Michigan Finance Authority

(A Discretely Presented Component Unit of the State of Michigan)

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

RACHAEL EUBANKS
Chairperson of Board

DEBORAH M. ROBERTS
Executive Director

Michigan Finance Authority

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Fiscal Year Ended September 30, 2018

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TABLE OF CONTENTS

Table of Contents 1

Introductory Section 3

Letter of Transmittal 5
Certificate of Achievement 9
Organizational Structure 10
Principal Officials 11

Financial Section 13

Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards* 15
Management's Discussion and Analysis 19

Basic Financial Statements 27

Government-wide Financial Statements 28
Statement of Net Position 28
Statement of Activities 29
Governmental Funds Financial Statements 30
Balance Sheet 30
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position 31
Statement of Revenues, Expenditures, and Changes in Fund Balance 32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities 33
Proprietary Funds Financial Statements 34
Statement of Net Position 34
Statement of Revenues, Expenses, and Changes in Net Position 35
Statement of Cash Flows 36
Fiduciary Fund – Private Purpose Trust Financial Statements 37
Statement of Fiduciary Net Position 37
Statement of Changes in Fiduciary Net Position 38
Notes to the Financial Statements 39

Required Supplementary Information Other Than Management's Discussion and Analysis 85

Governmental General Fund 86
Budgetary Comparison Schedule 86
Budgetary Comparison Schedule Budget-to-GAAP Reconciliation 87
Note to Required Supplementary Information - Budgetary Reporting 88
Schedules of Required Supplementary Information - Pension Liability 89
Note to Required Supplementary Information - Pension Liability 90
Schedules of Required Supplementary Information – Healthcare OPEB Liability 91
Note to Required Supplementary Information - OPEB Liability 92

Schedules of Required Supplementary Information – Life Insurance OPEB Liability 93

Supplemental Financial Statements 95

Non-Major Funds 96

Combining Statement of Net Position 96

Combining Statement of Revenues, Expenses, and Changes in Net Position 97

Combining Statement of Cash Flows 98

Supplemental Financial Schedules 99

Municipal Bond Fund 100

Combining Supplemental Schedule of Net Position 100

Combining Supplemental Schedule of Revenues, Expenses, and Changes in Net Position 102

Combining Supplemental Schedule of Cash Flows 104

Student Loan Fund 106

Combining Supplemental Schedule of Net Position 106

Combining Supplemental Schedule of Revenues, Expenses, and Changes in Net Position 107

Combining Supplemental Schedule of Cash Flows 108

Statistical Section 109

Index to Statistical Section 110

Net Position by Component 112

Changes in Net Position 114

Fund Balances, Governmental Funds 116

Changes in Fund Balances, Governmental Funds 118

Revenue Generating Assets 120

Interest Revenue by Type of Borrower 122

Ratios of Outstanding Debt by Type 123

Pledged Revenue Debt Service Coverage 124

Demographic and Economic Indicators 125

Classified Employees by Function 126

Operating Indicators by Function 127

Other Information 129

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters 131

Glossary of Abbreviations and Terms 133

INTRODUCTORY SECTION

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

January 28, 2019

The Honorable Gretchen Whitmer, 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 Michigan Finance Authority Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2018.

INTRODUCTION TO THE REPORT

Responsibility: The Department of Treasury, Bureau of State and Authority Finance, Michigan Finance Authority prepares the CAFR 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 CAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the primary government. All disclosures necessary to enable the reader to gain a reasonable understanding of the Authority'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 CAFR in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The Authority 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.

Internal Control Structure: The Michigan Finance Authority is responsible for the overall operation of the Authority's central accounting system and for establishing and maintaining the Authority's internal control structure. The objective of the internal control structure is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The cost of the Authority's internal control structure was designed to not exceed the benefits derived from maintaining such controls.

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

Internal Auditors: Pursuant to Executive Order 2007-31, the Office of Internal Audit Services (OIAS) provides internal audit services to departments and agencies. OIAS performs periodic financial, performance, and compliance audits of department and agency programs and organizational units. In addition to periodic audits, OIAS also reviews department and agency management's processes for establishing, monitoring, and reporting on internal controls; advises department and agency management on internal control matters; and assists department and agency management with investigations of alleged fraud or other irregularities.

Independent Auditors: Plante & Moran, PLLC is the principal auditor of the CAFR. The purpose of the Plante & Moran's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2018 are free of material misstatements. Plante & Moran concluded that the Basic Financial Statements for the fiscal year ended September 30, 2018 are fairly presented in accordance with GAAP and issued unmodified opinions.

Legislative Auditors: The Office of the Auditor General (OAG) has the responsibility, as stated in Article 4, Section 53 of the State Constitution, to conduct post financial and performance audits of State government operations. In addition, certain sections of the Michigan Compiled Laws contain specific audit requirements in conformance with the constitutional mandate. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 233 of 2012, an annual statewide single audit will be conducted for applicable State departments, agencies and component unit authorities, and will result in a separately issued audit report.

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 immediately follows the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

Reporting Entity: The financial reporting entity of the Authority includes all of the funds of the primary government. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities.

Budgetary Reporting and Control: All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the direction and supervision of the State Treasurer. The Authority is governed by its own Board of Directors, composed of seven members, consisting of the State Treasurer as chair and six appointees of the Governor with the advice and consent of the State Senate. The Board provides overall governing direction for the Authority.

The Authority completes an annual appropriation process for its three operating funds as part of the overall budgetary process of the primary government. Revenues and expenditures are projected including calculated fund balances for budgetary purposes in accordance with GAAP. Public Act 431, as amended, prohibits the Authority from budgeting an ending fund balance deficit. 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 Authority to also implement such changes in the budgetary process.

Compliance with the final updated budget for the Authority's operating funds is demonstrated through the publication of the Statewide Authorization and Dispositions report that provides line item appropriation details and the legal level of budgetary control for the Authority's appropriated funds.

The Authority's governmental funds are not annually appropriated. Enabling legislation provides spending authorization for the Authority to pay scheduled debt service payments and to engage the services of financial advisors, legal counsel, placement agents, underwriters, appraisers and other advisors, consultants, and fiduciaries as may be necessary to effectuate the purposes of the acts. The Michigan Finance Authority bond official statements establish authorization to pay applicable administrative expenditures.

Long Term Financial Planning: The Authority's long-term financial planning is tied to the Authority's mission to provide its qualifying customers with effective, low-cost options to finance the acquisition, construction, improvement, or alteration of land, facilities, equipment, the payment of project costs, or to refinance existing debt. Each bond transaction is reviewed and approved separately by the Authority's Board of Directors. The Authority's fee structure is designed to cover the costs of each bond transaction executed. The Michigan Guaranty Agency projects revenues and expenditures on a monthly basis. Also the Guaranty Agency annually calculates and updates the fees that will be assessed to defaulted borrower accounts which covers the internal costs of collecting those funds.

MAJOR INITIATIVES

The Michigan Finance Authority continues to carry out its mission in assisting school districts, cities and local governments, hospitals, colleges, and access to higher education in fiscal year 2018 by issuing 22 bond and note deals totaling $2 billion in order to provide current and future funding for the Authority's various programs.

School Districts: Through its Local Municipalities Subfund and Public School Academy Facilities Fund, the Authority issued $18.1 million of bonds, $14.4 million of tax anticipation notes, and $385.9 million of state aid notes for the purpose of assisting school districts and public school academies with specialized financing needs for capital improvements and other projects.

Cities and Local Governments: Through its Local Municipalities Subfund and its State Revolving Subfund, the Authority issued $521.8 million of bonds for the purpose of assisting cities, townships, and local municipalities with specialized financing needs.

Hospitals: Through its Healthcare Finance Fund, the Authority issued $942.4 million of bonds for the purpose of assisting eligible healthcare providers and facilities with financing for capital improvements.

Colleges: Through its Higher Education Facilities Fund, the Authority issued $66.3 million of bonds for the purpose of assisting eligible higher education institutions within the state with financing for capital improvements.

Higher Education Access: Through its Student Loan Fund, the Authority issued $73 million of notes for the purpose of enhancing access to higher education for students and parents in Michigan.

Michigan Guaranty Agency: Through the Michigan Guaranty Agency, a fiduciary fund, the Authority paid $95.3 million of claims during fiscal year 2018 to qualified lenders for loans guaranteed under the Federal Family Education Loan Program made to qualified students and parents of qualified students in Michigan.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Michigan Finance Authority for its comprehensive annual financial report for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the third consecutive year that the Michigan Finance Authority received this award. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements: The preparation of this report requires the collective efforts of the management and staff of the Michigan Finance Authority, as well as the management and staff of the Authority's independent auditors, Plante & Moran. We sincerely appreciate the dedicated efforts of all of these individuals that have allowed MFA to establish its position as a leader in quality and efficiency for financial reporting.

Sincerely,

Deborah M. Roberts

Deborah M. Roberts
Director, Bureau of State and Authority Finance

Rachael Eubanks

Rachael Eubanks
State Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Michigan Finance Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

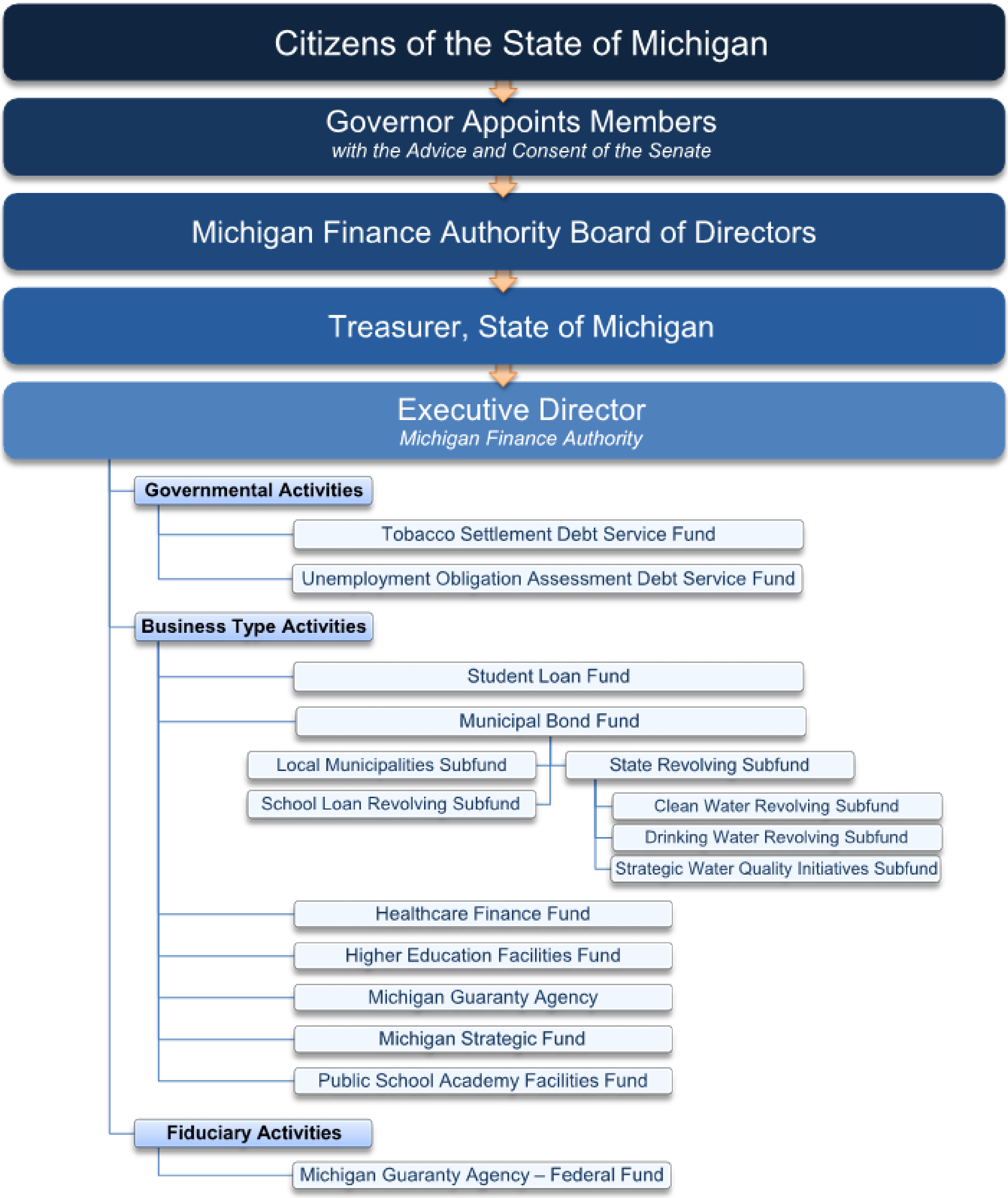
Christopher P. Morrill

Executive Director/CEO

MICHIGAN FINANCE AUTHORITY

(A Component Unit of the State of Michigan)

ORGANIZATIONAL STRUCTURE



PRINCIPAL OFFICIALS

MICHIGAN FINANCE AUTHORITY BOARD OF DIRECTORS

(As of September 30, 2018)

Nick A. Khouri
State Treasurer
Chair of Board, Michigan Finance Authority

Anne Wohlfert
Interim Deputy State Treasurer
State Treasurer Representative, Michigan Finance Authority

Deborah M. Roberts
Director, Bureau of State and Authority Finance
Executive Director, Michigan Finance Authority

Board Members

Bill Beekman
Vice President and Director of Athletics
Michigan State University
Term expires: 9/30/2021

Charlotte P. Edwards
Retired Banker
Term expires: 9/30/2018

Donald H. Gilmer
Retired Administrator
Kalamazoo County
Term expires: 9/30/2020

Timothy A. Hoffman
Retired Executive Director of Regulatory Affairs
Term expires: 9/30/2018

Travis D. Jones
Executive Vice President and CFO
GreenStone Farm Credit Services
Term expires: 9/30/2021

JulieAnn Karkosak
Vice President and General Counsel
Toyota Boshoku America, Inc.
Term expires: 9/30/2018

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FINANCIAL SECTION

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plante moran

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East Lansing, MI 48823
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Independent Auditor's Report

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority, a discretely presented component unit of the State of Michigan, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Michigan Finance Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority as of September 30, 2018 and the respective changes in its financial position and the changes in its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only the Michigan Finance Authority and do not purport to, and do not, present fairly the financial position of the State of Michigan as of September 30, 2018 or the changes in its financial position or the changes in its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

As discussed in the notes to the basic financial statements, as of September 30, 2018, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Michigan Finance Authority's basic financial statements. The accompanying supplemental financial statements, supplemental financial schedules, introductory section, and statistical sections, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplemental financial statements and supplemental financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental financial statements and supplemental financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019 on our consideration of the Michigan Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Michigan Finance Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 28, 2019

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Management's Discussion and Analysis

The following is management's discussion and analysis of the Michigan Finance Authority's (the Authority's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2018. Please read it with the Authority's financial statements, which follow this section.

HIGHLIGHTS

- The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

- The Authority's total net long-term secured debt as of September 30, 2018 was $8,435.6 million, a decrease of $629.3 million from the prior year. The decrease represents the net difference between new issuances, debt service payments, and refunding of debt. In addition, the Authority also has $9,275.6 million of conduit debt obligations outstanding as of September 30, 2018. The Authority has limited obligation for the conduit debt, and therefore does not record a liability in the financial statements. During the fiscal year ended September 30, 2018, the Authority issued new and refunding debt of $2.0 billion, of which $1.0 billion was conduit debt obligations and, therefore, was not recorded as debt of the Authority (Notes 9 and 10).

- More detailed information regarding the government-wide, fund-level, and long-term debt activities can be found beginning on page 21.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of four components: 1) government-wide financial statements, 2) governmental and proprietary fund financial statements, 3) fiduciary fund financial statements, and 4) notes to the financial statements.

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all non-fiduciary activities of the Authority using the accrual basis of accounting. Authority activities are distinguished between governmental and business-type activities. The current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both statements report two activities:

- *Governmental Activities* - The statements report information on all non-fiduciary and non-business-type activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

- *Business-Type Activities* - The Authority charges fees to customers to help it cover the cost of services it provides. Program revenues include charges to users who directly benefit from the services, grants, and contributions that are restricted to meeting the requirements of a function.

Fund Financial Statements

The fund financial statements provide detailed information about the major individual funds and aggregate information about non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to account for specific sources of funding and spending for a particular purpose. The Authority's funds are divided into three categories (governmental, proprietary, and fiduciary) and use different accounting methodologies, which are driven by required governmental accounting standards and pronouncements:

- *Governmental Funds* - The Authority's major governmental funds include the General Fund, the Tobacco Settlement Debt Service Fund, and the Unemployment Obligation Assessment Debt Service Fund. These funds are reported using the modified accrual basis of accounting, which focuses on near-term (generally 60 days) inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

- *Proprietary Funds* - The Authority's major proprietary funds include the Municipal Bond Fund and the Student Loan Fund. These funds are reported using the full accrual basis of accounting, which provides short-term and long-term financial information about the activities of the Authority.

- *Fiduciary Fund* - The Authority's fiduciary fund is the Michigan Guaranty Agency Federal Fund that is used to account for funds received from various sources and held by the Authority on behalf of the U.S. Department of Education (USDOE). These funds are reported using the full accrual basis of accounting. The government-wide financial statements exclude fiduciary fund activities and balances because these assets do not represent resources of the Authority to finance its operations, restricted or otherwise, and are held in trust.

Additional Required Supplementary Information

Following the basic financial statements is additional required supplementary information that explains and supports the information in the Authority's General Fund financial statements as well as provides additional information on the Authority’s share of the State’s net pension liability and net other postretirement benefit (OPEB) liabilities and related Authority annual contribution activity. The required supplementary information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end as well as includes information on the Authority’s employee pension and OPEB contributions compared to overall payroll costs.

Other Supplemental Information

Other supplemental information provided at the end of the report includes combining financial statements and schedules for each non-major proprietary fund and each subfund of major proprietary funds. These funds are combined, by fund type, and presented in single columns in the basic financial statements.

Financial Analysis of the Authority as a Whole

The following statement of net position presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2018 and September 30, 2017:

Statement of Net Position

As of September 30
(In Millions)

	Governmental Activities		Business-Type Activities		Total Authority	
	2018	2017	2018	2017	2018	2017
Total current assets	$ 732.2	$ 768.6	$ 3,831.9	$ 4,008.8	$ 4,564.1	$ 4,777.4
Total non-current assets	$ 165.7	$ 592.8	$ 8,231.0	$ 8,155.5	$ 8,396.7	$ 8,748.3
Total assets	$ 897.9	$ 1,361.4	$ 12,062.9	$12,164.3	$ 12,960.8	$ 13,525.7
Deferred outflows of resources	$ 1.1	$ 1.1	$ 45.2	$ 44.5	$ 46.3	$ 45.6
Total current liabilities	$ 306.2	$ 291.4	$ 1,046.4	$ 1,110.1	$ 1,352.7	$ 1,401.5
Total non-current liabilities	$ 1,632.4	$ 2,141.0	$ 6,845.6	$ 6,931.3	$ 8,478.0	$ 9,072.3
Total liabilities	$ 1,938.6	$ 2,432.4	$ 7,892.0	$ 8,041.4	$ 9,830.7	$ 10,473.8
Deferred inflows of resources	$ 0.0	$ 0.0	$1.9	$1.4	$1.9	$1.4
Net position:						
Restricted	$ 0.0	$ 0.0	$4,174.0	$4,021.8	$4,174.0	$4,021.8
Unrestricted	(1,039.6)	(1,069.9)	40.1	144.2	(999.5)	(925.7)
Total net position	$ (1,039.6)	$ (1,069.9)	$4,214.1	$4,166.0	$3,174.5	$3,096.1

The Authority's total current assets decreased by $213.3 million (4.5%) and total noncurrent assets decreased by $351.5 million (4.0%) during the fiscal year 2018. The decrease in total current assets was due primarily from the decreased Cash & Cash Equivalents on hand in the Municipal Bond Fund – School Loan Revolving Subfund, which was from an increase in loans to school districts, and a decrease in repayments from school districts in fiscal year 2018. The decrease in total noncurrent assets was due primarily to a decrease in the Receivable from the State of Michigan from payments received from TED for Unemployment Obligation Assessment collections.

The governmental activities total current assets decreased by $36.3 million (4.7%) and total noncurrent assets decreased by $427.0 million (72.0%). The decrease in current assets was due to the decrease in investments on hand in the Unemployment Obligation Assessment Debt Service Fund that was used for debt service in fiscal year 2018. The decrease in noncurrent assets was due to a decrease in the Receivable from the State of Michigan from payments received from TED for Unemployment Obligation Assessment collections.

The business-type activities total current assets decreased by $177.0 million (4.4%) primarily from the decreased Cash & Cash Equivalents on hand in the Municipal Bond Fund – School Loan Revolving Subfund explained above. The business-type activities total noncurrent assets increased by $75.5 million (.9%). The increase in total noncurrent assets was primarily due to the increase in the Receivable from the State of Michigan from school districts increased loan balances in the School Loan Revolving Subfund explained above.

The Authority's total current liabilities decreased by $48.8 million (3.5%) and total noncurrent liabilities decreased by $594.2 million (6.5%) during fiscal year 2018. This decrease in current and non-current liabilities was primarily caused by a decrease in the debt service requirements of the Authority compared to the prior year. Annual debt service requirements, by year, are disclosed in Note 9 – Bonds and Notes Payable, Net, section b.

The governmental activities total current liabilities increased by $14.8 million (5.1%). This increase in total current liabilities was primarily caused by an increase in the current debt service requirements of the Authority compared to the prior year. Annual debt service requirements, by year, are disclosed in Note 9 – Bonds and Notes Payable, Net, section b. The governmental activities total noncurrent liabilities decreased by $508.5 million (23.8%) primarily from using the funds received from the Department of Talent and Economic Development (TED) to pay down the Unemployment Obligation Assessment Revenue Bonds during the fiscal year.

The business-type activities total current liabilities decreased by $63.6 million (5.7%). This decrease in current liabilities was primarily caused by a decrease in the current debt service requirements of the Authority compared to the prior year. Annual debt service requirements, by year, are disclosed in Note 9 – Bonds and Notes Payable, Net, section b. The business-type activities total noncurrent liabilities decreased by $85.7 million (1.2%) primarily from fulfilling mandatory and optional redemptions within the Student Loan Fund.

The Authority's net position in unrestricted net assets of negative $999.5 million as of September 30, 2018 is the result of the Authority recording liabilities for the entire amount of outstanding bonds for its tobacco settlement bonds. The tobacco settlement bonds are payable from proceeds from the Authority's share of future Master Settlement Agreement (MSA) receipts; however, accounting principles preclude the Authority from recording the total anticipated receipts of these proceeds (Receivable – Tobacco Settlement Revenue) because the underlying economic events have not yet occurred for future years.

The Authority's net position in restricted net assets of $4,174.1 million as of September 30, 2018 represents resources that can be used only in accordance with external restrictions or enabling legislation. This is an overall improvement in financial position compared to the prior year.

The following condensed financial information was derived from the government-wide statement of activities and reflects the Authority's change in net position during the fiscal year:

Changes in Net Position

For the Fiscal Years Ended September 30

(In Millions)

	Governmental Activities		Business-Type Activities		Total Authority	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	$ 118.6	$ 135.5	$ 305.1	$ 310.3	$ 423.7	$ 445.8
Operating grants and contributions	5.4	3.2	237.3	273.3	242.7	276.5
Total revenues	$ 124.0	$ 138.7	$ 542.4	$ 583.6	$ 666.4	$ 722.3
Expenses						
Total expenses	93.7	103.7	482.6	394.4	576.3	498.1
Increase (Decrease) in net position	$ 30.3	$35.0	$ 59.8	$ 189.2	$ 90.1	$ 224.2
Net position - Beginning of fiscal year	(1,069.9)	(1,104.9)	4,154.4*	3,976.8	3,084.4*	2,871.9
Net position - End of fiscal year	$(1,039.6)	$(1,069.9)	$4,214.2	$4,166.0	$3,174.5	$3,096.1

*Restated for 2018. (Note 2)

The Authority's total revenue for fiscal year 2018 decreased by $55.9 million (7.7%) over the prior year, primarily as a result of decreased operating subsidies received in the Municipal Bond Fund. Operating Subsidies represent resources for current and future use to administer the programs.

The Authority's total expenses in fiscal year 2018 increased by $78.2 million (15.7%) from fiscal year 2017 expenses, primarily from an equity transfer from the Student Loan Operating Fund to the Talent Investment Fund for the Marshall Plan initiative.

FINANCIAL ANALYSIS OF THE AUTHORITY'S MAJOR FUNDS

General Fund

The General Fund accounts for the administrative expenditures for the Tobacco Settlement Debt Service Fund and the Unemployment Obligation Assessment Debt Service Fund. General Fund total assets, which are all current as of September 30, 2018, increased by $96,000 (4.3%) primarily because administrative program fees exceeded administrative expenditures. General Fund revenues increased by $30,000 (7.3%), primarily because the scheduled allocation of resources available for administrative expenditures increased from the prior fiscal year.

General Fund total liabilities, which are all current, decreased by $19,000 (6.2%) as a result of economics and administrative expenditures that were payable at the balance sheet date. Payroll and administrative overhead allocations to the General Fund are calculated once per year at year-end and therefore payable at the balance sheet date.

Other administrative expenditures decreased by $19,000 (5.2%) when compared to the prior fiscal year because of a decrease in the costs allocated to the General Fund for MFA employee time, support activities, and legal and audit fees needed to administer the funds during fiscal year 2018.

