# *State of Michigan*

## *Comprehensive Annual Financial Report*

Fiscal Year Ended September 30, 2001

**JOHN ENGLER**
**Governor**

**DON GILMER**
**State Budget Director**
**Office of the State Budget**

**LEON E. HANK, CPA**
**Director**
**Office of Financial Management**

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STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

JOHN ENGLER
GOVERNOR

DON GILMER
DIRECTOR

March 29, 2002

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

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2001.

## INTRODUCTION TO THE REPORT

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

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

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

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

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



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

Independent Auditors: The Office of the Auditor General (OAG) audited the SOMCAFR with a goal to provide reasonable assurance that the SOMCAFR for the fiscal year ended September 30, 2001, is free of material misstatement. The OAG conducted the audit of the SOMCAFR in accordance with generally accepted auditing standards (GAAS), and its independent auditor's report precedes the Basic Financial Statements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and evaluating the overall financial statement presentation. The OAG concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the SOMCAFR for the fiscal year ended September 30, 2001, is fairly presented in conformity with GAAP.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial and performance audits of the various State departments, agencies, and institutions of higher education. The OAG engages outside public accounting firms periodically, particularly for the audits of the separately issued component unit financial statements (such as the Michigan State Housing Development Authority), the larger pension (and other employee benefit trust) funds, and the Michigan Unemployment Compensation Funds. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act of 1984. Pursuant to Michigan Public Act 251 of 1986, these audits are conducted biennially for applicable State departments, agencies, and component unit authorities, and result in separately issued audit reports.

Management's Discussion and Analysis (MD&A): GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## PROFILE OF THE GOVERNMENT

Reporting Entity: The State of Michigan reporting entity reflected in the SOMCAFR, which is described more fully in Note 1 to the basic financial statements, conforms with the requirements of GASB Statement No. 14, The Financial Reporting Entity. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the *primary government* and permit financial statement users to distinguish between the primary government and its *component units.* Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

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

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

Revenue and Spending Limitation Requirements: Under the State Constitution, total State revenues are limited to a percentage of total Michigan personal income. If the limit is exceeded by an amount less than 1%, the excess may be transferred to the Budget Stabilization Fund. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to payers of personal income and single business taxes. The calculations necessary to determine the State's compliance with this requirement for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, total State revenues subject to this limitation exceeded the limit by $159.7 million. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2000-2001.

The State Constitution also requires that spending to local units of government be maintained at not less than a specified level of total State spending, originally determined to be 41.61% for the base fiscal year 1978-79. The originally determined percentage was recalculated, effective fiscal year 1992-93, reflecting the terms of a legal settlement agreement. The recalculated base year percentage is 48.97%. The calculations necessary to determine the State's compliance with this requirement for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 61.68%, reflecting payments that exceeded the minimum required by $3.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2000-2001.

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

## ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2001 began with continuing national and state economic growth although at a much slower rate than the previous fiscal year. However, economic indicators reflected an overall leveling or temporary cooling in the economy. America finds itself in the midst of an economic downturn, predicted by analysts but exacerbated by the tragedies of September 11th. The last several months have forced the nation to face the unimaginable. Beyond the human tragedy, the September attacks and subsequent related events have inflicted economic pain that contrasts sharply with the preceding decade of prosperity and growth. Michigan has not been immune to these recent events. The impact of the recession is being widely observed. The U.S. economic slowdown that began in March 2001 ended the longest recorded economic expansion of ten years. Automakers made the most aggressive production cuts in a decade and offered zero percent financing to boost car sales beginning in October 2001. Michigan's economy also slowed, causing employment to decline. The unemployment rate averaged 5.0 percent in 2001, up from 3.6 percent a year ago. As a result, budgets for fiscal year 2001 and 2002 were adjusted downward to reflect softening revenues. In December 2001, economic indicators suggested the economy was turning the corner toward recovery. New claims for unemployment benefits had fallen sharply, employment declines slowed and consumer and business confidence improved. These fundamentals indicate the underlying economy is sound and the long-term outlook for Michigan is positive.

Inflation, as measured by the Detroit CPI, is forecast to be a moderate 2.4 percent in 2002 and 3.0 percent in 2003. As a result, real Michigan personal income (inflation adjusted) is expected to remain unchanged in 2002 before rising to a solid 2.2 percent in 2003. Michigan wage and salary employment is forecast to decline by 33,000 (0.7 percent) in 2002, and is forecast to rise by 79,000 (1.7 percent) in 2003. Personal income growth is forecast to slow to 2.4 percent in 2002, and post solid growth of 5.3 percent in 2003.

## MAJOR INITIATIVES AND FUTURE PROJECTS

Education Remains a Top Priority: Education has been and continues to be critically important to the State. More than $14.7 billion, or 39 percent, of the State's overall budget is devoted to education in fiscal year 2001-2002. This includes funding for the K-12 system, universities, community colleges and student financial aid. In fiscal year 2001, the State spent more on K-12 education than it spent on expenditures financed by General Fund general purpose revenues.

The Administration is committed to increasing the minimum foundation allowance to $6,700 per pupil in fiscal year 2003. This $200 (3.1 percent) per pupil increase will cost $337 million and will require a change in the State education tax collection structure in fiscal year 2003.

Transportation Infrastructure Investments: The Build Michigan I, II, and III financing programs have resulted in record investments in Michigan's transportation infrastructure. In fiscal year 2001-2002, the Department of Transportation will invest over $1.5 billion in the state trunkline system, making it the fifth year in a row that the Michigan transportation program has exceeded the billion-dollar mark.

Technology Consolidation: As part of a bold plan to keep Michigan on the cutting edge of technological change, all information technology management functions were moved to the new Michigan Department of Information Technology, effective October 2001. The department will establish a long-term strategy that allows for better management of technology investments, improved information management and more efficient services to citizens.

Central Electronic Payment Authorization System: The e-Michigan Office continues to search for an enterprise-wide electronic payment module that provides flexibility to support multiple payment instruments and makes State government more accessible to its citizens. Citizens will access the award-winning Web site "Michigan.gov" (http://www.michigan.gov) and use major credit cards and other electronic payment transactions to purchase the diverse services provided by the state, such as license renewal and camping reservations.

Child Support Enforcement System: The Family Independence Agency implemented a statewide integrated child support network that coordinates all employer withholdings for child and spousal support and disbursements to custodial families. The use of electronic funds transfer and electronic data interchange contributes to the effective processing and efficiencies gained from using a single location. FIA processes approximately $80.0 million per month to custodial families.

Financial Management Reporting Improvements: The Office of the State Budget (OSB) continues to lead a statewide effort to reduce the time and cost of the annual bookclosing process that produces the SOMCAFR. OSB has set a statewide goal to produce the fiscal year 2002 SOMCAFR by December 31, 2002. This endeavor will require the collective effort from all accounting and financial personnel throughout State government.

## FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Budget Stabilization Fund, School Aid Fund, State Lottery Fund, and the Michigan Unemployment Compensation Funds. Fiduciary activities are excluded from the MD&A.

Cash Management and Investments: As discussed more fully in Notes 5 and 8 to the basic financial statements, the State Treasurer maintains the State's Common Cash pool, which is used by most State funds for short-term investments and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to $4.8 billion at September 30, 2001, a decrease of approximately $700 million from $5.5 billion at September 30, 2000. Total investments amounted to $53.7 billion at September 30, 2001, a decrease of $7.2 billion from $60.9 billion at September 30, 2000. Pension (and other employee benefits) trust fund investments represent 91.3 percent of the total investments held by the state.

Debt Management: The State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. General obligation bond issues totaled $324.6 million during 2000-2001. The bonds provide financing for

the Clean Michigan Initiative Program and school district loans.

Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. Revenue dedicated bonded debt, including that of the State Building Authority, increased by $603.8 million to $3.4 billion during 2000-2001. The bonds provide financing for building new state and university facilities and road and bridge construction.

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

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

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

The State Employees' Retirement System (SERS) is the largest of the defined benefit plans for which the State is responsible for providing funding. Total assets of SERS at September 30, 2001 were $10.1 billion, with net assets held in trust for pension and postemployment health-care benefits totaling $9.6 billion. Additional disclosures relating to the State's pension funds are provided in Note 11 to the financial statements.

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

## OTHER INFORMATION

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2000. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgments: In any year, the preparation of this report requires the collective efforts of literally hundreds of finance personnel throughout the State, both individually and in teams from virtually all agencies and departments. We sincerely appreciate the dedicated efforts of all of these individuals. This year, we implemented several new GASB standards, including Statement No. 34 requirements, one year earlier than required. Achieving this is the result of the dedicated management and staff of the Financial Control Division, Office of Financial Management; the chief financial officers, chief accountants, and their staffs; and the management and staff of the Office of the Auditor General; who continue to strive for improvements that will result in Michigan being a national leader in quality and efficiency for financial reporting.

