ 23,596	$ 13,903	**$ 39,405**
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ -	$ 164	$ -	**$ 164**
Accounts payable and other liabilities	-	34,919	242	**35,161**
Amounts due to other funds	-	26,116	8,556	**34,672**
Bonds and notes payable	-	-	57,000	**57,000**
Interest payable	-	-	326	**326**
Total Current Liabilities	-	61,199	66,124	**127,323**
Total Liabilities	-	61,199	66,124	**127,323**
Fund Balances:				
Unreserved	1,906	(37,603)	(52,221)	**(87,918)**
Total Fund Balances	1,906	(37,603)	(52,221)	**(87,918)**
Total Liabilities and Fund Balances	$ 1,906	$ 23,596	$ 13,903	**$ 39,405**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	COMBINED RECREATION BOND FUND-STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	**TOTALS**
REVENUES				
Miscellaneous	$ 91	$ -	$ 2,124	**$ 2,216**
Total Revenues	91	-	2,124	**2,216**
EXPENDITURES				
Current:				
General government	-	516	-	**516**
Education	-	8,651	30,855	**39,507**
Conservation, environment, recreation, and agriculture	3	-	-	**3**
Capital outlay	125	28,597	144,932	**173,653**
Total Expenditures	128	37,764	175,787	**213,679**
Excess of Revenues over (under) Expenditures	(37)	(37,764)	(173,663)	**(211,464)**
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	464,735	**464,735**
Premium on bond issuance	-	-	4,852	**4,852**
Proceeds from sale of capital assets	-	9,862	-	**9,862**
Transfers from other funds	-	14,384	4,690	**19,074**
Transfers to other funds	-	-	(25,334)	**(25,334)**
Total Other Financing Sources (Uses)	-	24,246	448,943	**473,189**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(37)	(13,518)	275,280	**261,725**
Fund Balances - Beginning of fiscal year	1,943	(24,085)	(327,501)	**(349,643)**
Fund Balances - End of fiscal year	$ 1,906	$ (37,603)	$ (52,221)	**$ (87,918)**

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PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under MCL Sections 324.1901 - 324.1910. Most rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned land are credited to the fund. Michigan Compiled Laws Section 324.1902 directs a portion (50%, up to $10 million per year) of these revenues to the Michigan State Parks Endowment Fund. The voters approved a constitutional amendment in August 2002, which increased the amount that can be accumulated to $500 million, modified the distribution formula, and allows the State Treasurer to invest in equity securities and other types of investments.

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

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund is governed by the provisions of MCL Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

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

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

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

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

MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

COMBINING BALANCE SHEET
PERMANENT FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
ASSETS					
Current Assets:					
Equity in common cash	$ 122,189	$ 14,830	$ 753	$ 3,652	**$ 141,424**
Amounts due from local units	-	-	-	31	**31**
Securities lending collateral	84,078	45,265	7,953	15,769	**153,064**
Other current assets	11,326	1,160	195	459	**13,140**
Total Current Assets	217,592	61,255	8,900	19,911	**307,658**
Investments	285,686	118,794	18,954	43,114	**466,548**
Total Assets	$ 503,278	$ 180,049	$ 27,854	$ 63,025	**$ 774,206**
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 235	$ 121	$ 1	$ 1	**$ 358**
Obligations under security lending	84,078	45,265	7,953	15,769	**153,064**
Accounts payable and other liabilities	15,397	1,156	68	35	**16,656**
Amounts due to other funds	19	46	3	11	**80**
Deferred revenue	1,330	-	-	-	**1,330**
Total Current Liabilities	101,059	46,588	8,025	15,816	**171,488**
Total Liabilities	101,059	46,588	8,025	15,816	**171,488**
Fund Balances:					
Reserves For:					
Budgetary Carry-Forwards:					
Encumbrances	10,641	186	-	-	**10,826**
Multi-year projects	44,265	78	-	-	**44,343**
Funds held as permanent investments	312,509	122,895	19,355	49,000	**503,758**
Total Reserved	367,415	123,158	19,355	49,000	**558,927**
Unreserved	34,805	10,302	475	(1,791)	**43,791**
Total Fund Balances	402,220	133,461	19,829	47,209	**602,718**
Total Liabilities and Fund Balances	$ 503,278	$ 180,049	$ 27,854	$ 63,025	**$ 774,206**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	**TOTALS**
REVENUES					
Miscellaneous	$ 71,838	$ 7,834	$ 868	$ 2,538	**$ 83,078**
Total Revenues	71,838	7,834	868	2,538	**83,078**
EXPENDITURES					
Current:					
General government	898	464	115	411	**1,888**
Public safety and corrections	-	-	-	1,848	**1,848**
Conservation, environment, recreation, and agriculture	2,782	12,294	858	-	**15,933**
Capital outlay	33,550	1,667	-	-	**35,217**
Total Expenditures	37,229	14,426	972	2,259	**54,886**
Excess of Revenues over (under) Expenditures	34,608	(6,591)	(104)	278	**28,192**
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	123	-	-	-	**123**
Transfers from other funds	-	10,000	-	-	**10,000**
Transfers to other funds	(10,011)	(66)	(3)	(6)	**(10,085)**
Total Other Financing Sources (Uses)	(9,888)	9,934	(3)	(6)	**38**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	24,721	3,343	(106)	272	**28,229**
Fund Balances - Beginning of fiscal year	377,499	130,118	19,936	46,936	**574,489**
Fund Balances - End of fiscal year	$ 402,220	$ 133,461	$ 19,829	$ 47,209	**$ 602,718**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Miscellaneous	$ 71,838	$ 71,838	$ -	$ 7,834	$ 7,834	$ -
Proceeds from sale of capital assets	123	123	-	-	-	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	71,960	71,960	-	17,834	17,834	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	62,956	56,982	5,974	14,384	14,213	171
Treasury	898	898	-	464	464	-
Total Expenditures, Transfers Out, and Encumbrances	63,854	57,880	5,974	14,848	14,677	171
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 8,106	14,080	$ 5,974	$ 2,986	3,157	$ 171
Reconciling Items:						
Encumbrances at September 30		10,641			186	
Net Reconciling Items		10,641			186	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		24,721			3,343	
FUND BALANCES (GAAP BASIS)						
Beginning balances		377,499			130,118	
Ending balances (GAAP Basis)		$ 402,220			$ 133,461	

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
$ 868	$ 868	$ -	$ 2,538	$ 2,538	$ -	$ 83,078	$ 83,078	$ -
-	-	-	-	-	-	123	123	-
-	-	-	-	-	-	10,000	10,000	-
868	868	-	2,538	2,538	-	93,201	$ 93,201	$ -
-	-	-	4,888	1,854	3,033	4,888	1,854	3,033
1,152	860	292	-	-	-	78,492	72,055	6,436
115	115	-	411	411	-	1,888	1,888	-
1,267	975	292	5,299	2,265	3,033	85,267	75,798	9,470
$ (398)	(106)	$ 292	$ (2,761)	272	$ 3,033	$ 7,933	17,403	$ (9,470)
	-			-			10,826	
	-			-			10,826	
	(106)			272			28,229	
	19,936			46,936			574,489	
	$ 19,829			$ 47,209			$ 602,718	

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ENTERPRISE FUNDS

LIQUOR PURCHASE REVOLVING FUND

Michigan Compiled Laws Section 436.1221 authorized the Liquor Control Commission, within the Department of Labor and Economic Growth, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

ATTORNEY DISCIPLINE SYSTEM

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

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

COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
ASSETS			
Current Assets:			
Cash	$ 1	$ 1,595	**$ 1,596**
Equity in common cash	65,926	-	**65,926**
Inventories	2,827	-	**2,827**
Investments	-	1,992	**1,992**
Other current assets	6,936	97	**7,033**
Total Current Assets	75,690	3,684	**79,374**
Capital Assets:			
Buildings and equipment	-	722	**722**
Allowance for depreciation	-	(697)	**(697)**
Total capital assets	-	25	**25**
Total Assets	$ 75,690	$ 3,709	**$ 79,398**
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 5,505	$ -	**$ 5,505**
Accounts payable and other liabilities	64,121	200	**64,320**
Amounts due to other funds	132	-	**132**
Deferred revenue	-	146	**146**
Current portion of other long-term obligations	128	-	**128**
Total Current Liabilities	69,884	346	**70,230**
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	930	-	**930**
Total Liabilities	70,814	346	**71,160**
NET ASSETS			
Invested in capital assets, net of related debt	$ -	$ 25	**$ 25**
Unrestricted	4,876	3,338	**8,214**
Total Net Assets	$ 4,876	$ 3,363	**$ 8,239**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
OPERATING REVENUES			
Operating revenues	$ 718,085	$ 4,631	**$ 722,716**
Total Operating Revenues	718,085	4,631	**722,716**
OPERATING EXPENSES			
Salaries, wages, and other administrative	57,357	4,109	**61,466**
Depreciation	-	13	**13**
Purchases for resale	524,559	-	**524,559**
Premiums and claims	164	-	**164**
Other operating expenses	902	-	**902**
Total Operating Expenses	582,982	4,122	**587,104**
Operating Income (Loss)	135,103	509	**135,612**
NONOPERATING REVENUES (EXPENSES)			
Specific tax on spirits	12,654	-	**12,654**
Interest revenue	4,603	176	**4,779**
Investment revenue (expense) - net	-	82	**82**
Total Nonoperating Revenues (Expenses)	17,257	257	**17,514**
Income (Loss) Before Transfers	152,360	766	**153,126**
TRANSFERS			
Transfers to other funds	(152,360)	-	**(152,360)**
Change in net assets	-	766	**766**
Total net assets - Beginning of fiscal year	4,876	2,597	**7,472**
Total net assets - End of fiscal year	$ 4,876	$ 3,363	**$ 8,239**

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 718,085	$ -	**$ 718,085**
Membership dues	-	4,395	**4,395**
Payments to employees	(13,650)	(3,115)	**(16,765)**
Payments to suppliers	(565,426)	(623)	**(566,049)**
Other receipts	757	86	**843**
Other payments	(1,066)	(345)	**(1,411)**
Net cash provided (used) by operating activities	$ 138,700	$ 398	**$ 139,098**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Specific tax on spirits	$ 12,654	$ -	**$ 12,654**
Transfers to other funds	(152,360)	-	**(152,360)**
Net cash provided (used) by noncapital financing activities	$ (139,706)	$ -	**$ (139,706)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds (purchases)from sale and maturities of investment securities	$ -	$ (41)	**$ (41)**
Interest and dividends on investments	4,603	176	**4,779**
Net cash provided (used) by investing activities	$ 4,603	$ 135	**$ 4,738**
Net cash provided (used) - all activities	$ 3,597	$ 533	**$ 4,130**
Cash and cash equivalents at beginning of year	56,825	1,062	**57,887**
Cash and cash equivalents at end of year	$ 60,422	$ 1,595	**$ 62,017**
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	$ 1	$ 1,595	**$ 1,596**
Equity in common cash	65,926	-	**65,926**
Warrants outstanding	(5,505)	-	**(5,505)**
Cash and cash equivalents at end of year	$ 60,422	$ 1,595	**$ 62,017**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 135,103	$ 509	**$ 135,612**
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	-	13	**13**
Net Changes in Assets and Liabilities:			
Inventories	387	-	**387**
Other assets (net)	351	4	**354**
Accounts payable and other liabilities	2,860	12	**2,871**
Deferred revenue	-	(139)	**(139)**
Net cash provided (used) by operating activities	$ 138,700	$ 398	**$ 139,098**

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INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Authorized by MCL Section 800.325, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. Michigan Compiled Laws Section 800.326 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, a foreign government or agencies of a foreign government, a private vendor that operates the youth correctional facility, and certain tax-exempt organizations.

Executive Order 1992-13 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The repayment provisions, as stipulated in Executive Order 1992-13, resulted in no required payment in fiscal year 2006.

MOTOR TRANSPORT FUND

This fund was created by MCL Section 18.1213 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

OFFICE SERVICES REVOLVING FUND

Created in 1952, this fund operates under MCL Section 18.1269 to provide services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

INFORMATION TECHNOLOGY FUND

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

RISK MANAGEMENT FUND

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

STATE SPONSORED GROUP INSURANCE FUND

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

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

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	$ -	$ 12	$ 1
Equity in common cash	-	-	514
Amounts due from other funds	-	1,651	1,101
Amounts due from component units	-	-	-
Amounts due from federal agencies	-	-	-
Inventories	12,431	455	3,685
Other current assets	344	7,099	4,168
Total Current Assets	12,774	9,216	9,469
Capital Assets:			
Land and other non-depreciable assets	-	-	-
Buildings and equipment	50,178	10,484	20,198
Allowance for depreciation	(24,500)	(9,407)	(13,988)
Total capital assets	25,678	1,077	6,210
Total Assets	$ 38,453	$ 10,294	$ 15,679
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ 321	$ 9	$ 161
Accounts payable and other liabilities	2,622	2,905	11,694
Amounts due to other funds	1,401	327	8,127
Deferred revenue	-	-	-
Current portion of other long-term obligations	125	26	1,107
Total Current Liabilities	4,470	3,268	21,090
Long-Term Liabilities:			
Advances from other funds	7,295	-	-
Noncurrent portion of other long-term obligations	1,534	451	2,933
Total Liabilities	$ 13,299	$ 3,718	$ 24,022
NET ASSETS			
Invested in capital assets, net of related debt	$ 25,678	$ 1,077	$ 4,368
Restricted for other purposes	-	5,498	-
Unrestricted	(524)	-	(12,712)
Total Net Assets	$ 25,154	$ 6,575	$ (8,343)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
$ -	$ -	$ -	**$ 13**
36,188	9,136	193,364	**239,203**
3,022	-	19,783	**25,557**
-	-	92	**92**
-	-	20,000	**20,000**
21	-	-	**16,591**
3,600	1,550	18,863	**35,623**
42,831	10,686	252,102	**337,080**
9,170	-	-	**9,170**
523,849	4	-	**604,712**
(342,511)	(4)	-	**(390,409)**
190,507	-	-	**223,473**
$ 233,338	$ 10,686	$ 252,102	**$ 560,552**
$ 1,585	$ -	$ 91	**$ 2,169**
44,075	1,013	28,010	**90,320**
1,693	8	-	**11,557**
16,897	-	224	**17,121**
11,007	2,504	81,203	**95,972**
75,257	3,525	109,528	**217,138**
-	-	-	**7,295**
28,117	3,949	80,739	**117,721**
$ 103,374	$ 7,474	$ 190,267	**$ 342,154**
$ 175,016	$ -	$ -	**$ 206,140**
-	-	-	**5,498**
(45,052)	3,213	61,835	**6,760**
$ 129,964	$ 3,213	$ 61,835	**$ 218,398**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
OPERATING REVENUES			
Operating revenues	$ 39,963	$ 59,116	$ 113,045
Total Operating Revenues	39,963	59,116	113,045
OPERATING EXPENSES			
Salaries, wages, and other administrative	23,905	5,365	36,175
Depreciation	1,503	209	1,925
Purchases for resale	-	-	78,301
Purchases for prison industries	16,286	-	-
Premiums and claims	-	2,689	1
Other operating expenses:			
Leased vehicles expense	-	21,229	-
Vehicle maintenance expense	-	26,636	-
Total other operating expenses	-	47,865	-
Total Operating Expenses	41,694	56,129	116,401
Operating Income (Loss)	(1,731)	2,987	(3,357)
NONOPERATING REVENUES (EXPENSES)			
Other nonoperating revenues	-	142	24
Interest expense	(339)	-	(184)
Other nonoperating expense	(29)	-	(141)
Total Nonoperating Revenues (Expenses)	(368)	142	(301)
Income (Loss) Before Transfers	(2,100)	3,129	(3,658)
TRANSFERS			
Transfers to other funds	(191)	(26)	(109)
Change in net assets	(2,291)	3,103	(3,767)
Total net assets - Beginning of fiscal year - restated	27,445	3,472	(4,577)
Total net assets - End of fiscal year	$ 25,154	$ 6,575	$ (8,343)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	**TOTALS**
$ 456,265	$ 4,959	$ 1,056,035	**$ 1,729,382**
456,265	4,959	1,056,035	**1,729,382**
423,578	2,420	38,922	**530,366**
47,969	-	-	**51,606**
-	-	-	**78,301**
-	-	-	**16,286**
6	1,896	988,170	**992,761**
-	-	-	**21,229**
-	-	-	**26,636**
-	-	-	**47,865**
471,554	4,316	1,027,092	**1,717,185**
(15,289)	643	28,943	**12,197**
171	-	-	**336**
(552)	-	-	**(1,075)**
(6)	-	-	**(177)**
(387)	-	-	**(915)**
(15,676)	643	28,943	**11,282**
(988)	(14)	-	**(1,328)**
(16,664)	629	28,943	**9,953**
146,628	2,584	32,892	**208,445**
$ 129,964	$ 3,213	$ 61,835	**$ 218,398**