There are no variances between the General Fund original budget and final budget, nor are there variances between the final budget and actual results. The Authority does not estimate revenue for budget purposes, and the Authority is allowed to spend the collected revenue without restrictions. Therefore, the original budget reflects the final budget, and the actual revenue reflects the budgeted revenue. There were no changes from the original budget to the final budget.

Tobacco Settlement Debt Service Fund

Tobacco Settlement Debt Service Fund total current assets increased $777,000 (0.9%) as a result of an increase in the current investments at year-end. Total noncurrent assets decreased by $1.0 million (1.5%). as a result of a decrease in noncurrent investments during fiscal year 2018.

Tobacco Settlement Debt Service Fund revenues increased by $10.8 million (16.9%) and expenditures increased by $10.7 million (16.7%). All TSR collections are contingent upon actual tobacco product sales and are subject to various adjustments as outlined in the MSA.

Unemployment Obligation Assessment Debt Service Fund

Unemployment Obligation Assessment Debt Service Fund total current assets decreased by $31.5 million (4.8%) and total noncurrent assets decreased by $426.0 million (81.1%) during fiscal year 2018. The overall decrease was due primarily to the decrease in the receivable due from the State of Michigan for revenue collections received during the fiscal year. The Fund had no liabilities on September 30, 2018.

Unemployment Obligation Assessment Debt Service Fund revenues decreased by $18.3 million (25.0%) because the fund only recognizes revenue for interest income from the State and all other transfers from TED are a reduction in the receivable from primary government when received with no revenue component. Expenditures in fiscal year 2018 increased by $80.3 million (18.6%) compared to expenditures in fiscal year 2017. Expenditures are driven based on resources on hand prior to scheduled redemption dates on the bonds for payment of principal and interest on debt service.

Municipal Bond Fund

Municipal Bond Fund total current assets decreased by $160.4 million (4.3%) and total noncurrent assets increased by $255.0 million (3.4%) during fiscal year 2018. The decrease in total current assets was due from the decrease in Cash & Cash Equivalents on hand in the School Loan Revolving Subfund, which came from an increase in loans issued to school districts, and decrease in loan repayments from school districts. The increase in total noncurrent assets was primarily due to the increase in Receivables from the State of Michigan in the School Loan Revolving Subfund from school districts increased loan balances.

Total current liabilities increased by $36.3 million (4.0%) and total noncurrent liabilities decreased by $89.7 million (1.4%). The increase in current liabilities was primarily caused by an increase in the current debt service requirements of the Authority compared to the prior year. Annual debt service requirements, by year, are disclosed in Note 9 – Bonds and Notes Payable, Net, section b.

Municipal Bond Fund operating revenues increased by $19.2 million (6.4%) during fiscal year 2018. This increase was primarily a result of an increase in investment income in the School Loan Revolving Subfund and State Revolving Subfund during the fiscal year. Operating expenses increased by $5.6 million (2.3%) in fiscal year 2018 primarily because of increased arbitrage expense during the fiscal year and an increase in debt issuance costs from new bond issues for the year.

Municipal Bond Fund nonoperating revenues and expenses, net, decreased by $34.3 million (30.3%) primarily as a result of a decrease in operating subsidies received during the fiscal year. Operating Subsidies represent resources for current and future use to administer the programs.

Student Loan Fund

Student Loan Fund total current assets decreased by $26.4 million (12.0%) of which cash and cash equivalents decreased by $4.3 million (9.8%) and total noncurrent assets decreased by $170.0 million (26.0%). The net decrease is primarily from the net redemption of $101.9 million of notes and bonds and an equity transfer of $100 million from Operating Fund to the Talent Investment Fund for the Marshall Plan initiatives. The decrease is offset by the receipts from student loan payments and the net sale of investments of $86.8 million. Loans receivable decreased by $107.2 million because new loans have not been originated since June 30, 2010, $1.6 million of loans receivable were written off because of loan defaults, and $112.3 million of student loan principal has been paid during the fiscal year.

Student Loan Fund total current liabilities decreased by $96.5 million (58.1%) and total noncurrent liabilities decreased by $5.1 million (1.0%) primarily due to mandatory redemptions of bonds and notes totaling $95.4 million, $79.5 million of redemptions due to refinancing current liabilities, and less issuance of $73.0 million of mainly noncurrent bonds. In addition, pension liabilities decreased by less than $43 thousand (2.6%) and the Authority implemented GASB 75 and OPEB liabilities were recorded of $2.9 million. Accounts payable and other liabilities decreased by $1.1 million due to decrease in expenses pertaining to student loans, bonds and notes payable. Arbitrage payable decreased by $0.1 million (0.7%) and reported as a noncurrent liability as consistent with the status of the Series 22-B bonds related to the arbitrage payable.

The Student Loan Fund interest revenue decrease of $4.5 million (14.6%) was primarily attributable to the decrease of the student loan portfolio. The provision of loan loss totaled $1.6 million, a decrease of 41.2%.

In fiscal year 2018, Student Loan Fund operating expenses increased by $5.7 million (35.1%) mainly because interest expense increased by $2.5 million (19.0%) primarily due to higher interest rates, and bond issuance costs increased by $0.4 million since Series 22-B was issued in fiscal year 2018. Administrative expenses decreased by $1.0 million (13.5%) primarily due to a decrease of the student loan portfolio and decrease in administrative overhead. Nonoperating expense of $100 million is a one-time equity transfer from Operating Fund to the Talent Investment Fund.

CONTACTING THE MICHIGAN FINANCE AUTHORITY

Additional information about the Authority as well as annual statistical and audit reports can be found at www.michigan.gov/mfa.

The contact information for the Authority is:

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Richard H. Austin Building
430 West Allegan
Lansing, MI 48922
Phone (517) 335-0994

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
September 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	$	$ 1,269,057,439	$ 1,269,057,439
Receivable - Tobacco settlement revenue	55,771,764		55,771,764
Receivable from federal government		1,172,441	1,172,441
Receivable from State of Michigan (Note 5)	422,512,675		422,512,675
Receivable from other funds		2,311,091	2,311,091
Interest receivable	1,064,610	74,388,325	75,452,935
Investments (Note 4)	252,857,995	1,538,205,743	1,791,063,738
Notes receivable (Note 6)		390,364,040	390,364,040
Loans receivable, net (Note 7)		304,244,775	304,244,775
Bonds receivable (Note 8)		251,554,000	251,554,000
Other current assets		586,606	586,606
Total current assets	$ 732,207,044	$ 3,831,884,460	$ 4,564,091,504
Noncurrent assets:			
Receivable from State of Michigan (Note 5)	$ 99,160,309	$ 908,758,704	$ 1,007,919,013
Investments (Note 4)	66,571,560	543,412,011	609,983,571
Notes receivable (Note 6)		18,000,000	18,000,000
Loans receivable, net (Note 7)		2,511,032,084	2,511,032,084
Bonds receivable (Note 8)		4,249,791,657	4,249,791,657
Total noncurrent assets	$ 165,731,869	$ 8,230,994,456	$ 8,396,726,325
Total assets	$ 897,938,913	$ 12,062,878,916	$ 12,960,817,829
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding (Note 1)	$ 1,079,785	$ 43,483,897	$ 44,563,682
Deferred outflows related to pensions (Note 14)		858,455	858,455
Deferred outflows related to OPEB (Note 15)		890,222	890,222
Total deferred outflows of resources	$ 1,079,785	$ 45,232,574	$ 46,312,359
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	$ 287,345	$ 37,855,009	$ 38,142,354
Bonds and notes payable, net (Note 9)	278,235,000	908,303,826	1,186,538,826
Interest payable	27,707,232	97,014,536	124,721,768
Unearned revenue		3,275,200	3,275,200
Total current liabilities	$ 306,229,577	$ 1,046,448,571	$ 1,352,678,148
Noncurrent liabilities:			
Bonds and notes payable, net (Note 9)	$ 1,632,406,421	$ 6,803,146,666	$ 8,435,553,087
Arbitrage payable		23,053,356	23,053,356
Compensated absences	21,569	523,834	545,403
Net pension liability (Note 14)		6,701,048	6,701,048
Net OPEB liability (Note 15)		12,218,764	12,218,764
Total noncurrent liabilities	$ 1,632,427,990	$ 6,845,643,668	$ 8,478,071,658
Total liabilities	$ 1,938,657,567	$ 7,892,092,239	$ 9,830,749,806
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding (Note 1)	$	$ 1,138,032	$ 1,138,032
Deferred inflows related to pensions (Note 14)		404,943	404,943
Deferred inflows related to OPEB (Note 15)		320,599	320,599
Total deferred inflows of resources	$ 0	$ 1,863,574	$ 1,863,574
NET POSITION			
Restricted for (Note 1):			
Municipal bond fund	$	$ 4,049,673,558	$ 4,049,673,558
Student loan fund		60,145,537	60,145,537
Other purposes		64,254,133	64,254,133
Unrestricted (deficit) (Note 3)	(1,039,638,869)	40,082,449	(999,556,420)
Total net position	$ (1,039,638,869)	$ 4,214,155,677	$ 3,174,516,808

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2018

		Program Revenues		Net (Expenses) Revenues and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Tobacco Settlement	$ 81,296,258	$ 72,254,972	$ 2,541,578	$ (6,499,708)	$	$ (6,499,708)
Unemployment Obligation	12,441,870	46,358,017	2,889,218	36,805,365		36,805,365
Total Governmental Activities	$ 93,738,128	$ 118,612,989	$ 5,430,796	$ 30,305,657	$ 0	$ 30,305,657
Business-Type Activities:						
Municipal Bond Fund	$ 344,604,939	$ 258,999,954	$ 234,332,001	$	$ 148,727,016	$ 148,727,016
Student Loan Fund	121,831,541	27,004,959	2,501,352		(92,325,230)	(92,325,230)
Non-Major Funds						
Michigan Guaranty Agency - Operating Fund	12,971,866	17,070,240	369,544		4,467,918	4,467,918
Michigan Finance Authority - Operating Fund	2,353,968	1,166,540	(8,752)		(1,196,180)	(1,196,180)
Public School Academy Facilities Fund	845,605	826,846	119,098		100,339	100,339
Total Business-Type Activities	$ 482,607,919	$ 305,068,539	$ 237,313,243	$ 0	$ 59,773,863	$ 59,773,863
Total Michigan Finance Authority	$ 576,346,047	$ 423,681,528	$ 242,744,039	$ 30,305,657	$ 59,773,863	$ 90,079,520
		Change in Net Position		$ 30,305,657	$ 59,773,863	$ 90,079,520
		Net Position-beginning Restated (Note 2)		(1,069,944,526)	4,154,381,814	3,084,437,288
		Net Position-ending		$ (1,039,638,869)	$ 4,214,155,677	$ 3,174,516,808

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

Governmental Funds
Balance Sheet
September 30, 2018

	Major Funds			
	General Fund	Tobacco Settlement Debt Service Fund	Unemployment Obligation Assessment Debt Service Fund	Totals
ASSETS				
Current assets:				
Receivable - Tobacco settlement revenue	$ 324,097	$ 55,447,667	$	$ 55,771,764
Receivable from State of Michigan (Note 5)			413,445,600	413,445,600
Interest receivable		1,064,610		1,064,610
Investments (Note 4)	1,997,457	34,411,572	216,448,966	252,857,995
Total current assets	$ 2,321,554	$ 90,923,849	$ 629,894,566	$ 723,139,969
Noncurrent assets:				
Receivable from State of Michigan (Note 5)	$	$	$ 99,160,309	$ 99,160,309
Investments (Note 4)		66,571,560		66,571,560
Total noncurrent assets	$ 0	$ 66,571,560	$ 99,160,309	$ 165,731,869
Total assets	$ 2,321,554	$ 157,495,409	$ 729,054,875	$ 888,871,838
DEFERRED OUTFLOWS OF RESOURCES				
Total assets and deferred outflows of resources	$ 2,321,554	$ 157,495,409	$ 729,054,875	$ 888,871,838
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 287,345	$	$	$ 287,345
Total current liabilities	$ 287,345	$ 0	$ 0	$ 287,345
Total liabilities	$ 287,345	$ 0	$ 0	$ 287,345
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1)	$ 324,098	$ 55,447,667	$	$ 55,771,765
FUND BALANCE				
Fund balance:				
Restricted for debt service	$	$ 102,047,742	$ 729,054,875	$ 831,102,617
Restricted for administrative expenditures	1,710,111			1,710,111
Total fund balance	$ 1,710,111	$ 102,047,742	$ 729,054,875	$ 832,812,728
Total liabilities, deferred inflows of resources, and fund balance	$ 2,321,554	$ 157,495,409	$ 729,054,875	$ 888,871,838

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

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2018

Total fund balances for governmental funds	$	832,812,728
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred loss on refunding is the difference between the carrying value of refunded bonds and their reacquisition price, which is recognized as an expenditure in the governmental fund when the bonds are refunded, whereas the loss is amortized and expensed over the shorter of the life of the refunded or refunding bonds in the statement of activities.		1,079,785
Interest payable on bonds is not due and payable in the current period and therefore is not reported in the governmental funds, whereas a liability is established for bond interest when incurred in the statement of net position.		(27,707,232)
Interest receivable from the State of Michigan on the unemployment bonds that corresponds to the interest payable that is not due in the current period and therefore is not reported in the governmental funds, whereas a receivable is established for accrued interest when earned in the statement of net position.		9,067,075
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds, whereas a liability for the bonds is established when the bonds are issued in the statement of net position.		(1,910,641,421)
Unavailable revenue is recorded in governmental funds for tobacco settlement revenue that has been earned but is not available, whereas revenue is recognized when earned in the statement of net position.		55,771,765
Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds, whereas a liability is established for absences when earned in the statement of net position.		(21,569)
Net position (deficit)	$	(1,039,638,869)

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2018

	Major Funds			
	General Fund	Tobacco Settlement Debt Service Fund	Unemployment Obligation Assessment Debt Service Fund	Totals
REVENUES				
Tobacco settlement revenue	$ 419,544	$ 71,923,750	$	$ 72,343,294
Unemployment obligation assessment revenue			52,032,168	52,032,168
Investment income	26,357	2,518,996	2,885,442	5,430,795
Total revenues	$ 445,901	$ 74,442,746	$ 54,917,610	$ 129,806,257
EXPENDITURES				
Interest and principal on bonds and notes	$	$ 74,585,720	$ 512,490,975	$ 587,076,695
Other administrative expenditures	340,096			340,096
Total expenditures	$ 340,096	$ 74,585,720	$ 512,490,975	$ 587,416,791
Excess of revenues over (under) expenditures	$ 105,805	$ (142,974)	$ (457,573,365)	$ (457,610,534)
Change in fund balance	$ 105,805	$ (142,974)	$ (457,573,365)	$ (457,610,534)
Fund balance - Beginning of fiscal year	1,604,306	102,190,716	1,186,628,240	1,290,423,262
Fund balance - End of fiscal year	$ 1,710,111	$ 102,047,742	$ 729,054,875	$ 832,812,728

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2018

Net change in fund balance - Total governmental funds	$	(457,610,534)
Amounts reported for governmental activities in the statement of activities are different because:		
Tobacco settlement revenue is not recognized as revenue until earned and available by governmental funds and is recorded as deferred inflows of resources. Revenue is recognized when earned in the statement of activities.		(88,322)
Accrued interest revenue payable from the primary government does not provide current financial resources for governmental funds because the revenue is not available, whereas interest revenue is recognized when earned for the statement of activities.		(5,674,150)
Bond proceeds and principal payments - Bond proceeds are current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Bond proceeds are increased/decreased for bond premiums/discounts when bonds are issued, whereas the premiums/discounts are amortized and expensed over the life of the bonds in the statement of activities.		
Repayment of bond principal		475,225,000
Amortization of bond premiums		36,740,408
Amortization of bond discounts		(323,732)
Bond interest is recognized as an expenditure when due and payable by governmental funds, whereas it is expensed when incurred for the statement of activities.		(17,950,460)
Compensated absences are recorded as expenditures in governmental funds when due and payable, whereas they are accrued and expensed when these absences are earned in the statement of activities.		(12,553)
Net change in net position	$	30,305,657

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2018

	Business-Type Activities			
	Major Funds			
	Municipal Bond Fund	Student Loan Fund	Non-Major Funds	Totals
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	$ 1,216,011,576	$ 39,830,654	$ 13,215,209	$ 1,269,057,439
Receivable from federal government	308,234	450,171	414,036	1,172,441
Receivable from other funds			2,311,091	2,311,091
Interest receivable	58,709,504	14,969,285	709,536	74,388,325
Investments (Note 4)	1,459,808,794	50,426,758	27,970,191	1,538,205,743
Notes receivable (Note 6)	363,005,040		27,359,000	390,364,040
Loans receivable, net (Note7)	215,763,256	88,481,519		304,244,775
Bonds receivable (Note 8)	251,554,000			251,554,000
Other current assets		6,716	579,890	586,606
Total current assets	$ 3,565,160,404	$ 194,165,103	$ 72,558,953	$ 3,831,884,460
Noncurrent assets:				
Receivable from State of Michigan (Note 5)	$ 908,758,704	$	$	$ 908,758,704
Investments (Note 4)	452,135,971	46,223,899	45,052,141	543,412,011
Notes receivable (Note 6)		18,000,000		18,000,000
Loans receivable, net (Note 7)	2,091,903,485	419,128,599		2,511,032,084
Bonds receivable (Note 8)	4,249,791,657			4,249,791,657
Total noncurrent assets	$ 7,702,589,817	$ 483,352,498	$ 45,052,141	$ 8,230,994,456
Total assets	$ 11,267,750,221	$ 677,517,601	$ 117,611,094	$ 12,062,878,916
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding (Note 1)	$ 41,274,088	$ 2,209,809	$	$ 43,483,897
Deferred outflows related to pensions (Note 14)		236,660	621,795	858,455
Deferred outflows related to OPEB (Note 15)		213,651	676,571	890,222
Total deferred outflows of resources	$ 41,274,088	$ 2,660,120	$ 1,298,366	$ 45,232,574
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 36,432,847	$ 989,369	$ 432,793	$ 37,855,009
Bonds and notes payable, net (Note 9)	812,209,251	65,604,575	30,490,000	908,303,826
Interest payable	94,050,948	2,922,333	41,255	97,014,536
Unearned revenue	3,275,200			3,275,200
Total current liabilities	$ 945,968,246	$ 69,516,277	$ 30,964,048	$ 1,046,448,571
Noncurrent liabilities:				
Bonds and notes payable, net (Note 9)	$ 6,342,944,185	$ 460,202,481	$	$ 6,803,146,666
Arbitrage payable	1,053,374	21,999,982		23,053,356
Compensated absences		117,626	406,208	523,834
Net pension liability (Note 14)		1,595,152	5,105,896	6,701,048
Net OPEB liability (Note 15)		2,932,503	9,286,261	12,218,764
Total noncurrent liabilities	$ 6,343,997,559	$ 486,847,744	$ 14,798,365	$ 6,845,643,668
Total liabilities	$ 7,289,965,805	$ 556,364,021	$ 45,762,413	$ 7,892,092,239
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding (Note 1)	$ 1,138,032	$	$	$ 1,138,032
Deferred inflows related to pensions (Note 14)		97,061	307,882	404,943
Deferred inflows related to OPEB (Note 15)		76,943	243,656	320,599
Total deferred inflows of resources	$ 1,138,032	$ 174,004	$ 551,538	$ 1,863,574
NET POSITION				
Restricted for (Note 1):				
State Revolving Subfund	$ 2,628,701,500	$	$	$ 2,628,701,500
Strategic Water Quality Initiatives Subfund	88,605,641			88,605,641
School Loan Revolving Subfund	1,332,366,417			1,332,366,417
Student Loan Fund		60,145,537		60,145,537
Michigan Guaranty Agency - Operating Fund			61,319,811	61,319,811
Public School Academy Facilities Fund			2,934,322	2,934,322
Unrestricted	(31,753,086)	63,494,159	8,341,376	40,082,449
Total net position	$ 4,017,920,472	$ 123,639,696	$ 72,595,509	$ 4,214,155,677

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018

	Business-Type Activities			
	Major Funds			
	Municipal Bond Fund	Student Loan Fund	Non-Major Funds	Totals
OPERATING REVENUES				
Federal revenue, net of special allowance (Notes 1 and 12)	$ 576,964	$ (1,615,315)	$ 15,430,776	$ 14,392,425
Interest revenue	258,584,732	26,312,622	821,571	285,718,925
Provision for loan losses		(1,604,417)		(1,604,417)
Investment income	57,142,143	2,501,352	479,890	60,123,385
Fees			1,704,470	1,704,470
Miscellaneous	415,222	3,912,069	1,106,809	5,434,100
Total operating revenues	$ 316,719,061	$ 29,506,311	$ 19,543,516	$ 365,768,888
OPERATING EXPENSES				
Arbitrage expense	$ 1,053,374	$ (143,993)	$	$ 909,381
Interest expense	234,062,648	15,439,291	535,575	250,037,514
Debt issuance costs	5,341,996	400,660	308,200	6,050,856
Other administrative expense	6,269,555	6,135,583	15,327,664	27,732,802
Total operating expenses	$ 246,727,573	$ 21,831,541	$ 16,171,439	$ 284,730,553
Operating income	$ 69,991,488	$ 7,674,770	$ 3,372,077	$ 81,038,335
NONOPERATING REVENUES (EXPENSES)				
Operating subsidies	$ 176,612,894	$	$	$ 176,612,894
Program principal forgiveness, net	(22,279,226)			(22,279,226)
Grant expense	(75,598,140)			(75,598,140)
Equity transfer - Marshall Plan		(100,000,000)		(100,000,000)
Total nonoperating revenues (expenses)	$ 78,735,528	$ (100,000,000)	$ 0	$ (21,264,472)
Income (expenses) before transfers	$ 148,727,016	$ (92,325,230)	$ 3,372,077	$ 59,773,863
TRANSFERS				
Transfers from other funds	$	$	$ 76,961	$ 76,961
Transfers to other funds	(67,096)		(9,865)	(76,961)
Total transfers	$ (67,096)	$ 0	$ 67,096	$ 0
Change in net position	$ 148,659,920	$ (92,325,230)	$ 3,439,173	$ 59,773,863
Net position - Beginning of fiscal year - Restated (Note 2)	3,869,260,552	215,964,926	69,156,336	4,154,381,814
Net position - End of fiscal year	$ 4,017,920,472	$ 123,639,696	$ 72,595,509	$ 4,214,155,677

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2018

	Business-Type Activities			
	Major Funds			
	Municipal Bond Fund	Student Loan Fund	Non - Major Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Bonds, notes, and loans receivable made	$ (1,222,336,520)	$	$ (29,526,470)	$ (1,251,862,990)
Principal received on bonds, notes, and loans	899,416,096	112,255,980	34,592,000	1,046,264,076
Interest received on bonds, notes, and loans	262,321,330	21,509,021	829,200	284,659,551
Cash payments to employees and suppliers for goods and services	(6,519,906)	(7,727,432)	(15,124,281)	(29,371,619)
Net special allowance payment to federal government		(4,272,488)		(4,272,488)
Other operating revenues	903,745	3,339,373	18,611,696	22,854,814
Net cash (used in) provided by operating activities	$ (66,215,255)	$ 125,104,454	$ 9,382,145	$ 68,271,344
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes, net	$ 772,954,155	$ 73,000,000	$ 30,988,000	$ 876,942,155
Payment of debt issuance costs	(3,744,439)	(400,660)	(306,900)	(4,451,999)
Principal paid on bonds and notes	(794,708,164)	(174,923,000)	(34,883,000)	(1,004,514,164)
Interest paid on bonds and notes	(277,251,342)	(16,475,487)	(549,785)	(294,276,614)
Operating subsidies	131,399,395			131,399,395
American Recovery and Reinvestment Act principal forgiveness expense	24,810			24,810
Grant expense	(97,902,176)			(97,902,176)
Receipts for future payment of debt service	17,803,477			17,803,477
Transfers	(67,096)	(100,000,000)	67,096	(100,000,000)
Net cash used in noncapital financing activities	$ (251,491,380)	$ (218,799,147)	$ (4,684,589)	$ (474,975,116)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	$ (287,043,638)	$ (78,514,229)	$ (24,284,380)	$ (389,842,247)
Proceeds from sale and maturities of investments	190,060,053	165,284,471	19,108,000	374,452,524
Net proceeds from sale and maturity of money market funds	50,163,470		939,256	51,102,726
Interest and dividends on investments	58,723,090	2,595,520	1,905,310	63,223,920
Net cash provided by (used in) investing activities	$ 11,902,975	$ 89,365,762	$ (2,331,814)	$ 98,936,923
Net (decrease) increase in cash	$ (305,803,660)	$ (4,328,931)	$ 2,365,742	$ (307,766,849)
Cash and cash equivalents - Beginning of fiscal year	1,521,815,236	44,159,585	10,849,467	1,576,824,288
Cash and cash equivalents - End of fiscal year	$ 1,216,011,576	$ 39,830,654	$ 13,215,209	$ 1,269,057,439
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating income	$ 69,991,488	$ 7,674,770	$ 3,372,077	$ 81,038,335
Adjustments to reconcile operating income to net cash from operating activities:				
Investment income	(57,142,143)	(2,499,817)	(479,890)	(60,121,850)
Other income	(38,422)		(5,275)	(43,697)
Interest expense	234,062,648	15,439,291	535,575	250,037,514
Debt issuance cost	5,341,996	400,660	308,200	6,050,856
Pension expense		95,826	303,445	399,271
OPEB expense		16,059	50,850	66,909
Changes in assets and liabilities:				
(Increase) decrease in other receivables	(303,218,002)	(1,954,319)	239,337	(304,932,984)
Increase (decrease) in other payables	794,287	(1,231,102)	7,826	(428,989)
(Increase) decrease in bonds, notes, and loans receivable	(16,007,107)	107,163,086	5,050,000	96,205,979
Net cash (used in) provided by operating activities	$ (66,215,255)	$ 125,104,454	$ 9,382,145	$ 68,271,344

Noncash capital and financing activities:

The Authority issued State Revolving Fund Revenue Bonds to advance refund debt issued in 2011 and 2012. The $145.6 million proceeds were deposited immediately into an escrow account for the defeasance of $128.3 million of outstanding revenue bond principal (Note 9).

FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2018

	Michigan Guaranty Agency Federal Fund
ASSETS	
Current assets:	
Cash and cash equivalents (Note 4)	$ 20,041,856
Receivable from federal government	16,129,327
Total current assets	$ 36,171,183
Total assets	$ 36,171,183
LIABILITIES	
Current liabilities:	
Accounts payable and other liabilities	$ 7,325,092
Payable to other funds	1,828,152
Student loan claims payable	12,847,992
Total current liabilities	$ 22,001,236
Total liabilities	$ 22,001,236
NET POSITION	
Net position held in trust (Notes 1b.(5) and 1d.(1))	$ 14,169,947

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

FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended September 30, 2018

	Michigan Guaranty Agency Federal Fund
Additions:	
Federal revenue	$ 94,991,772
Loans recovered, repurchased, and rehabilitated	78,178,751
Investment income	171,763
Fees	1,632,993
Total additions	$ 174,975,279
Deductions:	
Student loan claims paid to lenders	$ 95,284,500
Payments to federal government	77,122,564
Other expense	547,566
Total deductions	$ 172,954,630
Net increase	$ 2,020,649
Net position - Beginning of fiscal year	12,149,298
Net position - End of fiscal year	$ 14,169,947

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Significant Accounting Policies

The accounting policies of the Michigan Finance Authority (the "Authority") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

a. Reporting Entity

The Authority is a discretely presented component unit of the State of Michigan that consolidated certain public finance authorities in Michigan in accordance with Executive Order No. 2010-2, effective May 30, 2010. The Authority combined the operations of 10 different public finance authorities (Michigan Forest Finance Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, Michigan Tobacco Settlement Finance Authority, Michigan Underground Storage Tank Financial Assurance Authority, and State Higher Education Facilities Commission). In addition, the authorization to finance the facilities of public and private schools, formerly under the Michigan Strategic Fund, and to issue bonds and notes on behalf of the State Land Bank Fast Track Authority was transferred to the Authority.

The Authority is governed by its own Board of Directors, composed of seven members, consisting of the State Treasurer as chair and six appointees of the Governor with the advice and consent of the State Senate. The Board provides overall governing direction for the Authority. All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the direction and supervision of the State Treasurer.

The Authority is not empowered to create, in any fashion, debt or liabilities on behalf of the State or to pledge the full faith and credit of the State; however, the Authority may borrow money and issue bonds and notes to provide sources of funding for loans to governmental units and school districts. In addition, the Authority may issue bonds and notes to provide sources of funding for private or nonpublic, nonprofit institutions of higher education; governmental units; and eligible healthcare providers and facilities and to undertake or continue public and capital improvements by assisting governmental units in financing and marketing municipal debt and tax-exempt bonds.

The Authority is also empowered to complement and supplement the student loan efforts of Michigan private lenders by making loans and acquiring loans made to students and their parents, thereby enhancing access to higher education. However, due to the enactment of legislation by the U.S. Congress, effective June 30, 2010, the Authority is no longer originating or acquiring loans. The Authority's Michigan Guaranty Agency (MGA) was formed for the purpose of guaranteeing loans made to qualified students and parents of qualified students through approved financial institutions; however, due to the enactment of legislation by the U.S. Congress, effective June 30, 2010, MGA is no longer permitted to issue new loan guarantees.

The accompanying financial statements report the net financial position and the changes in net financial position and, where applicable, cash flows of the Authority. They do not purport to, and do not, fairly present the net financial position and the changes in net financial position and cash flows of the State of Michigan or its component units in conformity with GAAP. The financial statements of the Authority are included in the *State of Michigan Comprehensive Annual Financial Report* as a discretely presented component unit.

b. Authority Programs

(1) The Authority's Tobacco Settlement Debt Service Fund (formerly known as the Michigan Tobacco Settlement Finance Authority) was authorized by the provisions of Public Act 226 of 2005, and amended by Public Act 18 of 2007. The purpose of the Act is to provide for the sale by the State and the purchase by the Authority of all or a portion of tobacco settlement assets and to authorize the issuance of bonds. During fiscal years 2006, 2007, and 2008, the Authority issued bonds secured by a pledge of a percentage of the State of Michigan's tobacco settlement revenue (TSR) and deposited the bond proceeds in the State of Michigan's General Fund, School Aid Fund, and 21st Century Jobs Trust Fund.

(2) The Authority's Unemployment Obligation Assessment Debt Service Fund was created pursuant to Public Act 267 of 2011, to account for bonds issued for the purpose of repaying federal advances to the State's unemployment trust account. Under the Act, the bonds are secured by an unemployment obligation assessment, which is collected by the Department of Talent and Economic Development (TED) from employers and is deposited into the fund.

(3) The Authority's Municipal Bond Fund (formerly known as the Michigan Municipal Bond Authority) was created pursuant to Public Act 227 of 1985, to provide alternative sources of funding for governmental units within the State to undertake or continue public improvements by assisting those governmental units in financing and marketing municipal debt. The Municipal Bond Fund includes the Local Municipalities Subfund, State Revolving Subfund, Strategic Water Quality Initiatives Subfund, and School Loan Revolving Subfund:

(a) The Local Municipalities Subfund includes the financing activities for municipalities, excluding those activities for school districts, water pollution control, and drinking water projects reported in the other subfunds.

(b) The State Revolving Subfund, which includes the Clean Water Program and Drinking Water Program, and the Strategic Water Quality Initiatives Subfund are co-administered by the Authority and the Department of Environmental Quality. The Authority provides reduced interest loans for the construction of water pollution control and drinking water projects.

(c) The Authority's School Loan Revolving Subfund is a self-sustaining fund and was established by Public Act 93 of 2005, to make loans to school districts to assist in paying debt service on qualified bonds issued by school districts for capital improvement projects. Any money repaid by school districts on loans is deposited back into the revolving fund for future use in funding new loans.

(4) The Authority's Student Loan Fund (formerly known as the Michigan Higher Education Student Loan Authority) was created and organized under Public Act 222 of 1975, as amended, to complement and supplement the student loan efforts of private lenders by making loans and acquiring loans made to students and their parents, thereby enhancing access to higher education.

(5) The Authority's Michigan Guaranty Agency (MGA) was formed for the purpose of guaranteeing loans made to qualified students and parents of qualified students through approved financial institutions.

The Michigan Guaranty Agency Federal Fund, a fiduciary fund, accounts for money received from various sources and held by the Authority on behalf of the U.S. Department of Education (USDOE). With the passage of the Health Care and Education Reconciliation Act of 2010 on March 26, 2010, no new loan guarantees were permitted to be made by MGA after June 30, 2010.

(6) The Authority's Public School Academy Facilities Fund (formerly known as the Michigan Public Educational Facilities Authority) was authorized by Executive Reorganization Order No. 2002-3 (Section 12.192 of the *Michigan Compiled Laws*) to issue bonds for the purpose of making loans through the purchase of municipal obligations in fully marketable form of a governmental unit or making loans to a nonprofit entity for the benefit of a public school academy. All Public School Academy Facilities Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

c. Other Authority Operations

(1) The Authority's Healthcare Finance Fund (formerly known as the Michigan State Hospital Finance Authority) was organized under Public Act 38 of 1969, as amended, to facilitate the ability of eligible healthcare providers and facilities to obtain financing and refinancing for capital improvements by obtaining loans from the Authority. The Authority issues bonds for facility equipment loans through the Healthcare Equipment Loan Program and issues revenue bonds and bonds for other capital needs of the facilities. All Healthcare Finance Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

(2) The Authority's Higher Education Facilities Fund (formerly known as the Michigan Higher Education Facilities Authority) was organized under Public Act 295 of 1969, as amended, to issue tax-exempt bonds and lend the proceeds to private or nonpublic, nonprofit institutions of higher education within the State for capital improvements. All Higher Education Facilities Fund program bonds are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

(3) The Michigan Strategic Fund was organized under Public Act 270 of 1984, as amended, to issue tax-exempt bonds and lend the proceeds to private schools to finance facilities. All Michigan Strategic Fund program bonds issued through the Authority are limited obligations of the Authority and are not obligations of the State and, therefore, are not presented in the financial statements. Fees generated by the Authority on the limited obligation bonds are recognized in the Michigan Finance Authority - Operating Fund, a non-major fund.

d. Basis of Presentation

The basic financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The Authority follows the governmental and business-type activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* as amended. These requirements provide a comprehensive one-line look at the Authority's financial activities, which are presented in the following financial statements:

(1) Government-Wide Financial Statements

The Authority's statement of net position and statement of activities report information on all non-fiduciary activities of the Authority. The Michigan Guaranty Agency Federal Fund, a fiduciary fund, is excluded from the government-wide financial statements because these assets are held by the Authority on behalf of the USDOE and do not represent discretionary assets of the Authority to finance its operations. The Authority's 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 charges to external parties for goods or services. The statement of net position presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources represents the Authority's net position. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program revenues include charges to users who directly benefit from the services, grants, and contributions that are restricted to meeting the requirements of a function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

(2) Fund Financial Statements

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

The Authority's major governmental funds include the General Fund, Tobacco Settlement Debt Service Fund, and Unemployment Obligation Assessment Debt Service Fund. The Authority's major proprietary funds include the Municipal Bond Fund and the Student Loan Fund. The non-major proprietary funds include the Michigan Guaranty Agency - Operating Fund, Michigan Finance Authority - Operating Fund, and Public School Academy Facilities Fund. The Authority's fiduciary fund is the Michigan Guaranty Agency Federal Fund.

e. Measurement Focus and Basis of Accounting

The Authority follows the accounting rules promulgated by GASB. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. 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.

f. Major Account Classifications: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

(1) Cash and Cash Equivalents - The Authority's cash and cash equivalents include deposits with financial institutions and equity in common cash maintained by the State Treasurer. In addition, highly liquid short-term investments with original maturities of three months or less that are used by the Authority for cash management rather than investing activities are reported as cash equivalents.

(2) Receivable - Tobacco Settlement Revenue (TSR) - This receivable represents the revenue earned as a result of the sale by the State of a portion of its future TSR. The receivable is recognized as revenue in the government-wide financial statements but is recognized as unavailable revenue in the governmental General Fund and the debt service fund financial statements.

(3) Receivable From State of Michigan - The receivable recorded in the School Loan Revolving Subfund is collateralized by two different sources: school districts that previously borrowed from the School Bond Loan Fund, which is a restricted subfund of the State of Michigan's General Fund, and school districts that have borrowed through the School Loan Revolving Subfund.

The receivable recorded in the Unemployment Obligation Assessment Debt Service Fund represents amounts owed to the Authority from the transfer of bond proceeds to the State of Michigan that were used to repay federal advances to the State's unemployment trust account. The bonds were secured by an unemployment obligation assessment, which is collected by TED from employers, and transferred to the Authority to be used for debt service. Accrued interest receivable due from the State is also recorded in this classification on the financial statements.

(4) Interest Receivable - This represents interest income earned but not yet received at year-end. This includes interest income earned on investments, notes, loans, and bonds with the exception of accrued interest receivable from the State of Michigan, which is classified as Receivable from State of Michigan on the financial statements.

(5) Investments - The Authority invests funds that will not be needed for program use in the near term in investments that include money market funds, commercial paper, U.S. Treasury obligations, repurchase agreements, certificates of deposit and bonds. The investment objective is the preservation of capital while managing the cash flow requirements for making debt service payments to bondholders when due and paying other Authority obligations as required pertaining to rating agency, trustee, servicer charges, and administrative expenses.

(6) Notes Receivable - The Authority issues State aid notes and loans the proceeds to school districts and public school academies to meet cash flow needs for operating purposes. The Student Loan Fund retains Student Loan Asset-Backed notes in the Operating Subfund that may be retained or sold in the future.

(7) Loans Receivable - The Authority has outstanding loans with local units of government, public schools, and students and parents. Premiums on loans are included in loans receivable and amortized over the remaining life of the loans as a reduction to interest income.

(8) Bonds Receivable - Bonds receivable consist of the value of bonds purchased from governmental units that includes regular principal and interest payments over the life of the bonds.

(9) Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has three items that qualify for reporting in this category in the government-wide and proprietary fund financial statements: deferred losses on debt refundings, deferred outflows related to pensions, and deferred outflows related to other postemployment benefit costs.

A loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The deferred outflows related to pension and other postemployment benefit costs result from the following: differences between expected and actual actuarial experience, the net difference between projected and actual earnings on investments, changes in the Authority's proportion of the net pension liability and OPEB liability and differences between employer contributions and the Authority's proportionate share of contributions, and the Authority's contributions to the pension plan and OPEB plan subsequent to the measurement date.

(10) Accounts Payable and Other Liabilities - The Authority's accounts payable relate to services provided by vendors and employees and other costs incurred but not yet paid as of year-end.

(11) Bonds Payable - The Authority issues bonds to provide funding for its various programs. In the government-wide and proprietary fund financial statements, bond premiums and discounts are amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The face amount of the debt issued, premiums, and discounts are reported as other financing sources and uses.

(12) Notes Payable - The Authority issues State aid, tax anticipation, and public school academy facilities notes that are payable by the Authority, through designated trustees, solely from funds received from each participating public school in payment of the school's notes and from investment earnings, undisbursed note proceeds, and other funds of each participating public school retained by the trustees on a note issue-specific basis.

(13) Interest Payable - This represents interest expense on the Authority's outstanding bonds that has been incurred but not paid at year-end.

(14) Unearned Revenue - The Municipal Bond Fund records unearned revenue for grant awards until the Authority disburses the funds to the recipients.

(15) Arbitrage Payable - In accordance with provisions of the Internal Revenue Code and related regulations, interest income from investments related to the Authority's tax-exempt bond issues is generally limited to the bond yield of the related bond issue. Similarly, loan income on all tax-exempt bond issues that may be retained by the Authority is limited to the bond yield plus an allowable spread. Reserves are maintained for estimated future payments of excess loan and investment income. Payments of excess loan or investment income are required to be made to the federal government on a periodic basis during the term and at final maturity of the related bond issue.

(16) Compensated Absences - In the government-wide and proprietary fund financial statements, compensated absences are reported as liabilities. Compensated absences are accrued employee vacation, banked leave time, and sick leave time. In 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. The Authority is allocated a percentage of assigned employees of the Department of Treasury. The Authority allocates employee payroll costs among the various Authority operating funds as appropriate to where the employees' time resources are concentrated.

(17) Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category in the government-wide and proprietary fund financial statements: deferred gains on debt refundings, deferred inflows related to pensions, and deferred inflows related to other postemployment benefit costs.

A gain on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The deferred inflows related to pension and other postemployment benefit costs results from changes in the Authority’s proportion of the net pension liability and OPEB liability, and differences between employer contributions and the Authority’s proportionate share of contributions.

The Authority also reports deferred inflows of resources in governmental fund financial statements for unavailable revenue that has not met the recognition criteria for availability under the modified accrual basis of accounting, primarily for TSR. These amounts are deferred and recognized as inflows of resources in the period that the revenue becomes available.

(18) Net Position - The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is net position on the government-wide, proprietary fund, and fiduciary fund financial statements. Substantially all of the assets of the Authority are pledged for payment against the various bond indentures. The State Revolving Subfund, Strategic Water Quality Initiatives Subfund, and School Loan Revolving Subfund restricted net positions are for the construction of water pollution control and drinking water projects, sewage system improvements, and qualified loans to school districts. The Student Loan Fund restricted net position is pledged by bond indentures that provide funds for student loans.

(19) Fund Balance - The difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is the fund balance on the governmental fund financial statements. Fund balances for the Authority's governmental funds are classified as restricted in the fund financial statements. Restricted fund balance reflects funds that have constraints placed on the use of the resources through enabling legislation or bond covenants.

g. Major Account Classifications: Revenues, Expenses/Expenditures, and Additions/Deductions

(1) Governmental Funds - Revenues are from two primary sources. The first revenue source is from the Authority's share of TSR received by the State of Michigan under the terms of the Master Settlement Agreement (MSA). The second revenue source is from unemployment obligation assessment

revenue collections received from TED. Expenditures are primarily debt service principal and interest on outstanding bonds.

(2) Proprietary Funds - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

The Authority's primary operations include issuing bonds, providing and acquiring loans, purchasing local governmental units' municipal bonds, and guaranteeing qualified student loans. The operating revenues and expenses and the nonoperating revenues and expenses from the Authority's primary operations include:

(a) Operating Revenues - The principal operating revenues of the Authority are federal grants, interest earned on loans, provision for loan losses, investment income, and charges to customers for financing services. Federal revenue is for defaulted student loan recoveries, repurchased and rehabilitated loans, and account maintenance. Fees are generated from servicing outstanding loans.

(b) Operating Expenses - Operating expenses of the Authority include arbitrage expense, interest expense on bonds and notes, debt issuance costs, and other administrative expenses.

(c) Non-operating Revenues/Expenses - Non-operating revenues includes funds provided by the State of Michigan and recognized as operating subsidies. Non-operating expenses represent the disbursement of grant funds, principal forgiveness, and an equity transfer to the State of Michigan Talent Investment Fund for the Marshall Plan initiatives in accordance with Public Act 227 and 228 of 2018.

(3) Fiduciary Fund - The activity within the fund and the resulting net position do not represent resources of the Authority to finance its operations, restricted or otherwise, and are held in trust by the Authority, on behalf of the USDOE. Additions include federal funds and recovery of funds from potentially defaulted loans, repurchased loans, or rehabilitated loans. Deductions include loan claims from financial institutions for loans on which the student defaulted and the unpaid loans have been acquired by MGA and payments to the federal government for recovered, repurchased, or rehabilitated loans for which the claim was already paid.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The Authority estimates the arbitrage liability on outstanding bond issues. In addition, the use of estimates by the Authority is also disclosed in Note 7d. for Student Loan Fund receivables, Note 13a. for contingencies related to the TSR, and Note 13b. for contingencies related to the Michigan Guaranty Agency Federal Fund loan loss provision.

Note 2 Accounting Changes and Restatements

During fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result, the financial statements now include a net other postemployment benefit (OPEB) liability for the Authority's unfunded postemployment benefit plan legacy costs. Some of the changes in this net OPEB liability each year will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to Note 15 for further details.

As a result of implementing this statement, the net position of the Authority as of October 1, 2017 has been restated by ($11,582,231) to $3,084,437,288. Of the ($11,582,231) restatement, ($12,447,804) was related to the beginning of the year net OPEB liability and $865,573 was related to the beginning of year deferred outflows for employer contributions made subsequent to the measurement date. The impact of this statement on the prior year changes in net position could not be determined.

The overall restatement was allocated to the three operating funds of the Authority, which include the Student Loan Fund, a major fund, the Michigan Finance Authority – Operating Fund, a non-major fund, and Michigan Guaranty Agency – Operating Fund, a non-major fund.

The restatement was allocated according to the following table:

	Net OPEB Liability	Employer Contributions Post Measurement Date	Total Restatement
Student Loan Fund Operating Subfund	$ (2,987,473)	$ 207,737	$ (2,779,736)
Michigan Guaranty Agency - Operating Fund	(6,348,380)	441,443	(5,906,937)
Michigan Finance Authority - Operating Fund	(3,111,951)	216,393	(2,895,558)
Total Adjustment	$ (12,447,804)	$ 865,573	$ (11,582,231)

Note 3 Deficit Net Position

a. Governmental Activities

The Authority reported a deficit net position of $1,039.6 million at September 30, 2018 on the government-wide statement of net position within governmental activities. The Tobacco Settlement Debt Service Fund activities and the Unemployment Obligation Assessment Debt Service Fund activities accounted for a deficit net position of $1,010.2 million and $29.4 million, respectively, at September 30, 2018.

The payments to be received for the Tobacco Settlement Debt Service Fund under the MSA represent a share of anticipated future sales of tobacco products. Although the Authority expects to receive certain amounts under the MSA, the collections are not subject to accrual under GAAP due to the fact that the Authority opted to implement the deferral provision of GASB Statement No. 48, paragraph 15 prospectively as allowed by the standard.

The receivable from the State of Michigan recorded in the Unemployment Obligation Assessment Debt Service Fund represents amounts owed to the Authority from the transfer of bond proceeds to the primary government that were used to repay federal advances to the State's unemployment trust account. The bonds were secured by an unemployment obligation assessment, which is collected by TED from employers, and transferred to the Authority to be used for debt service to pay the principal and interest on the bonds. The receivable from the State of Michigan is derived from the corresponding Authority bond principal and interest outstanding. Bond premiums that are amortized over the life of the bonds increase the book value of the liability by the amount of unamortized premium at September 30, 2018, thereby increasing liabilities greater than assets resulting in a net deficit in the Authority's governmental activities.

b. Business-Type Activities

The Authority reported a deficit net position of $101,170 at September 30, 2018 on the Non-Major Funds Combining Statement of Net Position for the Public School Academy Facilities Fund. In accordance with the Authority's implementation of GASB Statement No. 65 in fiscal year 2014, the fund's debt issuance costs must be recognized as expenses in the period in which the debt is issued. Previous to GASB Statement No. 65, debt issuance costs were amortized over the life of the debt and the unamortized balances were reported as deferred charges/financing costs in the assets of the financial statements. Implementation of this standard, which requires the Authority to expense all historical unamortized balances, caused the fund to end in a deficit net position.

Note 4 Deposits and Investments

The Authority reports investments at fair value based on quoted market prices, consistent with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, except for commercial paper, U.S. Treasury notes, and U.S. Treasury bills, which are all reported at amortized cost if purchased within one year of maturity, and repurchase agreements, which are reported using cost-based measures because they are nonparticipating interest-earning investment contracts.

Deposits and investments held by the Authority at September 30, 2018 were as follows:

	Governmental Activities Governmental Funds	Business-Type Activities Proprietary Funds	Fiduciary Funds	Total
Deposits	$	$ 1,217,303,402	$ 25,000	$ 1,217,328,402
Investments	$ 319,429,555	$ 2,131,750,327	$ 15,228,717	$ 2,466,408,599

a. Authorized Investments

State statutes, board resolutions, and bond indentures authorize allowable investments for the various funds. The permissible investments for the various funds include:

(1) Governmental Activities

(a) General Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper.

(b) Tobacco Settlement Debt Service Fund

The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper. The Authority's bond indenture restricts the

Authority to investments rated "A-1" or higher by Standard & Poor's (S&P), "P-1" by Moody's Investors Service, Inc. (Moody's), and "F1" by Fitch Ratings (Fitch).

(c) Unemployment Obligation Assessment Debt Service Fund
The Authority is authorized by State statute to invest any money, at the Authority's discretion, in any obligations it determines to be proper. In addition, the Master Bond Indenture specifies eligible investments.

(2) Business-Type Activities

(a) Municipal Bond Fund
The Authority is authorized by State statute to direct and manage its investments within the provisions of law applicable to State funds or resolutions authorizing bonds or notes. In addition, the Master Bond and Note Indentures for the various programs within the Municipal Bond Fund further define eligible investments.

(b) Student Loan Fund
The Authority is authorized by State statute to invest in obligations of, or guaranteed by, the U.S. government or the State of Michigan; U.S. government or federal agency obligation repurchase agreements; mutual funds; common trust funds; bankers' acceptances; certificates of deposit; savings and deposit accounts; and commercial paper.

(c) Michigan Guaranty Agency - Operating Fund
Section 422B(b) of the Higher Education Act permits the Authority to invest Operating Fund funds at its own discretion in accordance with prudent investor standards.

(d) Michigan Finance Authority - Operating Fund
Cash and investments applicable to operations from the Local Municipalities Subfund, Public School Academy Facilities Fund, Healthcare Finance Fund, and Higher Education Facilities Fund are consolidated into the Michigan Finance Authority - Operating Fund. State statutes for these funds authorize the allowable investments. The authorized investments for the Local Municipalities Subfund are identified under the Municipal Bond Fund in part a.(2)(a) of this note, and the authorized investments for the Public School Academy Facilities Fund are identified in part a.(2)(e) of this note. The authorized investments for the Healthcare Finance Fund are obligations of, or guaranteed by, the U.S. government or the State of Michigan; certificates of deposit; commercial paper; U.S. government repurchase agreements; mutual funds; bankers' acceptances; and other obligations approved by the State Treasurer. The authorized investments for the Higher Education Facilities Fund are obligations of, or guaranteed by, the U.S. government or the State of Michigan and certificates of deposit.

(e) Public School Academy Facilities Fund
The Authority is authorized by State statute to invest within the provisions of law applicable to State funds or resolutions authorizing bonds or notes. In addition, the Master Bond and Note Indentures may further define eligible investments.

(3) Fiduciary Fund - Michigan Guaranty Agency Federal Fund
Section 422A(b) of the Higher Education Act permits the Authority to invest in obligations issued or guaranteed by the United States or a state or in other similarly low-risk securities selected by the guaranty agency with the approval of the Secretary of Education.

b. Cash and Investment Risks

The Authority's cash and investments are subject to several types of risk:

(1) Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority had $1.2 billion in deposits at September 30, 2018. Of this balance, $1.2 billion was invested in the State of Michigan's common cash pool and $.5 million was the carrying value of cash in financial institutions.