Sincerely,

Don Gilmer
State Budget Director

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Michigan

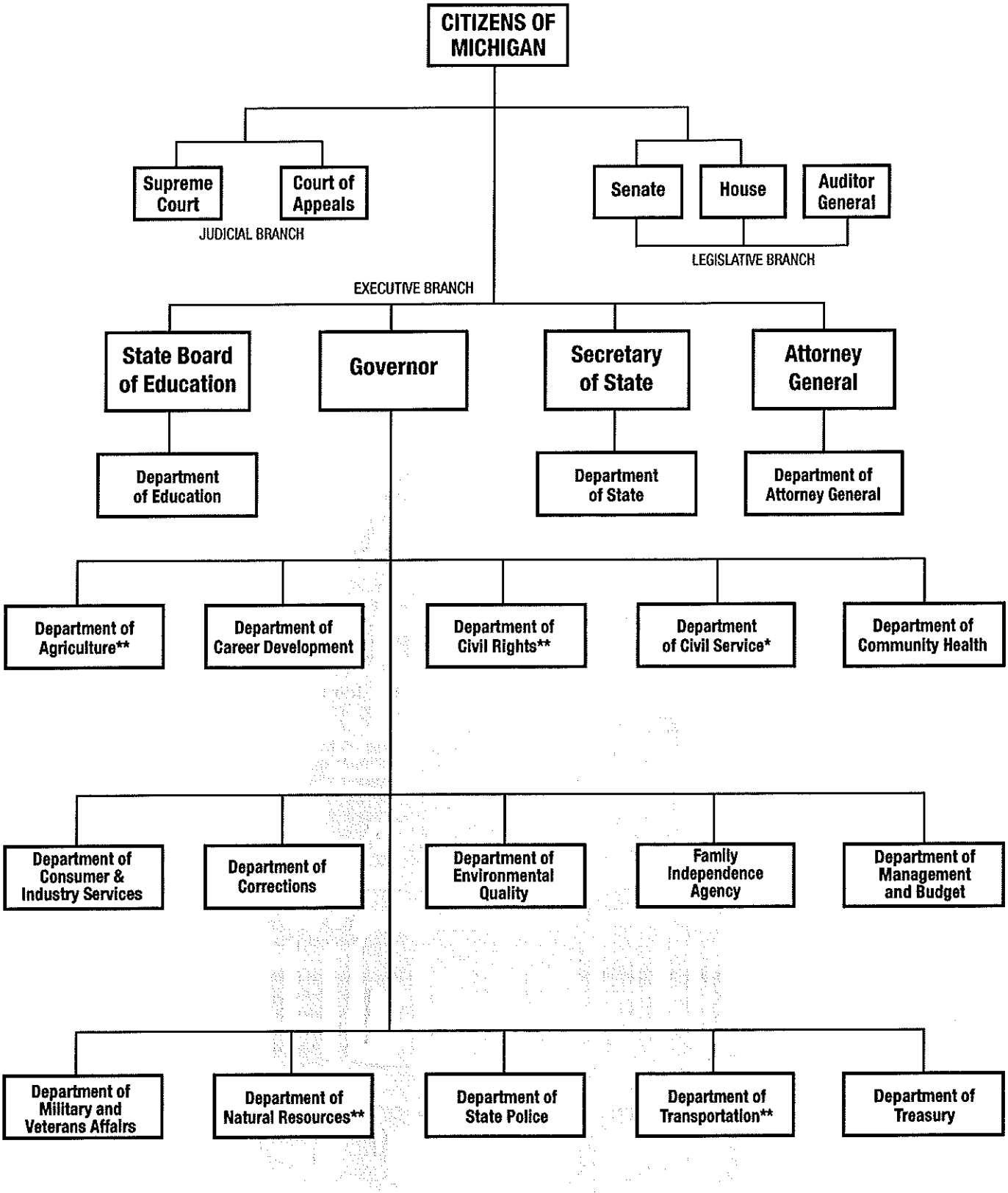
For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000

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

President

Executive Director

# STATE OF MICHIGAN
# ORGANIZATIONAL STRUCTURE
## SEPTEMBER 30, 2001




* Has Commission appointed by Governor
** Has Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

## PRINCIPAL STATE OFFICIALS

### JUDICIAL BRANCH

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

### LEGISLATIVE BRANCH

Honorable Dick Posthumus
President of the Senate

Honorable Rick V. Johnson
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

### EXECUTIVE BRANCH

Honorable John Engler, Governor

Honorable Jennifer M. Granholm, Attorney General

Honorable Candice S. Miller, Secretary of State

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

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

Barbara Bolin, Director
Department of Career Development

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

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

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

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

William S. Overton, Director, Department of Corrections

Russell J. Harding, Director
Department of Environmental Quality

Douglas E. Howard, Director
Family Independence Agency

Duane E. Berger, Director
Department of Management and Budget

Don Gilmer, State Budget Director
Office of the State Budget

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

Natural Resources Commission
Jim Campbell
Keith J. Charters
Nancy A. Douglas
Paul J. Eisele
Bob Garner
William U. Parfet
Frank C. Wheatlake
K. L. Cool, Director, Department of Natural Resources

Col. Stephen D. Madden, Director
Department of State Police

Transportation Commission
Betty Jean Awrey
John W. Garside
Lowell B. Jackson
Barton W. LaBelle
Brian K. Larche
Ted B. Wahby
Gregory J. Rosine, Director, Department of Transportation

Douglas B. Roberts, State Treasurer

# II FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT
## BASIC FINANCIAL STATEMENTS

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

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

March 29, 2002

We have audited the accompanying basic financial statements of the State of Michigan, principally as of September 30, 2001 and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act - Administration Fund, State Building Authority - Debt Service Fund, State Building Authority - Capital Projects Fund, State Sponsored Group Insurance Fund, State Employees' Deferred Compensation Funds, State Police Retirement Fund, State Employees' Retirement Fund, Public School Employees' Retirement Fund, Judges' Retirement Fund, State Employees' Defined Contribution Retirement Fund, Michigan Education Savings Program, Michigan Education Trust, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, Michigan Higher Education Facilities Authority, Mackinac Bridge Authority, Michigan State Hospital Finance Authority, Michigan Higher Education Student Loan Authority, Mackinac Island State Park Commission, State Bar of Michigan, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

| Government-Wide Financial Statements: | Percent of Assets | Percent of Revenues |
|---|---|---|
| Primary Government - Governmental Activities | 1.8% | 1.3% |
| Primary Government - Business-Type Activities | 98.8% | 83.3% |
| Component Units | 96.9% | 85.0% |

| Fund Financial Statements: | Percent of Assets | Percent of Revenues or Additions |
|---|---|---|
| Governmental Funds - Non-Major Funds | 7.4% | 3.4% |
| Proprietary Funds - Business-Type Activities – Enterprise Funds - State Lottery Fund | 100.0% | 100.0% |
| Proprietary Funds - Business-Type Activities – Enterprise Funds - Michigan Unemployment Compensation Funds | 100.0% | 100.0% |
| Proprietary Funds - Governmental Activities – Internal Service Funds | 61.9% | 73.3% |
| Fiduciary Funds - Pension (and Other Employee Benefit) Trust Funds | 99.7% | 99.7% |
| Fiduciary Funds - Private Purpose Funds | 45.6% | 43.3% |
| Component Units | 96.9% | 85.0% |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds, is based solely upon the reports of the other auditors.

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

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



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

In our opinion, based on our report and the reports of other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Michigan, principally as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the basic financial statements, the State of Michigan adopted Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures.*

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

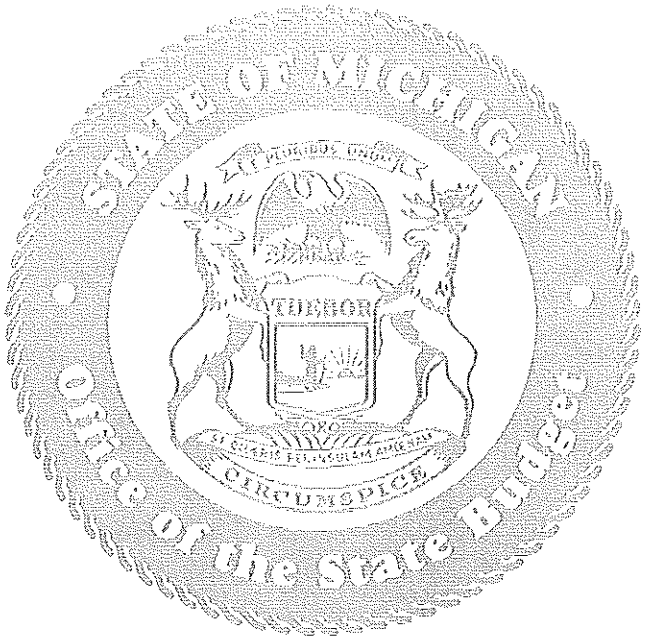
The management's discussion and analysis on pages 5 through 12, budgetary comparison schedules and corresponding notes on pages 86 through 89, and information about infrastructure assets reported using the modified approach on pages 90 and 91 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Sincerely,

Thomas H. McTavish

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


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Auditor

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2001. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. Because fiscal year 2000-2001 represents the first year in which the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

## HIGHLIGHTS

**Government-wide:**

- The assets of the State exceeded its liabilities at the close of the fiscal year by $22.5 billion (reported as *net assets*), a decrease of $74.2 million from the previous year. Component units reported net assets of $4.3 billion, an increase of $219.0 million from the previous year.