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 40,134	$ 57,369	$ 111,079
Payments to employees	(16,075)	(3,079)	(12,438)
Payments to suppliers	(16,886)	(53,108)	(99,532)
Claims paid	-	-	-
Other receipts	-	386	-
Other payments	(7,920)	-	-
Net cash provided (used) by operating activities	$ (748)	$ 1,568	$ (891)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	$ 1,557	$ 291	$ 7,956
Loans or loan repayments to other funds	-	(1,959)	(5,014)
Transfers to other funds	(191)	(26)	(109)
Other receipts	-	-	24
Net cash provided (used) by noncapital financing activities	$ 1,365	$ (1,694)	$ 2,857
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	$ (543)	$ (33)	$ (149)
Interest paid	(339)	-	-
Capital lease payments (including imputed interest expense)	-	-	(1,308)
Proceeds from sale of capital assets	-	142	13
Net cash provided (used) by capital and related financing activities	$ (882)	$ 109	$ (1,444)
Net cash provided (used) - all activities	$ (265)	$ (17)	$ 522
Cash and cash equivalents at beginning of year	(56)	19	(169)
Cash and cash equivalents at end of year	$ (321)	$ 3	$ 354
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	$ -	$ 12	$ 1
Equity in common cash	-	-	514
Warrants outstanding	(321)	(9)	(161)
Cash and cash equivalents at end of year	$ (321)	$ 3	$ 354
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (1,731)	$ 2,987	$ (3,357)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,503	209	1,925
Net Changes in Assets and Liabilities:			
Inventories	(1,608)	(73)	(298)
Other assets (net)	131	(813)	(1,892)
Accounts payable and other liabilities	957	(742)	2,731
Net cash provided (used) by operating activities	$ (748)	$ 1,568	$ (891)
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	$ -	$ -	$ 949
Capital lease liabilities entered into during the year	-	-	(949)
Gain (loss) on disposal of capital assets	(29)	-	(141)
Total noncash investing, capital, and financing activities	$ (29)	$ -	$ (141)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
$ 462,843	$ 4,959	$ 1,034,435	**$ 1,710,819**
(158,148)	(768)	-	**(190,508)**
(257,660)	(1,544)	(263,556)	**(692,286)**
-	(1,474)	(765,793)	**(767,267)**
-	-	-	**386**
-	-	-	**(7,920)**
$ 47,035	$ 1,174	$ 5,086	**$ 53,225**
$ -	$ -	$ 6,973	**$ 16,777**
-	-	(8,247)	**(15,220)**
(988)	(14)	-	**(1,328)**
-	-	-	**24**
$ (988)	$ (14)	$ (1,274)	**$ 252**
(29,622)	$ -	$ -	$ **(30,347)**
-	-	-	**(339)**
(9,469)	-	-	**(10,777)**
-	-	-	**155**
$ (39,091)	$ -	$ -	**$ (41,308)**
$ 6,956	$ 1,160	$ 3,812	**$ 12,168**
27,647	7,976	189,461	**224,879**
$ 34,603	$ 9,136	$ 193,273	**$ 237,047**
$ -	$ -	$ -	**$ 13**
36,188	9,136	193,364	**239,203**
(1,585)	-	(91)	**(2,169)**
$ 34,603	$ 9,136	$ 193,273	**$ 237,047**
$ (15,289)	$ 643	$ 28,943	**$ 12,197**
47,969	-	-	**51,606**
153	-	-	**(1,826)**
(6,536)	(50)	(29,344)	**(38,503)**
20,737	581	5,486	**29,751**
$ 47,035	$ 1,174	$ 5,086	**$ 53,225**
$ 9,896	$ -	$ -	**$ 10,845**
(9,896)	-	-	**(10,845)**
-	-	-	**(170)**
$ -	$ -	$ -	**$ (170)**

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PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

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

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS

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

LEGISLATIVE RETIREMENT FUND

Michigan Compiled Laws Section 38.1001 created the Legislative Retirement System (LRS) to provide retirement and other benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

Michigan Compiled Laws Section 38.1018 amended LRS' enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

STATE POLICE RETIREMENT FUND

This fund was created by MCL Section 38.1605. A nine-member board, under the direction of a chairperson elected from the membership, administers the fund to provide retirement benefits for State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by MCL Section 38.2 and is administered by a nine-member board under the direction of an Executive Secretary.

Effective March 31, 1997, MCL Section 38.13 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The law also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with MCL Section 38.1321, on October 1, 1981, the Public School Employees' Retirement Fund was established. An eight-member board governs administrative policy.

Employer contributions and investment earnings provide financing for the fund. Under MCL Section 38.1343a, employees may contribute additional amounts into a "member investment plan".

JUDGES' RETIREMENT FUND

Michigan Compiled Laws Section 38.2201 authorized the merger of the Probate Judges' Retirement Fund into the Judges' Retirement Fund by requiring the consolidation of all assets, rights, and obligations under the former Judges' and Probate Judges' Retirement Funds. The Judges' Retirement Board, with the director of the Office of Retirement Systems as the Executive Secretary, administers the consolidated fund. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

Michigan Compiled Laws Section 38.2401a, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by MCL Section 38.11 as a defined contribution pension plan for all State employees hired after March 31, 1997, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. Executive Order 1999-7 transferred administration of the fund from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer continues to oversee investment options.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND
ASSETS			
Cash	$ -	$ -	$ -
Equity in common cash	1,692	3,636	4,064
Receivables:			
Employee	120,834	-	-
Employer	497	105	4
Interest and dividends	-	51	34
Due from other funds	-	-	3,053
Due from component unit	-	-	-
Sale of investments	-	438	-
Investments at Fair Value:			
Short-term investments	-	-	21,844
Bonds, notes, mortgages, and preferred stock	-	-	192,055
Common stock	-	72,066	582,759
Real estate	-	-	100,633
Alternative investments	-	-	152,186
International investments	-	-	147,922
Mutual funds	1,755,376	108,138	-
Pooled investment funds	1,784,098	-	-
Money market funds	106,160	-	-
Securities lending collateral	-	-	187,448
Total Assets	$ 3,768,657	$ 184,434	$ 1,392,001
LIABILITIES			
Warrants outstanding	$ -	$ 31	$ 206
Accounts payable and other liabilities	-	879	100
Amounts due to other funds	-	3	-
Obligations under security lending	-	-	187,448
Total Liabilities	$ -	$ 914	$ 187,754
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits	$ 3,768,657	$ 183,520	$ 1,204,248
Reconciliation of Net Assets Held in Trust:			
Pension benefits	$ -	$ 170,100	$ 1,204,248
Postemployment health-care benefits	-	13,421	-
Deferred compensation participants	3,768,657	-	-
Total net assets held in trust for benefits	$ 3,768,657	$ 183,520	$ 1,204,248

STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
$ 33	$ 37	$ -	$ -	**$ 70**
10,614	81,618	1,104	203	**102,931**
-	-	-	62,526	**183,361**
81,610	567,959	177	96	**650,449**
305	1,208	9	-	**1,606**
35,175	-	-	-	**38,228**
350	-	-	-	**350**
-	-	-	-	**438**
233,081	1,176,086	3,694	-	**1,434,704**
1,763,012	7,050,167	51,921	-	**9,057,155**
5,250,577	20,826,454	146,681	-	**26,878,537**
946,375	3,245,484	34,805	-	**4,327,297**
1,303,531	5,491,258	29,834	-	**6,976,810**
1,328,694	5,274,474	35,038	-	**6,786,129**
-	-	-	343,433	**2,206,947**
-	-	-	224,016	**2,008,115**
-	-	-	109,332	**215,492**
1,699,065	6,711,645	48,687	-	**8,646,845**
$ 12,652,422	$ 50,426,390	$ 351,949	$ 739,607	**$ 69,515,461**
$ 1,728	$ 5,785	$ 48	$ -	**$ 7,799**
1,649	83,339	-	-	**85,967**
-	-	-	-	**3**
1,699,065	6,711,645	48,687	-	**8,646,845**
$ 1,702,442	$ 6,800,769	$ 48,735	$ -	**$ 8,740,614**
$ 10,949,980	$ 43,625,620	$ 303,214	$ 739,607	**$ 60,774,847**
$ 10,889,925	$ 42,995,406	$ 303,208	$ 739,607	**$ 56,302,494**
60,055	630,214	7	-	**703,696**
-	-	-	-	**3,768,657**
$ 10,949,980	$ 43,625,620	$ 303,214	$ 739,607	**$ 60,774,847**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND
ADDITIONS			
Contributions:			
From participants	$ 176,444	$ 202	$ 1,507
From employers	-	3,340	51,125
From other plans	5,675	-	-
From other governmental	-	-	-
Investment Income:			
Net appreciation (depreciation) in fair value of investments	155,366	7,279	113,989
Interest, dividends, and other	129,155	5,607	27,977
Securities lending income	-	-	4,389
Less Investment Expense:			
Investment activity expense	-	586	1,565
Securities lending expense	-	-	4,224
Net investment income (loss)	284,521	12,300	140,566
Miscellaneous income	1,127	1,661	4
Total Additions	467,768	17,502	193,202
DEDUCTIONS			
Benefits paid to participants or beneficiaries	221,225	9,122	82,317
Medical, dental, and life insurance for retirants	-	4,446	29,493
Refunds and transfers to other systems	214	5	143
Administrative expense	6,368	331	343
Transfers to other funds	-	-	1
Total Deductions	227,807	13,904	112,296
Net increase (decrease)	239,961	3,598	80,906
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - Beginning of fiscal year	3,528,696	179,922	1,123,341
Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - End of fiscal year	$ 3,768,657	$ 183,520	$ 1,204,248
Reconciliation of Net Increase in Assets:			
Net increase (decrease) in assets held in trust for pension benefits	$ -	$ 2,107	$ 84,119
Net increase (decrease) in assets held in trust for postemployment benefits	-	1,491	(3,213)
Net increase (decrease) in assets held in trust for deferred compensation participants	239,961	-	-
Total net increase (decrease)	$ 239,961	$ 3,598	$ 80,906

STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
$ 20,962	$ 590,413	$ 2,536	$ 25,163	**$ 817,227**
627,379	1,682,862	-	68,951	**2,433,658**
123	3	-	2	**5,803**
-	65	-	-	**65**
1,012,259	4,016,811	27,241	34,368	**5,367,313**
254,069	1,001,019	7,491	19,662	**1,444,980**
39,746	156,767	1,141	-	**202,043**
13,543	55,108	321	-	**71,124**
38,254	150,872	1,099	-	**194,449**
1,254,277	4,968,618	34,453	54,029	**6,748,764**
106	469	869	272	**4,509**
1,902,848	7,242,430	37,858	148,418	**10,010,026**
767,001	2,761,292	17,953	26,226	**3,885,135**
362,598	634,812	597	-	**1,031,945**
254	23,946	-	22	**24,584**
4,628	81,961	170	1,666	**95,466**
3	123	-	-	**126**
1,134,483	3,502,134	18,720	27,914	**5,037,257**
768,365	3,740,296	19,138	120,505	**4,972,770**
10,181,615	39,885,324	284,076	619,103	**55,802,077**
$ 10,949,980	$ 43,625,620	$ 303,214	$ 739,607	**$ 60,774,847**
$ 757,100	$ 3,633,957	$ 19,002	$ 120,505	**$ 4,616,789**
11,265	106,339	136	-	**116,020**
-	-	-	-	**239,961**
$ 768,365	$ 3,740,296	$ 19,138	$ 120,505	**$ 4,972,770**

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PRIVATE PURPOSE TRUST FUNDS

ESCHEATS FUND

The Escheats Fund operates under the authority of MCL Sections 567.221 – 567.265 and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the laws are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the laws.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

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

HOSPITAL PATIENTS' TRUST FUND

The Hospital Patients' Trust Fund operates under the authority of MCL Section 330.1730 and is used to account for funds of patients receiving services in State hospitals. The Department of Community Health, in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. The Department of Community Health distributes interest on a monthly basis to patients meeting minimum balance requirements.

MICHIGAN EDUCATION SAVINGS PROGRAM

Michigan Compiled Laws Section 390.1473 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes limited contributions into the program as prescribed by law. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	**TOTALS**
ASSETS					
Cash	$ -	$ 790	$ 23	$ 941	**$ 1,754**
Equity in common cash	85,676	17,360	149	-	**103,185**
Receivables:					
Interest and dividends	-	140	-	257	**397**
Investments at Fair Value:					
Bonds, notes, mortgages, and preferred stock	-	17,126	-	-	**17,126**
Common stock	-	145	-	-	**145**
Mutual funds	-	10	-	1,228,129	**1,228,138**
Guaranteed funding agreements	-	-	-	166,511	**166,511**
Securities lending collateral	-	5,938	-	-	**5,938**
Other current assets	2,765	2,891	12	1,314	**6,982**
Total Assets	$ 88,441	$ 44,399	$ 184	$ 1,397,153	**$ 1,530,176**
LIABILITIES					
Warrants outstanding	$ 883	$ 646	$ 18	$ -	**$ 1,546**
Accounts payable and other liabilities	60	5,347	3	1,641	**7,052**
Obligations under security lending	-	5,938	-	-	**5,938**
Total Liabilities	$ 943	$ 11,930	$ 20	$ 1,641	**$ 14,535**
NET ASSETS					
Net assets held in trust for other purposes	$ 87,498	$ 32,469	$ 163	$ 1,395,512	**$ 1,515,641**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	**TOTALS**
ADDITIONS					
Contributions:					
From participants	$ -	$ -	$ -	$ 287,556	**$ 287,556**
From clients	-	40,727	1,716	-	**42,443**
From gifts, bequests, and endowments	-	423	-	-	**423**
Investment Income:					
Net appreciation (depreciation) in fair value of investments	-	(139)	-	48,693	**48,555**
Interest, dividends, and other	-	879	9	55,461	**56,349**
Securities lending income	-	110	-	-	**110**
Less Investment Expense:					
Investment activity expense	-	-	-	4,255	**4,255**
Securities lending expense	-	108	-	-	**108**
Net investment income (loss)	-	743	9	99,899	**100,651**
Escheated property	45,274	-	-	-	**45,274**
Miscellaneous income	-	937	-	-	**937**
Total Additions	45,274	42,831	1,726	387,455	**477,286**
DEDUCTIONS					
Benefits paid to participants or beneficiaries	-	-	-	59,145	**59,145**
Amounts distributed to clients, claimants, or third parties	42,803	47,998	1,741	-	**92,542**
Administrative expense	6,910	40	-	-	**6,950**
Total Deductions	49,713	48,038	1,741	59,145	**158,637**
Net increase (decrease)	(4,439)	(5,207)	(16)	328,310	**318,648**
Net assets held in trust for others - Beginning of fiscal year	91,937	37,675	179	1,067,202	**1,196,993**
Net assets held in trust for others End of fiscal year	$ 87,498	$ 32,469	$ 163	$ 1,395,512	**$ 1,515,641**
Reconciliation of Net Increase in Assets:					
Net increase (decrease) in assets held in trust for other purposes	$ (4,439)	$ (5,207)	$ (16)	$ 328,310	**$ 318,648**
Total net increase (decrease)	$ (4,439)	$ (5,207)	$ (16)	$ 328,310	**$ 318,648**

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Environmental Quality has legal custody. The bonds held by this fund include bond deposits from the hazardous waste program and the solid waste program as provided by MCL Sections 324.11141 and 324.11523 and from the scrap tire program as provided in MCL Section 324.16903.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by MCL Section 500.411, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