The common cash pool is managed by the State Treasurer and is authorized to invest surplus funds in depository accounts at financial institutions; bonds, notes, and other U.S. government debt; prime commercial paper; certificates of deposit; and special State investment programs. The State Treasurer's policy for common cash depository accounts requires financial institutions to secure State funds with collateral, to be organized under federal or State law, and to maintain an office in Michigan. The policy also restricts deposits to a maximum of 50% of the financial institution's net worth. The State Treasurer's policy requires prime commercial paper to be rated "A-1" by S&P or "P-1" by Moody's or higher at purchase and places requirements and restrictions on the borrower.

The Authority does not have a policy for controlling custodial credit risk. Of the $.5 million deposited in financial institutions, $.5 million was insured by the Federal Depository Insurance Corporation and none was uninsured and uncollateralized and, therefore, there was no exposure to custodial credit risk at September 30, 2018.

(2) Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments 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 Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. The Authority does not have a policy for controlling custodial credit risk. At September 30, 2018, commercial paper of $45.7 million from governmental and business-type activities (1.9% of the Authority's investments) was exposed to custodial credit risk because it was uninsured, not registered, and held by the counterparty.

(3) Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority does not have a policy for controlling interest rate risk. The Authority's investment objective is the preservation of capital while managing the cash flow requirements for making debt service payments to bondholders and paying other obligations as required. Investment timing for managing cash flow requirements is relative to the rates in securities at the time each investment decision is required to be made. To the extent possible, the Authority considers laddering investment maturities to meet cash flow requirements. Other than to keep all funds not required for immediate use in cash, there is no practical method to mitigate interest rate risk to hedge the rise of interest rates. Also, the Authority makes investments in accordance with applicable statutory and bond indenture provisions.

At September 30, 2018, the average maturities of investments were as follows:

Type of Investment	Fair Value	Investment Maturities: Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Governmental Activities					
Government money market funds	$ 89,528,161	$ 89,528,161	$	$	$
Repurchase Agreement	37,801,532		37,801,532		
Commercial paper	34,837,317	34,837,317			
U.S. Treasury Bills	128,492,517	128,492,517			
Qualified Municipal GO Bonds	28,770,028		15,481,142	5,243,508	8,045,378
Total governmental activities	$ 319,429,555	$ 252,857,995	$ 53,282,674	$ 5,243,508	$ 8,045,378
Business-Type Activities					
Government money market funds	$ 1,118,408,882	$ 1,118,408,882	$	$	$
Repurchase Agreement	348,203,549			162,226,008	185,977,541
Commercial paper	10,898,974	10,898,974			
U.S. Treasury State & Local Govt Series	16,991,200	5,391,370	11,599,830		
U.S. Treasury Bills	3,763,902	3,763,902			
U.S. Treasury Notes	346,724,349	345,541,174	1,183,175		
U.S. Government Agency	138,416,181	44,433,171	77,607,909	16,375,101	
State of Michigan GO Bonds	38,799,985	35,903,468	2,896,517		
Qualified Municipal GO Bonds	93,425,855	16,803,926	62,871,238	13,750,691	
Certificates of Deposit	16,117,450	7,193,450	8,924,000		
Total business-type activities	$ 2,131,750,327	$ 1,588,338,317	$ 165,082,669	$ 192,351,800	$ 185,977,541
Fiduciary Activities					
Government money market funds	$ 15,228,717	$ 15,228,717	$	$	$

(4) Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy limits funds to $150 million with any single issuer, except when the investments are collateralized; requires investments to be in the top three rating categories provided by S&P, Moody's, or Fitch; requires Guaranteed Investment Contracts to have minimum levels of collateralization which are in compliance with bond indentures and underlying statutes; requires minimum levels of 102% of specific collateral for repurchase agreements; and allows exceptions to these requirements only with executive management approval.

At September 30, 2018, the credit quality ratings of debt securities, excluding U.S. treasury state and local government series securities of $17.0 million and certificates of deposits of $16.1 million that are not considered to have credit risk, were as follows:

Investment	Fair Value	Rating	Rating Organization
Governmental Activities			
Governmental Money Market Funds	$ 89,528,161	AAAm	S&P
Repurchase Agreement	37,801,532	A-	S&P
Qualified Municipal GO Bonds	3,063,148	AA-	S&P
Qualified Municipal GO Bonds	2,563,893	Aa1	Moody's
Qualified Municipal GO Bonds	23,142,987	AA	S&P
Commercial Paper	1,295,769	A-1	S&P
Commercial Paper	33,541,548	A-1+	S&P
U.S. Treasury Bills	128,492,517	F1+	Fitch
Total Governmental Activities	$ 319,429,555		

Business-Type Activities			
Governmental Money Market Funds	$ 1,118,408,882	AAAm	S&P
Repurchase Agreement	86,442,089	A+	S&P
Repurchase Agreement	207,222,607	A-	S&P
Repurchase Agreement	54,538,853	AA	S&P
Commercial Paper	5,205,760	A-1	S&P
Commercial Paper	5,693,214	A-2	S&P
U.S. Treasury Bills	3,763,902	F1+	Fitch
U.S. Treasury Notes	346,724,349	Aaa	Moody's
State of Michigan GO Bonds	38,799,985	AA	S&P
U.S. Government Agency	138,416,181	AA+	S&P
Qualified Municipal GO Bonds	71,309,730	AA	S&P
Qualified Municipal GO Bonds	2,659,651	AAA	S&P
Qualified Municipal GO Bonds	19,456,474	Aa1	Moody's
Total Business-Type Activities	$ 2,098,641,677		
Fiduciary Activities			
Government Money Markets	$ 15,228,717	AAAm	S&P

(5) Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investments with a single issuer. The Authority's policy limits funds to $150 million with any single issuer, except when the investments are collateralized; requires Guaranteed Investment Contracts to have minimum levels of collateralization which are in compliance with bond indentures and underlying statutes; requires investments to be in the top three rating categories provided by S&P, Moody's, or Fitch; requires minimum levels of 102% of specific collateral for repurchase agreements; and allows exceptions to these requirements only with executive management approval.

At September 30, 2018, the Authority had investments of 5% or more of the Authority's total investments by fund activity type in the following issuers, excluding investments issued or explicitly guaranteed by the U.S. government and mutual funds, which are excluded from this requirement by GASB:

Name of Issuer	Fair Value	Percent of Investments
Governmental Activities		
Commercial Paper – Toyota	$ 33,541,548	11%
Repurchase Agreement - Hypo Public Finance Bank/Depfa	$ 37,801,532	12%
Business-Type Activities		
Repurchase Agreement - Hypo Public Finance Bank/Depfa	$ 131,438,688	6%

(6) Fair Value Measurement - The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the

valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Authority has the following recurring fair value measurements as of September 30, 2018:

	Fair Value	Level 1	Level 2
Investments by fair value level:			
Qualified Municipal GO bonds	$ 122,195,883	$ 11,323,126	$ 110,872,757
State of Michigan GO Bonds	38,799,985		38,799,985
U.S. Government Agency	138,416,181	31,910,182	106,505,999
U.S. Treasury State and Local Gov Series	11,599,830	11,599,830	

Qualified municipal GO bonds, U.S. treasury state and local government series bonds and certain U.S. government agency securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of qualified municipal GO bonds, State of Michigan GO bonds, and certain U.S. government agency securities at September 30, 2018 was determined primarily based on Level 2 inputs. The Authority estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The Authority holds certain governmental money market fund investments that are measured at the net asset value (NAV) per share (or its equivalent). There are no limitations or restrictions on participant withdrawals for the money market funds that are recorded at amortized cost.

Note 5 Receivable From State of Michigan

The receivable from the State of Michigan of $1,430.4 million consisted of the following at September 30, 2018:

a. Unemployment Obligation Assessment Debt Service Fund

The receivable from the State of Michigan recorded in the Unemployment Obligation Assessment Debt Service Fund represents amounts owed to the Authority from the transfer of bond proceeds to the State of Michigan that were used to repay federal advances to the State's unemployment trust account. The bonds were secured by an unemployment obligation assessment, which is collected by TED from employers, and transferred to the Authority to be used for debt service to pay the principal and interest on the bonds. The receivable to pay for the corresponding bonds payable, disclosed in Note 9, was $512.6 million at September 30, 2018.

The statement of net position for the governmental activities reported a receivable from the State of Michigan totaling $521.7 million. The additional receivable of $9.1 million when compared to the Unemployment Obligation Assessment Debt Service Fund receivable represents amounts recognized as earned under the economic resource measurement focus and the accrual basis of accounting in the statement of net position for accrued interest receivable from the State of Michigan. The Unemployment Obligation Assessment Debt Service Fund utilizes the current financial resources measurement focus and the modified accrual basis of accounting, which does not provide for recognition of the $9.1 million in revenue because it is not subject to accrual.

b. Municipal Bond Fund - School Loan Revolving Subfund

The receivable from the State of Michigan recorded in the Municipal Bond Fund - School Loan Revolving Subfund is collateralized by loans to school districts that previously borrowed from the School Bond Loan Fund, which is a restricted subfund of the State of Michigan's General Fund, and school districts that have borrowed through the School Loan Revolving Subfund. The receivable to pay for the corresponding bonds payable disclosed in Note 9 was $908.8 million at September 30, 2018.

Note 6 Notes Receivable

The notes receivable of $408.4 million consisted of the following at September 30, 2018:

a. Municipal Bond Fund

The Authority originated loans to public schools to meet the schools' immediate cash flow needs for spending purposes from the proceeds of its State aid and tax anticipation notes. Collections of the receivable for the notes outstanding are used to pay for the corresponding notes payable disclosed in Note 9. The balance of notes receivable was $363 million at September 30, 2018. The notes receivable bore interest ranging from 1.75% to 4.64% during fiscal year 2018.

b. Student Loan Fund

The Authority retained the Class B Notes from the Student Loan Asset-Backed Notes, Series 2015-1, Class A and Class B Taxable LIBOR Floating Rate Notes and Student Loan Asset-Backed Notes, Series 2016-1, Class A-1, Class A-2, and Class B LIBOR Floating Rate Notes. The balance of notes receivable was reported at cost of $18 million at September 30, 2018. The notes receivable bore variable interest rates that reset monthly and are equal to the one-month LIBOR rate plus 1.50%.

c. Non-Major Fund - Public School Academy Facilities Fund

The Authority originated loans to public school academies to meet the academies' immediate cash flow needs for operating purposes from the proceeds of its public school academy facilities notes. Collections of the receivable for the notes outstanding are used to pay for the corresponding notes payable disclosed in Note 9. The balance of notes receivable was $27.4 million at September 30, 2018. The notes receivable bore interest ranging from 3.34% to 4.18% during fiscal year 2018.

Note 7 Loans Receivable, Net

Net loans receivable of $2.8 billion consisted of the following at September 30, 2018:

a. Municipal Bond Fund - Local Municipalities Subfund

The loans receivable consist of $12.7 million from Ypsilanti Community Schools for fiscal year 2018. Collections of the receivable for the loans outstanding are used to pay for the corresponding bonds payable disclosed in Note 9. Scheduled repayments of $1.2 million are expected to be collected during fiscal year 2019.

b. Municipal Bond Fund - State Revolving Subfund

The State Revolving Subfund has made commitments to municipalities to loan funds for construction of publicly owned water pollution control facilities and drinking water projects. These loans are primarily secured by system revenues of local municipalities, limited tax general obligation pledges, revenue-sharing pledge agreements, unlimited tax general obligations, and/or reserve funds. As of September 30, 2018, amounts committed for the Clean Water Program were $3.8 billion and loans of $1.9 billion were outstanding. As of September 30, 2018, amounts committed for the Drinking Water Program were $766.4 million and loans of $372.1 million were outstanding. Scheduled repayments of $212.9 million are expected to be collected during fiscal year 2019.

c. Municipal Bond Fund - Strategic Water Quality Initiatives Subfund

The Strategic Water Quality Initiatives Subfund has made commitments to municipalities to loan funds for purposes, such as footing drain disconnects and septic system upgrades that are generally not eligible to be financed through the State Revolving Subfund. These loans are primarily secured by local municipalities' limited or unlimited tax general obligations or system revenue, and some are additionally secured by revenue-sharing pledge agreements and/or reserve funds. Amounts committed were $39.8 million as of September 30, 2018, and receivables outstanding were $30.7 million. Scheduled repayments of $1.7 million are expected to be collected during fiscal year 2019.

d. Student Loan Fund

Loans include educational loans made under the Federal Family Education Loan (FFEL) Program to students (Stafford Loans), to parents of dependent undergraduates (PLUS Loans), and to borrowers consolidating certain student loans (Consolidation Loans). These loans are federally insured. The terms of federal loans, which vary, generally provide for repayment in monthly installments of principal and interest over a period of up to 10 years. Loans also include education loans made under the Authority's MI-LOAN Program, which are not federally insured. The following are descriptions of the loans and adjustments that comprise the net loans receivable of $507.6 million:

(1) Stafford Loans - Stafford Loans may be subsidized or unsubsidized. Interest is paid on subsidized Stafford Loans during the enrolled and grace periods by the USDOE, whereas borrowers must either pay interest from the time of the loan or capitalize the interest until repayment begins on unsubsidized Stafford Loans. Stafford Loans may bear fixed or variable rate interest with fixed rates ranging primarily from 5.6% to 6.8% and variable rates based on the bond equivalent rate for the 91-day U.S. Treasury bill, plus a factor of up to 3.25% depending on the status and/or date of disbursement of the loan.

(2) PLUS Loans - The PLUS interest rate has been a fixed rate of 8.5% since July 1, 2006. Prior to July 1, 2006, interest rates on the PLUS Loans varied annually each July 1, based on the bond equivalent rate for the 91-day U.S. Treasury bill or one-year constant maturity, plus a factor of either 3.25% or 3.10%, depending on when borrowers obtained their first PLUS Loans.

(3) Consolidation Loans - Interest rates on Consolidation Loans are fixed, calculated by rounding the weighted average of the interest rates on the loans consolidated to the nearest 1/8 of 1%, or variable based on the 91-day U.S. Treasury bill, plus 3.10%, not to exceed 8.25%.

(4) MI-LOAN Program Loans - Under the Authority's MI-LOAN Program, loans are made to assist students in meeting the costs of education at a degree-granting college or university located in Michigan. Borrowers or eligible co-signers must meet standards of credit established by the Authority. As of September 30, 2018, the MI-LOAN Program balance outstanding was $87.4 million. The MI-LOAN Program's fixed interest rate loans ranged from 5.95% to 9.50%. The MI-LOAN Program's variable interest rate was 2.84% at September 30, 2018. Repayment begins within 60 days of the disbursement and extends over a maximum period of 25 years.

(5) Allowance - The Authority's Stafford Loans, PLUS Loans, and Consolidation Loans are guaranteed primarily by the Authority's Michigan Guaranty Agency and by Great Lakes Higher Education Guaranty Corporation and reinsured by the USDOE. Historically, the Authority has recorded an allowance to estimate the unguaranteed portion of future loan defaults. As of September 30, 2018, the Authority's recorded allowance for FFEL Program loans was $0.4 million.

MI-LOAN Program loans are not guaranteed or reinsured; therefore, the Authority estimates future loan defaults and records an allowance for the estimate. As of September 30, 2018, the Authority's recorded allowance for the MI-LOAN Program loans was $2.1 million.

(6) Status of Student Loan Programs - On February 15, 2008, origination of new MI-LOAN Program loans was suspended. Also, the U.S. Congress enacted legislation in the form of the Health Care and Education Reconciliation Act of 2010 on March 30, 2010 that eliminated the authorization to originate FFEL Program loans after June 30, 2010.

Note 8 Bonds Receivable

Bonds receivable consist of receivables from governmental units to pay corresponding Authority bonds as disclosed in Note 9. During the fiscal year, the Authority purchased local governmental units' municipal bonds for $340.8 million from the proceeds of the Authority's bond issuance. The annual requirements for governmental units to repay their bonds to the Authority as of September 30, 2018, including principal and interest, were as follows:

Fiscal Years Ending	Principal	Interest	Total
2019	$ 251,554,000	$ 183,438,720	$ 434,992,720
2020	296,211,000	187,852,486	484,063,486
2021	323,808,000	174,887,926	498,695,926
2022	317,670,000	161,056,748	478,726,748
2023	282,401,000	147,288,919	429,689,919
2024 – 2028	953,498,000	582,977,994	1,536,475,994
2029 – 2033	839,895,000	378,462,594	1,218,357,594
2034 – 2038	612,430,000	165,677,876	778,107,876
2039 – 2043	286,415,000	74,084,957	360,499,957
2044 – 2048	129,940,000	14,501,884	144,441,884
2049 and thereafter	18,170,000	363,400	18,533,400
Total unadjusted bonds and interest	$ 4,311,992,000	$ 2,070,593,504	$ 6,382,585,504
Unamortized premium/discounts	190,129,258		190,129,258
Unamortized accretion for capital appreciation bonds	(775,601)		(775,601)
Total	$ 4,501,345,657	$ 2,070,593,504	$ 6,571,939,161

Note 9 Bonds and Notes Payable, Net

a. **Net bonds and notes payable** of $9,622.1 million consisted of the following at September 30, 2018:

Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2018
Tobacco Settlement Debt Service Fund					
Tobacco Settlement Asset-Backed Bonds:					
Series 2006A - Serial	May 17, 2006	$ 363,115,000	7.31%	June 1, 2034	$ 286,700,000
Series 2007A - Serial	August 20, 2007	$ 480,125,000	5.125% to 6%	June 1, 2047	459,025,000
Series 2007B - Capital appreciation (b)	August 20, 2007	$ 35,649,948	7.25%	June 1, 2052	865,290,000
Series 2007C - Capital appreciation (b)	August 20, 2007	$ 7,216,749	7.5%	June 1, 2052	195,100,000
Series 2008A - Serial	July 7, 2008	$ 114,860,000	6.875%	June 1, 2024	114,860,000
Series 2008B - Capital appreciation (b)	July 7, 2008	$ 29,874,650	8.5%	June 1, 2046	700,625,000
Series 2008C - Capital appreciation (b)	July 7, 2008	$ 57,673,814	8.875%	June 1, 2058	4,395,870,000
Total Tobacco Settlement Asset-Backed Bonds					**$ 7,017,470,000**
Unemployment Obligation Assessment Debt Service Fund					
Unemployment Obligation Assessment Revenue Bonds:					
Series 2012A	June 27, 2012	$ 1,462,490,000	3% to 5%	July 1, 2019	$ 260,315,000
Series 2012B	June 27, 2012	$ 1,204,645,000	5%	July 1, 2022	468,295,000
Total Unemployment Obligation Assessment Revenue Bonds					**$ 728,610,000**
Municipal Bond Fund - Local Municipalities Subfund					
Municipal State Aid and Tax Anticipation Notes:					
2018A TAN	January 10, 2018	$ 14,370,000	Variable 4.64% (c)	October 4, 2018	$ 4,545,000
2018A-1	August 20, 2018	$ 195,010,000	4.00%	August 20, 2019	195,010,000
2018A-2	August 20, 2018	$ 155,391,771	2.50%	August 20, 2019	155,391,771
2018D	August 20, 2018	$ 4,500,000	3.50%	August 20, 2019	4,500,000
Local Government Loan Program Revenue Bonds:					
Series 1994G - Capital appreciation (b)	December 21, 1994	$ 7,379,737	7.05% to 7.1%	May 1, 2020	10,750,000
Series 1997C	October 30, 1997	$ 16,335,000	5.38%	November 1, 2020	240,000
Series 1998A	June 16, 1998	$ 16,100,000	5.2%	November 1, 2019	255,000
Series 1999C	June 24, 1999	$ 16,685,000	5.375%	November 1, 2019	110,000
Series 2000A	May 17, 2000	$ 10,815,000	6%	November 1, 2020	300,000
Series 2000B	November 28, 2000	$ 5,905,000	5.5%	November 1, 2020	745,000
Series 2002A	July 1, 2002	$ 30,060,000	4.75% to 5%	November 1, 2019	30,000
Series 2002B	November 1, 2002	$ 16,790,000	4.35% to 4.625%	May 1, 2022	550,000
Series 2003B	September 30, 2003	$ 19,665,000	4.4% to 6%	November 1, 2023	3,650,000
Series 2004A	February 18, 2004	$ 41,155,000	4.125% to 6%	May 1, 2034	5,855,000
Series 2004B	May 13, 2004	$ 26,830,000	4.5% to 5%	May 1, 2022	180,000
Series 2006A	May 10, 2007	$ 9,825,000	4.3%	May 1, 2019	290,000
Series 2007A	March 29, 2007	$ 21,875,000	4% to 4.25%	May 1, 2029	9,615,000
Series 2007B	August 3, 2007	$ 98,435,000	5% to 5.25%	December 1, 2027	12,705,000
Series 2007C	December 19, 2007	$ 31,080,000	4% to 5%	May 1, 2031	21,150,000
Series 2007D	December 28, 2007	$ 19,335,000	4.125% to 5%	November 1, 2032	10,310,000
Series 2009A	March 18, 2009	$ 28,430,000	5% to 5.5%	May 1, 2024	27,755,000
Series 2009B	March 31, 2009	$ 34,020,000	5% to 7%	November 1, 2028	2,980,000
Series 2009C	September 23, 2009	$ 45,795,000	4.2% to 5%	May 1, 2024	2,405,000
Series 2010A	March 31, 2010	$ 27,005,000	4% to 5%	May 1, 2022	5,760,000
Series 2010B	May 18, 2010	$ 38,245,000	5.6% to 6.7%	May 1, 2027	23,995,000
Series 2010C	May 25, 2010	$ 6,710,000	5.2% to 6.55%	May 1, 2030	5,810,000
Series 2010D	September 30, 2010	$ 14,290,000	3.375% to 5%	June 1, 2030	3,880,000
Series 2010E	December 16, 2010	$ 100,000,000	7.188% to 8.369%	November 1, 2035	91,785,000
Series 2011A	March 3, 2011	$ 31,565,000	5.5% to 6.375%	November 1, 2025	14,360,000
Series 2011B	April 13, 2011	$ 8,000,000	4.05% to 6%	November 1, 2035	6,765,000
Series 2011C	May 3, 2011	$ 7,710,000	6.2% to 6.5%	May 1, 2026	6,090,000
Series 2011D	June 29, 2011	$ 8,975,000	4% to 5%	May 1, 2020	4,175,000
Series 2011E	September 20, 2011	$ 1,775,000	3.5% to 4.75%	May 1, 2026	1,070,000
Series 2011F	October 28, 2011	$ 14,960,000	4% to 5.25%	October 1, 2041	13,870,000
Series 2012B	August 8, 2012	$ 18,880,000	3% to 4%	November 1, 2028	8,755,000
Series 2012D	October 18, 2012	$ 7,950,000	3% to 4%	May 1, 2032	6,300,000
Series 2013A	May 14, 2013	$ 9,370,000	2% to 4%	May 1, 2033	7,520,000
Series 2013C	October 2, 2013	$ 30,000,000	4% to 5.25%	October 1, 2043	29,135,000
Series 2014B	July 2, 2014	$ 184,960,000	5%	July 1, 2044	172,595,000
Series 2014C	September 4, 2014	$ 935,860,000	5%	July 1, 2044	796,905,000
Series 2014D	September 4, 2014	$ 854,850,000	2.85% to 5%	July 1, 2037	685,675,000
Series 2014E	September 25, 2014	$ 4,070,000	5.15%	May 1, 2021	2,190,000
Series 2014F	December 10, 2014	$ 275,000,000	3.4% to 4.6%	October 1, 2029	245,000,000
Series 2014H	October 30, 2014	$ 295,350,000	5%	October 1, 2039	259,015,000
Series 2015A	March 12, 2015	$ 192,580,000	4.422% to 5%	May 1, 2025	111,460,000
Series 2015B	June 29, 2016	$ 16,750,000	3.16% to 4.8%	May 1, 2045	16,750,000
Series 2015C	December 15, 2015	$ 197,660,000	5%	July 1, 2035	197,160,000
Series 2015D	December 15, 2015	$ 126,665,000	5%	July 1, 2035	126,160,000
Series 2015E	November 30, 2015	$ 4,955,000	3% to 4%	November 1, 2032	4,525,000