**Fund Level:**

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $5.8 billion, with $2.6 billion reported as *unreserved fund balance* and the remaining amount of $3.2 billion reserved for specific purposes, such as education and transportation. At the end of the fiscal year, unreserved fund balance for the General Fund was $28.1 million.

- The proprietary funds reported net assets at year-end of $3.2 billion, a decrease of $159.3 million during the year.

**Long-term Debt:**

- The State's total debt rose during the fiscal year to $5.2 billion, an increase of $956.4 million (or 22.6%), which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued bonds ($1.5 billion), notes ($400 million), and commercial paper ($653.8 million).

More detailed information regarding these activities and funds begins on page 7.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

For the first time, this report includes government-wide financial statements as required by GASB Statement No. 34.

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

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

The Statement of Net Assets (pages 14 and 15) presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 16 and 17) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

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

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

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 12 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 21 and 23) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.

- Certain tax revenues that are earned, but not available, are reported as governmental activities, but are reported as deferred revenue on the governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.

- Certain pension trust funds have been funded in excess of their annual required contribution. These assets are recorded only in the government-wide statements.

- Deferred issue costs are capitalized and amortized as governmental activities, but reported as expenditures in the governmental fund statements.

- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, bonds and notes payable, and others only appear as liabilities in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 41 of this report.

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

The fund financial statements begin on page 20 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 96 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

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

- *Proprietary funds* -- When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report

activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Vehicle and Travel Services. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary funds* -- The State acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 32. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

### Additional Required Supplementary Information

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

### Other Supplementary Information

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

## FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net assets decreased $74.2 million over the course of this fiscal year's operations. The net assets of the governmental activities increased $135.4 million or .7% and business-type activities had a decrease of $209.5 million or 6.3%.

**Net Assets as of September 30, 2001**
***(in millions of dollars)***

| | Governmental Activities | Business-type Activities | Total Primary Government |
|---|---|---|---|
| Current and other non-current assets | $ 12,420.6 | $ 4,219.9 | $ 16,640.4 |
| Capital assets | 17,750.5 | .3 | 17,750.8 |
| **Total assets** | 30,171.1 | 4,220.1 | 34,391.2 |
| Long-term liabilities | 6,606.5 | 660.3 | 7,266.8 |
| Other liabilities | 4,180.8 | 431.8 | 4,612.5 |
| **Total liabilities** | 10,787.3 | 1,092.0 | 11,879.3 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 15,129.8 | .3 | 15,130.1 |
| Restricted | 2,849.2 | 3,121.4 | 5,970.6 |
| Unrestricted | 1,404.8 | 6.4 | 1,411.2 |
| **Total net assets** | $ 19,383.8 | $ 3,128.1 | $ 22,511.9 |

The largest component (67.2%) of the State's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 26.5%. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on State statutes.

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

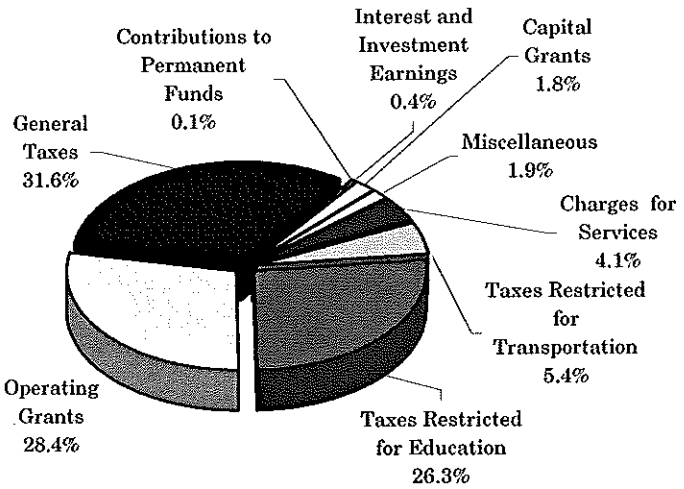
**Changes in Net Assets**
**for Fiscal Year Ending September 30, 2001**
***(in millions of dollars)***

| | Governmental Activities | Business-type Activities | Total Primary Government |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues | | | |
| Charges for services | $ 1,496.9 | $ 3,297.9 | $ 4,794.8 |
| Operating grants | 10,255.3 | 313.6 | 10,569.0 |
| Capital grants | 667.4 | - | 667.4 |
| General revenues | | | |
| General taxes | 11,425.7 | 10.4 | 11,436.2 |
| Taxes restricted for educational purposes | 9,500.3 | - | 9,500.3 |
| Taxes restricted for transportation purposes | 1,936.3 | - | 1,936.3 |
| Interest and investment earnings | 159.2 | 4.2 | 163.4 |
| Miscellaneous | 669.0 | - | 669.0 |
| **Total revenues** | 36,110.1 | 3,626.2 | 39,736.3 |
| **Expenses** | | | |
| General government | 1,735.2 | - | 1,735.2 |
| Education | 14,109.6 | - | 14,109.6 |
| Family independence services | 3,627.8 | - | 3,627.8 |
| Public safety and corrections | 2,098.6 | - | 2,098.6 |
| Conservation, recreation, and agriculture | 682.9 | - | 682.9 |
| Labor, commerce, and regulatory | 884.1 | - | 884.1 |
| Health services | 8,536.0 | - | 8,536.0 |
| Transportation | 2,766.7 | - | 2,766.7 |
| Tax expenditures | 532.8 | - | 532.8 |
| Intergovernmental – revenue sharing | 1,555.8 | - | 1,555.8 |
| Interest on long-term debt | 221.3 | - | 221.3 |
| Liquor Purchase Revolving Fund | - | 479.4 | 479.4 |
| State Lottery Fund | - | 1,132.8 | 1,132.8 |
| Michigan Unemployment Compensation Funds | - | 1,485.9 | 1,485.9 |
| **Total expenses** | 36,750.8 | 3,098.1 | 39,848.9 |
| Excess (deficiency) Before Contributions and Transfers | (640.7) | 528.1 | (112.6) |
| Contributions to permanent fund principal | 38.4 | - | 38.4 |
| Transfers | 737.6 | (737.6) | - |
| **Increase (decrease) in net assets** | 135.4 | (209.5) | (74.2) |
| Net assets – beginning – restated | 19,248.4 | 3,337.6 | 22,586.0 |
| Net assets – ending | $ 19,383.8 | $ 3,128.1 | $ 22,511.8 |

**Governmental Activities:**

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

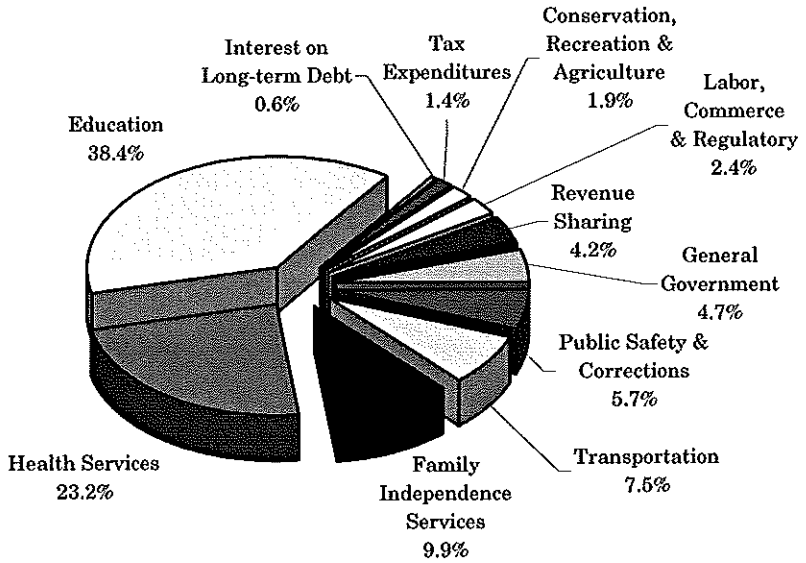
**Revenues - Governmental Activities**
**Fiscal Year Ending September 30, 2001**




Revenues for the State's governmental activities are likely to decrease in the coming years as the personal income and single business tax rates will experience gradual declines. Starting on January 1, 1999, the single business tax rate has been reduced by .1 percent each January 1 if the Budget Stabilization Fund has a fund balance greater than $250 million. Beginning on January 1, 2000, the personal income tax will be reduced by .1 percent per year until the rate reaches 3.9%. There were no significant structural changes in the State's sales taxes during fiscal year 2000-2001. Decreases in tax revenues during the fiscal year resulted from these tax rollbacks, in addition to the slowdown in the economy.

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

**Expenses - Governmental Activities**
**Fiscal Year Ending September 30, 2001**



## Business-type Activities

Net assets of the business-type activities decreased by $209.5 million during the fiscal year. Factors contributing to these results included:

- The State Lottery Fund's net assets increased by $44.8 million for the fiscal year, primarily from the increase in the market value of investments.