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

CHILD SUPPORT COLLECTION FUND

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	STATE TREASURER'S ESCROW AND PAYING AGENT FUND	CHILD SUPPORT COLLECTION FUND	**TOTALS**
ASSETS					
Cash	$ -	$ -	$ 201	$ 61,749	**$ 61,950**
Equity in common cash	2,887	1,255	-	-	**4,141**
Investments at Fair Value:					
Short-term investments	-	-	13,504	-	**13,504**
Bonds, notes, mortgages, and preferred stock	-	-	20,285	-	**20,285**
Other current assets	-	-	1,281	5	**1,286**
Other noncurrent assets	-	382,639	-	-	**382,639**
Total Assets	$ 2,887	$ 383,894	$ 35,272	$ 61,754	**$ 483,806**
LIABILITIES					
Warrants outstanding	$ -	$ 72	$ -	$ -	**$ 72**
Accounts payable and other liabilities	2,887	1,183	14,939	60,680	**79,689**
Amounts due to other funds	-	-	-	1,073	**1,073**
Other long-term liabilities	-	382,639	20,333	-	**402,972**
Total Liabilities	$ 2,887	$ 383,894	$ 35,272	$ 61,754	**$ 483,806**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	BALANCE OCTOBER 1, 2005	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2006**
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 2,775	$ 201	$ 89	**$ 2,887**
Total Assets	$ 2,775	$ 201	$ 89	**$ 2,887**
LIABILITIES				
Accounts payable and other liabilities	$ 2,775	$ 201	$ 89	**$ 2,887**
Total Liabilities	$ 2,775	$ 201	$ 89	**$ 2,887**
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	$ 910	$ 92,289	$ 91,944	**$ 1,255**
Other noncurrent assets	379,745	115,006	112,112	**382,639**
Total Assets	$ 380,655	$ 207,295	$ 204,056	**$ 383,894**
LIABILITIES				
Warrants outstanding	$ 42	$ 29	$ -	**$ 72**
Accounts payable and other liabilities	588	92,681	92,087	**1,183**
Other long-term liabilities	380,025	115,006	112,392	**382,639**
Total Liabilities	$ 380,655	$ 207,717	$ 204,478	**$ 383,894**
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Cash	$ 1,557	$ 17,186	$ 18,542	**$ 201**
Investments at Fair Value:				
Short-term investments	11,051	15,048	12,594	**13,504**
Bonds, notes, mortgages, and preferred stock	33,789	-	13,504	**20,285**
Other current assets	1,704	4,136	4,559	**1,281**
Total Assets	$ 48,101	$ 36,370	$ 49,200	**$ 35,272**
LIABILITIES				
Accounts payable and other liabilities	$ 14,286	$ 22,212	$ 21,558	**$ 14,939**
Other long-term liabilities	33,815	13,483	26,965	**20,333**
Total Liabilities	$ 48,101	$ 35,694	$ 48,524	**$ 35,272**

CHILD SUPPORT COLLECTION FUND	BALANCE OCTOBER 1, 2005	ADDITIONS	DEDUCTIONS	**BALANCE SEPTEMBER 30, 2006**
ASSETS				
Cash	$ 67,920	$ 1,594,546	$ 1,600,717	**$ 61,749**
Other current assets	152	5	152	**5**
Total Assets	$ 68,072	$ 1,594,551	$ 1,600,870	**$ 61,754**
LIABILITIES				
Accounts payable and other liabilities	$ 66,993	$ 1,639,290	$ 1,645,603	**$ 60,680**
Amounts due to other funds	1,079	5,713	5,718	**1,073**
Total Liabilities	$ 68,072	$ 1,645,003	$ 1,651,321	**$ 61,754**
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 69,477	$ 1,611,733	$ 1,619,260	**$ 61,950**
Equity in common cash	3,685	92,489	92,033	**4,141**
Investments at Fair Value:				
Short-term investments	11,051	15,048	12,594	**13,504**
Bonds, notes, mortgages, and preferred stock	33,789	-	13,504	**20,285**
Other current assets	1,856	4,141	4,711	**1,286**
Other noncurrent assets	379,745	115,006	112,112	**382,639**
Total Assets	$ 499,603	$ 1,838,417	$ 1,854,214	**$ 483,806**
LIABILITIES				
Warrants outstanding	$ 42	$ 29	$ -	**$ 72**
Accounts payable and other liabilities	84,641	1,754,384	1,759,336	**79,689**
Amounts due to other funds	1,079	5,713	5,718	**1,073**
Other long-term liabilities	413,840	128,489	139,357	**402,972**
Total Liabilities	$ 499,603	$ 1,888,615	$ 1,904,412	**$ 483,806**

COMPONENT UNITS – AUTHORITIES

FARM PRODUCE INSURANCE AUTHORITY

Michigan Compiled Laws Section 285.315 created the Farm Produce Insurance Authority as a public body corporate. Operating under MCL Sections 285.311 – 285.331, the Authority is governed and administered by a nine-member board of directors. The Authority administers a program in which producers of dry beans, grain, or corn may contribute to the Farm Produce Insurance Fund, a percentage of their net proceeds from all farm produce sold by the producer to a licensee in this State. Under this program the producer may recover from the fund for losses caused by the licensed grain dealer's financial failure.

LAND BANK FAST TRACK AUTHORITY

Michigan Compiled Laws Section 124.765 created the Land Bank Fast Track Authority (LBFTA) to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of the property and to promote economic growth within the State. The LBFTA receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

The LBFTA's seven-member governing board consists of the Director of the Department of Labor and Economic Growth, the Chief Executive Officer of the Michigan Economic Development Corporation or his or her designee, the Executive Director of the Michigan State Housing Development Authority or his or her designee, and four members appointed by the Governor.

MACKINAC BRIDGE AUTHORITY

Michigan Compiled Laws Section 254.302 created the Mackinac Bridge Authority (MBA). Michigan Compiled Laws Section 254.314 empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MACKINAC ISLAND STATE PARK COMMISSION

Established in 1927, the Mackinac Island State Park Commission currently operates under MCL Sections 324.76701 – 324.76709. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN BROADBAND DEVELOPMENT AUTHORITY

Michigan Compiled Laws Section 484.3204 created the Michigan Broadband Development Authority (MBDA) to assist in the build out and utilization of high-speed broadband internet service and infrastructure across the State. It is the responsibility of the authority to remain financially self-sufficient by generating revenues from project lending and joint venture activity.

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

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

The Michigan Early Childhood Investment Corporation was created by an interlocal agreement between the Department of Human Services and participating intermediate school districts. The interlocal agreement was entered into pursuant to MCL Sections 124.501 – 124.512. The corporation's primary objective is to administer activities related to early childhood development.

The governing body of each participant shall appoint one member of the Corporation Board to serve at the will of the participant. For each member of the Corporation Board appointed by the governing body of a participant, the Governor shall appoint up to two members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five participants, the Governor may appoint up to twelve additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participants. In addition, the Corporation shall have an Executive Committee of fifteen members, all appointed by the Governor. The committee shall exercise the powers of the Corporation.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article VII, Section 28 of the Michigan State Constitution of 1963 and MCL Sections 124.501 – 124.512, is a public body corporate. Created by a ten-year contract (inter-local agreement) between participating local economic development corporations formed under MCL Sections 125.1601 – 125.1636 and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 20 members appointed to eight-year, staggered terms.

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY

Michigan Compiled Laws Section 285.164 created the Michigan Exposition and Fairgrounds Authority (MEFA) as a public body corporate within the Department of Management and Budget. MEFA is responsible for conducting an annual State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State. Fund revenues are derived from the annual State Fair and other exhibits, leases, rentals, or other charges for the use of the buildings and grounds scheduled during the year.

MEFA's eleven-member governing board consists of the directors of the Department of Agriculture and the Department of Management and Budget, and nine members serving fixed terms appointed by the Governor with the advice and consent of the Senate.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

Michigan Compiled Laws Section 390.951 created the Michigan Higher Education Assistance Authority (MHEAA). It is governed by a sixteen-member board, appointed by the Governor, with the advice and consent of the Senate. MHEAA is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan and to administer scholarship and grant programs in accordance with State laws. The federal government reimburses MHEAA for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Michigan Complied Laws Section 390.923 authorized the creation of the Michigan Higher Education Facilities Authority (MHEFA) for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. The MHEFA consists of an eleven-member commission, nine are appointed by the Governor with the advice and consent of the Senate and two are ex-officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, however these bonds do not constitute an obligation of the State or MHEFA, therefore no liabilities have been recorded. Annual service fees to higher education institutions finance MHEFA's administrative operations.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Michigan Compiled Laws Section 390.1153 authorized the establishment of the Michigan Higher Education Student Loan Authority (MHESLA) to make loans to qualified students (or their parents) attending participating institutions of higher education. MHESLA may issue revenue-dedicated debt in principal amounts necessary to provide funds for achieving its purpose. A board comprised of the same members as Michigan Higher Education Assistance Authority governs MHESLA. The Governor, with the consent of the Senate, appoints the 16 members. The State Treasurer, an ex-officio member, serves as chairman of the board.

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

The Michigan Public Educational Facilities Authority was organized by MCL Section 12.192. The Authority was created in response to the passage of the federal Economic Growth and Tax Relief Reconciliation Act of 2001. This act authorizes the issuance of "qualified public educational facility bonds" as tax exempt facility bonds.

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

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Michigan State Hospital Finance Authority (MSHFA) was organized under MCL Sections 331.31 – 331.84 to lend money to nonprofit, nonpublic hospitals and health-care corporations for capital improvements or debt refinancing. The law also empowers MSHFA to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The MSHFA's board is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex-officio (the State Treasurer and the Director of the Department of Community Health). Some of MSHFA's revenue and mortgage bonds have been defeased by the various borrowers by placing proceeds of new bonds in an escrow with the State Treasurer or trustee as escrow agent. Such defeased bonds and related investments are reported in the State Treasurer's Escrow and Paying Agent Fund.

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

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by MCL Section 125.2005 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. Michigan Compiled Laws Section 408.40 transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF and placed MSF as an autonomous entity in the Department of Management and Budget. In 2003, MCL Section 445.2011 transferred MSF from the Department of Management and Budget to the Department of Labor and Economic Growth. As part of the tobacco securitization legislation passed November 21, 2005, MCL Section 125.2005 transferred MSF to the Department of Treasury. MSF is governed by a board of nine members, consisting of the directors of the State Departments of Labor and Economic Growth and Treasury, and the Chief Executive Officer of the Michigan Economic Development Corporation. The Governor, with the advise and consent of the Senate, appoints the other six members; none of those six may be an employee of the State.

STATE BAR OF MICHIGAN

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

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
AUTHORITIES
SEPTEMBER 30, 2006
(In Thousands)

	FARM PRODUCE INSURANCE AUTHORITY	LAND BANK FAST TRACK AUTHORITY	MACKINAC BRIDGE AUTHORITY
ASSETS			
Current Assets:			
Cash	$ 25	$ -	$ 845
Equity in common cash	-	2,486	-
Amounts due from component units	-	-	-
Amounts due from primary government	-	-	-
Amounts due from federal government	-	-	-
Amounts due from local units	-	-	-
Inventories	-	-	-
Investments	499	-	8,750
Other current assets	562	-	208
Total Current Assets	1,086	2,486	9,803
Restricted Assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Mortgages and loans receivable	-	-	-
Investments	-	-	17,066
Capital Assets:			
Land and other non-depreciable assets	-	9,529	125
Buildings, equipment, and other depreciable assets	-	-	8,458
Less accumulated depreciation	-	-	(4,005)
Infrastructure	-	-	102,722
Construction in progress	-	-	-
Total capital assets	-	9,529	107,300
Other noncurrent assets	-	-	-
Total Assets	$ 1,086	$ 12,015	$ 134,169
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ -
Accounts payable and other liabilities	3	36	1,477
Amounts due to component units	-	-	-
Amounts due to primary government	40	5	1,450
Bonds and notes payable	-	-	-
Interest payable	-	-	-
Deferred revenue	-	-	879
Current portion of other long-term obligations	-	3	250
Total Current Liabilities	43	44	4,056
Bonds and notes payable	-	245	-
Noncurrent portion of other long-term obligations	-	30	264
Total Liabilities	$ 43	$ 319	$ 4,320
NET ASSETS			
Invested in capital assets, net of related debt	$ -	$ 9,529	$ 107,300
Restricted For:			
Education	-	-	-
Construction and debt service	-	-	-
Other purposes	-	-	-
Unrestricted	1,043	2,167	22,550
Total Net Assets	$ 1,043	$ 11,696	$ 129,850

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN BROADBAND DEVELOPMENT AUTHORITY	MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY
$ 565	$ 192	$ 7	$ 3,948	$ 4
-	-	-	26,939	1,198
-	-	-	154	-
507	-	2,823	-	-
-	-	-	610	-
-	-	-	-	-
717	-	-	-	-
-	-	-	20,488	-
53	2,834	523	4,822	437
1,842	3,026	3,353	56,961	1,638
1,187	-	203	-	-
2,950	-	-	-	-
-	12,120	-	27,497	-
-	-	-	5,343	-
337	-	-	-	3,360
9,516	-	-	16,584	12,346
(6,614)	-	-	(5,565)	(7,426)
-	-	-	-	-
28	-	-	-	-
3,267	-	-	11,019	8,279
-	-	-	-	39
$ 9,246	$ 15,145	$ 3,555	$ 100,821	$ 9,956
$ -	$ -	$ -	$ 97	$ 362
77	12	2,798	10,158	1,317
-	-	-	-	-
-	48	495	161	16
260	-	-	-	-
16	-	-	-	-
55	-	-	37	-
-	2,862	-	1,179	40
409	2,923	3,293	11,632	1,735
1,337	-	-	-	-
-	12,296	-	1,585	56
$ 1,745	$ 15,219	$ 3,293	$ 13,217	$ 1,792
$ 1,654	$ -	$ -	$ 11,019	$ 8,279
-	-	263	-	-
2,885	-	-	-	-
1,978	-	-	-	-
983	(73)	-	76,584	(115)
$ 7,501	$ (73)	$ 263	$ 87,603	$ 8,165

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
AUTHORITIES (Continued)
SEPTEMBER 30, 2006
(In Thousands)

	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
ASSETS			
Current Assets:			
Cash	$ 8,071	$ -	$ 44,746
Equity in common cash	-	-	-
Amounts due from component units	-	-	-
Amounts due from primary government	-	467	89
Amounts due from federal government	2,883	-	-
Amounts due from local units	-	-	-
Inventories	-	-	-
Investments	7,490	-	623,988
Other current assets	1,215	36	251,858
Total Current Assets	19,658	502	920,681
Restricted Assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Mortgages and loans receivable	-	-	1,620,331
Investments	4,500	-	23,448
Capital Assets:			
Land and other non-depreciable assets	-	-	-
Buildings, equipment, and other depreciable assets	2,061	-	-
Less accumulated depreciation	(810)	-	-
Infrastructure	-	-	-
Construction in progress	-	-	-
Total capital assets	1,252	-	-
Other noncurrent assets	-	-	18,978
Total Assets	$ 25,409	$ 502	$ 2,583,438
LIABILITIES			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ 3,957
Accounts payable and other liabilities	3	-	-
Amounts due to component units	-	-	-
Amounts due to primary government	685	-	-
Bonds and notes payable	-	-	25,975
Interest payable	-	-	8,536
Deferred revenue	-	-	-
Current portion of other long-term obligations	21	-	70
Total Current Liabilities	709	-	38,538
Bonds and notes payable	-	-	2,329,425
Noncurrent portion of other long-term obligations	483	29	46,448
Total Liabilities	$ 1,192	$ 29	$ 2,414,410
NET ASSETS			
Invested in capital assets, net of related debt	$ 1,252	$ -	$ -
Restricted For:			
Education	-	-	-
Construction and debt service	-	-	15,025
Other purposes	22,966	-	-
Unrestricted	-	473	154,003
Total Net Assets	$ 24,218	$ 473	$ 169,028

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN STRATEGIC FUND	STATE BAR OF MICHIGAN	TOTALS
$ 5,391	$ 462	$ 223	$ 2,623	$ 67,102
-	-	40,166	-	70,788
-	-	-	-	154
125	34	-	-	4,044
-	-	20,766	-	24,259
8,720	4	-	-	8,724
-	-	-	-	717
-	2,386	-	3,461	667,061
29	888	2,278	613	266,355
14,264	3,775	63,433	6,697	1,109,205
-	-	4,155	-	5,545
-	68	-	-	3,018
-	-	16,045	-	1,675,992
-	2,209	8,657	-	61,223
-	-	-	381	13,732
		-		
-	64	-	11,508	60,537
-	(60)	-	(5,625)	(30,104)
-	-	-	-	102,722
-	-	-	-	28
-	4	-	6,264	146,914
-	-	-	-	19,017
$ 14,264	$ 6,056	$ 92,290	$ 12,961	$ 3,020,915
$ -	$ -	$ 594	$ -	$ 5,009
-	34	29,123	773	45,812
-	-	154	-	154
-	-	20	-	2,921
8,961	-	-	-	35,196
58	-	-	-	8,610
-	1	46	393	1,411
-	-	911	-	5,336
9,019	35	30,848	1,166	104,448
-	-	-	-	2,331,007
31	214	3,686	-	65,121
$ 9,050	$ 249	$ 34,533	$ 1,166	$ 2,500,576
$ -	$ 4	$ -	$ 6,264	$ 145,301
-	-	-	-	263
-	-	-	-	17,909
5,092	-	-	-	30,036
122	5,803	57,757	5,531	326,830
$ 5,214	$ 5,808	$ 57,757	$ 11,795	$ 520,339