Series	Date of Issue	Original Issue	Interest Rate Percentage (a)	Maturity Dates	Amounts Outstanding as of September 30, 2018
Series 2016A	March 29, 2016	$ 14,470,000	5%	May 1, 2029	12,845,000
Series 2016B	March 26, 2016	$ 5,225,000	1.94% to 2.61%	May 1, 2022	4,225,000
Series 2016C	August 11, 2016	$ 606,180,000	1.607% to 5%	November 1, 2035	536,080,000
Series 2016D	September 29, 2016	$ 226,380,000	3.55% to 4.32%	March 31, 2023	166,640,000
Series 2017A	June 19, 2017	$ 19,300,000	3.95% to 4.375%, Variable 4.395329% (d)	September 25, 2029	18,272,000
Series 2017B	June 15, 2017	$ 6,380,000	Variable 4.5037% (e)	May 3, 2021	10,895,000
Series 2017C	September 14, 2017	$ 291,755,000	2.91%	May 1, 2024	291,755,000
Series 2018A	April 25, 2018	$ 10,500,000	5.85%	May 1, 2030	10,500,000
Series 2018B	August 8, 2018	$ 3,005,000	3% to 5%	May 1, 2039	3,005,000
School Loan Revenue Bonds:					
Series 2013	August 20, 2013	$ 18,615,000	4% to 5%	August 1, 2026	12,595,000
State Aid Revenue Bonds:					
Series 2018	August 16, 2018	$ 288,625,000	4% to 5%	November 1, 2048	288,625,000
Transportation Revenue Bonds:					
Series 2017A	November 16, 2017	$ 34,000,000	2.38% to 3.379%	April 1, 2024	34,000,000
Total Municipal Bond Fund - Local Municipalities Subfund					**$ 4,705,463,771**
Municipal Bond Fund - State Revolving Subfund:					
Series 1998, Clean Water Revolving Fund Revenue Bonds	July 15, 1998	$ 151,165,000	4.750%	October 1, 2020	$ 1,425,000
Series 2004, Clean Water Revolving Fund Revenue Bonds	April 21, 2004	$ 286,605,000	4.75% to 5%	October 1, 2026	12,580,000
Series 2004, Drinking Water Revolving Fund Revenue Bonds	April 21, 2004	$ 67,895,000	5%	October 1, 2026	3,230,000
Series 2005, Clean Water Revolving Fund Revenue Bonds	July 26, 2005	$ 103,630,000	4.75% to 5%	October 1, 2027	6,845,000
Series 2005, Drinking Water Revolving Fund Revenue Bonds	July 26, 2005	$ 79,480,000	4.75% to 5%	October 1, 2027	4,505,000
Series 2006, Clean Water Revolving Fund Revenue Bonds	November 2, 2006	$ 150,000,000	4.2% to 5%	October 1, 2026	11,935,000
Series 2007, Clean Water Revolving Fund Revenue Bonds	October 25, 2007	$ 278,040,000	4.25% to 5%	October 1, 2029	37,495,000
Series 2009, Clean Water Revolving Fund Refunding Bonds	June 30, 2009	$ 150,805,000	4% to 5%	October 1, 2019	13,915,000
Series 2010, Clean Water Revolving Fund Revenue Bonds	March 18, 2010	$ 178,740,000	4% to 5%	October 1, 2020	24,075,000
Series 2010, Clean Water Revolving Fund Refunding Bonds	March 18, 2010	$ 67,420,000	5%	October 1, 2020	17,350,000
Series 2011, Clean Water Revolving Fund Refunding Bonds	November 3, 2011	$ 225,860,000	5%	October 1, 2021	83,115,000
Series 2011, Drinking Water Revolving Fund Refunding Bonds	November 3, 2011	$ 56,860,000	3% to 5%	October 1, 2024	31,195,000
Series 2012, Clean Water Revolving Fund Revenue Bonds	April 26, 2012	$ 131,410,000	4% to 5%	October 1, 2022	30,010,000
Series 2012, Clean Water Revolving Fund Refunding Bonds	July 10, 2012	$ 89,595,000	5%	October 1, 2021	68,415,000
Series 2012, Drinking Water Revolving Fund Refunding Bonds	July 10, 2012	$ 16,755,000	5%	October 1, 2020	11,850,000
Series 2013, Clean Water Revolving Fund Refunding Bonds	February 20, 2013	$ 137,745,000	5%	October 1, 2026	103,640,000
Series 2013, Drinking Water Revolving Fund Refunding Bonds	February 20, 2013	$ 31,110,000	5%	October 1, 2026	23,285,000
Series 2014A, Clean Water Revolving Fund Refunding Bonds	October 9, 2014	$ 61,585,000	2.814%	October 1, 2027	51,035,000
Series 2014A, Drinking Water Revolving Fund Refunding Bonds	October 9, 2014	$ 42,655,000	2.814%	October 1, 2027	35,435,000
Series 2014B, Clean Water Revolving Fund Refunding Bonds	October 23, 2014	$ 40,020,000	2.095%	October 1, 2020	9,395,000
Series 2015A, Clean Water Revolving Fund Refunding Bonds	June 11, 2015	$ 77,475,000	2.43%	October 1, 2028	70,195,000
Series 2015B, Clean Water Revolving Fund Refunding Bonds	December 21, 2015	$ 112,025,000	2.18%	October 1, 2028	145,020,000
Series 2016B, Clean Water Revolving Fund Revenue Bonds	November 17, 2016	$ 104,475,000	2% to 5%	October 1, 2036	103,635,000
Series 2016B, Clean Water Revolving Fund Refunding Bonds	November 17, 2016	$ 188,640,000	2% to 5%	October 1, 2030	188,305,000
Series 2017A, Clean Water Revolving Fund Refunding Bonds	December 19, 2017	$ 145,600,000	2.2% to 2.58%	October 1, 2031	145,600,000
Series 2018A BAN, Clean Water Revolving Fund	July 13, 2018	$ 371,500	Variable 1.960165% to 1.9752224% (f)	July 1, 2019	30,571,500
Total Municipal Bond Fund - State Revolving Subfund					**$ 1,264,056,500**
Municipal Bond Fund - School Loan Revolving Subfund:					
Series 2010A, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 150,000,000	Variable 2.15% (g)	September 1, 2050	$ 150,000,000
Series 2010B, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 150,000,000	Variable 2.20% (g)	September 1, 2050	150,000,000
Series 2010C, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 150,000,000	Variable 1.98% (g)	September 1, 2050	150,000,000
Series 2010D, Federally Taxable Bonds SLRF Revenue Bonds	December 15, 2010	$ 85,000,000	5.246% to 6.496%	September 1, 2025	82,000,000
Series 2014A, Federally Taxable Bonds SLRF Revenue Bonds	April 10, 2014	$ 150,000,000	Variable 2.05% (g)	September 1, 2053	150,000,000
Series 2015A, Federally Taxable Bonds SLRF Revenue Bonds	April 22, 2015	$ 200,000,000	3.396% to 4.345%	September 1, 2045	200,000,000
Total Municipal Bond Fund - School Loan Revolving Subfund					**$ 882,000,000**
Student Loan Fund					
Student Loan Bonds:					
Series 22-B, Student Loan Revenue Refunding Bonds	December 15, 2017	$ 73,000,000	Variable 2.648% (h)	September 1, 2042	59,209,000
Series 25-A, Student Loan Revenue Refunding Bonds	December 4, 2014	$ 168,000,000	3.5% to 5%	November 1, 2031	133,000,000
Student Loan Notes:					
Series 2015-1 (26-A), Student Loan Asset-Backed Notes-Class	March 24, 2015	$ 302,600,000	Variable 2.99219% (i)	April 29, 2030	154,112,000
Series 2015-1 (26-A), Student Loan Asset-Backed Notes-Class	March 24, 2015	$ 9,000,000	Variable 3.74219% (j)	April 28, 2033	9,000,000
Series 2016-1 (27-A), Student Loan Asset-Backed Notes-Class	January 15, 2016	$ 273,000,000	Variable 2.7388% (k)	January 2, 2029	159,514,000
Series 2016-1 (27-A), Student Loan Asset-Backed Notes-Class	January 15, 2016	$ 9,000,000	Variable 3.6138% (j)	January 3, 2034	9,000,000
Total Student Loan Fund					**$ 523,835,000**
Non-Major Funds					
Public School Academy Facilities Notes:					
Series 2018E	August 20, 2018	$ 1,360,000	3.43%	August 20, 2019	$ 1,360,000
Series 2018B-1	September 6, 2018	$ 26,920,000	3.34%	August 20, 2019	26,920,000
Series 2018B-2	September 6, 2018	$ 2,210,000	4.18%	August 20, 2019	2,210,000
Total Non-Major Funds					**$ 30,490,000**

(a) Interest rates are reported as either ranges for serial and term bonds and notes for outstanding amounts as of September 30, 2018 or the September 30, 2018 effective rates for variable rate bonds and notes.

(b) Capital appreciation bonds are reported at ultimate maturity value.

(c) 2018A TAN interest rate changes monthly and is equal to the sum of Thirty Day LIBOR rate plus 3.76% per annum, multiplied by 79.00%.

(d) 2017A-3 interest rate changes monthly and is equal to the sum of one-month LIBOR rate in effect on each Reset Date multiplied by 70% plus 2.95%.

(e) 2017-B interest rate changes monthly and is equal to the sum of thirty-day LIBOR rate plus 4.75% per annum, multiplied by 65.10%; not to exceed the maximum rate allowed by law.

(f) 2018A interest rate on the outstanding borrowers is determined as follows: At the option of the MFA the one-month Libor Rate or the Daily LIBOR Rate multiplied by 79% plus 33 basis points. The interest is calculated, accrued monthly, and paid at the earlier of the maturity date or the payoff of the loan.

(g) Interest rate changes every seven days based on a market rate determined by the assigned remarketing agent.

(h) 22-B interest rate changes monthly based on 75% of the one-month LIBOR floating rate plus 107 basis points.

(i) 2015-1 Class A interest rate changes monthly based on the one-month LIBOR floating rate plus 75 basis points.

(j) 2015-1 and 2016-1 Class B interest rate changes monthly based on the one-month LIBOR floating rate plus 150 basis points.

(k) 2016-1 Class A interest rate changes monthly based on the one-month LIBOR floating rate plus 62.5 basis points.

b. Annual debt service requirements for the Authority to service bond and note debt outstanding as of September 30, 2018, including both principal and interest, are as follows (in millions):

	Tobacco Settlement Debt Service Fund		Unemployment Obligation Assessment Debt Service Fund		Municipal Bond Fund - Local Municipalities Subfund		Municipal Bond Fund - State Revolving Subfund		Municipal Bond Fund - School Loan Revolving Subfund		Student Loan Fund		Non-Major Funds		Totals	
Fiscal Years Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
												(a)				
2019	$ 17.9	$ 55.9	$ 260.3	$ 34.4	$ 631.2	$ 211.3	$ 173.2	$ 45.3	$ 4.0	$ 25.6	$ 65.6	$ 16.2	$ 30.5	$ 0.6	$ 1,182.7	$ 389.3
2020	18.9	54.8	281.1	21.2	297.7	188.5	137.7	39.3	6.0	25.5	65.6	14.1			807.0	343.3
2021	20.1	53.6	187.2	6.9	325.3	175.5	132.9	33.5	12.0	25.1	65.6	12.0			743.2	306.5
2022	45.1	52.3			319.3	161.5	117.0	28.2	16.0	24.4	65.6	9.8			563.0	276.3
2023	57.6	49.7			284.4	147.7	109.4	23.7	22.0	23.5	65.6	7.7			539.1	252.3
2024 - 2028	199.4	191.9			960.7	583.7	403.9	68.1	93.2	101.5	167.8	15.5			1,825.0	960.6
2029 - 2033	173.4	137.4			839.9	378.5	161.2	14.5	46.9	88.3	28.0	2.0			1,249.5	620.7
2034 - 2038	106.1	83.8			612.4	165.7	28.6	1.7	41.7	77.0					788.8	328.2
2039 - 2043	111.8	54.0			286.4	74.1			28.8	70.0					427.0	198.0
2044 - 2048	810.8	16.8			129.9	14.5			11.5	64.5					952.3	95.8
2049 - 2053	1,060.4				18.2	0.4			600.0	34.9					1,678.6	35.2
2054 - 2058	4,395.9														4,395.9	
2059 - 2063																
Total unadjusted bonds, notes, and interest	$ 7,017.5	$ 750.1	$ 728.6	$ 62.6	$ 4,705.5	$ 2,101.2	$ 1,264.1	$ 254.4	$ 882.0	$ 560.2	$ 523.8	$ 77.2	$ 30.5	$ 0.6	$ 15,151.9	$ 3,806.4
Unamortized premium			30.1		227.0		77.6				2.0				336.6	
Unamortized discounts	(15.3)				(0.1)										(15.5)	
Unamortized accretion for capital appreciation bonds	(5,850.2)				(0.8)										(5,851.0)	
Total	$ 1,152.0	$ 750.1	$ 758.7	$ 62.6	$ 4,931.5	$ 2,101.2	$ 1,341.6	$ 254.4	$ 882.0	$ 560.2	$ 525.8	$ 77.2	$ 30.5	$ 0.6	$ 9,622.1	$ 3,806.4

(a) For Series 22-B, Series 26, and Series 27 in the Student Loan Fund, the redemptions were calculated prior to the maturity date because the initial purchaser estimated an earlier final redemption based on cash flow estimations.

c. Changes in long-term debt for the fiscal year ended September 30, 2018 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
Tobacco Settlement Asset-Backed Bonds	$ 7,034,965,000	$	$ (17,495,000)	$ 7,017,470,000	$ 17,920,000	$ 6,999,550,000
Unemployment Obligation Assessment Revenue Bonds	1,186,340,000		(457,730,000)	728,610,000	260,315,000	468,295,000
Total Governmental Activities	$ 8,221,305,000	$ 0	$ (475,225,000)	$ 7,746,080,000	$ 278,235,000	$ 7,467,845,000
Business-Type Activities						
Local Municipalities Subfund State Aid and Tax Anticipation Notes	$ 391,120,000	$ 369,271,771	$ (400,945,000)	$ 359,446,771	$ 359,446,771	$
Local Municipalities Subfund Local Government Loan Program Bonds	4,244,805,000	18,125,000	(252,133,000)	4,010,797,000	270,579,000	3,740,218,000
Local Municipalities Subfund School Loan Revenue Bonds	14,000,000		(1,405,000)	12,595,000	1,150,000	11,445,000
Local Municipalities Subfund State Aid Revenue Bonds		288,625,000		288,625,000		288,625,000
Local Municipalities Subfund Transportation Revenue Bonds		34,000,000		34,000,000		34,000,000
State Revolving Subfund	1,357,690,000	199,171,500	(292,805,000)	1,264,056,500	173,211,500	1,090,845,000
School Loan Revolving Subfund	885,000,000		(3,000,000)	882,000,000	4,000,000	878,000,000
Student Loan Bonds	223,500,000	73,000,000	(104,291,000)	192,209,000	20,473,440	171,735,560
Student Loan Notes	402,258,000		(70,632,000)	331,626,000	45,131,135	286,494,865
Public School Academy Facilities Notes	34,385,000	30,988,000	(34,883,000)	30,490,000	30,490,000	
Total Business-Type Activities	$ 7,552,758,000	$ 1,013,181,271	$ (1,160,094,000)	$ 7,405,845,271	$ 904,481,846	$ 6,501,363,425
Total Bonds and Notes Payable	**$15,774,063,000**	**$ 1,013,181,271**	**$ (1,635,319,000)**	**$15,151,925,271**	**$ 1,182,716,846**	**$13,969,208,425**

d. Refunded Bonds and Notes

(1) State Revolving Fund

On December 19, 2017, the Authority issued $145.6 million in Clean Water Revolving Fund Revenue Refunding Bonds, Series 2017A under the State Revolving Fund.

The Bonds refunded a $47.4 million portion of the Clean Water Revolving Fund Revenue Refunding Bonds, Series 2011. The Bonds were sold with a true interest cost of 2.20% and garnering a Net Present Value Savings of $1.3 million, or approximately 3.10% of the refunded bonds.

The Bonds refunded a $98.1 million portion of the Clean Water Revolving Fund Revenue Bonds, Series 2012. The Bonds were sold with a true interest cost of 2.58% and garnering a Net Present Value Savings of $7.8 million, or approximately 9.19% of the refunded bonds.

The proceeds were placed into an escrow account and will be used to redeem the Clean Water Revolving Fund Revenue Refunding Bonds, Series 2011 on October 1, 2021 and Clean Water Revolving Fund Revenue Bonds, Series 2012 on October 1, 2022.

(2) Student Loan

On December 15, 2017, the Authority utilized the Series 22-A letter of credit from State Street Bank and Trust Company (SSBTC) to redeem the $79.5 million remaining portion of the outstanding Student Loan Series 22-A Bonds. The Authority then issued $73.0 million in Student Loan Revenue Refunding Bonds, Series 22-B, tax-exempt LIBOR Floating rate bonds. The Authority reimbursed SSBTC for the redemption drawing on its letter of credit by using the proceeds of the Series 22-B Bonds and the funds available in Series 22-A. State Street Public Lending Corporation is the original purchaser and current holder of the Series 22-B bonds. The Bonds were sold with a variable interest rate that is reset monthly and is equal to 75% of the one-month LIBOR Rate plus 1.07%. Economic gain or loss on the refunding over the life of the Bonds cannot be determined because the interest on both the new bonds and refunded bonds are variable rates.

e. Defeased Bonds

The Authority has defeased certain Municipal Bond Fund bonds by depositing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The amount of bonds outstanding considered defeased was $331.2 million at September 30, 2018.

f. Demand Bonds

(1) School Loan Revolving Fund
Included in noncurrent liabilities is $450.0 million of School Loan Revolving Fund Revenue and Refunding Bonds, Series 2010A, 2010B, and 2010C, with a nominal maturity of September 1, 2050. The bonds were issued in the amount of $450.0 million ($150.0 million for each of A, B, and C) on December 15, 2010 to refund prior bonds and to make qualified loans to school districts.

The bonds are subject to purchase on the demand of the holder at a price equal to the purchase price on five days' notice and delivery to the tender agent. The remarketing agents (Merrill Lynch, Pierce, Fenner & Smith Incorporated - Series 2010A, PNC Capital Markets LLC - Series 2010B, and BMO Capital Markets GKST, Inc. - Series 2010C) are authorized to offer for sale and use their best efforts to sell any bonds that are remarketed pursuant to the supplemental indenture. The interest rate on the bonds is reset weekly at the rate determined by the remarketing agents to be the minimum interest rate that would enable the remarketing agents to sell all of the bonds on the effective date at a price equal to the principal amount. The fee for the remarketing agents is 0.085% of the outstanding balance.

Under irrevocable letters of credit issued by Bank of America, N.A. (Series 2010A), PNC Bank, National Association (Series 2010B), and Bank of Montreal (Series 2010C), the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letters of credit are valid through December 12, 2019. If not previously extended, the letters automatically terminate. All amounts drawn on the letters of credit must be paid on the earliest of the 90th day following the draw, the conversion date, the redemption of bonds, the date of the sale of bank bonds, the regularly scheduled quarterly interest payment date, or the replacement of the letters. Any liquidity advance on the irrevocable letters of credit not repaid in 90 days, or otherwise, converts to a term loan payable in six semi-annual installments. As of September 30, 2018, there have not been any draws on the letters of credit. The banks issuing the letters of credit are paid a fee based on a pricing matrix that takes into account the unenhanced ratings of the bonds. At the current ratings, the fee is 0.65% of the outstanding balance.

Also included in long-term debt is $150.0 million of Federally Taxable Bonds School Loan Revolving Fund Revenue Bonds, Series 2014A, with a nominal maturity of September 1, 2053. The bonds were issued in the amount of $150.0 million on April 10, 2014 to make qualified loans to school districts.

The bonds are subject to purchase on the demand of the holder at a price equal to the purchase price on five days' notice and delivery to the tender agent. The remarketing agent (J.P. Morgan Securities LLC) is authorized to offer for sale and use its best efforts to sell any bonds that are remarketed pursuant to the supplemental indenture. The interest rate on the bonds is reset weekly at the rate determined by the remarketing agent to be the minimum interest rate that would enable the remarketing agent to sell all of the bonds on the effective date at a price equal to the principal amount. The fee for the remarketing agent is 0.085% of the outstanding balance.

Under an irrevocable transferrable letter of credit issued by JPMorgan Chase Bank, N.A., the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letter of credit is valid through December 12, 2019. If not previously extended, the letter automatically terminates. All amounts drawn on the letter of credit must be paid on the earliest of the 90th day following the draw, the conversion date, the redemption of bonds, the date of the sale of bank bonds, the regularly scheduled quarterly interest payment date, and the replacement of the letter. Any liquidity advance on the irrevocable letters of credit not repaid in 90 days, or otherwise, converts to a term loan payable in six semi-annual installments. As of September 30, 2018, there have not been any draws on the letter of credit. The letter of credit bank is paid a fee based on a pricing matrix that takes into account the unenhanced ratings of the bonds. At the current ratings, the fee is 0.65% of the outstanding balance.

Note 10 Conduit Debt Obligations

The Authority has issued limited obligation bonds to provide capital financing for eligible borrowers that are not part of the Authority's financial reporting entity. Typically, these borrowings are repayable only from the borrowers' repayment of loans, undisbursed proceeds, and related interest earnings and the Authority has no obligation for this debt. Therefore, the conduit debt obligations are not recorded as liabilities of the Authority.

The Authority issues limited obligation bonds to finance loans to private or nonpublic entities, nonprofit institutions of higher education, qualified public or private educational facilities, and healthcare providers for capital improvements. The Authority issued limited obligation bonds through the Higher Education Facilities Fund, Public School Academy Facilities Fund, Healthcare Finance Fund, and Michigan Strategic Fund.

The Authority has defeased, in substance, certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Economic gains and accounting gains and losses upon in-substance defeasance inure to the benefit of the facility for which the bonds were issued and, accordingly, are not reflected in the Authority's financial statements.

The total outstanding limited obligation bonds and defeased and undefeased portions as of September 30, 2018 were as follows:

	Higher Education Facilities Fund	Public School Academy Facilities Fund	Healthcare Finance Fund	Michigan Strategic Fund	Total
Defeased	$	$	$ 679,640,000	$	$ 679,640,000
Undefeased	550,273,357	213,035,416	7,778,854,709	53,748,228	8,595,911,710
Total outstanding	$ 550,273,357	$ 213,035,416	$ 8,458,494,709	$ 53,748,228	$ 9,275,551,710

Note 11 Employee Benefits

a. Plan Descriptions

The Authority participates in the State of Michigan's defined benefit and defined contribution pension plans that cover most State employees, as well as related component units such as the Authority. The defined benefit and defined contribution pension plans are part of the Michigan State Employees' Retirement System administered by the Office of Retirement Services, Department of Technology, Management, and Budget. Participants in each plan are eligible for retirement, healthcare, disability, and death benefits upon meeting certain vesting requirements. The Michigan State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report is available on the State's website at <www.michigan.gov/ors>. The financial report for the defined contribution plan may be obtained by writing to the Office of Retirement Services, Department of Technology, Management, and Budget, P.O. Box 30171, Lansing, Michigan 48909-7671.

b. Funding Policy

For the defined contribution plan, the Authority was required to contribute 3.7% of payroll with an additional match of up to 3%. Employees in the defined contribution plan are not required to contribute to the plan but may contribute up to the Internal Revenue Service allowed maximum. Employees participating in the defined contribution plan vest in employer contributions at 50% after two years of service, 75% after three years of service, and 100% after four years of service. Forfeited employer contributions are retained within the defined contribution plan and are used toward future employer required contributions. The Authority transferred $188,000 to the State for its employer contribution for the defined contribution plan in fiscal year 2018. The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plans.

c. Postemployment Benefits

The Authority participates in the State of Michigan's single-employer postemployment benefit plan. State statutes provide retired employees with other postemployment benefits, such as health, dental, vision, and life insurance coverage based on vesting and other requirements. The Authority was required to contribute 22.14% of payroll for the employer cost of other postemployment benefits in fiscal year 2018. The State pays 80% of the cost of health insurance for retired employees that were hired on or before March 30, 1997. For retired employees hired after March 30, 1997 and before January 1, 2012, the State pays between 30% and 80% of the cost of health insurance depending upon years of service. Employees hired on or after January 1, 2012 will not be eligible for any retiree health insurance coverage but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation into a 401(k) or 457 account, earning a matching 2% employer contribution. Also, the employee will receive a credit into a health reimbursement account at termination of employment if he or she has at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

Note 12 Revenue from Federal Government

a. Business-Type Activities and Proprietary Funds

(1) Student Loan Fund

The USDOE pays the Student Loan Fund an interest subsidy on subsidized Stafford Loans for the period during which the borrowers are enrolled at an institution of higher education and during a six- to nine-month period after the borrowers have graduated or left school. The interest subsidy for fiscal year 2018 totaled $1.8 million. In addition, federal legislation provides for a special allowance that is principally an incentive payment made so that money market conditions and interest rates will not impede the issuance of student loans. The USDOE pays the special allowance, which adjusts the Authority's yield on student loans to a rate related to the average of a one-month LIBOR yield during the quarter or, for loans disbursed on or after January 1, 2000, a rate related to the average three-month commercial paper yield. The positive special allowance received for fiscal year 2018 was $1.8 million. For loans first disbursed on or after October 1, 2007, the College Cost Reduction and Access Act reduced the special allowance factors and the Deficit Reduction Act of 2005 required that, if the resulting special allowance calculation was negative, the negative special allowance must be paid to the USDOE. The negative special allowance paid for fiscal year 2018 totaled $5.2 million.

(2) Non-Major Fund - Michigan Guaranty Agency - Operating Fund

The Michigan Guaranty Agency - Operating Fund receives federal funds for fees related to defaulted student loans. The account maintenance fee is 0.06% of the original principal amount of outstanding loans for administering the accounts. In addition, the Michigan Guaranty Agency - Operating Fund receives federal funds for its share of retention on loan recoveries and loans rehabilitated. For loan recoveries, the retention rate is 16.0%. For loans rehabilitated, MGA receives 100% of interest and collection costs.

b. Fiduciary Fund - Michigan Guaranty Agency Federal Fund

The Michigan Guaranty Agency Federal Fund includes federal revenue to reimburse the Authority for defaulted loan claims acquired from financial institutions. Defaulted loans consist of loans in which the student defaulted and the unpaid loan has been acquired from the financial institution by MGA and is recorded as a deduction within loan claims in the fiduciary fund. The federal government reimburses MGA between 75% and 100% of defaulted loans based on MGA's trigger default rate. All defaulted loans are currently reimbursed by the Federal Government at 100% unless MGA’s trigger default rate exceeds 5%. The federal revenue is reported as an addition in the fiduciary fund. The federal government has defined the trigger default rate to be the defaulted loan claims presented to the federal government during the federal fiscal year ended September 30, divided by loans in repayment at the beginning of the federal fiscal year, plus certain other adjustments. The trigger default rate for the fiscal year ended September 30, 2018 was 1.81%.