- Due to increasing unemployment in the State, the Michigan Unemployment Compensation Funds' payment of these benefits increased from $905.9 million in fiscal year 1999-2000 to $1.5 billion during fiscal year 2000-2001. However the impact on net assets was about half that amount, $254.3 million, because of increases in operating revenues during the year.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of $5.8 billion. Of this total amount, $2.6 billion, or 43.9% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The School Aid Fund, ($694.8 million), the Budget Stabilization Fund ($994.2 million), and transportation-related funds ($539.4 million) comprise a significant portion of the unreserved fund balance. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments, such as capital outlay projects.

### General Fund

The General Fund is the chief operating fund of the State. At the end of current fiscal year 2000-2001, unreserved fund balance of the General Fund was $28.1 million and reserved fund balance was $1.9 billion. Total fund balance diminished slightly during the fiscal year ($192.8 million), primarily as a result of lower tax collections and slowing of the economy. By the end of fiscal year 2000-2001, net General Fund revenues had declined 8.1 percent from the prior year.

General Fund Budgetary Highlights:

Changes in the State's projected revenue mirrored the national economic condition. In May 2001, it became apparent that state revenues were declining and fiscal year 2000-2001 budgets were adjusted downward to reflect the softening revenues.

As a result, the original budget was amended by various supplemental appropriations and appropriation revisions. The following summarizes the differences between the original and final budget amounts:

- General purpose tax revenues of $8.7 billion were significantly less than the estimated $9.4 billion.
- Restricted revenue inflows of $12.6 billion were slightly greater than the estimated $12.5 billion.
- Funding shifts for several major construction projects from the General Fund to the State Building Authority resulted in a decrease of $211.2 million, of which $195.7 million related to appropriation revisions in fiscal year 2000-2001.
- Agencies controlled spending in an effort to create budgetary savings of almost $24.4 million.
- The Budget Stabilization Fund transferred $270.0 million to the General Fund to balance the budget.

Differences between the final budget and actual spending result from spending authority lapses of $89.6 million, over-expended appropriations of $31.9 million, and restricted revenue authorized but not spent of $9.3 million.

Overall, there were no net overexpenditures by General Fund departments. There were, however, the following line-item overexpenditures of State funds incurred during the year:

| | |
|---|---|
| Community Health | $31.3 million |
| Career Development | $ .6 million |

Although it is anticipated that the General Fund will experience reduced revenues in the next fiscal year, corresponding reductions in spending and other measures will help ensure that the fund balance remains positive.

### School Aid Fund

Fund balance at September 30, 2001 totaled $704.1 million, a decrease of $281.5 million from the prior year. Although revenues increased by $264.4 million, expenditures to school districts and other costs increased by nearly $900 million and transfers to the fund decreased by $66.4 million.

### Counter-cyclical Budget and Economic Stabilization Fund

Fund balance at September 30, 2001 decreased to $994.2 million, from $1.3 billion the previous year. The downturn in the economy required an increase in transfers from the fund to assist the State in balancing its budget. During fiscal year 2001-2002, the State anticipates that transfers from the fund will significantly reduce fund balance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2000-2001, the State had invested $17.8 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled $199.7 million.

**Capital Assets as of September 30, 2001**
***(net of depreciation, in millions of dollars)***

| | Governmental Activities | Business-type Activities | Total Primary Government |
|---|---|---|---|
| Land | $ 3,093.3 | $ - | $ 3,093.3 |
| Land improvements | 56.2 | - | 56.2 |
| Buildings and improvements | 1,714.5 | - | 1,714.5 |
| Equipment | 193.1 | .3 | 193.4 |
| Infrastructure | 11,810.4 | - | 11,810.4 |
| Other | 20.7 | - | 20.7 |
| **Subtotal** | 16,888.2 | .3 | 16,888.5 |
| Construction in progress | 862.3 | - | 862.3 |
| **Total** | $ 17,750.5 | $ .3 | $ 17,750.8 |

Although the most significant change in accounting for capital assets during the year resulted from the inclusion of infrastructure assets, the State also purchased the Grand Tower building, which houses the Family Independence Agency, for approximately $40 million and completed construction on a variety of projects at correctional facilities that totaled approximately $100 million.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,300 lane miles of roads and approximately 5,700 bridges that the State is responsible to maintain.

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to have no more than 30% of roads in "poor" or "very poor" condition. The most recent condition assessment, completed for calendar year 2000, indicated that 22% of roads were considered poor or very poor.

The State's bridges have assessed conditions which are better than the established benchmarks, although the most recent assessment (2000) indicated that the condition of the bridges had deteriorated slightly from 1999.

The State's fiscal year 2001-2002 capital outlay budget projects spending $486.2 million for new projects at Michigan colleges and universities, and special maintenance projects at various state agency buildings, in addition to $329.1 million of unspent capital outlay authorizations that existed at September 30, 2001. More detailed information about the State's capital assets is presented in Note 10 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA), a component unit of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. SBA issues debt that is not backed by the State's full faith and credit. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. More detailed information regarding the State's long-term obligations is presented in Note 14 to the financial statements.

**Outstanding Bonded Debt as of September 30, 2001**
***(in millions of dollars)***

| | Governmental Activities | Business-type Activities | Total Primary Government |
|---|---|---|---|
| General obligation bonds (backed by the State) | $ 1,031.8 | $ - | $ 1,031.8 |
| Revenue bonds and notes (backed by specific tax and fee revenues) | 3,433.3 | - | 3,433.3 |
| **Total** | $ 4,465.1 | $ - | $ 4,465.1 |

During fiscal year 2000-2001, the State issued general obligation debt totaling $324.6 million, including $183.3 million to pay off amounts outstanding on previously issued bonds that carried higher interest costs, $60.0 million of bonds to fund conservation and recreation projects, and $81.3 million of bonds to provide funds to loan to school districts.

**Bond Ratings**
The State's general obligations are rated Aaa by Moody's and AAA by Standard & Poors.

**Limitations on Debt**
The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. No short-term borrowing occurred in fiscal year 2000-2001.

## ECONOMIC CONDITION AND OUTLOOK

Downturns in the U.S. economy that began in March 2001 had a similar impact on the State. Michigan's unemployment rate averaged 5.0% in 2001, up from 3.6% the year before. In May 2001 it became apparent that State revenues were declining and the budget for the 2000-2001 and 2001-2002 fiscal years were adjusted to reflect the softening revenues.

For fiscal year 2001-2002, spending reductions of nearly $460 million have been approved, in addition to the more than $210 million in spending reductions contained within the original fiscal 2001-2002 budget. As previously mentioned, the Budget Stabilization Fund will be utilized to soften the impact of the slowing economy.

## CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the State Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

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

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2001

(In Thousands)

| | PRIMARY GOVERNMENT | | | |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS | COMPONENT UNITS |
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ 12,784 | $ 741 | $ 13,525 | $ 300,760 |
| Equity in common cash (Note 5) | 4,211,343 | 147,422 | 4,358,765 | 219,912 |
| Taxes, interest, and penalties receivable (Note 6) | 3,963,798 | - | 3,963,798 | - |
| Internal balances | 7,589 | (7,589) | - | - |
| Amounts due from component units | 16,281 | 150 | 16,431 | 5,650 |
| Amounts due from primary government | - | - | - | 183,727 |
| Amounts due from federal government | 1,052,857 | 538 | 1,053,396 | 16,647 |
| Amounts due from local units | 213,319 | 11,802 | 225,122 | 752,264 |
| Inventories | 52,224 | 5,423 | 57,646 | 16,224 |
| Investments (Note 8) | 296,311 | 2,943,330 | 3,239,641 | 690,367 |
| Securities lending collateral (Note 8) | - | 203,945 | 203,945 | - |
| Other current assets | 461,673 | 194,753 | 656,427 | 358,921 |
| Total Current Assets | 10,288,180 | 3,500,515 | 13,788,695 | 2,544,473 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | 486,435 |
| Investments | - | - | - | 665,472 |
| Taxes, interest, and penalties receivable (Note 6) | 830,000 | - | 830,000 | - |
| Amounts due from federal government | 889 | - | 889 | - |
| Amounts due from local units | 539,427 | - | 539,427 | 1,727,411 |
| Mortgages and loans receivable (Note 9) | - | - | - | 2,685,972 |
| Investments (Note 8) | 523,320 | 709,321 | 1,232,640 | 2,084,413 |
| Capital assets (Note 10): | | | | |
| Land and other non-depreciable assets | 3,101,732 | - | 3,101,732 | 80,372 |
| Buildings, equipment, and other depreciable assets | 3,842,815 | 3,436 | 3,846,252 | 3,128,127 |
| Less accumulated depreciation | (1,651,305) | (3,149) | (1,654,454) | (1,250,999) |
| Infrastructure | 11,594,889 | - | 11,594,889 | 154,523 |
| Construction in progress | 862,339 | - | 862,339 | 209,851 |
| Total capital assets | 17,750,471 | 287 | 17,750,758 | 2,321,874 |
| Interest in joint ventures (Note 7) | 25,000 | - | 25,000 | - |
| Other noncurrent assets | 213,781 | 10,016 | 223,797 | 248,568 |
| Total Assets | $ 30,171,067 | $ 4,220,139 | $ 34,391,206 | $ 12,764,617 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | $ 165,379 | $ 1,704 | $ 167,084 | $ 182 |
| Accounts payable and other liabilities | 2,625,178 | 225,420 | 2,850,598 | 378,456 |
| Income tax refunds payable (Note 16) | 618,030 | - | 618,030 | - |
| Amounts due to component units | 11,813 | - | 11,813 | 5,298 |
| Amounts due to primary government | - | - | - | 5,431 |
| Bonds and notes payable (Notes 14 and 15) | 338,651 | - | 338,651 | 914,661 |
| Interest payable | 93,653 | - | 93,653 | 88,464 |
| Deferred revenue | 62,163 | 222 | 62,385 | 54,608 |
| Obligations under security lending | - | 203,945 | 203,945 | - |
| Current portion of other long-term obligations (Note 14) | 265,909 | 463 | 266,371 | 2,313 |
| Total Current Liabilities | 4,180,776 | 431,753 | 4,612,530 | 1,449,413 |
| Prize awards payable (Note 17) | - | 615,647 | 615,647 | - |
| Deferred revenue | 19,543 | - | 19,543 | 1,699 |
| Bonds and notes payable (Notes 14 and 15) | 4,857,466 | - | 4,857,466 | 5,696,428 |
| Noncurrent portion of other long-term obligations (Notes 14 and 18) | 1,729,491 | 44,646 | 1,774,136 | 1,334,903 |
| Total Liabilities | $ 10,787,277 | $ 1,092,046 | $ 11,879,323 | $ 8,482,444 |