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Farm Produce Insurance Authority	$ 519	$ 1,555	$ -	$ -	$ 1,036
Land Bank Fast Track Authority	751	-	255	5,450	4,954
Mackinac Bridge Authority	13,002	14,503	-	-	1,501
Mackinac Island State Park Commission	4,367	3,953	218	-	(196)
Michigan Broadband Development Authority	1,159	-	14,980	-	13,821
Michigan Early Childhood Investment Corporation	8,830	-	9,092	-	263
Michigan Economic Development Corporation	124,070	-	37,351	-	(86,719)
Michigan Exposition and Fairgrounds Authority	6,297	-	5,718	-	(579)
Michigan Higher Education Assistance Authority	142,443	21,373	121,804	-	733
Michigan Higher Education Facilities Authority	149	139	-	-	(10)
Michigan Higher Education Student Loan Authority	124,659	118,584	-	-	(6,075)
Michigan Public Educational Facilities Authority	148	268	-	-	120
Michigan State Hospital Finance Authority	887	999	-	-	113
Michigan Strategic Fund	123,493	2,138	53,863	-	(67,493)
State Bar of Michigan	10,405	11,326	-	-	921
Total	$ 561,179	$ 174,839	$ 243,280	$ 5,450	$ (137,610)

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR	NET ASSETS END OF YEAR
$ 6	$ -	$ -	$ 1,043	$ -	$ 1,043
22	-	2,440	7,416	4,280	11,696
1,043	-	-	2,543	127,306	129,850
124	-	-	(72)	7,573	7,501
29	-	602	14,451	(14,525)	(73)
-	-	-	263	-	263
1,312	-	8,129	(77,278)	164,882	87,603
12	-	-	(567)	8,731	8,165
-	-	-	733	23,485	24,218
16	-	-	6	468	473
31,660	-	-	25,585	143,443	169,028
254	-	52	427	4,788	5,214
188	-	-	301	5,506	5,808
-	52,829	72,272	57,608	149	57,757
401	-	-	1,323	10,473	11,795
$ 35,068	$ 52,829	$ 83,494	$ 33,781	$ 486,558	$ 520,339

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

COMPONENT UNITS – STATE UNIVERSITIES

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

The information presented in this report for the ten universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2006. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2006
(In Thousands)

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	$ 69,143	$ 33,019	$ 4,724	$ 7,013
Amounts due from component units	-	-	-	-
Amounts due from primary government	18,759	10,308	31,992	2,364
Amounts due from federal government	2,722	23	1,832	285
Amounts due from local units	-	-	-	-
Inventories	923	1,357	1,690	376
Investments	-	31,210	30,098	-
Other current assets	16,920	4,334	11,146	1,015
Total Current Assets	108,467	80,251	81,482	11,053
Restricted Assets:				
Cash and cash equivalents	-	-	445	1,144
Investments	71,932	12,577	-	3,928
Mortgages and loans receivable	11,304	18,344	7,672	-
Mortgages and loans receivable	-	-	-	2,512
Investments	-	35,235	106,892	8,027
Capital Assets:				
Land and other non-depreciable assets	10,590	5,498	29,900	2,517
Buildings, equipment, and other depreciable assets	489,453	333,234	548,745	133,845
Less accumulated depreciation	(226,297)	(140,518)	(136,107)	(66,335)
Construction in progress	39,269	1,043	7,522	4,164
Total capital assets	313,015	199,256	450,060	74,189
Other noncurrent assets	8,646	1,568	7,117	-
Total Assets	$ 513,366	$ 347,231	$ 653,668	$ 100,853
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 32,878	$ 13,815	$ 36,793	$ 1,700
Amounts due to primary government	455	-	60	176
Bonds and notes payable	4,852	2,790	10,567	880
Interest payable	3,836	906	862	180
Deferred revenue	7,406	5,727	12,656	760
Current portion of other long-term obligations	-	250	3,081	588
Total Current Liabilities	49,426	23,487	64,019	4,284
Deferred revenue	220	892	-	-
Bonds and notes payable	151,669	75,585	148,096	28,460
Noncurrent portion of other long-term obligations	2,396	6,934	748	4,140
Total Liabilities	$ 203,711	$ 106,899	$ 212,864	$ 36,884
NET ASSETS				
Invested in capital assets, net of related debt	$ 189,229	$ 125,002	$ 295,291	$ 45,248
Restricted For:				
Education	-	23,268	15,709	13,004
Construction and debt service	26,288	-	1,878	688
Other purposes	17,691	-	-	3,160
Funds Held as Permanent Investments:				
Expendable	-	5,417	22,034	-
Nonexpendable	47,112	12,577	22,306	-
Unrestricted	29,335	74,070	83,587	1,868
Total Net Assets	$ 309,655	$ 240,332	$ 440,804	$ 63,969

MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	TOTALS
$ 14,682	$ 36,705	$ 34,506	$ 25,085	$ 224,879
-	180	-	-	180
9,787	11,706	9,530	15,207	109,652
2,767	3,032	1,691	1,841	14,193
-	10	80	-	91
1,590	1,177	252	1,466	8,830
41,193	19,547	-	7	122,054
8,992	3,967	9,901	5,589	61,865
79,012	76,324	55,960	49,194	541,743
5,071	-	-	1,457	8,117
39,625	25,424	32,599	-	186,086
-	-	1,830	-	39,150
12,755	6,505	-	32	21,804
6,160	25,513	74,015	28,344	284,186
12,961	5,380	4,325	2,514	73,684
322,370	313,599	368,233	324,634	2,834,111
(117,633)	(111,850)	(147,211)	(101,572)	(1,047,523)
4,047	18,828	8,858	3,935	87,665
221,743	225,957	234,205	229,511	1,947,937
7,029	1,056	2,265	6,695	34,377
$ 371,395	$ 360,779	$ 400,872	$ 315,234	$ 3,063,398
$ 14,651	$ 16,359	$ 15,228	$ 12,628	$ 144,053
695	56	335	-	1,778
955	1,967	3,183	2,011	27,204
407	-	225	-	6,415
2,341	5,050	6,277	4,294	44,510
3,195	811	2,646	129	10,699
22,244	24,243	27,894	19,061	234,659
-	-	1,936	-	3,048
47,225	102,454	105,705	88,509	747,703
6,883	10,905	2,473	2,575	37,055
$ 76,352	$ 137,602	$ 138,008	$ 110,146	$ 1,022,465
$ 170,549	$ 144,289	$ 144,713	$ 141,937	$ 1,256,258
66,652	24,876	18,710	4,402	166,621
-	-	-	799	29,653
-	-	-	-	20,850
-	-	8,807	-	36,257
43,038	-	11,822	30,639	167,494
14,805	54,012	78,812	27,311	363,800
$ 295,043	$ 223,177	$ 262,864	$ 205,088	$ 2,040,933

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2006
(In Thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE
Eastern Michigan University	$ 287,242	$ 189,792	$ 21,123	$ 229	$ (76,098)
Ferris State University	186,931	121,204	17,853	-	(47,875)
Grand Valley State University	264,204	177,196	30,973	4,875	(51,161)
Lake Superior State University	44,301	20,958	7,060	894	(15,389)
Michigan Technological University	170,180	72,913	45,583	2,541	(49,143)
Northern Michigan University	134,816	75,586	20,675	95	(38,460)
Oakland University	182,873	115,683	20,631	400	(46,159)
Saginaw Valley State University	97,360	57,303	12,174	-	(27,883)
Total	$ 1,367,907	$ 830,635	$ 176,071	$ 9,034	$ (352,167)

GENERAL REVENUES					
INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	CHANGE IN NET ASSETS	NET ASSETS BEGINNING OF YEAR RESTATED	NET ASSETS END OF YEAR
$ 3,403	$ 80,464	$ 2,862	$ 10,630	$ 299,025	$ 309,655
3,132	49,148	6,184	10,590	229,742	240,332
3,557	61,588	4,593	18,576	422,228	440,804
1,326	12,461	-	(1,602)	65,571	63,969
3,641	48,404	-	2,902	292,141	295,043
4,828	45,663	-	12,031	211,146	223,177
4,641	51,531	-	10,012	252,852	262,864
2,851	27,706	7,683	10,357	194,731	205,088
$ 27,378	$ 376,964	$ 21,322	$ 73,498	$ 1,967,436	$ 2,040,933

STATE OF MICHIGAN
E PLURIBUS UNUM
TUEBOR
SI QUÆRIS PENINSULAM AMŒNAM
CIRCUMSPICE
Office of the State Budget

III. STATISTICAL SECTION

STATE OF MICHIGAN
E PLURIBUS UNUM
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Office of the State Budget

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Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

NOTES:

The State of Michigan implemented GASB Statement No. 34 in fiscal year 2001; therefore, some schedules only include financial data beginning in that year.

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003
Governmental activities			
Invested in capital assets, net of related debt	$ 15,129,844	$ 15,014,812	$ 14,996,945
Restricted	2,849,171	2,016,570	1,886,336
Unrestricted	1,404,776	338,575	(652,923)
Total governmental activities net assets	$ 19,383,790	$ 17,369,957	$ 16,230,358
Business-type activities			
Invested in capital assets, net of related debt	$ 287	$ 443	$ 581
Restricted	3,121,417	2,563,917	1,765,699
Unrestricted	6,388	4,433	4,295
Total business-type activities net assets	$ 3,128,093	$ 2,568,793	$ 1,770,575
Primary government			
Invested in capital assets, net of related debt	$ 15,130,131	$ 15,015,255	$ 14,997,525
Restricted	5,970,588	4,580,487	3,652,035
Unrestricted	1,411,164	343,008	(648,628)
Total primary government net assets	$ 22,511,883	$ 19,938,749	$ 18,000,933
Reconciliation of net assets			
Beginning net assets	$ 22,586,033	$ 22,511,883	$ 19,938,749
Restatement of beginning net assets	-	-	-
Beginning net assets-restated	22,586,033	22,511,883	19,938,749
Statement of Activities-changes in net assets	(74,150)	(2,573,134)	(1,937,817)
Ending net assets	$ 22,511,883	$ 19,938,749	$ 18,000,933

2004	2005	2006
$ 14,962,902	$ 15,245,452	$ 15,827,600
1,993,335	2,086,764	2,064,965
(960,684)	(932,221)	(1,724,799)
$ 15,995,554	$ 16,399,994	$ 16,167,767
$ 566	$ 582	$ 412
1,164,540	894,513	621,982
5,910	6,891	7,827
$ 1,171,016	$ 901,986	$ 630,220
$ 14,963,468	$ 15,246,033	$ 15,828,012
3,157,875	2,981,277	2,686,947
(954,774)	(925,330)	(1,716,972)
$ 17,166,569	$ 17,301,980	$ 16,797,987
$ 18,000,933	$ 17,166,569	$ 17,301,980
203,870	75,489	188,188
18,204,803	17,242,058	17,490,168
(1,038,233)	59,922	(692,181)
$ 17,166,569	$ 17,301,980	$ 16,797,987

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003
Expenses			
Governmental activities:			
General government	$ 1,735,152	$ 1,560,139	$ 1,714,827
Education	14,109,560	14,696,060	14,839,951
Human services	3,627,815	3,792,086	3,891,686
Public safety and corrections	2,098,619	2,161,486	2,159,537
Conservation, environment, recreation, and agriculture	682,875	691,796	612,638
Labor, commerce, and regulatory	884,129	898,235	901,562
Health services	8,535,965	8,952,390	9,362,895
Transportation	2,766,735	3,268,241	2,792,752
Tax expenditures (Note 15)	532,800	615,100	707,800
Intergovernmental-revenue sharing	1,555,799	1,517,303	1,451,374
Interest on long-term debt	221,333	248,263	281,408
Total governmental activities	36,750,783	38,401,099	38,716,430
Business-type activities:			
Liquor Purchase Revolving Fund	479,359	494,696	515,243
State Lottery Fund	1,132,767	1,153,280	1,152,760
Attorney Discipline System	-	-	-
Michigan Unemployment Compensation Funds	1,485,947	2,328,713	2,473,817
Total business-type activities	3,098,072	3,976,689	4,141,820
Total primary government expenses	$ 39,848,855	$ 42,377,787	$ 42,858,249
Program Revenues			
Governmental activities:			
Charges for services:			
General government	$ 612,104	$ 664,533	$ 670,680
Education	12,836	10,587	14,030
Human services	66,365	54,982	49,917
Public safety and corrections	98,075	113,058	111,843
Conservation, environment, recreation, and agriculture	262,367	233,430	236,157
Labor, commerce, and regulatory	204,650	256,314	252,982
Health services	42,959	56,822	229,826
Transportation	197,536	219,129	217,466
Operating grants and contributions	10,255,342	10,848,672	11,290,702
Capital grants and contributions	667,437	589,530	546,713
Total governmental activities program revenue	$ 12,419,671	$ 13,047,057	$ 13,620,316
Business-type activities:			
Charges for services:			
Liquor Purchase Revolving Fund	$ 592,084	$ 607,413	$ 638,170
State Lottery Fund	1,655,683	1,729,938	1,700,313
Attorney Discipline System	-	-	-
Michigan Unemployment Compensation Funds	1,050,123	1,426,748	1,701,364
Operating grants and contributions	313,629	535,524	135,116
Total business-type activities program revenue	3,611,520	4,299,623	4,174,964
Total primary government program revenues	$ 16,031,192	$ 17,346,681	$ 17,795,280
Net (Expenses)/Revenues			
Governmental activities	$ (24,331,111)	$ (25,354,041)	$ (25,096,114)
Business-type activities	513,448	322,935	33,144
Total primary government net expense	$ (23,817,663)	$ (25,031,106)	$ (25,062,969)

2004	2005	2006
$ 1,748,598	$ 1,877,410	$ 2,288,504
14,418,940	14,531,388	14,695,186
3,985,861	4,154,811	4,384,311
2,256,393	2,320,406	2,541,630
674,387	652,326	688,407
920,056	936,467	951,519
9,605,216	10,179,705	9,963,373
3,104,841	3,106,993	3,133,137
702,700	815,300	834,000
1,305,146	1,112,931	1,103,625
246,992	287,519	306,788
38,969,130	39,975,258	40,890,480
544,683	557,377	582,982
1,391,385	1,447,285	1,584,186
4,056	3,856	4,122
2,349,400	1,892,486	1,990,197
4,289,524	3,901,003	4,161,487
$ 43,258,653	$ 43,876,261	$ 45,051,967
$ 826,573	$ 876,151	$ 965,130
5,277	4,858	9,306
58,170	53,400	56,367
154,440	155,683	160,829
254,861	269,035	251,591
247,857	238,229	262,021
57,071	72,062	72,564
197,125	201,598	84,280
11,783,472	11,792,127	11,624,786
618,445	805,580	779,269
$ 14,203,291	$ 14,468,723	$ 14,266,144
$ 675,747	$ 688,928	$ 718,085
2,002,688	2,082,229	2,232,204
4,593	4,588	4,631
1,817,576	1,646,311	1,727,761
76,762	54,148	53,932
4,577,366	4,476,205	4,736,614
$ 18,780,657	$ 18,944,928	$ 19,002,757
$ (24,765,839)	$ (25,506,535)	$ (26,624,336)
287,843	575,202	575,127
$ (24,477,996)	$ (24,931,333)	$ (26,049,209)

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS (Continued)
(In Thousands)
(Accrual Basis of Accounting)

	2001	2002	2003
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
General:			
Sales and use	$ 2,555,186	$ 2,560,816	$ 2,475,020
Personal income	5,483,584	4,549,592	4,569,230
Single business	2,207,500	1,783,582	1,824,292
Other	1,179,461	1,205,529	1,265,175
Restricted For Educational Purposes:			
Sales and use	5,117,360	5,177,407	5,081,189
Personal income	2,003,475	1,761,334	1,816,390
Education, property, and real estate transfers	1,742,445	1,847,603	2,408,728
Other	636,984	694,690	791,958
Restricted For Transportation Purposes:			
Sales and use	74,415	77,676	79,440
Gasoline and diesel fuel	1,077,187	1,090,866	1,089,558
Motor vehicle weight	777,903	827,347	844,695
Other	6,766	6,727	7,402
Unrestricted investment and interest earnings	159,194	51,657	14,132
Miscellaneous	668,970	790,940	813,608
Contributions to permanent fund principal	38,415	19,928	31,938
Transfers	737,635	894,513	843,762
Total governmental activities	$ 24,466,480	$ 23,340,208	$ 23,956,515
Business-type activities:			
Taxes	10,419	10,707	11,297
Investment earnings	4,248	1,562	1,102
Miscellaneous	1	8	-
Transfers	(737,635)	(894,513)	(843,762)
Total business-type activities	(722,967)	(882,235)	(831,363)
Total primary government	$ 23,743,513	$ 22,457,973	$ 23,125,153
Changes in Net Assets			
Governmental activities	$ 135,369	$ (2,013,834)	$ (1,139,599)
Business-type activities	(209,519)	(559,300)	(798,218)
Total primary government	$ (74,150)	$ (2,573,134)	$ (1,937,817)