Note 13 Contingencies

a. Governmental Activities and Tobacco Settlement Fund - Master Settlement Agreement (MSA) and Purchase Agreement

In November 1998, an MSA was entered into by 46 states, six other U.S. jurisdictions, and four major tobacco companies. The MSA, as it might be amended from time to time, sets forth the schedule and calculations of payments to be made by the tobacco companies to the states. These payments are subject to various adjustments and offsets, some of which could be material.

In calendar years 2006 and 2007, the Michigan Tobacco Settlement Finance Authority and the State entered into purchase agreements to purchase the right, title, and interest in and to 13.34% and 10.77%, respectively, of all TSR that is received by the State that is required under the terms of the MSA and that is payable to the State beginning in calendar years 2008 and 2010, respectively.

Future tobacco settlement collections are contingent upon future tobacco product sales and are subject to various adjustments as outlined in the MSA. Because of the uncertainty of the factors affecting tobacco product sales and the various adjustments, the Authority estimates the amount of tobacco settlement payment that will be received in April of each year based on tobacco product sales from the prior calendar year.

b. Fiduciary Fund - Michigan Guaranty Agency (MGA) Federal Fund

MGA is contingently liable for loans made by financial institutions that qualify for guaranty. All defaulted loans are currently reimbursed by the Federal Government at 100% unless MGA's trigger default rate exceeds 5%. The trigger default rate for loans guaranteed by the Authority was below 5% for fiscal year 2018.

In the event of future adverse default experience in which the trigger default rate exceeds 5% but less than 9%, the federal government's reinsurance rate could be as low as 85%. In addition, if MGA's trigger default rate exceeds 9%, the federal government's reinsurance rate could be as low as 75%; therefore, MGA could be liable for up to 25% of defaulted loans. Although management believes that MGA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% was $308.7 million as of September 30, 2018. Management does not expect that all guaranteed loans could default in one year.

MGA has entered into commitment agreements with all lenders that provide, among other things, that MGA will maintain cash and marketable securities at an amount sufficient to guarantee outstanding loans in accordance with the Higher Education Act of 1965, as amended. Management believes MGA was in compliance with this requirement as of September 30, 2018.

Note 14 General Information on Employee Pension Plans

a. Plan Description

The Michigan State Employees' Retirement System (the MSERS) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act establishes the board's authority to promulgate or amend the provisions of the MSERS. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The executive order establishes the board's authority to promulgate or amend the provision of the MSERS. The board consists of nine members:

- The Attorney General
- The State Treasurer
- The Legislative Auditor General
- The State Personnel Director
- One member or retirant of the State Employees' Retirement System appointed by the Governor
- One member of the Judges Retirement System appointed by the Governor
- One current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions appointed by the Governor
- One retirant member of the State Employees' Retirement System appointed by the Governor
- One member of the general public appointed by the Governor

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to the State's government employees.

The MSERS 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. The report may be obtained by visiting <www.michigan.gov/ors> or by calling the Customer Information Center at (517) 322-5103 or (800) 381-5111.

b. Benefits Provided

(1) Introduction - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 240 of 1943, the State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. MSERS also provides duty disability, non-duty disability, and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution pension plan. The Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit pension plan instead of the defined contribution pension plan.

(2) Pension Reform of 2012 - On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

- Option 1: DB Classified. Members voluntarily elected to remain in the defined benefit (DB) plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate State employment. The 4% contribution began on April 1, 2012.

- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's defined contribution (DC) plan. The 4% contribution began April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.

- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant, they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012 become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years), they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count toward vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to a 401(k) or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

(3) <u>Regular Retirement</u> - The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5% of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under Public Act 264 of 2011, the FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012 but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012 and January 1, 2015, a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015 or later, an annual average of overtime (for the six-year period ending on the FAC calculation date) will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation (FAC times 1.5% times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining:

1. Age 60 with 10 or more years of credited service.
2. Age 55 with 30 or more years of credited service.
3. Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced by 0.5% for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

1. Age 51 with 25 or more years in a covered position.
2. Age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position.

(4) Deferred Retirement - Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive and legislative branches and certain Department of Health and Human Services employees subject to reduction in force lay-offs by reason of deinstitutionalization.

(5) Non-Duty Disability Benefit - A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a nonduty disability pension. The nonduty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

(6) Duty Disability Benefit - A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of $6,000 payable annually. At age 60, the benefit is recomputed under service retirement.

(7) Survivor Benefit - Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of Duty Death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to $6,000.

(8) Pension Payment Options - When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100%, 75%, or 50% of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows:

- *Regular Pension* - The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

- *100% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount, another beneficiary cannot be named.

- *75% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 75% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount, another beneficiary cannot be named.

- *50% Survivor Pension* - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option or the 75% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount, another beneficiary cannot be named.

- *Equated Pension* - An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with the Regular, 100%, 75% or 50% option. At age 65, the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of Social Security benefits at age 65, provided by the Social Security Administration Office. To calculate this benefit, members choosing this option must provide the Office of Retirement Services (ORS) with an estimate from the Social Security Administration Office. The actual amount received from Social Security may vary from the estimate.

(9) <u>Post Retirement Adjustments</u> - One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning October 1, 1988, a 3% non-compounding increase, up to a maximum of $25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8% annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3% increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987 are not eligible for the supplemental payment.

c. <u>Contributions</u>

(1) <u>Member Contributions</u> - Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4% of compensation to MSERS. In addition, members may voluntarily contribute to MSERS for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

(2) <u>Employer Contributions</u> - The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by MSERS's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2018, the component unit's contribution rate was 24.60% of the defined benefit employee wages and 19.73% of the defined contribution employee wages. The Authority's contribution to MSERS for the fiscal year ended September 30, 2018 was $801,352.

d. Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and rolled forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation rate	3.5%
Projected salary increases	3.5% to 12.5%
Investment rate of return	7.5%
Cost-of-living pension adjustment	3% annual non-compounded with maximum annual increase of $300 for those eligible

Mortality rates were based on RP-2000 Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2015 projections scale BB. For active members, 50% of the male table rates were used. For women, 50% of the female table rates were used.

Actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study covering the period from October 1, 2007 through September 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Allocation

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return***
Domestic equity pools	28.0 %	5.6%
Private equity pools	18.0	8.7%
International equity pools	16.0	7.2%
Fixed income pools	10.5	(.1)%
Real estate and infrastructure pools	10.0	4.2%
Absolute return pools	15.5	5.0%
Short-term investment pools	2.0	(.9)%
Total	100.0 %	

* Long term rates of return are net of administrative expenses and 2.3% inflation

e. Discount Rate

A discount rate of 7.5% was used to measure the total pension liability. This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

f. Net Pension Liability

At September 30, 2018, the Authority reported a liability of $6,701,048 for its proportionate share of MSERS's net pension liability. This liability was allocated by full-time equivalent (FTE) count to the three operating funds of the Authority, which include the Student Loan Fund, a major fund; the Michigan Guaranty Agency - Operating Fund, a non-major fund; and the Michigan Finance Authority - Operating Fund, a non-major fund.

The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by MSERS during the measurement period from October 1, 2016 through September 30, 2017, relative to the total required employer contributions from all of MSERS's participating employers. At September 30, 2017, the Authority's proportion was 0.130%.

g. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 6.5%	**Current Discount 7.5%**	**1% Increase 8.5%**
Authority's proportionate share of the net pension liability	$ 8,754,591	$ 6,701,048	$ 4,931,195

h. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSERS Comprehensive Annual Financial Report, which may be obtained by visiting <www.michigan.gov/ors>.

i. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the fiscal year ended September 30, 2018, the Authority's recognized pension expense was $1,174,553. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,537	$
Net difference between projected and actual earnings on investments		402,082
Change in proportion and difference between actual contributions and proportionate share of contributions	405	2,861
Changes of assumptions	55,161	
Authority's contributions subsequent to the measurement date	801,352	
Total	$ 858,455	$ 404,943

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense Amount
2019	$ (107,880)
2020	32,644
2021	(129,080)
2022	(143,524)

Note 15 Other Postemployment Benefit (OPEB) Plans

Defined Benefit OPEB Plan- Healthcare

a. Plan Description

The Michigan State Employees Retirement System (System) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor, which consist of two members of the State Employees' Retirement System at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director, who serves as an ex-officio member. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That reports may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

b. Benefits Provided

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund.

This plan is closed to new hires.

c. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2018, the Authority's contribution rate was 22.14% of the defined benefit employee wages and 22.14% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2018 was $849,342. Active employees are not required to contribute to SERS OPEB.

d. Actuarial Assumptions

The Authority's net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	3.5%
Investment Rate of Return	7.5%
Projected Salary Increases	3.5 – 12.5%
Health Care Cost Trend Rate	9.0% Year 1 graded to 3.5% Year 10
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements. For active members, 50% of the male table rates were used. For women, 50% of the female table rates were used.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2007 through September 30, 2012.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Private Equity Pools	18.0	8.7
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Po	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0 %	

* Long-term rates of return are net of administrative expenses and 2.3% inflation

e. Discount Rate

A Single Discount Rate of 7.50% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this Single Discount Rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

f. Net OPEB Liability

At September 30, 2017, the Authority's reported a liability of $10,613,347 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2016, through September 30, 2017, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2017, the Authority's proportion was 0.129 percent.

The investment return assumption was updated beginning with the September 30, 2016 valuation to reflect reductions in capital market assumptions for the asset classes in which the System invests. The investment return assumption was updated again beginning with the September 30, 2017 valuation in accordance with the Dedicated Gains Policy adopted by the Board of Trustees. This assumption change will increase the computed liabilities.

g. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using a Single Discount Rate of 7.50%, as well as what the Authority's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	September 30, 2018		
	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net OPEB Liability	$ 12,083,040	$ 10,613,347	$ 9,367,965

h. Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using the assumed trend rates as well as what the Authority's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	September 30, 2018		
	1% Decrease (8.0 to 2.5 %)	Current Trend Rate (9.0 to 3.5%)	1% Increase (10.0 to 4.5%)
Authority's proportionate share of the net OPEB Liability	$ 9,295,510	$ 10,613,347	$ 12,124,736

i. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the SERS Comprehensive Annual Financial Report that may be obtained by visiting (www.michigan.gov/ors).

j. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Authority recognized OPEB expense of $869,464. At September 30, 2018, the Authority's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	September 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 76,989
Net difference between projected and actual earnings on investments		91,921
Changes in proportion and differences between actual contributions and proportion share of contributions		64,650
Authority's contributions subsequent to the measurement date	849,342	
Total	$ 849,342	$ 233,560

Amounts reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2019	$ (51,390)
2020	(51,390)
2021	(51,390)
2022	(51,390)
2023	(28,000)

Postemployment Life Insurance Benefits

k. Plan Description

The State of Michigan provides postemployment life insurance benefits (the Plan) to eligible individuals upon retirement from State employment. Members of the State Employees Retirement System (SERS), the State Police Retirement System (SPRS), the Judges' Retirement System (JRS), and certain members of the Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. The Plan is a single-employer, state-wide, defined benefit other postemployment benefits (OPEB) plan. The State contracts with Minnesota Life to administer the payout of life insurance benefits. The Plan is administered by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

The Plan is not a trust and has no assets.

l. Benefits Provided

The State's group policy with Minnesota Life includes any active employee in the category of classified State service with an appointment of at least 720 hours duration, but excluding employees with non-career appointments and those working less than 40% of full time; any active official or active unclassified employee of the State who has been approved for coverage by the Civil Service Commission; any retired employee or official who was insured under this policy or the prior policies it replaced prior to entry into a State Retirement System; and Wayne County employees who a) were State Judicial Council employees on October 1, 1996 and whose employment was transferred to the Recorder's Court on October 1, 1996 and b) whose employer subsequently became the Wayne County Clerk's Office.

Eligible retirees are provided with life insurance coverage equal to 25% of the active life insurance coverage (which amount is rounded to the next higher $100 provided the retiree retired after July 1, 1974), $1,000 for spouse and $1,000 for each dependent under age 23. The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $10,000 and a maximum of $200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $10,000 and a maximum of $50,000.

m. Contributions

The State requires the employer to contribute to finance 100% of the premiums for employee and retiree life insurance coverage. The premium rates for fiscal year 2018 ranged from $.24 to $.28 during the year for each $1,000.00 of coverage. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

n. Actuarial Valuations and Assumptions

The Authority's total OPEB liability as of September 30, 2018 was measured as of September 30, 2017 and is based on an actuarial valuation performed as of that date.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

The normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an Individual Entry-Age Actuarial Cost Method with these characteristics: a) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and b) each annual normal cost is a constant percentage of the members' year by year projected covered pay.

The total OPEB liability was measured using the following actuarial assumptions:

Wage Inflation Rate:	3.5%
Investment Rate of Return (discount rate):	3.5% per year
Mortality:	Healthy Life and Disabled Life Mortality, with 115 percent of the Male rates and 121 percent of the Female rates used in the pension valuations for MSERS plan members

IBNR: A liability equal to 25% of expected first year cash flow was held for postemployment life insurance benefits claims incurred but not reported (IBNR).

Spouse Benefits for Future Retirees: The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees at 3 percent for MSERS retirees.

Spouse Benefits for Current Retirees: Data regarding postemployment life insurance benefits coverage for spouses of current retirees was not available. Liabilities for retired members were loaded to account for postemployment life insurance benefits payable to the spouses of current retirees at 4 percent for MSERS retirees.

Compensation: For some MSERS retirees, FAC was not reported. The FAC for these members was assumed to be $51,045 (the average of all MSERS retiree records reported with FAC).

For purposes of valuing the postemployment life insurance benefit policies for retirees, base wage at retirement was not available and was approximated by applying a factor to the reported FAC at retirement. The factor used to covert an FAC to a base wage is based on the length of the FAC period for each group. The factor used for MSERS was 0.983092 (2 year FAC) for Conservation and 0.966565 (3 year FAC) for Corrections and All Others.

For MSERS DC plan retirees, compensation at retirement and other information was not provided to the actuary. The postemployment life insurance benefit policies for this group were assumed to have the same average value as the policies for retirees in the MSERS DB plan.

Other: The face values of The Plan policies currently in force were requested by the actuary but were not available for use in this valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50% x compensation at retirement (compensation reported for the 2017 retirement system valuations):
Spousal benefits: $1,000
Individuals retired on or before July 1974: $3,000
Spousal benefits: $1,000.

Data for current retiree members of the Plan was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2017 retirement valuations were included in this valuation of the Plan.

o. Discount Rate

A discount rate of 3.50% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2017. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets. The municipal bond rate of 3.1% was used for determining the beginning total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2016.

p. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2018, the Authority reported a liability of $1,605,417 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2017 based on an actuarial valuation as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2016, through September 30, 2017, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2017, the Authority's proportion was 0.125 percent.

q. Sensitivity of the Total OPEB Liability for Postemployment Life Insurance

The following table presents the Authority's proportionate share of the total OPEB liability, calculated using a Single Discount Rate of 3.50%, as well as what the Authority's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	September 30, 2018		
	1% Decrease (2.5%)	Current Discount (3.5%)	1% Increase (4.5%)
Authority's proportionate share of the net OPEB Liability	$ 1,887,007	$ 1,605,417	$ 1,380,950

r. <u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for Postemployment Life Insurance Benefits</u>

For the year ended September 30, 2018, the Authority recognized OPEB expense of $86,320. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	September 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,347	$
Changes of assumptions		87,039
Authority's contributions subsequent to the measurement date	39,533	
Total	$ 40,880	$ 87,039

Amounts reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2019	$ (17,585)
2020	(17,585)
2021	(17,585)
2022	(17,585)
2023	(15,352)

s. <u>Aggregate defined benefit OPEB amounts</u>

Amounts reported for defined benefit postemployment benefits other than pensions and postemployment life insurance benefits are aggregated on the Statement of New Position as follows:

	September 30, 2018		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions	$ 10,613,347	$ 849,342	$ 233,560
Postemployment life insurance benefits	1,605,417	40,880	87,039
Total	$ 12,218,764	$ 890,222	$ 320,599

Note 16 Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and employee medical benefits. The State of Michigan is self-insured and provides coverage to the Authority for these potential losses. Additional information on risk management can be found in the footnotes of the *State of Michigan Comprehensive Annual Financial Report.* Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 17 Subsequent Events

a. Municipal Bond Fund

On November 1, 2018, the Authority issued Local Government Loan Program Revenue Bonds of $2.2 million within the Municipal Bond Fund – Local Municipalities Subfund. The bond was issued to refund the Local Government Loan Program Revenue Bonds, Series 2014E.

On December 13, 2018 the Authority issued Local Government Loan Program Revenue Bonds of $176 million within the Municipal Bond Fund – Local Municipalities Subfund.

On December 19, 2018, the Authority issued $138 million of Clean Water Revolving Fund Revenue and Revenue Refunding Bonds, Series 2018B within the Municipal Bond Fund – State Revolving Subfund. The bonds refunded the 2018A Bond Anticipation Notes and current refunded the Clean Water Series 2007 bonds. The remaining new money proceeds were deposited into the 2018B loan fund.

On January 14, 2019, the Authority issued Tax Anticipation Revenue Notes of $15.4 million within the Municipal Bond Fund -Local Municipalities Subfund.

b. Limited Obligation Bonds

On December 18, 2018 the Authority issued limited obligation bonds of $6.7 million within the Michigan Strategic Fund.

On December 19, 2018 the Authority issued limited obligation bonds of $10 million within the Public School Academy Facilities Fund.

On December 20, 2018 and January 9, 2019, the Authority issued limited obligation bonds of $13.9 million and $37.8 million, respectively, within the Higher Education Facilities Fund.

Note 18 Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2021.

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended September 30, 2018

Statutory/Budgetary Basis	Original Budget	Final Budget	Actual	Variance With Final Budget
Beginning budgetary fund balance	$ 1,604,306	$ 1,604,306	$ 1,604,306	$ 0
Resources (inflows)				
Tobacco settlement revenue	$ 419,544	$ 419,544	$ 419,544	$ 0
Miscellaneous	26,357	26,357	26,357	0
Total resources (inflows)	$ 445,901	$ 445,901	$ 445,901	$ 0
Amount available for uses (outflows)	$ 2,050,207	$ 2,050,207	$ 2,050,207	$ 0
Uses (outflows)	$ 340,096	$ 340,096	$ 340,096	$ 0
Total uses (outflows)	$ 340,096	$ 340,096	$ 340,096	$ 0
Ending budgetary fund balance	$ 1,710,111	$ 1,710,111	$ 1,710,111	$ 0

See accompanying note to required supplementary information.

GOVERNMENTAL GENERAL FUND
BUDGETARY COMPARISON SCHEDULE BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended September 30, 2018

Sources/inflows of resources		
Actual amount (budgetary basis) available for uses (outflows) from the budgetary comparison schedule	$	2,050,207
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		(1,604,306)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	$	445,901
Uses/outflows of resources		
Actual amount (budgetary basis) total uses (outflows) from the budgetary comparison schedule	$	340,096
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	$	340,096

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

Note 1 Statutory/Budgetary Presentation

The Tobacco Settlement Debt Service Fund enabling legislation, Act 226, P.A. 2005, and the Unemployment Obligation Assessment Debt Service Fund enabling legislation, Act 267, P.A. 2011, provide for the Authority to engage the services of financial advisors and experts, legal counsel, placement agents, underwriters, appraisers and other advisors, consultants, and fiduciaries as may be necessary to effectuate the purposes of the acts. The Michigan Finance Authority bond official statements establish authorization to pay applicable administrative expenditures.

The budgetary comparison schedule presents the original and final budget for fiscal year 2018, as well as the actual revenues and other sources (inflows), expenditures (outflows), and fund balance stated on the budgetary basis. The Authority does not estimate revenue for budget purposes, and the Authority is allowed to spend the collected revenue without restrictions. Therefore, the original budget reflects the final budget, and the actual revenue reflects the budgeted revenue. There were no changes from the original budget to the final budget.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Schedule of the Michigan Finance Authority's Proportionate Share of Net Pension Liability
State Employees' Retirement System

	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.130%	0.130%	0.137%	0.129%
Proportionate Share of the Net Pension Liability	$ 6,701,048	$ 6,877,499	$ 7,515,042	$ 6,637,870
Covered Payroll	$ 3,402,067	$ 3,684,273	$ 4,009,269	unavailable
MFA's proportionate share of the net pension liability as a percentage of its covered payroll	196.97%	186.67%	187.44%	unavailable
Plan fiduciary net position as a percentage of the total pension liability	69.45%	67.48%	66.11%	68.07%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

This schedule is built prospectively upon implementation of GASB Statement No. 68 and will show 10 years of data once it becomes available.

Schedule of Michigan Finance Authority's Contributions
State Employees' Retirement Plan

	2018	2017	2016	2015
Statutorily Required Contribution	$ 801,352	$ 940,163	$ 833,378	$ 1,020,121
Contributions in relation to the statutorily required contribution	$ 801,352	$ 940,163	$ 833,378	$ 1,020,121
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,837,049	$ 3,402,067	$ 3,684,273	$ 4,009,269
Contributions as a percentage of covered payroll	20.88%	27.64%	23.98%	25.44%

This schedule is built prospectively upon implementation of GASB Statement No. 68 and will show 10 years of data once it becomes available.

Note to Required Supplementary Information - Pension Liability

Note 1 Pension Funding

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedule of Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions is a comparison of the Authority's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

Valuation:
Actuarially determined contribution amounts are calculated as of September 30, each year, which is 1 day prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution For Fiscal Year 2018

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	20 years, closed ending September 30, 2036
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.5%
Salary Increases	3.5% wage inflation
Investment Rate of Return	7.5 % net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 50% of the table rates were used for males and females.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – HEALTHCARE OPEB LIABILITY

Schedule of the Michigan Finance Authority's Proportionate Share of Net OPEB Liability
State Employees' Retirement System- Healthcare

	2018
Proportion of the Net OPEB Liability	0.129%
Proportionate Share of the Net OPEB Liability	$ 10,613,347
Covered Payroll	$ 3,402,067
MFA's proportionate share of the net OPEB liability as a percentage of its covered payroll	311.97%
Plan fiduciary net position as a percentage of the total OPEB liability	19.89%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

Schedule of Michigan Finance Authority's OPEB Contributions
State Employees' Retirement Plan-Healthcare

	2018
Statutorily Required Contribution	$ 849,342
Contributions in relation to the statutorily required contribution	$ 849,342
Contribution deficiency (excess)	$ -
Covered Payroll	$ 3,837,049
Contributions as a percentage of covered payroll	22.14%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – HEALTHCARE OPEB LIABILITY

Note 1 OPEB Funding

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the other postemployment benefit obligations as a factor.

The Schedule of Contributions for OPEB is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The Schedule of Contributions is a comparison of the Authority's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the OPEB plan follows.

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, each year, which is 1 day prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution For Fiscal Year 2018

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level-Percent of Payroll, Closed
Remaining Amortization Period	20 years, closed ending September 30, 2036
Asset Valuation Method	Market Value of Assets
Salary Increases	3.5 % to 12.5%
Investment rate of return	7.5 % Per Year
Healthcare cost trend rate	9.00 % Year 1 graded to 3.5% Year 10
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For men and women, 50% of the male table rates were used.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – LIFE INSURANCE OPEB LIABILITY

Schedule of the Michigan Finance Authority's Proportionate Share of Total OPEB Liability
State Employees' Retirement System- Life

	2018
Proportion of the total OPEB Liability	0.125%
Proportionate Share of the total OPEB Liability	$ 1,605,417
Covered Employee Payroll	$ 3,967,621
MFA's proportionate share of the total OPEB liability as a percentage of its covered employee payroll	40.46%
Plan fiduciary net position as a percentage of the total OPEB liability	19.89%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The Plan is not a trust and has no assets.