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

| | PRIMARY GOVERNMENT | | | |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS | COMPONENT UNITS |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | $ 15,129,844 | $ 287 | $ 15,130,131 | $ 1,582,576 |
| Restricted for: | | | | |
| Education | 664,725 | - | 664,725 | 193,482 |
| Construction and debt service | 318,721 | - | 318,721 | 267,590 |
| Public safety and corrections | 16,513 | - | 16,513 | - |
| Conservation, environment, recreation, and agriculture | 413,747 | - | 413,747 | - |
| Health services | 24,906 | - | 24,906 | - |
| Transportation | 526,552 | - | 526,552 | - |
| Intergovernmental-revenue sharing | 199,449 | - | 199,449 | - |
| Unemployment compensation | - | 3,025,712 | 3,025,712 | - |
| Other purposes | 201,085 | 95,706 | 296,790 | 1,241,579 |
| Funds held as permanent investments: | | | | |
| Expendable | 87,313 | - | 87,313 | - |
| Nonexpendable | 396,161 | - | 396,161 | - |
| Unrestricted | 1,404,776 | 6,388 | 1,411,164 | 996,947 |
| Total Net Assets | $ 19,383,790 | $ 3,128,093 | $ 22,511,883 | $ 4,282,173 |

**STATEMENT OF ACTIVITIES**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| Functions/Programs | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS | PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS |
|---|---|---|---|---|
| **Primary government:** | | | | |
| Governmental activities: | | | | |
| General government | $ 1,735,152 | $ 612,104 | $ 60,470 | $ 9,383 |
| Education | 14,109,560 | 12,836 | 925,741 | - |
| Family independence services | 3,627,815 | 66,365 | 2,287,028 | - |
| Public safety and corrections | 2,098,619 | 98,075 | 101,866 | - |
| Conservation, environment, recreation, and agriculture | 682,875 | 262,367 | 143,047 | 166 |
| Labor, commerce, and regulatory | 884,129 | 204,650 | 548,599 | - |
| Health services | 8,535,965 | 42,959 | 5,798,724 | - |
| Transportation | 2,766,735 | 197,536 | 389,867 | 657,888 |
| Tax expenditures (Note 16) | 532,800 | - | - | - |
| Intergovernmental-revenue sharing | 1,555,799 | - | - | - |
| Interest on long-term debt | 221,333 | - | - | - |
| Total governmental activities | 36,750,783 | 1,496,893 | 10,255,342 | 667,437 |
| Business-type activities: | | | | |
| Liquor Purchase Revolving Fund | 479,359 | 592,084 | - | - |
| State Lottery Fund | 1,132,767 | 1,655,683 | 119,297 | - |
| Michigan Unemployment Compensation Funds | 1,485,947 | 1,050,123 | 194,332 | - |
| Total business-type activities | 3,098,072 | 3,297,891 | 313,629 | - |
| Total primary government | $ 39,848,855 | $ 4,794,784 | $ 10,568,971 | $ 667,437 |
| **Component units:** | | | | |
| Authorities: | | | | |
| Michigan Education Trust | $ 142,138 | $ 199 | $ 79,260 | $ - |
| Michigan State Housing Development Authority | 305,329 | 159,936 | 172,450 | - |
| Michigan Municipal Bond Authority | 151,626 | 105,938 | 169,087 | - |
| Non-Major | 580,603 | 114,956 | 314,743 | - |
| State Universities: | | | | |
| Central Michigan University | 252,962 | 144,340 | 24,663 | 3,213 |
| Western Michigan University | 381,847 | 200,483 | 26,403 | 151 |
| Non-Major | 1,099,492 | 532,953 | 136,231 | 62,756 |
| Total component units | $ 2,913,998 | $ 1,258,806 | $ 922,836 | $ 66,120 |

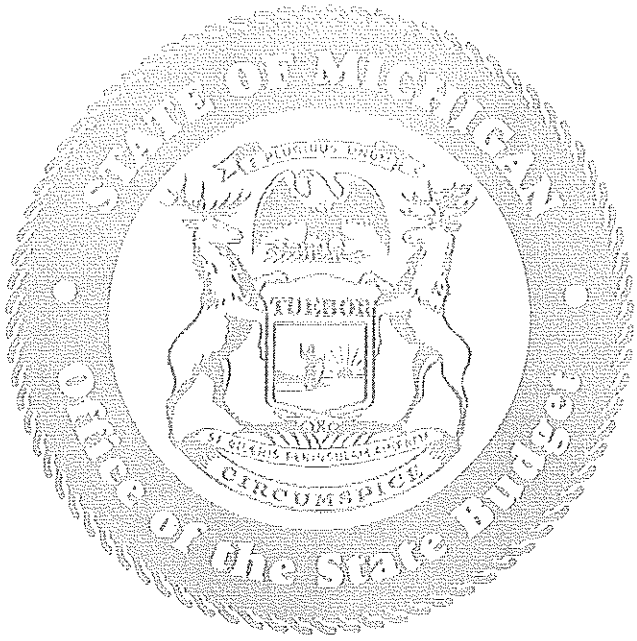
General revenues:
- Taxes:
  - General:
    - Sales and use
    - Personal income
    - Single business
    - Other
  - Restricted for educational purposes:
    - Sales and use
    - Personal income
    - Education, property, and real estate transfers
    - Other
  - Restricted for transportation purposes:
    - Sales and use
    - Gasoline and diesel fuel
    - Motor vehicle weight
    - Other
- Unrestricted investment and interest earnings
- Miscellaneous
- Contributions to permanent fund principal

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

Net assets-beginning - restated
Net assets-ending

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

| NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS | | | |
|---|---|---|---|
| PRIMARY GOVERNMENT | | | |
| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS | COMPONENT UNITS |
| $ (1,053,196) | $ - | $ (1,053,196) | $ - |
| (13,170,983) | - | (13,170,983) | - |
| (1,274,422) | - | (1,274,422) | - |
| (1,898,677) | - | (1,898,677) | - |
| (277,295) | - | (277,295) | - |
| (130,880) | - | (130,880) | - |
| (2,694,282) | - | (2,694,282) | - |
| (1,521,443) | - | (1,521,443) | - |
| (532,800) | - | (532,800) | - |
| (1,555,799) | - | (1,555,799) | - |
| (221,333) | - | (221,333) | - |
| (24,331,111) | - | (24,331,111) | - |
| - | 112,726 | 112,726 | - |
| - | 642,214 | 642,214 | - |
| - | (241,492) | (241,492) | - |
| - | 513,448 | 513,448 | - |
| (24,331,111) | 513,448 | (23,817,663) | - |
| - | - | - | (62,680) |
| - | - | - | 27,057 |
| - | - | - | 123,399 |
| - | - | - | (150,904) |
| - | - | - | (80,746) |
| - | - | - | (154,810) |
| - | - | - | (367,552) |
| - | - | - | (666,236) |
| 2,555,186 | - | 2,555,186 | - |
| 5,483,584 | - | 5,483,584 | - |
| 2,207,500 | - | 2,207,500 | - |
| 1,179,461 | 10,419 | 1,189,880 | - |
| 5,117,360 | - | 5,117,360 | - |
| 2,003,475 | - | 2,003,475 | - |
| 1,742,445 | - | 1,742,445 | - |
| 636,984 | - | 636,984 | - |
| 74,415 | - | 74,415 | - |
| 1,077,187 | - | 1,077,187 | - |
| 777,903 | - | 777,903 | - |
| 6,766 | - | 6,766 | - |
| 159,194 | 4,248 | 163,442 | 28,981 |
| 668,970 | 1 | 668,972 | 48,884 |
| 38,415 | - | 38,415 | - |
| - | - | - | 807,340 |
| 737,635 | (737,635) | - | - |
| 24,466,480 | (722,967) | 23,743,513 | 885,205 |
| 135,369 | (209,519) | (74,150) | 218,969 |
| 19,248,421 | 3,337,612 | 22,586,033 | 4,063,204 |
| $ 19,383,790 | $ 3,128,093 | $ 22,511,883 | $ 4,282,173 |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Budget

# GOVERNMENTAL FUND FINANCIAL STATEMENTS

## Major Funds

### GENERAL FUND

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

### COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

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

### SCHOOL AID FUND

An amendment to the 1908 State Constitution created this fund in 1955. The 1963 State Constitution provided for the fund's continued existence. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. School aid payments to school districts are based on a statutory formula.