2004	2005	2006
$ 2,565,865	$ 2,663,226	$ 2,665,614
4,693,512	5,036,282	5,123,885
1,773,325	1,934,003	1,926,884
1,640,244	2,209,052	2,189,417
5,143,414	5,283,583	5,240,334
1,896,860	2,019,932	2,069,435
2,142,706	2,236,159	2,320,578
775,297	754,431	759,440
64,960	56,924	66,405
1,070,488	1,068,565	1,054,766
933,822	863,367	867,663
7,721	6,719	5,974
9,728	14,141	9,991
677,848	788,809	1,003,976
30,759	41,033	35,153
901,580	859,260	864,406
$ 24,328,129	$ 25,835,487	$ 26,203,921
11,989	12,194	12,654
1,225	2,784	4,861
-	50	-
(901,580)	(859,260)	(864,406)
(888,366)	(844,232)	(846,892)
$ 23,439,763	$ 24,991,255	$ 25,357,029
$ (437,710)	$ 328,952	$ (420,415)
(600,524)	(269,030)	(271,766)
$ (1,038,233)	$ 59,922	$ (692,181)

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	1997	1998	1999	2000
General Fund				
Reserved	$ 993,865	$ 1,210,198	$ 1,575,960	$ 1,889,523
Unreserved	53,277	55,172	-	211,810
Total general fund	$ 1,047,142	$ 1,265,370	$ 1,575,960	$ 2,101,333
All Other Governmental Funds				
Reserved	1,579,490	1,141,022	1,014,183	1,396,417
Unreserved, reported in:				
Special revenue funds	949,085	1,561,102	2,112,480	2,358,165
Debt service funds	225,981	283,737	246,973	291,822
Capital projects funds	(467,405)	(154,903)	(265,559)	(513,593)
Permanent funds	-	-	-	-
Total all other governmental funds	$ 2,287,151	$ 2,830,958	$ 3,108,077	$ 3,532,811
Reconciliation of governmental fund balances				
Beginning fund balances	$ 3,032,942	$ 3,334,293	$ 4,096,329	$ 4,684,037
Restatement of beginning fund balances	-	(150,194)	21,911	-
Beginning fund balances-restated	3,032,942	3,184,099	4,118,239	4,684,037
Excess of revenues and other sources over	-	-	-	-
(under) expenditures and other uses	301,351	912,230	565,798	950,107
Ending fund balances	$ 3,334,293	$ 4,096,329	$ 4,684,037	$ 5,634,144

2001	2002	2003	2004	2005	2006
$ 1,880,452	$ 1,662,579	$ 1,136,802	$ 1,169,819	$ 1,232,856	$ 1,066,757
28,072	114,500	173,956	-	220,537	2,482
$ 1,908,525	$ 1,777,079	$ 1,310,758	$ 1,169,819	$ 1,453,393	$ 1,069,240
1,393,523	1,441,759	1,445,064	1,665,549	1,759,462	1,657,248
2,462,033	968,700	571,164	537,917	303,226	868,138
318,721	406,903	369,313	365,841	194,586	189,851
(287,958)	(158,776)	(436,623)	(451,060)	(349,643)	(87,918)
41,082	40,459	34,719	42,778	43,259	43,791
$ 3,927,400	$ 2,699,045	$ 1,983,637	$ 2,161,025	$ 1,950,891	$ 2,671,111
$ 5,634,144	$ 5,835,924	$ 4,476,125	$ 3,294,395	$ 3,330,844	$ 3,404,284
369,229	-	(255,500)	-	-	-
6,003,373	5,835,924	4,220,625	3,294,395	3,330,844	3,404,284
-	-	-	-	-	-
(167,449)	(1,359,800)	(926,230)	36,449	73,440	336,067
$ 5,835,924	$ 4,476,125	$ 3,294,395	$ 3,330,844	$ 3,404,284	$ 3,740,351

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	1997	1998	1999	2000
Revenues				
Taxes	$ 19,440,316	$ 20,626,025	$ 21,958,875	$ 22,865,469
From federal agencies	7,653,501	7,679,518	7,911,473	8,581,461
From local agencies	168,247	165,443	183,822	173,882
From services	114,354	107,623	113,415	110,294
From licenses and permits	353,492	376,909	383,778	393,006
Special Medicaid reimbursements	593,402	585,179	690,799	1,059,343
Miscellaneous	671,325	734,284	796,444	1,063,355
Total revenues	28,994,637	30,274,981	32,038,606	34,246,809
Expenditures				
General government	1,061,932	1,003,812	1,072,930	1,071,893
Education	10,668,917	11,488,544	11,851,116	12,510,188
Human services	3,496,468	3,262,649	3,229,377	3,336,835
Public safety and corrections	1,738,682	1,720,105	1,908,871	1,983,001
Conservation, environment, recreation, and agriculture	440,656	446,377	482,901	564,738
Labor, commerce, and regulatory	756,754	763,484	720,070	740,687
Health services	6,563,740	6,781,614	7,100,795	7,692,354
Transportation	1,459,704	1,556,082	1,645,123	1,663,318
Tax expenditures	470,000	477,000	486,100	502,100
Capital outlay	834,765	955,941	1,307,822	1,427,858
Intergovernmental - revenue sharing	1,301,153	1,381,009	1,410,400	1,494,016
Debt service:				
Bond principal retirement	161,608	185,666	218,266	199,820
Bond interest and fiscal charges	172,199	183,562	195,708	202,434
Capital lease payments	57,562	58,905	59,287	52,027
Total Expenditures	29,184,141	30,264,751	31,688,767	33,441,268
Excess of revenues over (under) expenditures	(189,504)	10,229	349,839	805,541
Other Financing Sources (Uses)				
Bonds and notes issued	277,259	739,548	85,488	231,115
Premium on bond issuance	-	-	-	-
Discount on bond issuance	-	-	-	-
Refunding bonds issued	22,437	421,227	336,145	-
Payment to refunded bond escrow agent	(22,437)	(419,478)	(360,810)	-
Extinguishment of commercial paper	-	-	-	-
Capital lease acquisitions	54,157	29,027	57,609	22,330
Proceeds from sale of capital assets	-	-	-	-
Transfers from other funds	2,420,025	2,968,677	3,096,878	3,138,332
Transfers from component units	24	187	621	354
Transfers to other funds	(1,662,072)	(2,185,673)	(2,282,944)	(2,325,522)
Transfers to component units	(588,686)	(632,711)	(706,175)	(904,689)
Total other financing sources (uses)	500,708	920,804	226,812	161,920
Net change in fund balances	$ 311,204	$ 931,033	$ 576,651	$ 967,461
Debt service as a percentage of noncapital expenditures	1%	1%	2%	1%

2001	2002	2003	2004	2005	2006
$ 22,405,023	$ 22,070,408	$ 22,425,957	$ 22,799,928	$ 23,936,964	$ 24,198,924
9,572,898	10,203,716	10,813,804	11,580,220	11,974,006	12,160,022
227,996	248,867	230,728	239,815	262,875	124,101
115,346	121,849	121,198	148,140	264,956	269,593
391,655	408,746	417,786	555,858	423,501	437,560
1,155,374	1,109,233	932,658	704,551	467,970	93,621
1,411,628	1,218,388	1,467,812	1,205,367	1,475,377	1,549,859
35,279,920	35,381,208	36,409,943	37,233,878	38,805,648	38,833,679
1,277,822	1,544,055	1,209,916	1,117,659	1,307,448	1,635,378
14,176,060	14,744,715	14,866,526	14,445,184	14,557,032	14,758,992
3,598,591	3,793,974	3,877,953	3,935,170	4,122,779	4,341,774
2,159,602	2,136,506	2,115,448	2,121,584	2,287,452	2,455,145
636,279	650,353	591,218	586,096	614,939	642,815
881,069	891,817	891,644	902,903	924,876	952,921
8,525,435	8,891,480	9,270,484	9,676,268	10,126,544	9,958,104
2,058,484	2,118,452	2,080,361	2,212,371	2,167,888	2,082,847
532,800	615,100	707,800	702,700	815,300	834,000
1,532,145	1,465,800	1,164,002	1,100,106	1,274,247	1,462,405
1,555,799	1,517,303	1,451,374	1,305,146	1,112,931	1,103,625
219,552	226,801	222,477	729,557	354,711	773,826
201,980	225,678	239,054	241,194	276,216	294,093
48,820	51,387	67,723	50,840	49,530	49,183
37,404,438	38,873,422	38,755,981	39,126,778	39,991,894	41,345,109
(2,124,519)	(3,492,214)	(2,346,038)	(1,892,901)	(1,186,245)	(2,511,430)
1,223,549	987,850	568,616	520,676	365,164	1,453,606
44,373	64,238	87,561	55,940	97,857	46,234
-	-	-	-	-	(496,466)
630,812	488,145	692,694	660,249	1,528,539	1,494,050
(698,723)	(527,303)	(851,235)	(247,256)	(1,609,886)	(563,776)
(40,680)	(51,890)	-	-	-	-
23,014	237,272	16,052	19,661	6,778	34,059
-	-	-	17,236	10,643	13,974
3,185,915	4,132,997	3,433,535	3,294,939	2,924,083	3,137,772
-	-	-	-	-	-
(2,411,191)	(3,198,895)	(2,527,415)	(2,392,095)	(2,063,492)	(2,271,956)
-	-	-	-	-	-
1,957,070	2,132,415	1,419,808	1,929,350	1,259,686	2,847,496
$ (167,449)	$ (1,359,800)	$ (926,230)	$ 36,449	$ 73,440	$ 336,067
1%	1%	1%	3%	2%	3%

PERSONAL INCOME BY INDUSTRY
LAST FIVE FISCAL YEARS
(In Millions)

	2002	2003
Farm earnings	$ 313	$ 624
Forestry, fishing, related activities, and other	318	307
Mining	657	705
Utilities	2,558	2,778
Construction	13,797	13,218
Manufacturing	55,399	61,352
Wholesale trade	11,259	11,603
Retail trade	15,437	15,472
Transportation and warehousing	6,535	6,566
Information	4,623	4,631
Finance and insurance	11,134	11,650
Real estate and rental and leasing	6,561	5,732
Professional and technical services	24,179	23,373
Management of companies and enterprises	6,379	6,349
Administrative and waste services	9,034	9,515
Educational services	1,656	1,828
Health care and social assistance	20,959	21,953
Arts, entertainment, and recreation	2,157	2,178
Accommodation and food services	5,041	5,186
Other services, except public administration	6,425	6,644
Government and government enterprises	31,898	33,203
Total earnings by place of work (1)	236,316	244,867
Total earnings by place of work (1)	236,316	244,867
less: Contributions for government social insurance	26,615	27,194
plus: Adjustment for residence	1,078	1,165
Net earnings by place of residence	210,780	218,838
Net earnings by place of residence	210,780	218,838
plus: Dividends, interest, and rent	46,414	45,142
plus: Personal current transfer receipts	44,733	46,596
Total Personal Income	**$ 301,926**	**$ 310,576**
Statutory Tax Rate (blended rate)	4.13%	4.03%

Notes: (1) Earnings includes wages and salaries, supplements to wages and proprietors' income.

Earnings presented are blended averages. Due to the use of averages and blended amounts, the totals may not equal the sum of the industry amounts presented.

Industries categorized using the North American Industry Classification System.

Sources: U.S. Bureau of Economic Analysis, U.S. Department of Commerce and Economic and Revenue Forecasting Division.

2004	2005	2006
$ 834	$ 843	$ 288
322	325	329
856	977	1,094
2,705	2,811	2,874
13,860	14,565	14,563
58,713	56,116	57,446
11,990	12,490	12,905
15,767	15,873	15,989
6,955	7,185	7,242
4,800	4,905	5,129
11,912	12,166	12,439
6,484	7,267	7,274
24,155	25,306	26,029
6,864	7,238	7,001
9,991	10,744	11,063
2,041	2,183	2,239
23,136	24,437	26,011
2,278	2,207	2,342
5,442	5,520	5,657
6,798	6,891	7,090
34,326	35,869	36,758
250,227	255,915	261,757
250,227	255,915	261,757
27,931	28,949	29,884
1,229	1,283	1,397
223,525	228,249	233,269
223,525	228,249	233,269
46,387	49,208	52,198
48,777	51,448	54,092
$ 318,690	**$ 328,904**	**$ 339,560**
3.98%	3.90%	3.90%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS
(In Millions)

Taxable Sales by Industry	1996	1997	1998	1999
Farming	$ 50.0	$ 66.2	$ 72.1	$ 67.9
Agricultural	122.8	162.9	218.1	245.7
Mining	101.3	117.1	128.3	138.9
Construction	644.4	703.6	697.7	717.2
Manufacturing	3,493.5	3,699.4	3,638.8	3,812.0
Transportation and utilities	6,604.3	7,209.9	7,502.0	7,795.0
Wholesale trade	2,688.1	2,888.8	2,900.5	3,110.6
Retail trade	65,271.3	66,875.9	70,134.1	72,342.7
Finance, insurance, and real estate	1,217.7	1,540.5	1,575.4	1,385.3
Services	5,216.7	5,840.5	6,170.3	6,803.2
State and local government	144.9	144.3	133.9	145.8
Other classifications	817.6	394.6	510.9	571.0
Total	$ 86,372.7	$ 89,643.5	$ 93,682.2	$ 97,135.3
Direct sales tax rate	6%	6%	6%	6%

NOTES: Taxable sales were imputed from fiscal year cash collections by industry.

Industries categorized by using the Standard Industrial Classification.

Fiscal year 2005 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

2000	2001	2002	2003	2004	2005
$ 83.3	$ 78.9	$ 80.8	$ 77.8	$ 77.2	$ 78.9
273.0	269.7	243.3	275.3	275.3	277.5
174.0	183.9	173.8	174.6	159.9	181.0
816.3	795.9	778.8	741.5	768.8	788.3
4,040.2	3,783.1	3,486.9	3,225.4	3,315.5	3,577.2
8,331.9	8,734.9	8,632.8	9,030.7	9,369.3	10,359.4
3,434.2	3,231.4	2,970.7	3,121.5	3,127.9	3,270.5
78,301.4	80,297.7	82,580.9	82,417.6	83,135.4	84,719.4
1,153.6	929.0	718.1	622.2	472.3	460.8
7,720.5	8,179.2	8,276.9	8,077.5	7,686.8	7,121.3
167.6	172.4	155.6	150.9	162.0	184.3
692.6	675.8	707.6	614.2	951.9	1,021.3
$ 105,188.4	$ 107,331.8	$ 108,806.2	$ 108,529.3	$ 109,502.2	$ 112,040.0
6%	6%	6%	6%	6%	6%

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
TAX YEARS 1995 AND 2004

	Tax Year 1995				Tax Year 2004			
Adjusted Gross Income (AGI) Group	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax (In Millions)	Percentage of Total
$50,000 and under	3,172,816	75.30%	$ 1,310.5	27.14%	2,916,630	66.43%	$ 594.1	11.21%
$50,001 - $100,000	823,986	19.55%	1,934.1	40.06%	1,034,424	23.56%	2,013.1	37.97%
$100,001 and higher	216,902	5.15%	1,584.0	32.80%	439,246	10.00%	2,694.8	50.83%
Total	4,213,704	100.00%	$ 4,828.6	100.00%	4,390,300	100.00%	$ 5,302.0	100.00%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's personal income tax revenue.

Tax year 2004 is the most recent year for which data is available.

Personal income tax amounts are net of refundable and non-refundable tax credits; however, certain refundable credits are included in the Tax Year 1995 amounts as data by Adjusted Gross Income is not available for that tax year.

SOURCE: Michigan Department of Treasury.

SALES TAX PAYERS BY INDUSTRY
FISCAL YEARS 1996 AND 2005

	1996				2005			
	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability (In Millions)	Percentage of Total
Farming	524	0.59%	$ 3.0	0.06%	550	0.53%	$ 4.7	0.07%
Agricultural	1,311	1.47%	7.4	0.14%	1,521	1.47%	16.7	0.25%
Mining	250	0.28%	6.1	0.12%	287	0.28%	10.9	0.16%
Construction	2,326	2.60%	38.7	0.75%	2,463	2.38%	47.3	0.72%
Manufacturing	6,244	6.99%	209.6	4.09%	6,182	5.98%	214.6	3.25%
Transportation and utilities	991	1.11%	345.0	6.72%	1,272	1.23%	495.5	7.51%
Wholesale trade	2,603	2.91%	161.3	3.14%	2,274	2.20%	196.2	2.97%
Retail trade	53,632	60.03%	3,916.3	76.32%	62,479	60.43%	5,083.2	77.06%
Finance, insurance, and real estate	404	0.45%	73.1	1.42%	460	0.44%	27.6	0.42%
Services	20,556	23.01%	313.0	6.10%	24,408	23.61%	427.3	6.48%
State and local government	291	0.33%	8.7	0.17%	318	0.31%	11.1	0.17%
Other classifications	213	0.24%	49.1	0.96%	1,181	1.14%	61.3	0.93%
Total	89,345	100.00%	$ 5,131.1	100.00%	103,395	100.00%	$ 6,596.3	100.00%

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Fiscal year 2005 is the most recent year for which data is available.