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SUPPLEMENTAL FINANCIAL STATEMENTS

Non-Major Funds
Combining Statement of Net Position
September 30, 2018

	Michigan Guaranty Agency - Operating Fund	Michigan Finance Authority - Operating Fund	Public School Academy Facilities Fund	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,676,138	$ 604,750	$ 2,934,321	$ 13,215,209
Receivable from federal government	414,036			414,036
Receivable from other funds	1,828,144	482,947		2,311,091
Interest receivable	520,775	126,550	62,211	709,536
Investments	25,191,833	2,702,505	75,853	27,970,191
Notes receivable			27,359,000	27,359,000
Other current assets		579,890		579,890
Total current assets	$ 37,630,926	$ 4,496,642	$ 30,431,385	$ 72,558,953
Noncurrent assets:				
Investments	$ 33,552,218	$ 11,499,923	$	$ 45,052,141
Total noncurrent assets	$ 33,552,218	$ 11,499,923	$ 0	$ 45,052,141
Total assets	$ 71,183,144	$ 15,996,565	$ 30,431,385	$ 117,611,094
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	$ 427,056	$ 194,739	$	$ 621,795
Deferred outflows related to OPEB	454,015	222,556		676,571
Total deferred outflows of resources	$ 881,071	$ 417,295	$ 0	$ 1,298,366
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 418,948	$ 12,545	$ 1,300	$ 432,793
Bonds and notes payable, net			30,490,000	30,490,000
Interest payable			41,255	41,255
Total current liabilities	$ 418,948	$ 12,545	$ 30,532,555	$ 30,964,048
Noncurrent liabilities:				
Compensated absences	$ 320,653	$ 85,555	$	$ 406,208
Net pension liability	3,403,342	1,702,554		5,105,896
Net OPEB liability	6,231,570	3,054,691		9,286,261
Total noncurrent liabilities	$ 9,955,565	$ 4,842,800	$ 0	$ 14,798,365
Total liabilities	$ 10,374,513	$ 4,855,345	$ 30,532,555	$ 45,762,413
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	$ 206,385	$ 101,497	$	$ 307,882
Deferred inflows related to OPEB	163,506	80,150		243,656
Total deferred outflows of resources	$ 369,891	$ 181,647	$ 0	$ 551,538
NET POSITION				
Restricted	$ 61,319,811	$	$ 2,934,322	$ 64,254,133
Unrestricted		11,376,868	(3,035,492)	8,341,376
Total net position (deficit) (Note 3)	$ 61,319,811	$ 11,376,868	$ (101,170)	$ 72,595,509

NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018

	Michigan Guaranty Agency - Operating Fund	Michigan Finance Authority Operating Fund	Public School Academy Facilities Fund	Totals
OPERATING REVENUES				
Federal revenue:				
Loan recoveries	$ 3,204,949	$	$	$ 3,204,949
Loans repurchased and rehabilitated	11,259,866			11,259,866
Account maintenance	965,961			965,961
Interest revenue			821,571	821,571
Investment income	369,544	(8,752)	119,098	479,890
Fees:				
Default aversion	537,930			537,930
Authority		1,166,540		1,166,540
Miscellaneous	1,101,534		5,275	1,106,809
Total operating revenues	$ 17,439,784	$ 1,157,788	$ 945,944	$ 19,543,516
OPERATING EXPENSES				
Interest expense	$	$	$ 535,575	$ 535,575
Debt issuance costs			308,200	308,200
Other administrative expense	12,971,866	2,353,968	1,830	15,327,664
Total operating expenses	$ 12,971,866	$ 2,353,968	$ 845,605	$ 16,171,439
Operating income (loss)	$ 4,467,918	$ (1,196,180)	$ 100,339	$ 3,372,077
TRANSFERS				
Transfers from other funds	$	$ 76,961	$	$ 76,961
Transfers to other funds			(9,865)	(9,865)
Total transfers	$ 0	$ 76,961	$ (9,865)	$ 67,096
Change in net position	$ 4,467,918	$ (1,119,219)	$ 90,474	$ 3,439,173
Net position - Beginning of fiscal year - Restated (Note 2)	56,851,893	12,496,087	(191,644)	69,156,336
Net position - End of fiscal year	$ 61,319,811	$ 11,376,868	$ (101,170)	$ 72,595,509

NON-MAJOR FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2018

	Michigan Guaranty Agency - Operating Fund	Michigan Finance Authority - Operating Fund	Public School Academy Facilities Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Bonds, notes, and loans receivable made	$	$	$ (29,526,470)	$ (29,526,470)
Principal received on bonds, notes, and loans			34,592,000	34,592,000
Interest received on bonds, notes, and loans			829,200	829,200
Cash payments to employees and suppliers for goods and services	(12,380,876)	(2,741,575)	(1,830)	(15,124,281)
Other operating revenues	16,953,495	1,658,201		18,611,696
Net cash provided by (used in) operating activities	$ 4,572,619	$ (1,083,374)	$ 5,892,900	$ 9,382,145
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from sale of bonds and notes, net	$	$	$ 30,988,000	$ 30,988,000
Payment of debt issuance costs			(306,900)	(306,900)
Principal paid on bonds and notes			(34,883,000)	(34,883,000)
Interest paid on bonds and notes			(549,785)	(549,785)
Transfers		76,961	(9,865)	67,096
Net cash provided by (used in) noncapital financing activities	$ 0	$ 76,961	$ (4,761,550)	$ (4,684,589)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	$ (24,284,380)	$	$	$ (24,284,380)
Proceeds from sale and maturities of investments	19,108,000			19,108,000
Net proceeds from (purchases of) sale and maturity of money market funds		980,100	(40,844)	939,256
Interest and dividends on investments	1,460,289	325,923	119,098	1,905,310
Net cash (used in) provided by investing activities	$ (3,716,091)	$ 1,306,023	$ 78,254	$ (2,331,814)
Net increase (decrease) in cash	$ 856,528	$ 299,610	$ 1,209,604	$ 2,365,742
Cash and cash equivalents - Beginning of fiscal year	8,819,610	305,140	1,724,717	10,849,467
Cash and cash equivalents - End of fiscal year	$ 9,676,138	$ 604,750	$ 2,934,321	$ 13,215,209
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	$ 4,467,918	$ (1,196,180)	$ 100,339	$ 3,372,077
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Investment income	(369,544)	8,752	(119,098)	(479,890)
Other income			(5,275)	(5,275)
Interest expense			535,575	535,575
Debt issuance cost			308,200	308,200
Pension expense	203,628	99,817		303,445
OPEB expense	34,124	16,726		50,850
Changes in assets and liabilities:				
Decrease in other receivables	203,729	12,449	23,159	239,337
Increase (decrease) in other payables	32,764	(24,938)		7,826
Decrease in bonds, notes, and loans receivable			5,050,000	5,050,000
Net cash provided by (used in) operating activities	$ 4,572,619	$ (1,083,374)	$ 5,892,900	$ 9,382,145

SUPPLEMENTAL FINANCIAL SCHEDULES

MUNICIPAL BOND FUND
COMBINING SUPPLEMENTAL SCHEDULE OF NET POSITION
September 30, 2018

	Local Municipalities Subfund	State Revolving Subfund	
		Clean Water Program	Drinking Water Program
ASSETS			
Current assets:			
Cash and cash equivalents	$ 549	$ 2,659	$ 14,849
Receivable from federal government		128,180	180,054
Interest receivable	51,866,864	4,420,834	1,343,812
Investments	73,209,853	903,572,993	339,134,075
Notes receivable	363,005,040		
Loans receivable, net	1,150,000	177,333,742	35,544,514
Bonds receivable	251,554,000		
Total current assets	$ 740,786,306	$ 1,085,458,408	$ 376,217,304
Noncurrent assets:			
Receivable from State of Michigan	$	$	$
Investments	1,183,175	391,208,993	56,847,286
Loans receivable, net	11,554,841	1,714,819,165	336,601,453
Bonds receivable	4,249,791,657		
Total noncurrent assets	$ 4,262,529,673	$ 2,106,028,158	$ 393,448,739
Total assets	$ 5,003,315,979	$ 3,191,486,566	$ 769,666,043
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	$ 943,773	$ 36,725,525	$ 1,285,067
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	$ 35,472,156	$ 237,597	$ 65,416
Bonds and notes payable, net	634,997,751	155,881,500	17,330,000
Interest payable	67,866,465	21,896,119	2,316,744
Unearned revenue			3,275,200
Total current liabilities	$ 738,336,372	$ 178,015,216	$ 22,987,360
Noncurrent liabilities:			
Bonds and notes payable, net	$ 4,296,542,829	$ 1,071,720,678	$ 96,680,678
Arbitrage payable		1,053,374	
Total noncurrent liabilities	$ 4,296,542,829	$ 1,072,774,052	$ 96,680,678
Total liabilities	$ 5,034,879,201	$ 1,250,789,268	$ 119,668,038
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	$ 1,133,637	$ 4,395	$
NET POSITION			
Restricted for:			
State Revolving Subfund	$	$ 1,977,418,428	$ 651,283,072
Strategic Water Quality Initiatives Subfund			
School Loan Revolving Subfund			
Unrestricted	(31,753,086)		
Total net position	$ (31,753,086)	$ 1,977,418,428	$ 651,283,072

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
$ 45,012,272	$ 1,170,981,247	$ 1,216,011,576
		308,234
	1,077,994	58,709,504
12,950,796	130,941,077	1,459,808,794
		363,005,040
1,735,000		215,763,256
		251,554,000
$ 59,698,068	$ 1,303,000,318	$ 3,565,160,404
$	$ 908,758,704	$ 908,758,704
	2,896,517	452,135,971
28,928,026		2,091,903,485
		4,249,791,657
$ 28,928,026	$ 911,655,221	$ 7,702,589,817
$ 88,626,094	$ 2,214,655,539	$ 11,267,750,221
$ 0	$ 2,319,723	$ 41,274,088
$ 20,453	$ 637,225	$ 36,432,847
	4,000,000	812,209,251
	1,971,620	94,050,948
		3,275,200
$ 20,453	$ 6,608,845	$ 945,968,246
$	$ 878,000,000	$ 6,342,944,185
		1,053,374
$ 0	$ 878,000,000	$ 6,343,997,559
$ 20,453	$ 884,608,845	$ 7,289,965,805
$	$	$ 1,138,032
$	$	$ 2,628,701,500
88,605,641		88,605,641
	1,332,366,417	1,332,366,417
		(31,753,086)
$ 88,605,641	$ 1,332,366,417	$ 4,017,920,472

MUNICIPAL BOND FUND
COMBINING SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018

	Local Municipalities Subfund	State Revolving Subfund: Clean Water Program	State Revolving Subfund: Drinking Water Program
OPERATING REVENUES			
Federal revenue	$	$ 350,462	$ 226,502
Interest revenue	182,557,513	44,239,544	9,298,854
Investment income	210,766	26,957,943	6,464,006
Miscellaneous	343,800	34,422	37,000
Total operating revenues	$ 183,112,079	$ 71,582,371	$ 16,026,362
OPERATING EXPENSES			
Arbitrage expense	$	$ 1,053,374	$
Interest expense	178,077,420	29,472,372	3,347,930
Debt issuance costs	4,551,732	790,264	
Other administrative expense	407,130	648,293	245,504
Total operating expenses	$ 183,036,282	$ 31,964,303	$ 3,593,434
Operating income	$ 75,797	$ 39,618,068	$ 12,432,928
NONOPERATING REVENUES (EXPENSES)			
Operating subsidies	$	$ 26,726,802	$ 33,697,075
Program principal forgiveness, net		(1,752,495)	(20,526,731)
Grant expense			
Total nonoperating revenues	$ 0	$ 24,974,307	$ 13,170,344
Income before transfers	$ 75,797	$ 64,592,375	$ 25,603,272
TRANSFERS			
Transfers to other funds	$ (67,096)	$	$
Total transfers	$ (67,096)	$ 0	$ 0
Change in net position	$ 8,701	$ 64,592,375	$ 25,603,272
Net position - Beginning of fiscal year	(31,761,787)	1,912,826,053	625,679,800
Net position - End of fiscal year	$ (31,753,086)	$ 1,977,418,428	$ 651,283,072

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
$	$	$ 576,964
766,150	21,722,671	258,584,732
290,171	23,219,257	57,142,143
		415,222
$ 1,056,321	$ 44,941,928	$ 316,719,061
$	$	$ 1,053,374
	23,164,926	234,062,648
		5,341,996
38,133	4,930,495	6,269,555
$ 38,133	$ 28,095,421	$ 246,727,573
$ 1,018,188	$ 16,846,507	$ 69,991,488
$ 80,200,000	$ 35,989,017	$ 176,612,894
		(22,279,226)
(75,598,140)		(75,598,140)
$ 4,601,860	$ 35,989,017	$ 78,735,528
$ 5,620,048	$ 52,835,524	$ 148,727,016
$	$	$ (67,096)
$ 0	$ 0	$ (67,096)
$ 5,620,048	$ 52,835,524	$ 148,659,920
82,985,593	1,279,530,893	3,869,260,552
$ 88,605,641	$ 1,332,366,417	$ 4,017,920,472

MUNICIPAL BOND FUND
COMBINING SUPPLEMENTAL SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended September 30, 2018

	Local Municipalities Subfund	State Revolving Subfund: Clean Water Program	State Revolving Subfund: Drinking Water Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Bonds, notes, and loans receivable made	$ (737,174,423)	$ (125,125,435)	$ (18,337,823)
Principal received on bonds, notes, and loans	652,973,164	174,363,296	34,438,924
Interest received on bonds, notes, and loans	201,270,803	44,239,544	9,298,854
Cash payments to employees and suppliers for goods and services	(407,130)	(650,390)	(236,769)
Other operating revenues	340,050	335,713	227,732
Net cash provided by (used in) operating activities	$ 117,002,464	$ 93,162,728	$ 25,390,918
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from sale of bonds and notes, net	$ 741,963,891	$ 30,990,264	$
Payment of debt issuance costs	(2,988,597)	(755,842)	
Principal paid on bonds and notes	(650,173,164)	(124,765,000)	(16,770,000)
Interest paid on bonds and notes	(202,578,529)	(47,017,964)	(5,004,118)
Operating subsidies		26,726,802	24,472,593
American Recovery and Reinvestment Act principal forgiveness expense			24,810
Grant expense		(1,752,495)	(20,551,541)
Receipts for future payment of debt service	17,803,477		
Transfers	(67,096)		
Net cash (used in) provided by noncapital financing activities	$ (96,040,018)	$ (116,574,235)	$ (17,828,256)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	$ (1,761,638)	$ (185,220,000)	$ (100,062,000)
Proceeds from sale and maturities of investments		187,480,393	2,579,660
Net (purchases of) proceeds from sale and maturity of money market funds	(19,407,298)	(9,996,026)	83,942,283
Interest and dividends on investments	192,922	26,361,940	5,912,955
Net cash (used in) provided by investing activities	$ (20,976,014)	$ 18,626,307	$ (7,627,102)
Net (decrease) increase in cash	$ (13,568)	$ (4,785,200)	$ (64,440)
Cash and cash equivalents - Beginning of fiscal year	14,117	4,787,859	79,289
Cash and cash equivalents - End of fiscal year	$ 549	$ 2,659	$ 14,849
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	$ 75,797	$ 39,618,068	$ 12,432,928
Adjustments to reconcile operating income to net cash from operating activities:			
Investment income	(210,766)	(26,957,943)	(6,464,006)
Other income	(3,750)	(34,422)	
Interest expense	178,077,420	29,472,372	3,347,930
Debt issuance cost	4,551,732	790,264	
Changes in assets and liabilities:			
Decrease (increase) in other receivables	15,285,817	(14,749)	(27,035)
Increase (decrease) in other payables		1,051,276	
(Increase) decrease in bonds, notes, and loans receivable	(80,773,786)	49,237,862	16,101,101
Net cash provided by (used in) operating activities	$ 117,002,464	$ 93,162,728	$ 25,390,918

Noncash capital and financing activities:

The Authority issued State Revolving Fund Revenue Bonds to advance refund debt issued in 2011 and 2012. The $145.6 million proceeds were deposited immediately into an escrow account for the defeasance of $128.3 million of outstanding revenue bond principal. (Note 9)

Strategic Water Quality Initiatives Subfund	School Loan Revolving Subfund	Totals
$ (2,098,572)	$ (339,600,267)	$ (1,222,336,520)
1,526,288	36,114,424	899,416,096
766,150	6,745,979	262,321,330
(41,491)	(5,184,126)	(6,519,906)
	250	903,745
$ 152,375	$ (301,923,740)	$ (66,215,255)
$	$	$ 772,954,155
		(3,744,439)
	(3,000,000)	(794,708,164)
	(22,650,731)	(277,251,342)
80,200,000		131,399,395
		24,810
(75,598,140)		(97,902,176)
		17,803,477
		(67,096)
$ 4,601,860	$ (25,650,731)	$ (251,491,380)
$	$	$ (287,043,638)
		190,060,053
(32,134)	(4,343,355)	50,163,470
290,171	25,965,102	58,723,090
$ 258,037	$ 21,621,747	$ 11,902,975
$ 5,012,272	$ (305,952,724)	$ (305,803,660)
40,000,000	1,476,933,971	1,521,815,236
$ 45,012,272	$ 1,170,981,247	$ 1,216,011,576
$ 1,018,188	$ 16,846,507	$ 69,991,488
(290,171)	(23,219,257)	(57,142,143)
	(250)	(38,422)
	23,164,926	234,062,648
		5,341,996
	(318,462,035)	(303,218,002)
(3,358)	(253,631)	794,287
(572,284)		(16,007,107)
$ 152,375	$ (301,923,740)	$ (66,215,255)

STUDENT LOAN FUND
COMBINING SUPPLEMENTAL SCHEDULE OF NET POSITION
September 30, 2018

	Operating Subfund	Bond/Note Subfund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,571,741	$ 35,258,913	$ 39,830,654
Receivable from federal government	1,253	448,918	450,171
Interfund receivable	384,996		384,996
Interest receivable	600,390	14,368,895	14,969,285
Investments	15,035,056	35,391,702	50,426,758
Loans receivable, net	591,901	87,889,618	88,481,519
Other current assets		6,716	6,716
Total current assets	$ 21,185,337	$ 173,364,762	$ 194,550,099
Noncurrent assets:			
Investments	$ 26,035,522	$ 20,188,377	$ 46,223,899
Notes receivable	18,000,000		18,000,000
Loans receivable, net	2,803,780	416,324,819	419,128,599
Total noncurrent assets	$ 46,839,302	$ 436,513,196	$ 483,352,498
Total assets	$ 68,024,639	$ 609,877,958	$ 677,902,597
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	$	$ 2,209,809	$ 2,209,809
Deferred outflows related to pensions	236,660		236,660
Deferred outflows related to OPEB	213,651		213,651
Total deferred outflows of resources	$ 450,311	$ 2,209,809	$ 2,660,120
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	$ 161,506	$ 827,863	$ 989,369
Bonds and notes payable, net		65,604,575	65,604,575
Interfund payable		384,996	384,996
Interest payable		2,922,333	2,922,333
Total current liabilities	$ 161,506	$ 69,739,767	$ 69,901,273
Noncurrent liabilities:			
Bonds and notes payable, net	$	$ 460,202,481	$ 460,202,481
Arbitrage payable		21,999,982	21,999,982
Compensated absences	117,626		117,626
Net pension liability	1,595,152		1,595,152
Net OPEB liability	2,932,503		2,932,503
Total noncurrent liabilities	$ 4,645,281	$ 482,202,463	$ 486,847,744
Total liabilities	$ 4,806,787	$ 551,942,230	$ 556,749,017
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	$ 97,061	$	$ 97,061
Deferred inflows related to OPEB	76,943		76,943
Total deferred inflows of resources	$ 174,004	$ 0	$ 174,004
NET POSITION			
Restricted	$	$ 60,145,537	$ 60,145,537
Unrestricted	63,494,159		63,494,159
Total net position	$ 63,494,159	$ 60,145,537	$ 123,639,696

Student Loan Fund
Combining Supplemental Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended September 30, 2018

	Operating Subfund	Bond/Note Subfund	Totals
OPERATING REVENUES			
Federal revenue, net of special allowance	$ (365)	$ (1,614,950)	$ (1,615,315)
Interest revenue	308,931	26,003,691	26,312,622
Provision for loan losses	(3,035)	(1,601,382)	(1,604,417)
Investment income	1,622,606	878,746	2,501,352
Miscellaneous	3,212,515	699,554	3,912,069
Total operating revenues	$ 5,140,652	$ 24,365,659	$ 29,506,311
OPERATING EXPENSES			
Arbitrage expense	$	$ (143,993)	$ (143,993)
Interest expense		15,439,291	15,439,291
Debt issuance costs		400,660	400,660
Other administrative expense	1,306,365	4,829,218	6,135,583
Total operating expenses	$ 1,306,365	$ 20,525,176	$ 21,831,541
Operating income	$ 3,834,287	$ 3,840,483	$ 7,674,770
NONOPERATING EXPENSES			
Equity transfer - Marshall Plan	$ (100,000,000)	$	$ (100,000,000)
Total nonoperating expenses	$ (100,000,000)	$ 0	$ (100,000,000)
Change in net position	$ (96,165,713)	$ 3,840,483	$ (92,325,230)
Net position - Beginning of fiscal year - Restated (Note 2)	159,659,872	56,305,054	215,964,926
Net position - End of fiscal year	$ 63,494,159	$ 60,145,537	$ 123,639,696

STUDENT LOAN FUND
COMBINING SUPPLEMENTAL SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended September 30, 2018

	Operating Subfund	Bond/Note Subfund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Principal received on bonds, notes, and loans	$ 400,822	$ 111,855,158	$ 112,255,980
Interest received on bonds, notes, and loans	181,854	21,327,167	21,509,021
Cash payments to employees and suppliers for goods and services	(982,618)	(6,744,814)	(7,727,432)
Net special allowance payment to federal government	(6,622)	(4,265,866)	(4,272,488)
Other operating revenues	2,766,810	572,563	3,339,373
Net cash provided by operating activities	$ 2,360,246	$ 122,744,208	$ 125,104,454
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from sale of bonds and notes, net	$	$ 73,000,000	$ 73,000,000
Payment of debt issuance costs		(400,660)	(400,660)
Principal paid on bonds and notes		(174,923,000)	(174,923,000)
Interest paid on bonds and notes		(16,475,487)	(16,475,487)
Equity transfer - Marshall Plan	(100,000,000)		(100,000,000)
Net cash used in noncapital financing activities	$ (100,000,000)	$ (118,799,147)	$ (218,799,147)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	$ (25,991,187)	$ (52,523,042)	$ (78,514,229)
Proceeds from sale and maturities of investments	123,616,701	41,667,770	165,284,471
Interest and dividends on investments	1,654,372	941,148	2,595,520
Net cash provided by (used in) investing activities	$ 99,279,886	$ (9,914,124)	$ 89,365,762
Net increase (decrease) in cash	$ 1,640,132	$ (5,969,063)	$ (4,328,931)
Cash and cash equivalents - Beginning of fiscal year	2,931,609	41,227,976	44,159,585
Cash and cash equivalents - End of fiscal year	$ 4,571,741	$ 35,258,913	$ 39,830,654
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	$ 3,834,287	$ 3,840,483	$ 7,674,770
Adjustments to reconcile operating income to net cash from operating activities:			
Investment income	(1,621,071)	(878,746)	(2,499,817)
Interest expense		15,439,291	15,439,291
Debt issuance cost		400,660	400,660
Pension expense	95,826		95,826
OPEB expense	16,059		16,059
Changes in assets and liabilities:			
Decrease (increase) in other receivables	187,326	(2,141,645)	(1,954,319)
Decrease in other payables	(23,381)	(1,207,721)	(1,231,102)
(Increase) decrease in bonds, notes, and loans receivable	(128,800)	107,291,886	107,163,086
Net cash provided by operating activities	$ 2,360,246	$ 122,744,208	$ 125,104,454

Statistical Section

INDEX TO STATISTICAL SECTION

This part of the Michigan Finance Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

CONTENTS Page

Financial Trends

These schedules contain trend information to help the reader understand how the Michigan Finance Authority's financial performance and well-being have changed over time.

Net Position by Component 112
Changes in Net Position 114
Fund Balances – Governmental Funds 116
Changes in Fund Balances – Governmental Funds....................118

Revenue Capacity

These schedules contain information to help the reader assess the Michigan Finance Authority's most significant revenue sources: interest revenue and investment income.

Revenue Generating Assets....................120
Interest Revenue by Type of Borrower 122

Debt Capacity

These schedules present information to help the reader assess the affordability of the Michigan Finance Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future. The Authority has no statutory limit on the amount of debt that may be authorized.

Ratios of Outstanding Debt by Type 123
Pledged Revenue Debt Service Coverage 124

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Demographic and Economic Indicators 125

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Classified Employees by Function 126
Operating Indicators by Function 127

SOURCES

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the annual financial reports or from the Authority's internal records for the relevant years.

NOTES

Legislative action created the Michigan Financial Authority in 2010. Statistical reports begin with fiscal year 2010.

The Michigan Finance Authority was created in 2010; therefore, that is the earliest year presented in the accompanying statistical tables.