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

## Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 96.

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | GENERAL FUND | COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND | SCHOOL AID FUND | NON-MAJOR FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash | $ 7,420 | $ - | $ - | $ 5,327 | **$ 12,746** |
| Equity in common cash (Note 5) | 1,059,933 | 994,187 | - | 2,019,983 | **4,074,102** |
| Taxes, interest, and penalties receivable (Note 6) | 2,680,738 | - | 1,162,203 | 120,856 | **3,963,798** |
| Amounts due from other funds (Note 20) | 298,628 | - | 9,009 | 192,161 | **499,798** |
| Amounts due from component units | 582 | - | - | 15,699 | **16,281** |
| Amounts due from federal agencies | 847,038 | - | 2,286 | 203,533 | **1,052,857** |
| Amounts due from local units | 112,040 | - | 48,630 | 52,649 | **213,319** |
| Inventories | 24,353 | - | - | 8,155 | **32,508** |
| Investments (Note 8) | - | - | - | 296,311 | **296,311** |
| Other current assets | 306,121 | - | 1,233 | 130,838 | **438,192** |
| Total Current Assets | 5,336,853 | 994,187 | 1,223,361 | 3,045,512 | **10,599,913** |
| Taxes, interest, and penalties receivable (Note 6) | 693,432 | - | 130,221 | 6,347 | **830,000** |
| Advances to other funds (Note 20) | 7,210 | - | - | 26,442 | **33,652** |
| Amounts due from federal agencies | 889 | - | - | - | **889** |
| Amounts due from local units | 493,407 | - | 1,252 | 44,767 | **539,427** |
| Investments (Note 8) | - | - | - | 523,320 | **523,320** |
| Other noncurrent assets | 3,287 | - | - | 8,693 | **11,981** |
| Total Assets | $ 6,535,078 | $ 994,187 | $ 1,354,835 | $ 3,655,081 | **$ 12,539,181** |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Current Liabilities: | | | | | |
| Warrants outstanding | $ 134,908 | $ - | $ 304 | $ 23,762 | **$ 158,974** |
| Accounts payable and other liabilities (Note 25) | 1,601,998 | - | 125,217 | 847,715 | **2,574,930** |
| Income tax refunds payable (Note 16) | 618,030 | - | - | - | **618,030** |
| Amounts due to other funds (Note 20) | 27,641 | - | 117,304 | 375,916 | **520,861** |
| Amounts due to component units | 11,654 | - | - | 159 | **11,813** |
| Interest payable | - | - | - | 478 | **478** |
| Deferred revenue | 1,458,293 | - | 277,676 | 126,342 | **1,862,310** |
| Total Current Liabilities | 3,852,525 | - | 520,501 | 1,374,371 | **5,747,396** |
| Long-Term Liabilities: | | | | | |
| Advances from other funds (Note 20) | - | - | - | 26,442 | **26,442** |
| Deferred revenue | 774,029 | - | 130,221 | 25,169 | **929,419** |
| Total Liabilities | 4,626,553 | - | 650,722 | 1,425,982 | **6,703,257** |
| Fund Balances: | | | | | |
| Reserved fund balance (Note 24) | 1,880,452 | - | 9,317 | 1,384,205 | **3,273,975** |
| Unreserved fund balance reported in: | | | | | |
| General fund | 28,072 | - | - | - | **28,072** |
| Special revenue funds | - | 994,187 | 694,796 | 773,050 | **2,462,033** |
| Debt service funds | - | - | - | 318,721 | **318,721** |
| Capital projects funds | - | - | - | (287,958) | **(287,958)** |
| Permanent funds | - | - | - | 41,082 | **41,082** |
| Total Fund Balances | 1,908,525 | 994,187 | 704,113 | 2,229,100 | **5,835,924** |
| Total Liabilities and Fund Balances | $ 6,535,078 | $ 994,187 | $ 1,354,835 | $ 3,655,081 | **$ 12,539,181** |

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

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**
SEPTEMBER 30, 2001
(In Thousands)

| | | |
|---|---|---|
| Total fund balances for governmental funds | | $ 5,835,924 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 10) | | |
| Land and other non-depreciable assets | 3,101,732 | |
| Buildings, equipment, and other depreciable assets | 3,558,728 | |
| Infrastructure | 11,594,889 | |
| Construction in progress | 862,339 | |
| Interest in joint ventures | 25,000 | |
| Accumulated depreciation | (1,481,368) | 17,661,320 |
| Certain tax revenues are earned but not available and therefore are deferred in the funds. | | 2,546,248 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | 169,106 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. | | 118,286 |
| Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a current available resource and is not reported in the funds. (Note 11) | | 103,879 |
| Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. | | 8,843 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 14) | | |
| Capital lease obligations | (228,454) | |
| Compensated absences | (431,740) | |
| Workers' Compensation | (199,850) | |
| Litigation | (887,851) | |
| Net pension obligations | (19,536) | |
| Arbitrage | (5,417) | (1,772,848) |
| Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement. (Note 14) | | |
| Bonds and notes payable | (5,172,523) | |
| Unamortized premiums | (43,942) | |
| Less deferred loss amount on refundings | 20,348 | |
| Accrued interest payable | (90,852) | (5,286,969) |
| Net assets of governmental activities | | $ 19,383,790 |

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | GENERAL | COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND | SCHOOL AID FUND | NON-MAJOR FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 11,013,063 | $ - | $ 9,407,071 | $ 1,984,890 | $ 22,405,023 |
| From federal agencies | 8,310,763 | - | 148,627 | 1,113,507 | 9,572,898 |
| From local agencies | 106,676 | - | - | 121,320 | 227,996 |
| From services | 114,645 | - | - | 700 | 115,346 |
| From licenses and permits | 219,732 | - | - | 171,923 | 391,655 |
| Special Medicaid reimbursements | 1,155,374 | - | - | - | 1,155,374 |
| Miscellaneous | 511,912 | 66,736 | 117,380 | 715,601 | 1,411,628 |
| Total Revenues | 21,432,165 | 66,736 | 9,673,078 | 4,107,942 | 35,279,920 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 1,126,062 | - | - | 151,760 | 1,277,822 |
| Education | 2,930,894 | - | 10,955,944 | 289,222 | 14,176,060 |
| Family independence services | 3,596,001 | - | - | 2,590 | 3,598,591 |
| Public safety and corrections | 2,155,711 | - | - | 3,890 | 2,159,602 |
| Conservation, environment, recreation, and agriculture | 362,546 | - | - | 273,733 | 636,279 |
| Labor, commerce, and regulatory | 684,164 | - | - | 196,905 | 881,069 |
| Health services | 8,478,167 | - | - | 47,268 | 8,525,435 |
| Transportation | - | - | - | 2,058,484 | 2,058,484 |
| Tax expenditures (Note 16) | 532,800 | - | - | - | 532,800 |
| Capital outlay | 68,146 | - | - | 1,463,998 | 1,532,145 |
| Intergovernmental-revenue sharing | 1,555,799 | - | - | - | 1,555,799 |
| Debt service: | | | | | |
| Bond principal retirement | - | - | - | 219,552 | 219,552 |
| Bond interest and fiscal charges | - | - | - | 201,980 | 201,980 |
| Capital lease payments | 47,763 | - | - | 1,057 | 48,820 |
| Total Expenditures | 21,538,055 | - | 10,955,944 | 4,910,440 | 37,404,438 |
| Excess of Revenues over (under) Expenditures | (105,890) | 66,736 | (1,282,867) | (802,498) | (2,124,519) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Bonds and notes issued | - | - | - | 1,223,549 | 1,223,549 |
| Premium on bond issuance | - | - | - | 44,373 | 44,373 |
| Refunding bonds issued | - | - | - | 630,812 | 630,812 |
| Payment to refunded bond escrow agent | - | - | - | (698,723) | (698,723) |
| Extinguishment of commercial paper | - | - | - | (40,680) | (40,680) |
| Capital lease acquisitions | 23,014 | - | - | - | 23,014 |
| Transfers from other funds | 627,049 | - | 1,004,237 | 1,554,629 | 3,185,915 |
| Transfers to other funds | (736,981) | (336,983) | (2,889) | (1,334,338) | (2,411,191) |
| Total Other Financing Sources (Uses) | (86,919) | (336,983) | 1,001,348 | 1,379,623 | 1,957,070 |
| Excess of Revenues and Other Sources over (under) Expenditures Other Uses | (192,808) | (270,247) | (281,518) | 577,125 | (167,449) |
| Fund Balances - Beginning of fiscal year - restated | 2,101,333 | 1,264,434 | 985,632 | 1,651,975 | 6,003,373 |
| Fund Balances - End of fiscal year | $ 1,908,525 | $ 994,187 | $ 704,113 | $ 2,229,100 | $ 5,835,924 |