Industries categorized using the Standard Industrial Classification.

SOURCE: Michigan Department of Treasury.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Millions)

	GOVERNMENTAL ACTIVITIES					
FISCAL YEAR	GENERAL OBLIGATION BONDS	STATE PARK REVENUE BONDS	MUSTFA REVENUE BONDS	TRANSPORTATION REVENUE BONDS	STATE BUILDING AUTHORITY BONDS	TOBACCO SETTLEMENT FINANCE AUTHORITY
1997	$ 677	$ -	$ 206	$ 912	$ 1,617	$ -
1998	901	-	194	894	1,997	-
1999	870	-	181	859	1,945	-
2000	930	-	167	837	1,826	-
2001	1,032	-	153	1,122	2,159	-
2002	1,120	16	138	1,173	2,582	-
2003	1,413	16	122	1,176	2,607	-
2004	1,528	15	105	1,323	2,545	-
2005	1,645	15	-	1,652	2,615	-
2006	1,794	14	-	1,889	3,449	491

Note: The State of Michigan Constitution, Article IX, Section 15 allows for long-term borrowing by the State for specific purposes in amounts as may be provided by acts of the Legislature adopted by a vote of two-thirds of the members in each house, and approved by a majority of the people voting at a general election. The debts of public bodies corporate and politic created by law are not general obligation debts and liabilities of the State of Michigan. Details regarding the State's debt can be found in the bonds and notes payable note of the financial statements.

*SOURCES: U. S. Census Bureau, Population Division.
Department of History, Arts, and Libraries.

GOVERNMENTAL ACTIVITIES			
CAPITAL LEASES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
$ 235	$ 3,647	1.47%	$ 372
225	4,211	1.59%	428
253	4,108	1.48%	415
255	4,015	1.36%	403
255	4,721	1.58%	472
461	5,490	1.81%	547
479	5,813	1.85%	577
423	5,939	1.85%	588
406	6,333	1.91%	627
252	7,888	Unavailable	781

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(In Millions)

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS DEBT SERVICE FUNDS	NET BONDED GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
1997	$ 677	$ -	$ 677	0.27%	$ 69.05
1998	901	-	901	0.34%	91.50
1999	870	-	870	0.31%	87.88
2000	930	-	930	0.32%	93.43
2001	1,032	-	1,032	0.34%	103.15
2002	1,120	-	1,120	0.37%	111.53
2003	1,413	1	1,413	0.45%	140.31
2004	1,528	1	1,527	0.48%	151.26
2005	1,645	1	1,644	0.50%	162.78
2006	1,794	1	1,793	Unavailable	177.56

*SOURCES: U. S. Census Bureau, Population Division.
Department of History, Arts, and Libraries.

DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	1997	1998	1999	2000
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 821.0	$ 1,022.7	$ 1,066.3	$ 1,066.5
Registration Taxes	596.5	664.8	709.9	755.1
Miscellaneous Fees	54.4	59.1	57.0	55.2
Total	1,471.9	1,746.6	1,833.2	1,876.7
Less Deductions	116.9	117.9	121.2	128.0
Remaining Balance	1,355.0	1,628.7	1,712.0	1,748.7
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	132.2	145.3	153.0	156.9
Motor Vehicle Related Sales Tax Revenues	$ 843.4	$ 864.7	$ 906.7	$ 999.3
Allocation to Comprehensive Transportation Fund	58.8	60.3	63.2	69.7
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	$ 191.0	$ 205.6	$ 216.3	$ 226.6
Plus Other Revenues (primarily interest)	5.0	6.1	6.6	3.1
Money Available for Debt Service	196.1	211.7	222.9	229.7
Debt Service:				
Principal	$ 9.3	$ 10.0	$ 8.0	$ 8.3
Interest	13.2	13.1	13.9	12.9
Actual Annual Debt Service (1)	22.5	23.1	21.9	21.2
Debt Service Coverage	8.7 x	9.2 x	10.2 x	10.8 x

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

2001	2002	2003	2004	2005	2006
$ 1,067.6	$ 1,082.8	$ 1,093.2	$ 1,073.3	$ 1,069.1	$ 1,055.3
777.9	827.3	844.7	933.8	863.4	867.7
54.7	58.0	56.7	51.4	37.3	36.0
1,900.2	1,968.1	1,994.5	2,058.4	1,969.8	1,959.0
132.0	173.4	176.8	110.9	125.4	149.5
1,768.2	1,794.7	1,817.8	1,947.6	1,844.4	1,809.5
159.2	160.5	162.3	166.4	167.3	165.4
$ 1,057.0	$ 1,130.0	$ 1,708.4	$ 1,082.7	$ 1,115.4	$ 1,111.2
73.7	78.8	79.4	65.0	56.9	66.4
$ 232.9	$ 239.3	$ 241.8	$ 231.3	$ 224.3	$ 231.8
3.5	0.9	1.4	3.6	5.0	0.5
236.4	240.3	243.2	234.9	229.3	232.3
$ 10.5	$ 11.1	$ 11.7	$ 16.3	$ 15.6	$ 19.1
11.2	10.2	12.0	14.0	13.4	12.0
21.7	21.4	23.6	30.3	28.9	31.1
10.9 x	11.3 x	10.3 x	7.8 x	7.9 x	7.5 x

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

	1997	1998	1999	2000
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$ 821.0	$ 1,022.7	$ 1,066.3	$ 1,066.5
Registration Taxes	596.5	664.8	709.9	755.1
Miscellaneous Fees	54.4	59.1	57.0	55.2
Total	1,471.9	1,746.6	1,833.2	1,876.7
Less Deductions:				
Critical Bridge Debt Service	1.6	1.6	1.4	2.4
Legally Dedicated State Trunkline Fund Debt Service (1)	-	43.0	43.0	43.0
Collection Costs	101.2	55.4	58.4	64.0
Waterways/Recreational Improvement Fund	14.1	17.9	18.4	18.6
Comprehensive Transportation Fund (excluding interest)	132.2	145.3	153.0	156.9
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	5.0	5.0	5.0	5.0
Economic Development Fund	36.8	40.3	40.3	40.3
Total Deductions	323.9	341.5	352.5	363.2
Constitutionally Restricted Revenues Available for Distribution	1,148.1	1,405.1	1,480.7	1,513.6
Plus Other Revenues (primarily interest)	59.7	13.9	11.6	15.8
Total Money Available for Distribution	1,207.8	1,419.0	1,492.3	1,529.4
Distributions to:				
Cities and Villages	270.5	302.7	318.7	326.7
County Road Commissions	477.9	534.3	561.0	575.0
State Trunkline Fund	459.3	582.0	612.7	627.7
Money Available for Debt Service				
State Trunkline Fund	459.3	582.0	612.7	627.7
Legally Dedicated State Trunkline Fund Debt Service (1)	-	43.0	43.0	43.0
Economic Development Fund	36.8	40.3	40.3	40.3
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	-	1.6	1.4	2.4
Total Available for Debt Service	529.0	699.9	730.4	746.4
Debt Service:				
Principal	$ 26.6	$ 28.6	$ 30.1	$ 17.7
Interest	33.1	32.7	27.6	29.5
Actual Annual Debt Service (2)	59.7	61.3	57.8	47.2
Debt Service Coverage	8.9 x	11.4 x	12.6 x	15.8 x

NOTES:
(1) Beginning fiscal year 1998, 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 and federally funded debt.

SOURCE: Michigan Department of Transportation.

2001	2002	2003	2004	2005	2006
$ 1,067.6	$ 1,082.8	$ 1,093.2	$ 1,073.3	$ 1,069.1	$ 1,055.3
777.9	827.3	844.7	933.8	863.4	867.7
54.7	58.0	56.7	51.4	37.3	36.0
1,900.2	1,968.1	1,994.5	2,058.4	1,969.8	1,959.0
2.4	2.4	2.2	2.2	2.2	2.5
43.0	43.0	43.0	43.0	43.0	43.0
63.1	109.4	113.1	42.2	44.5	57.1
18.5	18.7	18.5	18.4	18.4	18.0
159.2	160.5	162.3	166.4	167.3	165.4
33.0	33.0	33.0	33.0	33.0	33.0
5.0	5.0	5.0	5.0	17.2	28.9
40.3	40.3	40.3	40.3	40.3	40.3
364.5	412.2	417.4	350.5	366.0	388.2
1,535.7	1,555.9	1,577.2	1,707.9	1,603.8	1,570.8
13.4	6.1	5.9	6.2	7.0	8.9
1,549.1	1,562.0	1,583.1	1,714.1	1,610.8	1,579.7
331.9	332.3	341.6	366.9	348.7	344.8
582.9	588.6	594.7	642.5	611.6	603.3
634.3	641.1	646.7	704.8	650.5	631.5
634.3	641.1	646.7	704.8	650.5	631.5
43.0	43.0	43.0	43.0	43.0	43.0
40.3	40.3	40.3	40.3	40.3	40.3
33.0	33.0	33.0	33.0	33.0	33.0
2.4	2.4	2.2	2.2	2.2	2.5
753.0	759.7	765.1	823.2	769.0	750.3
$ 18.7	$ 19.7	$ 26.2	$ 23.9	$ 25.0	$ 19.9
29.5	39.7	39.5	43.9	49.5	74.7
48.2	59.4	65.7	67.8	74.5	94.6
15.6 x	12.8 x	11.6 x	12.1 x	10.3 x	7.9 x

DEBT SERVICE COVERAGE
STATE BUILDING AUTHORITY
LAST TEN FISCAL YEARS
(In Millions)

	1997	1998	1999	2000
Revenue - Lease and Rental Payments	$ 179.1	$ 226.8	$ 214.8	$ 218.5
Less: Operating Expenses	0.1	0.5	0.6	1.1
Net Available Revenue	179.0	226.3	214.2	217.4
Debt Service:				
Principal	85.2	103.6	132.4	124.1
Interest	80.3	93.6	98.3	100.3
Actual Annual Debt Service	165.4	197.2	230.7	224.4
Debt Service Coverage	1.1 x	1.1 x	0.9 x	1.0 x

NOTE: Details regarding the State's outstanding debt can be found in the bonds and notes payable note to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

2001	2002	2003	2004	2005	2006
$ 254.3	$ 266.0	$ 287.5	$ 239.9	$ 246.9	$ 255.5
2.2	0.8	6.4	4.2	3.2	9.9
252.1	265.2	281.1	235.7	243.7	245.6
133.7	115.1	141.7	84.7	119.9	82.1
100.5	106.7	119.6	109.5	128.7	140.8
234.1	221.8	261.3	194.2	248.6	222.9
1.1 x	1.2 x	1.1 x	1.2 x	1.0 x	1.1 x

DEMOGRAPHIC AND ECONOMIC INDICATORS
LAST TEN CALENDAR YEARS

	1997	1998	1999	2000
Population (a) (in thousands)				
Michigan	9,809	9,848	9,897	9,957
United States	272,647	275,854	279,040	282,217
Total Personal Income (b) (in billions)				
Michigan	$ 248.8	$ 265.1	$ 278.1	$ 294.2
United States	$ 6,907.3	$ 7,415.7	$ 7,796.1	$ 8,422.1
Per Capita Income (b)				
Michigan	$ 25,367	$ 26,919	$ 28,095	$ 29,552
United States	$ 25,334	$ 26,883	$ 27,939	$ 29,845
Unemployment Rate (c)				
Michigan	4.3%	4.0%	3.8%	3.7%
United States	4.9%	4.5%	4.2%	4.0%
Estimated wage and salary employees (c) (in thousands)				
Goods Producing:				
Natural Resources and Mining	9.9	10.0	9.6	9.5
Construction	180.3	187.4	197.0	209.6
Manufacturing	871.8	888.2	896.4	894.9
Total Goods Producing	1,062.0	1,085.6	1,103.0	1,114.0
Service-Providing:				
Trade, Transportation, and Utilities:				
Wholesale Trade	173.4	179.8	183.6	186.0
Retail Trade	540.1	542.5	550.6	559.8
Transportation and Utilities	129.6	131.2	134.1	135.4
Information	71.8	74.1	73.9	76.7
Financial Activities:				
Finance and Insurance	150.8	153.8	153.0	152.8
Real Estate and Rental and Leasing	53.7	53.9	53.9	56.6
Professional and Business Services:				
Professional, Scientific, and Technical Services	248.0	253.7	264.1	274.3
Management of Companies and Enterprises	71.4	70.8	70.9	70.5
Administrative, Support Services, and Waste Management	251.9	275.9	281.4	294
Educational and Health Services:				
Educational Services	49.7	51.2	52.1	54.3
Health Care and Social Assistance	439.7	433.6	439.6	447.9
Leisure and Hospitality:				
Accommodation and Food Services	327.6	326.4	328.8	336.4
Other	50.8	52.6	54.7	61.8
Other Services	171.5	173.0	174.0	175.1
Total Service-Providing	2,729.9	2,772.6	2,814.8	2,881.3
Government	647.2	655.8	667.4	681.4
Total Service-Providing	3,377.1	3,428.4	3,482.1	3,562.8
Total Wage and Salary Employment	4,439.1	4,514.0	4,585.2	4,676.7

SOURCES:
(a) U.S. Census Bureau, Population Division
(b) U.S. Department of Commerce, Bureau of Economic Analysis
(c) Michigan Department of Labor & Economic Growth and U.S. Department of Labor, Bureau of Labor Statistics

2001	2002	2003	2004	2005	2006
10,003	10,038	10,068	10,093	10,101	10,096
285,226	288,126	290,796	293,638	296,507	299,398
$ 299.5	$ 303.5	$ 313.7	$ 320.4	$ 331.3	Unavailable
$ 8,717.0	$ 8,872.9	$ 9,150.9	$ 9,717.2	$ 10,224.80	Unavailable
$ 29,946	$ 30,227	$ 31,129	$ 31,711	$ 32,735	Unavailable
$ 30,574	$ 30,810	$ 31,463	$ 33,090	$ 34,495	Unavailable
5.2%	6.2%	7.1%	7.0%	6.8%	6.9%
4.7%	5.8%	6.0%	5.5%	5.1%	4.6%
9.3	8.6	8.1	8.2	8.4	8.0
206.1	199.6	190.6	191.5	189.1	180.1
819.6	760.0	716.3	697.3	676.7	648.4
1,035.0	968.2	915.0	896.9	874.2	836.5
180.4	175.4	172.6	170.5	170.7	170.8
548.8	530.7	518.7	513.6	506	495.6
132.0	128.2	125.8	125.7	128.3	128.3
76.0	73.8	70.3	68.6	67.3	66.7
154.8	159.2	162.3	161.3	161.8	161.6
55.5	55.7	56.0	56.1	56.1	54.7
268.0	257.4	247.9	244.2	246.4	246.1
69.1	69.5	68.6	67.0	64.6	62.7
270.5	270.5	269.8	273.5	280.8	279.2
59.5	65.9	68.4	72.6	74.8	76.3
456.0	469.8	476.7	485.0	501.0	507.6
332.7	336.2	335.9	339.7	341.9	345.4
61.6	61.7	62.2	62.3	62.6	62.0
176.4	178.5	177.9	178.1	179.6	178.1
2,841.3	2,832.3	2,813.1	2,818.1	2,842.00	2,834.9
685.0	686.6	685.4	679.7	674.1	669.7
3,526.3	3,519.0	3,498.5	3,497.8	3,516.1	3,504.5
4,561.3	4,487.1	4,413.5	4,394.7	4,390.3	4,341.1

CLASSIFIED EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	1997	1998	1999	2000
General Government	6,649	6,518	6,866	7,183
Education	512	436	442	403
Human services	12,981	12,443	12,836	13,254
Public safety and corrections	20,252	20,628	21,171	21,829
Conservation, environment, recreation, and agriculture	4,558	4,555	4,687	4,768
Labor, commerce, and regulatory	5,551	5,150	5,058	4,898
Health services	6,544	5,835	5,810	5,914
Transportation	3,455	3,110	3,196	3,244
Total	60,502	58,675	60,066	61,493

NOTES: Starting in fiscal year 2005, this report reflects classified employees who are full-time, part-time, permanent intermittent, limited term, seasonal, and non-career in primary positions only, except for three non-career appointments (student assistant, construction aide-transportation, and state worker).

Each fiscal year in this schedule also includes approximately 2,000 classifed employees for the business type activities and discretely presented component unit authorities. Although the expenses for the business type activities and component unit authorities are reported separately in the government-wide financial statements, the employee counts were combined in this schedule to ensure consistency with Department of Civil Service reports and for administrative efficiency.

This schedule includes average employee counts rounded to the whole full-time equivalent employee. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Department of Civil Service, Annual Work Force Report.