NET POSITION BY COMPONENT – LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

	2010	2011	2012
Governmental activities:			
Net investment in capital assets	$	$	$
Restricted			
Unrestricted	(934,587,165)	(946,780,387)	(4,037,636,777)
Total governmental activities	$ (934,587,165)	$ (946,780,387)	$ (4,037,636,777)
Business-type activities:			
Net investment in capital assets	$	$	$
Restricted	2,278,901,688	2,559,653,575	2,889,999,000
Unrestricted	100,527,493	129,518,375	155,074,009
Total business-type activities	$ 2,379,429,181	$ 2,689,171,950	$ 3,045,073,009
Primary government:			
Net investment in capital assets	$	$	$
Restricted	2,278,901,688	2,559,653,575	2,889,999,000
Unrestricted	(834,059,672)	(817,262,012)	(3,882,562,767)
Total primary government activities	$ 1,444,842,016	$ 1,742,391,563	$ (992,563,767)
Reconciliation of net position:			
Beginning net position	$ 1,312,978,007	$ 1,444,842,017	$ 1,742,391,563
Restatement of beginning net position			
Beginning net position restated	1,312,978,007	1,444,842,017	1,742,391,563
Statement of Activities – changes in net position	131,864,008	297,549,548	(2,734,955,327)
Change in reporting entity			
Ending net position	$ 1,444,842,016	$ 1,742,391,563	$ (992,563,767)

	2013	2014	2015	2016	2017	2018
	$	$	$	$	$	$
	(3,629,864,549)	(3,251,841,276)	(2,837,502,355)	(1,104,934,469)	(1,069,944,526)	(1,039,638,869)
	$ (3,629,864,549)	$ (3,251,841,276)	$ (2,837,502,355)	$ (1,104,934,469)	$ (1,069,944,526)	$ (1,039,638,869)
	$	$	$	$	$	$
	3,243,460,437	3,532,780,377	3,889,861,924	3,843,435,715	4,021,810,912	4,174,073,228
	194,165,721	140,058,333	351,221	133,391,594	144,153,133	40,082,449
	$ 3,437,626,158	$ 3,672,838,710	$ 3,890,213,145	$ 3,976,827,309	$ 4,165,964,045	$ 4,214,155,677
	$	$	$	$	$	$
	3,243,460,437	3,532,780,377	3,889,861,924	3,843,435,715	4,021,810,912	4,174,073,228
	(3,435,698,828)	(3,111,782,943)	(2,837,151,134)	(971,542,875)	(925,791,393)	(999,556,420)
	$ (192,238,391)	$ 420,997,434	$ 1,052,710,790	$ 2,871,892,840	$ 3,096,019,519	$ 3,174,516,808
	$ (992,563,767)	$ (192,238,391)	$ 420,997,434	$ 1,052,710,790	$ 2,871,892,840	$ 3,096,019,519
		(44,536,182)	(6,474,045)	1,687,475,852		(11,582,231)
	(992,563,767)	(236,774,573)	414,523,389	2,740,186,642	2,871,892,840	3,084,437,288
	800,325,376	657,772,008	638,187,401	131,706,198	224,126,679	90,079,520
	$ (192,238,391)	$ 420,997,435	$ 1,052,710,790	$ 2,871,892,840	$ 3,096,019,519	$ 3,174,516,808

CHANGES IN NET POSITION – LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

	2010	2011	2012
Expenses			
Governmental activities:			
Tobacco aettlement	$ 74,601,941	$ 75,326,475	$ 76,117,002
Unemployment obligation			3,342,293,493
Total governmental activities	$ 74,601,941	$ 75,326,475	$ 3,418,410,495
Business-type activities:			
Municipal bond fund	$ 371,377,998	$ 232,512,497	$ 205,622,188
Student loan fund	46,082,852	29,760,349	29,775,260
Non-major funds	22,408,595	20,949,314	20,240,504
Total business-type activities	$ 439,869,445	$ 283,222,160	$ 255,637,953
Total primary governmental expenses	$ 514,471,386	$ 358,548,635	$ 3,674,048,448
Program Revenues			
Governmental activities:			
Charges for services:			
Tobacco settlement	$ 66,808,438	$ 60,627,688	$ 62,345,793
Unemployment obligation			260,695,144
Operating grants and contributions		2,505,565	3,513,169
Total governmental activities program revenues	$ 66,808,438	$ 63,133,253	$ 326,554,106
Business-type activities:			
Charges for services:			
Municipal bond fund	$ 176,958,700	$ 172,141,320	$ 164,066,340
Student loan fund	51,098,084	56,975,160	52,846,772
Non-major funds	23,540,158	25,246,681	25,840,665
Operating grants and contributions	324,401,599	338,601,770	368,785,238
Total business-type activities program revenues	$ 575,998,541	$ 592,964,931	$ 611,539,015
Total primary government program revenues	$ 642,806,979	$ 656,098,184	$ 938,093,121
Net (Expenses)/Revenues			
Governmental activities	$ (7,793,503)	$ (12,193,222)	$ (3,091,856,389)
Business-type activities	136,129,096	309,742,771	355,901,062
Total primary government net (expenses)/revenue	$ 128,335,593	$ 297,549,549	$ (2,735,955,327)
General Revenues and Other Changes in Net Position			
Governmental activities:			
Interest and investment earnings	$ 3,138,281	$	$
Payments from State of Michigan			1,000,000
Total governmental activities	$ 3,138,281	$ 0	$ 1,000,000
Business-type activities:			
Interest and investment earnings	$ 390,136	$	$
Transfers			
Total business-type activities	$ 390,136	$ 0	$ 0
Total primary government	$ 3,528,417	$ 0	$ 1,000,000
Changes in Net Position			
Governmental activities	$ (4,655,222)	$ (12,193,222)	$ (3,090,856,389)
Business-type activities	136,519,231	309,742,771	355,901,062
Total primary government net (expenses)/revenue	$ 131,864,009	$ 297,549,549	$ (2,734,955,327)

2013	2014	2015	2016	2017	2018
$ 76,464,846	$ 76,433,037	$ 77,582,442	$ 78,767,930	$ 80,107,968	$ 81,296,258
61,578,812	53,770,005	34,323,310	27,498,154	23,618,041	12,441,870
$ 138,143,658	$ 130,203,042	$ 111,905,752	$ 106,266,084	$ 103,726,009	$ 93,738,128
$ 175,214,866	$ 194,744,405	$ 304,789,190	$ 401,315,785	$ 362,912,620	$ 344,604,939
12,634,982	31,437,830	23,144,961	22,501,976	16,157,520	121,831,541
18,925,622	17,414,169	16,072,815	16,888,493	15,386,159	16,171,439
$ 206,775,470	$ 243,596,404	$ 344,006,966	$ 440,706,254	$ 394,456,299	$ 482,607,919
$ 344,919,128	$ 373,799,446	$ 455,912,718	$ 546,972,338	$ 498,182,308	$ 576,346,047
$ 85,176,464	$ 60,901,967	$ 61,722,514	$ 59,876,880	$ 67,616,195	$ 72,254,972
457,682,213	459,076,098	461,541,373	87,296,044	67,927,559	46,358,017
3,057,208	3,355,458	2,980,786	4,185,194	3,172,198	5,430,796
$ 545,915,885	$ 523,333,523	$ 526,244,673	$ 151,358,118	$ 138,715,952	$ 124,043,785
$ 160,677,065	$ 175,603,147	$ 279,473,753	$ 273,188,262	$ 260,752,832	$ 258,999,954
50,316,931	39,652,428	30,530,557	26,475,278	28,612,302	27,004,959
25,846,255	25,338,740	22,666,073	22,917,614	20,947,283	19,063,626
362,488,368	267,643,615	235,185,063	204,739,264	273,280,618	237,313,243
$ 599,328,619	$ 508,237,930	$ 567,855,446	$ 527,320,418	$ 583,593,035	$ 542,381,782
$ 1,145,244,504	$ 1,031,571,453	$ 1,094,100,119	$ 678,678,536	$ 722,308,987	$ 666,425,567
$ 407,772,227	$ 393,130,482	$ 414,338,921	$ 45,092,034	$ 34,989,943	$ 30,305,657
392,553,149	264,641,526	223,848,480	86,614,164	189,136,736	59,773,863
$ 800,325,376	$ 657,772,008	$ 638,187,401	$ 131,706,198	$ 224,126,679	$ 90,079,520
$	$	$	$	$	$
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$	$	$	$	$	$
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 407,772,227	$ 393,130,482	$ 414,338,921	$ 45,092,034	$ 34,989,943	$ 30,305,657
392,553,149	264,641,526	223,848,480	86,614,164	189,136,736	59,773,863
$ 800,325,376	$ 657,772,008	$ 638,187,401	$ 131,706,198	$ 224,126,679	$ 90,079,520

FUND BALANCE, GOVERNMENTAL FUNDS – LAST NINE FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2010	2011	2012
General Fund:			
Restricted for administrative expenditures	$	$ 361,592	$ 1,417,351
Total general fund	$ 0	$ 361,592	$ 1,417,351
All Other Governmental Funds:			
Restricted for debt service	$	$ 103,386,822	$ 334,858,059
Total All Other Governmental Funds	$ 0	$ 103,386,822	$ 334,858,059
General Fund:			
Reserved	$	$	$
Unreserved			
Total general fund	$ 0	$ 0	$ 0
All Other Governmental Funds:			
Unreserved, reported in:			
Special revenue funds	$ 103,998,391	$	$
Debt service funds			
Total All Other Governmental Funds	$ 103,998,391	$ 0	$ 0
Reconciliation of governmental fund balances:			
Beginning fund balances	$ 103,351,697	$ 103,998,391	$ 103,748,413
Restatement of beginning fund balances			
Beginning fund balances - Restated	103,351,697	103,998,391	103,748,413
Excess of revenues and other sources over (under) expenditures and other uses	646,694	(249,977)	232,526,997
Change in accounting entity			
Ending fund balances	$ 103,998,391	$ 103,748,414	$ 336,275,410

NOTES: Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing Governmental Accounting Standards Board Statement No. 54. Fund balance has not been restated for prior years.

2013	2014	2015	2016	2017	2018
$ 1,570,740	$ 1,529,391	$ 1,488,737	$ 1,547,571	$ 1,604,306	$ 1,710,111
$ 1,570,740	$ 1,529,391	$ 1,488,737	$ 1,547,571	$ 1,604,306	$ 1,710,111
$ 369,001,232	$ 360,013,265	$ 370,019,113	$ 1,647,976,383	$ 1,288,818,956	$ 831,102,617
$ 369,001,232	$ 360,013,265	$ 370,019,113	$ 1,647,976,383	$ 1,288,818,956	$ 831,102,617
$	$	$	$	$	$
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$	$	$	$	$	$
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 336,275,410	$ 370,571,972	$ 361,542,656	$ 371,507,850	$ 1,649,523,954	$ 1,290,423,262
			1,667,089,329		
336,275,410	370,571,972	361,542,656	2,038,597,179	1,649,523,954	1,290,423,262
34,296,562	(9,029,316)	9,965,195	(389,073,225)	(359,100,692)	(457,610,534)
$ 370,571,972	$ 361,542,656	$ 371,507,850	$ 1,649,523,954	$ 1,290,423,262	$ 832,812,728

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS – LAST NINE FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2010	2011	2012	2013
Revenues				
Payments from the State of Michigan	$	$	$ 1,000,000	$
Tobacco settlement revenue	64,062,071	63,545,540	61,769,917	83,738,973
Unemployment obligation assessment revenue			255,540,566	453,696,842
Investment income	3,138,281	2,963,042	4,318,454	3,042,586
Other income				37,000
Total revenues	$ 67,200,352	$ 66,508,582	$ 322,628,937	$ 540,515,401
Expenditures				
Payments to Department of Licensing and Regulatory Affairs	$	$	$ 3,320,913,984	$
Debt service:				
Interest on bonds and notes	61,496,020	61,158,398	63,947,308	188,838,340
Principal on bonds and notes	4,865,000	5,410,000	3,327,560,000	316,815,000
Other administrative expenditures	192,638	190,161	12,808,950	565,498
Total expenditures	$ 66,553,658	$ 66,758,559	$ 6,725,230,242	$ 506,218,838
Excess of revenues over (under) expenditures	$ 646,694	$ (249,977)	$ (6,402,601,305)	$ 34,296,562
Other Financing Sources (Uses)				
Bonds and notes issued	$	$	$ 3,323,000,000	$
Refunding bond issues			2,917,135,000	
Premium on bond issuance			394,993,301	
Transfers from other funds	66,361,020			
Transfers to other funds	(66,361,020)			
Total other financing sources (uses)	$ 0	$ 0	$ 6,635,128,301	$ 0
Net change in fund balances	$ 646,694	$ (249,977)	$ 232,526,997	$ 34,296,562
Debt Service as a percentage of noncapital expenditures	99.71%	99.72%	50.43%	99.89%

2014	2015	2016	2017	2018
$	$	$	$	$
61,251,890	62,047,158	60,190,534	61,747,402	72,242,619
455,734,806	470,358,318	92,152,544	72,352,384	52,032,168
3,414,231	2,972,054	4,185,194	3,172,198	5,430,795
			68,126	100,675
$ 520,400,927	$ 535,377,530	$ 156,528,272	$ 137,340,110	$ 129,806,257
$	$	$	$	$
181,516,062	168,604,369	150,558,270	130,517,069	111,851,695
347,500,000	356,375,000	394,705,000	365,565,000	475,225,000
414,181	432,966	338,227	358,733	340,096
$ 529,430,243	$ 525,412,335	$ 545,601,497	$ 496,440,802	$ 587,416,791
$ (9,029,316)	$ 9,965,195	$ (389,073,225)	$ (359,100,692)	$ (457,610,534)
$	$	$	$	$
$ 0	$ 0	$ 0	$ 0	$ 0
$ (9,029,316)	$ 9,965,195	$ (389,073,225)	$ (359,100,692)	$ (457,610,534)
99.92%	99.92%	99.94%	99.93%	99.94%

Revenue Generating Assets – Last Nine Fiscal Years

	2010	2011	2012	2013	2014
Interest bearing notes, loans, and bonds:					
Notes receivable	$ 1,215,319,712	$ 981,606,210	$ 700,614,691	$ 694,708,027	$ 713,393,485
Loans receivable	4,350,826,462	4,177,428,407	4,099,707,272	3,892,346,982	3,674,415,895
Bonds receivable	693,146,562	789,220,626	837,706,945	754,073,600	2,778,216,810
Total notes, loans, and bonds receivable	$ 6,259,292,736	$ 5,948,255,243	$ 5,638,028,908	$ 5,341,128,609	$ 7,166,026,190
Interest revenue	$ 258,801,718	$ 241,011,340	$ 226,140,392	$ 214,690,199	$ 223,429,760
Average rate of return (%)	4.13%	3.95%	3.90%	3.91%	3.57%
Investments:					
Government money market funds	$ 999,028,505	$ 1,232,117,816	$ 1,750,470,369	$ 1,731,654,187	$ 1,466,314,120
Repurchase agreements	1,162,836,903	855,309,422	643,578,360	600,360,391	547,134,875
State and municipal general obligation bonds	88,020,000	100,386,577	104,500,357	99,101,561	98,202,224
Commercial paper	178,853,936	318,573,594	18,966,642	10,570,000	4,145,000
U.S. Treasury obligations	267,782,777	61,019,651	60,709,664	115,422,782	111,191,625
U.S. government agency securities			169,254,528	151,108,529	140,883,355
Certificates of deposit					
Total Investments	$ 2,696,522,121	$ 2,567,407,060	$ 2,747,479,920	$ 2,708,217,450	$ 2,367,871,199
Investment revenue	$ 54,075,962	$ 63,750,490	$ 68,245,001	$ 28,280,977	$ 38,370,176
Average rate of return (%)	2.01%	2.42%	2.57%	1.04%	1.51%

NOTES: Average rate of return for interest revenue is calculated as total fiscal year interest revenue divided by fiscal year average interest bearing notes, loans, and bonds receivable for fiscal years beginning with 2011. Fiscal year 2010 uses year-end balance of interest bearing notes, loans, and bonds receivable.

Average rate of return for investment revenue is calculated as total fiscal year investment revenue divided by fiscal year average investments for fiscal years beginning with 2011. Fiscal year 2010 uses year-end balance of investments.

2015	2016	2017	2018
$ 734,979,831	$ 508,078,921	$ 440,929,380	$ 408,364,040
3,566,108,490	3,181,131,858	2,988,638,010	2,815,276,859
3,663,371,762	4,366,119,285	4,409,850,135	4,501,345,657
$ 7,964,460,083	$ 8,055,330,064	$ 7,839,417,525	$ 7,724,986,556
$ 319,751,659	$ 309,941,739	$ 291,937,763	$ 285,718,925
4.23%	3.87%	3.67%	3.67%
$ 1,587,879,583	$ 1,427,183,155	$ 1,296,562,463	$ 1,207,937,043
502,590,872	481,067,669	437,272,505	386,005,081
120,027,408	190,775,695	193,910,681	160,995,868
4,651,991	10,096,103	26,574,222	45,736,291
107,570,359	27,013,940	97,232,554	495,971,968
132,547,543	296,533,442	471,575,470	138,416,181
	8,153,450	16,348,449	16,117,450
$ 2,455,267,756	$ 2,440,823,454	$ 2,539,476,344	$ 2,451,179,882
$ 36,976,591	$ 38,786,396	$ 41,001,845	$ 65,554,180
1.53%	1.58%	1.65%	2.63%

INTEREST REVENUE BY TYPE OF BORROWER – 2010 AND 2018

	2010				2018			
	Number of Borrowers	Percentage of Total	Interest Revenue	Percentage of Total	Number of Borrowers	Percentage of Total	Interest Revenue	Percentage of Total
Type of Borrower:								
Local governments	1,225	0.26%	$177,703,932	68.66%	1,362	1.08%	$259,406,303	90.79%
Student loans	470,653	99.74%	81,097,787	31.34%	124,324	98.92%	26,312,622	9.21%
Total	471,878	100.00%	$258,801,719	100.00%	125,686	100.00%	$285,718,925	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 Authority's interest revenue.

Local Governments includes cities, townships, counties, public school districts, public school academies, and local government utility authorities.

No table is presented for investment income by type of investment because the Authority is not able to obtain that information for fiscal year 2010.

RATIOS OF OUTSTANDING DEBT BY TYPE – LAST NINE FISCAL YEARS

	Governmental-Type Debt		Business-Type Debt		Primary Government		
	Asset-Backed Bonds	Revenue Bonds	Notes	Revenue Bonds	Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita
2010	$1,079,070,007	$	$2,212,105,837	$5,150,526,683	$ 8,441,702,527	2.42%	$ 854
2011	1,087,530,995		1,833,951,978	4,918,948,706	7,840,431,679	2.12%	794
2012	1,097,984,776	3,294,460,454	1,382,110,370	4,929,219,010	10,703,774,610	2.78%	1,083
2013	1,086,929,451	2,938,323,629	1,284,340,134	4,539,391,818	9,848,985,032	2.53%	995
2014	1,100,657,133	2,529,216,145	1,053,636,185	6,289,327,980	10,972,837,443	2.69%	1,107
2015	1,113,951,069	2,106,839,790	1,142,655,000	7,007,675,707	11,371,121,566	2.64%	1,147
2016	1,129,016,028	1,657,417,008	987,096,000	7,124,758,785	10,898,287,821	2.45%	1,097
2017	1,145,119,905	1,253,161,238	827,763,000	7,051,704,576	10,277,748,719	2.23%	1,032
2018	1,151,950,591	758,690,830	721,562,771	6,989,887,721	9,622,091,913	Unavailable	Unavailable

SOURCES: U.S. Census Bureau, Population Division. U.S. Department of Commerce, Bureau of Economic Analysis. Michigan Department of Treasury.

Personal Income and Population numbers are updated annually to coinside with the demographic and economic indicators. These amounts are not available for the current fiscal year.

PLEDGED REVENUE DEBT SERVICE COVERAGE – LAST NINE FISCAL YEARS

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
Tobacco Settlement Asset-Backed Bonds						
2010	$ 67,244,495	$ 331,192	$ 66,913,303	$ 4,475,000	$ 61,496,020	1.01
2011	66,721,943	341,128	66,380,815	4,230,000	60,960,690	1.02
2012	65,523,253	351,361	65,171,892	4,560,000	60,608,761	1.00
2013	87,325,579	361,902	86,963,677	9,840,000	59,574,215	1.25
2014	63,955,969	372,759	63,583,210	5,060,000	58,514,030	1.05
2015	64,308,108	383,942	63,924,166	5,785,000	58,135,557	1.00
2016	63,803,150	395,460	63,407,690	5,665,000	57,741,482	1.00
2017	64,081,168	407,324	63,673,844	6,350,000	57,318,369	1.00
2018	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

NOTES: Debt service coverage information for the Tobacco Settlement Asset Backed Bonds are presented on a calendar year basis to maintain comparability with the required annual disclosures for these bonds that are publicly available to investors. The calendar year prior to the current fiscal year is the most recent available.

Fiscal Years 2011 through 2015 Gross Revenues have been restated due to timing of receipts and their availability to pay debt service.

SOURCE: Michigan Department of Treasury

Demographic and Economic Indicators – Last Eight Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Population[1] *(in thousands)*	9,884	9,876	9,887	9,899	9,915	9,918	9,933	9,962
Total Personal Income[2] *(in billions)*	$348.7	$370.2	$385.4	$389.3	$407.6	$431.2	$444.5	$460.3
Per Capita Income[2]	$35,302	$37,482	$38,983	$39,328	$41,116	$43,471	$44,751	$46,201
Unemployment Rate[3]	12.6%	10.4%	9.1%	8.8%	7.2%	5.4%	5.0%	4.6%

NOTE: Most recent calendar year for which data is available: 2017.

SOURCE: [1] U.S. Census Bureau, Population Division. 2008-2009 figures are September 2011 estimates. 2010 figures are from the 2010 Census. 2011-2017 figures are December 2017 estimates.

[2]U.S. Department of Commerce, Bureau of Economic Analysis.

[3] Michigan Department of Labor & Economic Growth and U.S. Department of Labor, Bureau of Labor Statistics.

CLASSIFIED EMPLOYEES BY FUNCTION – LAST NINE FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Classified employees by function:									
Governmental activities:									
Tobacco settlement	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Unemployment obligation	0.0	0.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5
Total governmental activity employees	0.5	0.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0
Business-type activities:									
Municipal Bond Fund	11.5	11.0	10.5	12.5	11.5	11.5	10.5	9.0	8.0
Student Loan Fund	29.5	16.0	14.0	13.5	11.5	12.0	13.5	8.0	6.0
Non-Major Funds:									
Michigan Guaranty Agency	51.5	35.0	34.0	31.5	32.0	32.0	32.0	36.0	39.0
Michigan Finance Authority	2.0	2.0	2.5	3.0	2.0	2.5	2.0	2.0	2.0
Public School Academy Facilities Fund	1.0	1.0	0.5	1.0	1.0	1.0	1.0	1.0	1.0
Total business-type activity employees	95.5	65.0	61.5	61.5	58.0	59.0	59.0	56.0	56.0
Total full-time equivalent employees	96.0	65.5	63.0	62.5	59.0	60.0	60.0	57.0	57.0

NOTES: This report reflects average employee counts of individuals who are full-time in primary positions, except student assistants.

This schedule includes average employee counts. Employees who job share are divided in quarters or half. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Department of Treasury

OPERATING INDICATORS BY FUNCTION – LAST NINE FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:									
Tobacco Settlement:									
Bonds Issued									
Unemployment Obligation:									
Bonds Issued			4						
Business-type activities:									
Municipal Bond Fund:									
Bonds Issued	6	13	12	5	10	12	16	6	8
Notes Issued	9	7	7	6	9	12	9	6	4
Student Loan Fund:									
Bonds Issued				1	1	1			1
Notes Issued					1	2	2		
Non-Major Funds:									
Michigan Guaranty Agency									
Administrative wage garnishment transactions	72,919	100,629	103,754	104,224	105,929	108,374	106,945	98,052	82,631
Rehabilitated student loan transactions	207	4,354	4,301	4,051	3,933	4,190	3,807	3,371	2,758
Michigan Finance Authority:									
Bonds Issued	21	25	17	10	9	16	10	11	5
Public School Academy Facilities Fund:									
Notes Issued	5	4	4	3	2	2	3	3	4

NOTES: Governmental funds issue bonds less frequently than business-type funds. Recurring activities for Governmental Funds include maintenance and tracking activities for past issuances; such as making timely debt service payments, accounting and financial reporting, and required periodic continuing disclosures for bond holders.

The Michigan Finance Authority line item includes the activities of the Healthcare Finance Fund, the Higher Education Facilities Fund, and the Michigan Strategic Fund.

To ensure consistency with information presented in the financial statements, Public School Academy Facilities Fund bond issuances have been included in the Michigan Finance Authority line above.

The Michigan Guaranty Agency transactions are shown at the borrower level.

SOURCE: Michigan Department of Treasury

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OTHER INFORMATION

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Board of Directors, and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Michigan Finance Authority (the "Authority") as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management, the Board of Directors, and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan Finance Authority

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

January 28, 2019

Glossary of Abbreviations and Terms

Authority—Michigan Finance Authority.

Consolidation Loans—Loans made to borrowers consolidating certain student loans.

Deficiency in Internal Control Over Financial Reporting—The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

FFEL Program—Federal Family Education Loan Program.

Financial Audit—An audit that is designed to provide reasonable assurance about whether the basic financial statements of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Fitch Ratings (Fitch)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt investments.

GASB 48—GASB Statement No. 48. *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*

GASB 65—GASB Statement No. 65. *Items Previously Reported as Assets and Liabilities.*

Generally Accepted Accounting Principles (GAAP)—A technical accounting term that encompasses the conventions, rules, guidelines, and procedures necessary to define accepted accounting practice at a particular time; also cited as "accounting principles generally accepted in the United States of America."

Governmental Accounting Standards Board (GASB)—An arm of the Financial Accounting Foundation established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.

In-Relation-To Opinion—An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures and considering materiality of the basic financial statements taken as a whole.

Internal Control—A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

LIBOR—London Interbank Offered Rate.

Major Fund—A significant governmental or enterprise fund, based on specific size criteria. A government's main operating fund (the general fund or its equivalent) is always considered a major fund. Government officials may also designate other governmental and enterprise funds as major funds when deemed important to financial statement users (for example, because of public interest or consistency).

Material Misstatement—A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.

Material Weakness in Internal Control Over Financial Reporting—A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.

MGA—Michigan Guaranty Agency.

MI-LOAN—Michigan Alternative Student Loan.

Modified Opinion—A qualified opinion, an adverse opinion, or a disclaimer of opinion.

Moody's Investors Service, Inc. (Moody's)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt instruments.

MSA—Master Settlement Agreement.

MSERS—Michigan State Employees' Retirement System.

PLUS Loans—Loans made to parents of dependent undergraduates.

Significant Deficiency in Internal Control Over Financial Reporting—A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Stafford Loans—Educational loans made under the FFEL Program to students.

Standard & Poor's (S&P)—A credit rating agency that, among other things, provides credit ratings for issuers of certain debt obligations or debt instruments.

TED—Department of Talent and Economic Development.

TSR—Tobacco settlement revenue.

Unmodified Opinion—The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes that the basic financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

USDOE—U.S. Department of Education.

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