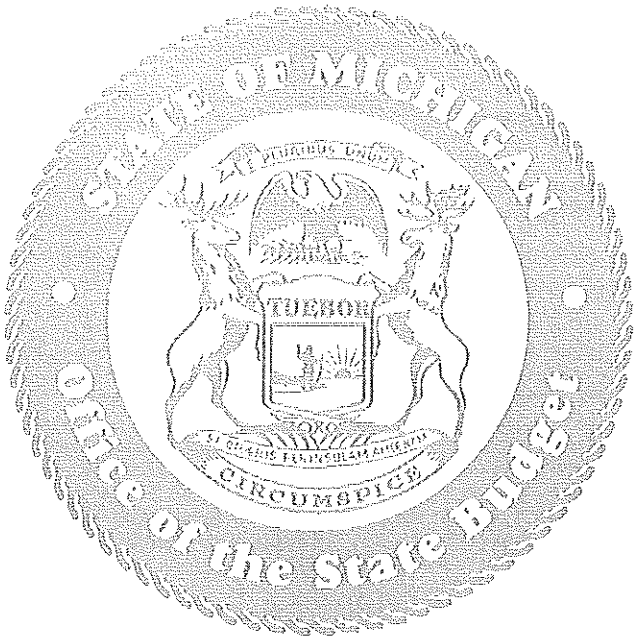
The accompanying notes are an integral part of the financial statements.

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

SEPTEMBER 30, 2001
(In Thousands)

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | | $ (167,449) |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 10) | | |
| Land and other non-depreciable assets | 77,988 | |
| Buildings, equipment, and other depreciable assets | 232,900 | |
| Infrastructure | 49,699 | |
| Construction in progress | 418,383 | |
| Accumulated depreciation | (161,908) | 617,062 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | 496,006 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. | | 50,243 |
| Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments. (Note 14) | | |
| Bond proceeds and premiums received | (1,898,698) | |
| Repayment of bond principal | 219,552 | |
| Payment to refunded bond escrow agent | 698,723 | |
| Extinguishment of commercial paper | 40,680 | |
| Accrued interest | 4,300 | |
| Deferred issue costs | 8,843 | |
| Loss on refunding | (20,709) | (947,307) |
| Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. (Note 14) | | |
| Excess contributions to pension funds | 9,935 | |
| Capital lease payments | 28,466 | |
| Compensated absences payments | 30,570 | |
| Litigation payments | 22,668 | |
| Workers' compensation | (4,824) | 86,815 |
| Change in net assets of governmental activities | | $ 135,369 |

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


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Auditor

# PROPRIETARY FUND FINANCIAL STATEMENTS

## Major Funds

### STATE LOTTERY FUND

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

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

### MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

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

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

## Non-Major Funds

### LIQUOR PURCHASE REVOLVING FUND

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

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 166.

**STATEMENT OF NET ASSETS**
**PROPRIETARY FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | |
|---|---|---|---|---|---|
| | MAJOR | | NON-MAJOR | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | LIQUOR PURCHASE REVOLVING FUND | TOTALS **SEPTEMBER 30, 2001** | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash | $ 2 | $ 739 | $ 1 | **$ 741** | $ 38 |
| Equity in common cash (Note 5) | 7,463 | 87,565 | 52,393 | **147,422** | 137,241 |
| Amounts due from other funds (Note 20) | - | 4,386 | - | **4,386** | 40,163 |
| Amounts due from component units | - | 150 | - | **150** | - |
| Amounts due from federal agencies | - | 538 | - | **538** | - |
| Amounts due from local units | - | 11,802 | - | **11,802** | - |
| Inventories | 2,131 | - | 3,291 | **5,423** | 19,716 |
| Investments (Note 8) | 108,783 | 2,834,547 | - | **2,943,330** | - |
| Securities lending collateral | 203,945 | - | - | **203,945** | - |
| Other current assets | 50,595 | 138,313 | 5,845 | **194,753** | 23,129 |
| Total Current Assets | 372,920 | 3,078,041 | 61,530 | **3,512,491** | 220,287 |
| Investments (Note 8) | 709,321 | - | - | **709,321** | - |
| Capital Assets (Note 10): | | | | | |
| Buildings and equipment | 3,436 | - | - | **3,436** | 284,087 |
| Allowance for depreciation | (3,149) | - | - | **(3,149)** | (169,936) |
| Total capital assets | 287 | - | - | **287** | 114,151 |
| Other noncurrent assets | - | 10,016 | - | **10,016** | 89,020 |
| Total Assets | $ 1,082,527 | $ 3,088,058 | $ 61,530 | **$ 4,232,115** | $ 423,458 |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Warrants outstanding | $ 1,563 | $ - | $ 142 | **$ 1,704** | $ 6,405 |
| Accounts payable and other liabilities (Note 25) | 154,773 | 17,292 | 53,354 | **225,420** | 35,122 |
| Amounts due to other funds (Note 20) | 9,069 | 2,828 | 79 | **11,976** | 26,422 |
| Deferred revenue | - | 222 | - | **222** | 5,138 |
| Obligations under security lending | 203,945 | - | - | **203,945** | - |
| Current portion of other long-term obligations (Note 14) | 130 | - | 332 | **463** | 113,586 |
| Total Current Liabilities | 369,481 | 20,342 | 53,907 | **443,729** | 186,672 |
| Long-Term Liabilities: | | | | | |
| Advances from other funds (Note 20) | - | - | - | **-** | 7,210 |
| Prize awards payable (Note 17) | 615,647 | - | - | **615,647** | - |
| Noncurrent portion of other long-term obligations (Note 14) | 1,694 | 42,004 | 948 | **44,646** | 111,289 |
| Total Liabilities | 986,822 | 62,346 | 54,854 | **1,104,022** | 305,172 |
| **NET ASSETS** | | | | | |
| Invested in capital assets, net of related debt | $ 287 | $ - | $ - | **$ 287** | $ 85,347 |
| Restricted for: | | | | | |
| Unemployment compensation | - | 3,025,712 | - | **3,025,712** | - |
| Other purposes | 95,706 | - | - | **95,706** | 11,884 |
| Unrestricted | (287) | - | 6,676 | **6,388** | 21,055 |
| Total Net Assets | $ 95,706 | $ 3,025,712 | $ 6,676 | **$ 3,128,093** | $ 118,286 |

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

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | |
|---|---|---|---|---|---|
| | MAJOR | | NON-MAJOR | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | LIQUOR PURCHASE REVOLVING FUND | TOTALS SEPTEMBER 30, 2001 | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
| **OPERATING REVENUES** | | | | | |
| Operating revenues | $ 1,655,683 | $ 1,050,123 | $ 592,084 | $ 3,297,891 | $ 1,076,940 |
| Total Operating Revenues | 1,655,683 | 1,050,123 | 592,084 | 3,297,891 | 1,076,940 |
| **OPERATING EXPENSES** | | | | | |
| Salaries, wages, and other administrative | 195,442 | - | 46,825 | 242,267 | 168,084 |
| Depreciation | 242 | - | - | 242 | 37,576 |
| Purchases for resale | - | - | 431,737 | 431,737 | 46,185 |
| Purchases for prison industries | - | - | - | - | 15,528 |
| Lottery prize awards | 873,325 | - | - | 873,325 | - |
| Premiums and claims | - | - | 1 | 1 | 704,712 |
| Unemployment benefits | - | 1,458,848 | - | 1,458,848 | - |
| Other operating expenses | - | 27,099 | 796 | 27,895 | 61,566 |
| Total Operating Expenses | 1,069,009 | 1,485,947 | 479,359 | 3,034,314 | 1,033,651 |
| Operating Income (Loss) | 586,675 | (435,824) | 112,726 | 263,577 | 43,289 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Specific tax on spirits | - | - | 10,419 | 10,419 | - |
| Interest revenue | 4,184 | 4,626 | 4,248 | 13,058 | - |
| Investment revenue (expense) - net | 115,113 | 189,706 | - | 304,819 | - |
| Other nonoperating revenues | 1 | - | - | 1 | 11,410 |
| Amortization of prize award obligation discount | (53,080) | - | - | (53,080) | - |
| Interest expense | (10,648) | - | - | (10,648) | (1,083) |
| Other nonoperating expense | (31) | - | - | (31) | (3,130) |
| Total Nonoperating Revenues (Expenses) | 55,541 | 194,332 | 14,667 | 264,539 | 7,198 |
| Income (Loss) Before Transfers | 642,215 | (241,492) | 127,393 | 528,116 | 50,487 |
| **TRANSFERS** | | | | | |
| Transfers to: | | | | | |
| School Aid Fund | (587,009) | - | - | (587,009) | - |
| Other funds | (10,377) | (12,856) | (127,393) | (150,626) | (244) |
| Total transfers to other funds | (597,386) | (12,856) | (127,393) | (737,635) | (244) |
| Total Transfers In (Out) | (597,386) | (12,856) | (127,393) | (737,635) | (244) |
| Change in net assets | 44,829 | (254,348) | - | (209,519) | 50,243 |
| Total net assets - Beginning of fiscal year - restated | 50,877 | 3,280,059 | 6,676 | 3,337,612 | 68,043 |
| Total net assets - End of fiscal year | $ 95,706 | $ 3,025,712 | $ 6,676 | $ 3,128,093 | $ 118,286 |