2001	2002	2003	2004	2005	2006
7,191	7,170	7,666	7,645	7,138	7,144
396	393	298	324	352	367
13,139	12,554	10,303	10,104	9,953	9,778
22,506	21,947	20,941	20,385	20,175	20,060
4,823	4,715	4,270	4,459	3,729	3,662
4,911	4,814	4,097	4,126	3,994	4,128
5,838	5,370	4,465	4,577	4,424	4,241
3,253	3,185	2,826	2,956	2,849	2,880
62,057	60,147	54,866	54,573	52,614	52,259

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	1997	1998	1999
General government			
Tax forms processed (calendar year)	Unavailable	7,680,036	7,836,022
Passenger, commercial, and recreational vehicle registrations	8,508,191	8,620,037	8,837,524
Driver licenses issued	1,857,233	1,639,204	1,840,167
Education			
K-12 students	1,665,998	1,680,753	1,696,912
Public university students	214,841	219,707	223,667
Community college students	107,970	107,501	109,700
Human services			
Food assistance program recipients (1)	816,082	745,886	653,887
Family independence program recipients (1)	447,946	359,671	256,750
Day care recipients (1)	67,308	100,904	119,389
Children in foster care (1)	16,639	18,070	18,931
State disability assistance recipients (1)	11,409	8,509	7,492
Finalized adoptions (yearly total)	893	919	1,010
Juvenile justice youth served (1)	5,482	5,856	5,737
Open child support cases with support orders established	781,174	802,195	638,704
Public safety and corrections			
Inmates, parolees, and probationers (as of 9/30)	106,654	111,255	110,092
State police patrol miles driven	19,246,092	17,675,349	18,132,306
Criminal offender DNA samples entered into federal indexing database (calendar year)	Unavailable	Unavailable	Unavailable
National Guard members (as of 9/30)	12,029	11,281	10,919
Veteran homes average daily census	854	884	901
Conservation, environment, recreation and agriculture			
Hunting and/or fishing license holders (2)	2,312,638	2,259,172	2,304,174
Camping nights in State parks	1,049,415	1,143,392	1,185,507
Population impacted by water purification projects	Unavailable	190,729	288,771
Underground storage tank releases closed	1,547	1,425	1,122
Scrap tires collected (passenger tire equivalent)	445,866	1,004,001	2,765,759
Labor, commerce, and regulatory			
Applications for occupational licenses processed	Unavailable	Unavailable	19,575
Building related permits issued	55,715	50,924	53,288
Building related safety inspections conducted	Unavailable	46,337	49,915
Occupational safety and health enforcement inspections conducted	6,767	6,480	7,521
Alleged occupational safety and health violations identified	26,136	25,578	28,368
Financial and insurance service providers chartered	Unavailable	Unavailable	Unavailable
Health services			
Medicaid recipients (1)	1,084,153	1,084,522	1,060,776
Women, Infants, and Children Food and Nutrition Program recipients (1)	218,370	217,924	215,138
Children's special health care services recipients (1)	20,806	20,554	20,379
Mentally ill/developmental disability service recipients (1)	205,100 (4)	205,330	205,559
Substance abuse service recipients (1)	Unavailable	Unavailable	70,768

NOTES:
(1) Monthly average
(2) The licensing season runs April 1 through March 30. Amounts reported under fiscal year 2006 are for the licensing year ending March 30, 2006.
(3) The increase in fiscal year 2005 resulted from a project benefiting users of the Detroit Water and Sewerage Department.
(4) Amount estimated

SOURCES: Various State departments.

2000	2001	2002	2003	2004	2005	2006
8,045,023	8,445,431	8,460,529	8,131,481	8,079,995	8,059,355	8,256,000 (4)
8,977,693	9,008,126	9,109,817	9,100,370	8,987,430	8,879,158	8,732,938
1,997,651	1,923,498	1,728,793	1,899,690	2,018,292	1,913,530	1,724,108
1,701,375	1,705,798	1,715,153	1,718,286	1,716,511	1,708,598	1,697,906
227,972	232,648	241,205	246,205	249,616	250,030	253,020
107,660	109,131	116,802	125,608	127,713	130,862	133,348
580,308	623,335	748,421	836,518	943,713	1,047,594	1,133,397
205,600	193,217	202,462	200,962	211,569	212,252	217,319
125,777	124,061	123,054	127,606	125,518	123,519	118,851
18,862	19,445	18,923	19,130	19,146	18,733	18,402
6,925	7,040	8,045	9,114	10,058	10,560	10,579
1,230	1,278	1,303	1,102	1,281	1,416	1,229
4,084	2,805	2,253	1,905	1,769	1,577	1,465
714,138	762,254	745,135	758,992	769,462	777,188	764,500
112,173	116,160	121,056	122,748	122,732	119,893	120,237
19,318,420	19,456,634	18,605,982	15,230,342	15,961,280	16,879,418	17,632,736
353	16,785	8,861	13,967	34,525	23,099	41,888
10,926	11,224	11,580	11,306	10,917	11,125	11,768
903	900	901	900	886	909	902
2,242,607	2,169,161	2,138,381	2,104,171	2,053,768	2,004,577	1,950,676
1,173,890	1,146,956	1,142,539	1,156,130	1,040,368	1,005,437	956,030
185,771	174,574	157,966	314,918	203,641	3,994,970 (3)	1,046,379
793	467	561	339	337	265	320
501,407	520,728	447,443	1,660,078	2,679,123	4,992,517	4,661,838
20,263	22,522	31,456	35,456	35,369	32,492	22,479
49,212	42,664	41,573	41,216	39,942	40,662	33,031
42,207	53,485	47,375	47,339	44,343	41,303	45,921
6,998	5,246	4,919	4,820	5,301	4,492	5,102
27,869	23,393	19,839	19,188	20,576	17,621	17,311
212,269	215,005	231,741	252,338	260,498	281,668	297,662
1,061,997	1,101,154	1,197,086	1,281,397	1,357,546	1,424,831	1,490,384
213,050	214,952	215,989	216,684	222,077	226,601	229,770
24,554	28,048	29,465	27,105	29,105	30,232	30,449
190,408	185,984	195,552	185,072	187,059	200,424	204,400 (4)
66,146	59,821	56,049	65,584	66,085	69,808	72,322

OPERATING INDICATORS BY FUNCTION - Continued
LAST TEN FISCAL YEARS

	1997	1998	1999
Transportation			
Annual vehicle miles of travel on			
State Trunkline roads (calendar year) (9)	47,900,000,000	50,000,000,000	50,500,000,000
Miles of intercity bus travel receiving State funding	376,567	370,956	644,058 (5)
Miles of local bus travel receiving State funding	71,310,369	83,133,090	84,131,010
Railroad crossing maintenance/safety inspections	Unavailable	Unavailable	2,671
Tax expenditures			
Taxpayers claiming refundable credits (6) (8)	1,112,400	1,099,600	1,116,100
Intergovernmental-revenue sharing			
Township grants	1,241	1,241	1,241
City grants	273	273	273
Village grants	261	262	262
County grants (7)	83	83	83
Liquor Purchase Revolving Fund			
Annual retail liquor licenses issued	16,838	16,559	16,451
Liquor sales volume (cases)	4,958,305	5,059,933	5,187,270
Beer sales volume (barrels)	6,574,154	6,655,699	6,695,898
Wine sales volume (liters)	50,192,136	52,325,417	52,692,089
Pre-mixed spirit drink sales volume (liters)	936,932	961,241	1,465,144
State Lottery Fund			
Retailers	9,157	9,237	9,306
Winners greater than $600	33,885	37,060	36,147
Millionaire prizewinners	25	28	15
Michigan Unemployment Compensation Funds			
Individuals receiving benefits (calendar year)	431,211	477,571	398,900

NOTES:
(5) State subsidized service began in the Upper Peninsula during fiscal year 1999.
(6) Tax credits are reported based on the tax year. Credits claimed during tax year 2004, for example, are reported above in fiscal year 2004.
(7) County grants were suspended beginning in fiscal year 2005. Instead, each county expends from its Revenue Sharing Reserve Fund created by State statute in 2004.
(8) Amount estimated and rounded to nearest hundred.
(9) Amount estimated and rounded to nearest one hundred million.

SOURCES: Various State departments.

2000	2001	2002	2003	2004	2005	2006
51,300,000,000	51,500,000,000	52,800,000,000	53,400,000,000	53,700,000,000	52,600,000,000	51,500,000,000
1,136,199	1,090,776	1,169,738	1,148,787	1,116,321	1,090,708	1,086,793
87,178,629	91,827,361	98,082,082	97,289,858	93,223,721	88,837,852	93,046,500
2,710	2,845	2,927	2,405	2,370	2,898	2,531
1,128,700	1,220,300	1,330,800	1,363,000	1,421,600	1,493,200	Unavailable
1,241	1,241	1,241	1,241	1,241	1,241	1,241
273	273	272	272	272	274	274
262	262	261	261	261	259	259
83	83	83	83	83	-	-
16,314	16,169	16,130	16,034	16,019	15,964	15,942
5,350,162	5,377,947	5,496,879	5,752,264	6,029,155	6,110,122	6,293,797
6,778,789	6,812,301	6,730,138	6,802,658	6,807,147	6,721,468	6,647,438
56,451,428	55,794,094	53,916,859	61,471,699	65,417,883	66,022,306	68,139,758
1,748,304	2,069,203	1,572,937	1,032,309	1,237,451	1,065,146	871,900
9,271	9,217	9,160	9,048	10,806	11,076	10,880
32,563	27,777	25,921	44,162	44,962	44,692	52,124
22	18	16	11	20	21	17
419,588	615,249	623,208	617,145	617,134	547,376	569,721

CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

	1997	1998	1999	2000
General Government:				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Education				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Human services				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Public safety and corrections				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Conservation, environment, recreation, and agriculture				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Environmental quality air-monitoring instruments	Unavailable	Unavailable	Unavailable	61
Environmental quality lab/analyzing equipment	Unavailable	Unavailable	Unavailable	109
Natural resources acres of land	Unavailable	Unavailable	4,526,062	4,537,232
Harbors	16	16	16	16
Hatcheries	6	6	6	6
State park & recreation areas	96	96	96	96
Labor, commerce, and regulatory				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Health services				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	Unavailable
Transportation				
Buildings	Unavailable	Unavailable	Unavailable	Unavailable
Vehicles	Unavailable	Unavailable	Unavailable	946
Highway lane miles	26,977	27,024	27,314	27,345
Heavy equipment owned	Unavailable	Unavailable	Unavailable	2,260

NOTES: For years prior to 2006, capital assets information was not available by function.

Building and vehicle counts include both owned and leased assets with the exception of transportation vehicles for years prior to fiscal year 2006. Transportation vehicle counts for fiscal years prior to fiscal year 2006 include only owned vehicles.

Acres of land are on a tax year basis rather than a fiscal year basis. The current fiscal year amount is an estimate.

Building counts for 2001 - 2005 in the Conservation, environment, recreation, and agriculture function represent only those buildings owned by the Department of Natural Resources.

SOURCES: Michigan Departments of Management and Budget, Environmental Quality, Natural Resources and Transportation.

2001	2002	2003	2004	2005	2006
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	281
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	747
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	27
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	28
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	208
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	838
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	1,390
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	3,401
164	191	192	203	229	249
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	3,452
76	87	104	134	158	176
113	117	122	144	120	125
4,543,728	4,545,628	4,551,591	4,556,233	4,557,246	4,562,444
16	16	16	16	16	16
6	6	6	6	6	6
96	96	97	97	97	97
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	160
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	482
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	239
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	272
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	437
1,042	1,242	1,320	1,322	1,448	1,841
27,323	27,423	27,460	27,534	27,557	27,521
2,193	2,128	2,112	2,129	2,117	2,162

STATE OF MICHIGAN
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CIRCUMSPICE
Office of the State Budget

IV. OTHER INFORMATION

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales	$ 6,638,110	$ 1,740,450	$ 4,897,659
Personal income	7,060,304	5,021,321	2,038,983
Single business	1,886,168	1,886,168	-
Use	1,413,758	954,867	458,890
State education (property)	2,003,527	-	2,003,527
Real estate transfer	297,680	-	297,680
Tobacco products	1,169,005	696,806	472,199
Beer and wine	51,217	51,217	-
Liquor	103,968	69,471	34,497
Horse race wagering	9,915	9,915	-
Casino gaming wagering	155,461	51,392	104,069
Telephone and telegraph company	83,533	83,533	-
Commercial mobile radio service	23,430	23,430	-
Insurance company	219,538	219,538	-
Motor vehicle registration	870,387	2,724	867,663
Gasoline	906,724	-	906,724
Aviation fuel	5,974	-	5,974
Diesel fuel	148,958	-	148,958
Gas and oil severance	83,280	83,280	-
Industrial facilities	135,595	-	135,595
Convention hotel accommodation	18,616	18,616	-
Airport parking	20,427	20,427	-
Quality assurance assessment	676,923	676,923	-
Penalties and interest	140,581	140,581	-
Other	75,846	58,563	17,283
	24,198,924	11,809,223	12,389,701
FROM FEDERAL AGENCIES			
Department of Health and Human Services	7,223,923	7,222,485	1,437
Department of Education	1,257,201	207,999	1,049,202
Department of Agriculture	1,800,839	1,489,691	311,148
Department of Labor	346,561	214,271	132,289
Department of Housing and Urban Development	8,860	8,860	-
Department of Energy	18,374	18,374	-
Department of Transportation	1,144,284	19,938	1,124,346
Department of Interior	27,959	25,290	2,669
Department of Defense	31,456	31,456	-
Department of Justice	44,816	44,816	-
Environmental Protection Agency	43,363	43,261	103
General Services Administration	2,185	2,185	-
Other	210,201	209,791	410
	12,160,022	9,538,417	2,621,605
FROM LOCAL AGENCIES			
Counties	91,599	91,599	-
Cities, villages, and townships	15,556	62	15,494
School districts	984	984	-
Other	15,962	12,921	3,042
	124,101	105,566	18,536
SPECIAL MEDICAID REIMBURSEMENTS	93,621	93,621	-
	93,621	93,621	-

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for providing vehicle and driver services	$ 135,918	$ 133,025	$ 2,893
Revenue for patient, ward, and inmate care	35,700	35,700	-
Other	97,976	97,422	554
	269,593	266,147	3,447
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	13,219	13,219	-
Motor vehicle operators' and chauffeurs' licenses	50,526	37,815	12,711
Examination fees - financial institutions and insurance industry	24,321	24,321	-
Concession and privilege fees - State parks	702	-	702
Motor vehicle related	34,911	2,573	32,337
Hunting, fishing, and trapping licenses	49,895	-	49,895
Public utility assessment fees	18,962	18,962	-
Labor and Economic Growth licenses and permits	70,627	61,491	9,136
Auto repair facilities and mechanics licenses and fees	3,996	3,996	-
Corporation franchise fees	20,418	20,418	-
Other	149,984	92,268	57,716
	437,560	275,063	162,497
MISCELLANEOUS			
Income from investments	94,028	19,707	74,321
Tobacco settlement proceeds	251,500	-	251,500
Various fines, fees, and assessments	79,661	50,089	29,571
Court fines, fees, and assessments	301,891	294,013	7,878
Oil and gas royalties, fees, assignments, and rentals	11,409	7,732	3,677
Environmental pollution settlements	11,631	4,001	7,630
Child support	40,533	40,533	-
Other	666,971	331,067	335,903
	1,457,623	747,142	710,482
Total Revenues	38,741,444	22,835,178	15,906,267
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	1,004,778	-	1,004,778
Capital lease acquisitions	34,059	30,086	3,973
Proceeds from sale of capital assets	3,989	1,339	2,650
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	152,360	152,360	-
From State Lottery Fund	699,496	11,479	688,017
From other funds	1,649,991	92,205	1,557,786
Total Other Financing Sources	3,544,674	287,469	3,257,205
Total Revenue and Other Financing Sources (GAAP Basis)	$ 42,286,118	$ 23,122,647	$ 19,163,471

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
TAXES			
Sales	$ 1,740,450	$ 625,175	$ 1,115,276
Personal income	5,021,321	4,097,862	923,459
Single business	1,886,168	1,840,709	45,459
Use	954,867	916,981	37,886
Tobacco products	696,806	228,994	467,812
Beer and wine	51,217	51,217	-
Liquor	69,471	34,908	34,563
Horse race wagering	9,915	2,000	7,915
Casino gaming wagering	51,392	44,968	6,424
Telephone and telegraph company	83,533	83,533	-
Commercial mobile radio service	23,430	-	23,430
Insurance company	219,538	219,538	-
Motor vehicle registration	2,724	-	2,724
Gas and oil severance	83,280	81,481	1,799
Convention hotel accommodation	18,616	-	18,616
Airport parking	20,427	-	20,427
Quality assurance assessment	676,923	-	676,923
Penalties and interest	140,581	130,480	10,102
Other	58,563	1,770	56,794
	11,809,223	8,359,614	3,449,608
FROM FEDERAL AGENCIES			
Department of Health and Human Services	7,222,485	8,627	7,213,859
Department of Education	207,999	941	207,058
Department of Agriculture	1,489,691	1,314	1,488,377
Department of Labor	214,271	578	213,693
Department of Housing and Urban Development	8,860	371	8,489
Department of Energy	18,374	6	18,368
Department of Transportation	19,938	439	19,498
Department of Interior	25,290	179	25,111
Department of Defense	31,456	79	31,378
Department of Justice	44,816	309	44,507
Environmental Protection Agency	43,261	3,100	40,161
General Services Administration	2,185	-	2,185
Other	209,791	4,134	205,657
	9,538,417	20,077	9,518,341
FROM LOCAL AGENCIES			
Counties	91,599	-	91,599
Cities, villages, and townships	62	-	62
School districts	984	-	984
Other	12,921	207	12,714
	105,566	207	105,359
SPECIAL MEDICAID REIMBURSEMENTS	93,621	-	93,621
	93,621	-	93,621
FROM SERVICES			
Charges for providing vehicle and driver services	133,025	854	132,170
Revenue for patient, ward, and inmate care	35,700	-	35,700
Other	97,422	7,180	90,242
	266,147	8,035	258,112

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	$ 13,219	$ -	$ 13,219
Motor vehicle operators' and chauffeurs' licenses	37,815	14,001	23,814
Examination fees - financial institutions and insurance industry	24,321	-	24,321
Motor vehicle related	2,573	40	2,534
Public utility assessment fees	18,962	-	18,962
Labor and Economic Growth licenses and permits	61,491	34,621	26,871
Auto repair facilities and mechanics licenses and fees	3,996	8	3,988
Corporation franchise fees	20,418	1,041	19,376
Other	92,268	951	91,317
	275,063	50,661	224,402
MISCELLANEOUS			
Income from investments	19,707	412	19,295
Various fines, fees, and assessments	50,089	1,047	49,042
Court fines, fees, and assessments	294,013	140,406	153,607
Oil and gas royalties, fees, assignments, and rentals	7,732	-	7,732
Environmental pollution settlements	4,001	272	3,728
Child support	40,533	-	40,533
Other	331,067	127,357	203,710
	747,142	269,494	477,647
Total Revenues	22,835,178	8,708,088	14,127,090
OTHER FINANCING SOURCES			
Capital lease acquisitions	30,086	-	30,086
Proceeds from sale of capital assets	1,339	11	1,328
Transfers From Other Funds:			
From Liquor Purchase Revolving Fund	152,360	148,543	3,817
From State Lottery Fund	11,479	10,489	990
From other funds	92,205	74	92,131
Total Other Financing Sources	287,469	159,117	128,352
Total Revenue and Other Financing Sources (GAAP Basis)	23,122,647	8,867,204	14,255,442
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(30,086)	-	(30,086)
Total Revenue and Other Financing Sources (budgetary basis)	$ 23,092,561	$ 8,867,204	$ 14,225,356

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR	RESTRICTED REVENUE ADDITIONS	LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED/USED
Legislative Branch	$ 124,882	$ -	$ 113	$ 15,561	$ 5,460	$ (38)
Judicial Branch	157,615	-	-	9,798	86,644	(9,585)
Executive Branch:						
Agriculture	28,888	-	-	7,524	57,300	(4,309)
Attorney General	31,501	-	-	2,948	30,157	(3,175)
Civil Rights	12,109	-	-	-	1,628	-
Civil Service	7,102	-	-	62	22,077	-
Colleges and Universities Grants	1,856,307	-	-	4,143	2,736	-
Community Health	2,976,929	-	-	70,492	7,319,276	(90,780)
Corrections	1,806,099	-	-	17,849	39,563	(3,845)
Education	79,114	-	-	2,980	56,247	(2,298)
Environmental Quality	31,810	-	-	159,636	176,682	(181,274)
Executive Office	5,376	-	-	6	-	-
History, Arts & Libraries	41,822	-	-	1,353	9,441	(35)
Human Services	1,162,320	-	-	7,852	3,189,418	(1,811)
Labor and Economic Growth	41,755	-	-	121,890	668,452	(61,400)
Management and Budget	41,618	-	-	48,746	170,043	(19,970)
Military and Veterans Affairs	39,689	-	-	2,814	72,525	(963)
Natural Resources	25,943	-	-	25,695	58,113	(23,491)
State	19,998	-	-	19,261	221,751	(17,425)
State Police	235,347	-	-	29,676	250,693	(23,579)
Transportation	-	-	-	-	-	-
Treasury	573,302	-	-	104,415	2,340,217	(118,431)
Intrafund expenditure reimbursements	-	-	-	-	-	-
TOTAL	$ 9,299,524	$ -	$ 113	$ 652,700	$ 14,778,421	$ (562,408)

* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenue not authorized/used, which includes Revenues that by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenue is subject to annual legislative appropriation. However, the restricted revenue may also be used in subsequent years to finance expenditures in multi-year appropriations and for encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs that could have been used in the current period but were not.

For budgetary purposes, encumbrance authorization are considered use of spending authority in the year the State incurs an obligation.

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

		"BUDGET"	"ACTUAL"		"VARIANCES"		
GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
$ 145,977	$ (15,778)	$ 130,199	$ 128,956	$ 971	$ 89	$ 183	$ -
244,472	-	244,472	242,791	1,494	135	51	-
89,402	-	89,402	88,841	226	-	335	-
61,431	-	61,431	60,692	591	-	147	-
13,736	-	13,736	13,701	1	-	34	-
29,242	-	29,242	28,594	216	-	432	-
1,863,186	(3,099)	1,860,087	1,858,001	-	-	2,087	-
10,275,917	(20)	10,275,896	10,213,548	939	-	61,409	-
1,859,666	-	1,859,666	1,854,593	-	-	5,073	-
136,043	(325)	135,718	134,465	100	-	1,152	-
186,854	-	186,854	186,229	49	-	576	-
5,382	-	5,382	5,312	24	-	46	-
52,580	-	52,580	51,380	51	1,118	30	-
4,357,779	-	4,357,779	4,356,403	-	-	1,375	-
770,696	-	770,696	770,268	1	405	23	-
240,437	(5,553)	234,884	228,817	2,171	-	3,896	-
114,065	-	114,065	112,869	38	918	240	-
86,261	-	86,261	85,482	270	-	509	-
243,585	(4,333)	239,252	233,886	3,145	118	2,103	-
492,137	-	492,137	493,560	24	1,494	79	(3,021)
-	-	-	-	-	-	-	-
2,899,503	(1,003)	2,898,500	2,881,389	4,540	4,161	8,410	-
-	-	(553,065)	(553,065)	-	-	-	-
$ 24,168,350	$ (30,111)	$ 23,585,174	$ 23,476,714	$ 14,852	$ 8,438	$ 88,191	$ (3,021)
Prior Year encumbrances		(37,785)	(37,785)				
Amount reported on Budgetary Comparison Schedule		$ 23,547,389	$ 23,438,929	$ 14,852	$ 8,438	$ 88,191	$ (3,021)

SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2006
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION*	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT
Legislative Branch	$ 124,882	$ -	$ 113
Judicial Branch	157,615	-	-
Executive Branch:			
Agriculture	28,888	-	-
Attorney General	31,501	-	-
Civil Rights	12,109	-	-
Civil Service	7,102	-	-
Colleges and Universities Grants	1,856,307	-	-
Community Health	2,976,929	-	-
Corrections	1,806,099	-	-
Education	79,114	-	-
Environmental Quality	31,810	-	-
Executive Office	5,376	-	-
History, Arts & Libraries	41,822	-	-
Human Services	1,162,320	-	-
Labor and Economic Growth	41,755	-	-
Management and Budget	41,618	-	-
Military and Veterans Affairs	39,689	-	-
Natural Resources	25,943	-	-
State	19,998	-	-
State Police	235,347	-	-
Transportation	-	-	-
Treasury	573,302	-	-
TOTAL	$ 9,299,524	$ -	$ 113

* The amounts in the "Current Legislative Appropriation" column include certain appropriations that do not appear as line-item appropriations in the budget bills. These appropriations are authorized in narrative "boilerplate" language in the budget bills. "Boilerplate" appropriations include interfund borrowing, interest on general obligation notes and bonds, and certain interfund transfers.

"Boilerplate" appropriations accounted for $191.2 million of the "Current Legislative Appropriation" for the Appropriation Year 2006.

	"ACTUAL"			"VARIANCES"	
GROSS SPENDING AUTHORITY	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
$ 124,995	$ 113,453	$ 731	$ 10,642	$ 169	$ -
157,615	156,416	1,188	-	10	-
28,888	28,407	146	-	335	-
31,501	31,445	1	-	56	-
12,109	12,074	1	-	34	-
7,102	6,458	216	-	429	-
1,856,307	1,851,318	-	2,902	2,087	-
2,976,929	2,914,727	900	20	61,281	-
1,806,099	1,806,097	-	-	2	-
79,114	77,598	75	325	1,116	-
31,810	31,228	12	-	569	-
5,376	5,305	24	-	46	-
41,822	41,753	51	-	18	-
1,162,320	1,161,512	-	-	808	-
41,755	41,739	-	-	16	-
41,618	37,780	637	2,000	1,201	-
39,689	39,415	36	-	238	-
25,943	25,364	87	-	491	-
19,998	16,226	25	1,650	2,097	-
235,347	238,038	-	-	-	(2,691)
-	-	-	-	-	-
573,302	559,632	4,257	1,003	8,409	-
$ 9,299,637	$ 9,195,984	$ 8,388	$ 18,543	$ 79,412	$ (2,691)

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2006
(In Thousands)

SOURCE	1997	1998	1999	2000
TAXES:				
Sales	$ 5,389,802	$ 5,617,331	$ 5,901,733	$ 6,277,498
Personal Income (net of tax expenditures)	5,930,404	6,316,125	6,907,933	7,144,211
Amount reported as tax expenditures	470,000	477,000	486,100	502,100
Single Business	2,224,319	2,349,148	2,360,533	2,324,868
Use	1,092,216	1,159,258	1,283,017	1,355,389
State Education (Property)	1,348,832	1,256,874	1,273,459	1,381,420
Real Estate Transfer	-	227,852	261,696	257,093
Liquor, Beer, Wine, and Tobacco Products	662,287	689,451	739,972	736,859
Casino Gaming Wagering	-	-	-	-
Telephone and Telegraph Company	145,805	151,964	150,334	149,206
Insurance Company	182,389	142,565	199,463	191,946
Motor Vehicle and Fuel	1,424,963	1,695,068	1,784,970	1,829,979
Quality Assurance Assessment	-	-	-	-
Other	569,300	543,391	609,665	714,899
TOTAL TAXES	19,440,316	20,626,025	21,958,875	22,865,469
FEDERAL AGENCIES	7,653,495	7,679,490	7,902,699	8,571,625
LOCAL AGENCIES	168,247	165,443	183,822	173,882
SPECIAL MEDICAID REIMBURSEMENTS	593,402	585,179	690,799	1,059,343
SERVICES	114,354	107,623	113,415	110,294
LICENSES AND PERMITS	353,492	376,909	383,778	393,006
MISCELLANEOUS	655,963	700,553	769,236	1,032,248
TOTAL REVENUE	28,979,270	30,241,222	32,002,624	34,205,867
PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES	54,021	251,454	-	82,099
CAPITAL LEASE ACQUISITIONS	54,157	29,027	57,609	22,330
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	-	-	-
TOTAL REVENUE, BOND PROCEEDS, CAPITAL LEASE ACQUISITIONS, AND PROCEEDS FROM SALE OF CAPITAL ASSETS	$ 29,087,448	$ 30,521,703	$ 32,060,233	$ 34,310,295

NOTES: (1) Beginning in fiscal year 1998, 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 1998 are not available.

(2) Beginning in fiscal year 2004, the State began reporting quality assurance assesment revenue as a tax revenue, rather than as miscellaneous revenue. Amounts for years prior to 2004 are not available.

(3) Beginning in fiscal year 2005, the State began reporting charges for providing vehicle and driving services as revenue from services, rather than licenses and permits. Amounts for years prior to 2005 are not available.

2001	2002	2003	2004	2005	2006
$ 6,352,306	$ 6,439,894	$ 6,422,642	$ 6,473,522	$ 6,599,138	$ 6,638,110
6,749,373	6,095,989	5,811,843	5,873,365	6,108,924	6,226,304
532,800	615,100	707,800	702,700	815,300	834,000
2,022,882	1,983,795	1,843,072	1,841,010	1,907,190	1,886,168
1,333,607	1,306,365	1,229,838	1,316,504	1,402,399	1,413,758
1,489,552	1,583,660	2,127,513	1,824,493	1,914,629	2,003,527
252,894	253,075	275,513	317,480	313,548	297,680
732,673	808,225	1,035,322	1,142,217	1,330,759	1,324,189
75,415	91,915	90,945	99,455	145,811	155,461
152,523	137,343	124,168	101,315	99,149	83,533
200,756	227,081	231,076	230,272	249,524	219,538
1,852,964	1,917,481	1,946,225	2,015,567	1,942,450	1,932,043
-	-	-	325,188	509,857	676,923
657,279	610,485	580,001	536,839	598,285	507,690
22,405,023	22,070,408	22,425,957	22,799,928	23,936,964	24,198,924
9,566,353	10,202,344	10,812,852	11,579,388	11,974,006	12,160,022
227,996	248,867	230,728	239,815	262,875	124,101
1,155,374	1,109,233	932,658	704,551	467,970	93,621
115,346	121,849	121,198	148,140	264,957	269,593
391,655	408,746	417,786	555,858	423,501	437,560
1,281,281	1,150,187	1,390,001	1,109,630	1,371,999	1,457,623
35,143,027	35,311,635	36,331,180	37,137,308	38,702,270	38,741,444
854,240	424,472	352,254	405,881	182,441	1,004,778
23,014	237,272	16,052	19,661	6,778	34,059
-	-	-	11,513	10,340	3,989
$ 36,020,281	$ 35,973,378	$ 36,699,486	$ 37,574,362	$ 38,901,829	$ 39,784,271

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2006
(In Thousands)

	1997	1998	1999	2000
Current:				
General government	$ 1,060,633	$ 1,003,062	$ 1,072,735	$ 1,071,643
Education	10,568,759	11,462,128	11,827,226	12,436,812
Human services (1)	3,496,468	3,262,649	3,229,377	3,336,835
Public safety and corrections	1,738,682	1,720,105	1,908,871	1,983,001
Conservation, environment, recreation, and agriculture	440,656	446,377	482,901	564,738
Labor, commerce, and regulatory	756,754	763,484	720,070	740,687
Health services (1)	6,563,740	6,781,614	7,100,795	7,692,354
Transportation	1,459,704	1,556,082	1,645,123	1,663,318
Tax expenditures	470,000	477,000	486,100	502,100
Capital outlay	716,835	898,509	1,144,575	1,196,211
Intergovernmental - revenue sharing	1,301,153	1,381,009	1,410,400	1,494,016
Debt service:				
Bond interest and fiscal charges	-	-	-	-
Capital lease payments	57,562	58,905	59,287	52,027
Total Expenditures	$ 28,630,947	$ 29,810,925	$ 31,087,460	$ 32,733,741

NOTE: (1) Beginning in fiscal year 1997 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," which then was renamed to "Human services." Prior year amounts have not been restated.

2001	2002	2003	2004	2005	2006
$ 1,270,363	$ 1,541,175	$ 1,207,672	$ 1,116,072	$ 1,303,070	$ 1,632,416
13,975,247	14,547,772	14,624,856	14,305,112	14,488,870	14,710,682
3,596,001	3,791,373	3,875,371	3,932,475	4,122,779	4,341,774
2,155,735	2,132,401	2,112,194	2,118,888	2,284,674	2,453,297
617,703	638,615	581,168	571,909	598,930	626,879
881,069	891,817	891,644	902,903	924,876	952,921
8,525,435	8,891,480	9,270,484	9,676,268	10,126,544	9,958,104
2,058,191	2,117,153	2,080,361	2,211,490	2,163,688	2,082,685
532,800	615,100	707,800	702,700	815,300	834,000
1,267,158	1,232,479	1,085,686	1,046,339	1,229,534	1,253,535
1,555,799	1,517,303	1,451,374	1,305,146	1,112,931	1,103,625
2,219	1,240	-	-	-	174
48,820	51,387	67,723	50,840	49,530	49,183
$ 36,486,541	$ 37,969,296	$ 37,956,335	$ 37,940,143	$ 39,220,726	$ 39,999,276

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