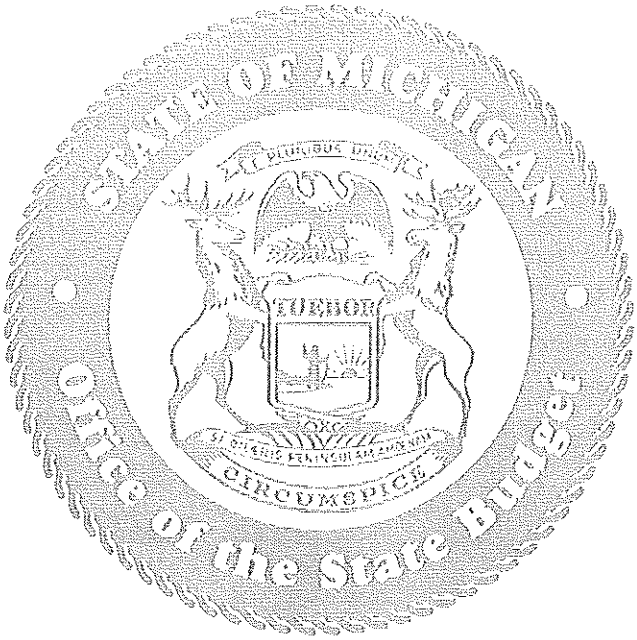
The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | |
|---|---|---|---|---|---|
| | MAJOR | | NON-MAJOR | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | LIQUOR PURCHASE REVOLVING FUND | TOTALS SEPTEMBER 30, 2001 | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from federal and local agencies | $ - | $ 27,770 | $ - | $ 27,770 | $ - |
| Receipts from customers | 1,631,473 | 11,263 | 592,082 | 2,234,818 | 1,074,760 |
| Payments to employees | (12,557) | (2,694) | (14,299) | (29,551) | (49,926) |
| Payments to suppliers | (39,587) | - | (465,528) | (505,115) | (385,061) |
| Payments to prize winners | (962,928) | - | - | (962,928) | - |
| Payments for commissions to retailers | (143,259) | - | - | (143,259) | - |
| Claims paid | - | (1,468,890) | - | (1,468,890) | (545,048) |
| Other receipts | - | 1,010,073 | - | 1,010,073 | 2,006 |
| Other payments | - | - | (1,517) | (1,517) | (16,482) |
| Net cash provided (used) by operating activities | $ 473,142 | $ (422,478) | $ 110,737 | $ 161,401 | $ 80,250 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | |
| Loans or loan repayments from other funds | $ - | $ - | $ - | $ - | $ 4,427 |
| Loans or loan repayments to other funds | - | - | - | - | (5,427) |
| Specific tax on spirits | - | - | 10,419 | 10,419 | - |
| Transfers to other funds | (588,377) | (12,856) | (127,393) | (728,626) | (244) |
| Net cash provided (used) by noncapital financing activities | $ (588,377) | $ (12,856) | $ (116,974) | $ (718,207) | $ (1,244) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | |
| Acquisition and construction of capital assets | $ (109) | $ - | $ - | $ (109) | $ (31,394) |
| Principal paid on bond and loan maturities | - | - | - | - | (6,881) |
| Interest paid | - | - | - | - | (219) |
| Capital lease payments (including imputed interest expense) | - | - | - | - | (8,089) |
| Proceeds from sale of capital assets | 1 | - | - | 1 | 541 |
| Net cash provided (used) by capital and related financing activities | $ (108) | $ - | $ - | $ (108) | $ (46,041) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from sale and maturities of investment securities | $ 110,458 | $ 245,660 | $ - | $ 356,118 | $ - |
| Interest and dividends on investments | 4,184 | 194,331 | 4,248 | 202,763 | 11,410 |
| Income from securities lending activities | 11,405 | - | - | 11,405 | - |
| Expenses from securities lending activities | (10,648) | - | - | (10,648) | - |
| Net cash provided (used) by investing activities | $ 115,400 | $ 439,991 | $ 4,248 | $ 559,638 | $ 11,410 |
| Net cash provided (used) - all activities | $ 56 | $ 4,657 | $ (1,989) | $ 2,725 | $ 44,375 |
| Cash and cash equivalents at beginning of year | 5,846 | 83,647 | 54,240 | 143,734 | 86,499 |
| **Cash and cash equivalents at end of year** | $ 5,902 | $ 88,304 | $ 52,252 | $ 146,458 | $ 130,873 |

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

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | |
|---|---|---|---|---|---|
| | MAJOR | | NON-MAJOR | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | LIQUOR PURCHASE REVOLVING FUND | TOTALS SEPTEMBER 30, 2001 | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | |
| Operating income (loss) | $ 586,675 | $ (435,824) | $ 112,726 | $ 263,577 | $ 43,289 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 242 | - | - | 242 | 37,576 |
| Amortization of pre-paid expense | - | - | - | - | 93 |
| Amortization of prize award obligation discount | (53,080) | - | - | (53,080) | - |
| Other reconciling items | 103 | - | - | 103 | 21 |
| Net changes in assets and liabilities: | | | | | |
| Inventories | 180 | - | (383) | (204) | (1,302) |
| Other assets (net) | (922) | 9,375 | (720) | 7,733 | (4,070) |
| Accounts payable and other liabilities | (244) | 4,036 | (883) | 2,909 | 4,644 |
| Prize awards payable | (59,812) | - | - | (59,812) | - |
| Deferred revenue | - | (65) | (2) | (67) | - |
| Net cash provided (used) by operating activities | $ 473,142 | $ (422,478) | $ 110,737 | $ 161,401 | $ 80,250 |
| **SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES** | | | | | |
| Cost of capital assets acquisitions financed by capital leases | $ - | $ - | $ - | $ - | $ 19,335 |
| Capital lease liabilities entered into during the year | - | - | - | - | (19,335) |
| Increase (decrease) in fair value of investments | 44,829 | - | - | 44,829 | - |
| Transfers to other funds (accrual) | (9,009) | - | - | (9,009) | - |
| Gain (loss) on disposal of capital assets | (31) | - | - | (31) | (3,118) |
| Total noncash investing, capital, and financing activities | $ 35,789 | $ - | $ - | $ 35,789 | $ (3,118) |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Auditor

# FIDUCIARY FUND FINANCIAL STATEMENTS

Individual fund descriptions and financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 174
Private Purpose Trust Funds, page 180
Agency Funds, page 185

**STATEMENT OF FIDUCIARY NET ASSETS**
**FIDUCIARY FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | PRIVATE PURPOSE TRUST FUNDS | AGENCY FUNDS |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 565 | $ 386 | $ 7,935 |
| Equity in common cash (Note 5) | 157,568 | 47,511 | 4,425 |
| Receivables: | | | |
| From participants | 92,772 | - | - |
| From employers | 357,437 | - | - |
| Interest and dividends | 166,355 | 376 | - |
| Due from other funds (Note 20) | 15,126 | - | - |
| Sale of investments | 1,555 | - | - |
| Investments at fair value (Note 8): | | | |
| Short term investments | 3,641,279 | 164 | 17,174 |
| Bonds, notes, mortgages, and preferred stock | 9,259,610 | 14,289 | 103,421 |
| Common stock | 18,871,164 | 85 | - |
| Real estate | 4,241,169 | - | - |
| Alternative investments | 6,906,286 | - | - |
| International investments | 2,987,682 | - | - |
| Mutual funds | 1,525,522 | 51,319 | - |
| Pooled investment funds | 1,508,482 | 4,437 | - |
| Money market funds | 88,261 | - | - |
| Securities lending collateral (Note 8) | 1,946,262 | - | - |
| Capital assets: | | | |
| Buildings and equipment | 24 | - | - |
| Allowance for depreciation | (24) | - | - |
| Total capital assets | - | - | - |
| Other current assets | - | 5,130 | 4,329 |
| Other noncurrent assets | - | - | 349,587 |
| Total assets | $ 51,767,096 | $ 123,697 | $ 486,872 |
| **LIABILITIES** | | | |
| Warrants outstanding | $ 13,357 | $ 2,202 | $ 145 |
| Accounts payable and other liabilities | 273,451 | 5,318 | 33,950 |
| Amounts due to other funds (Note 20) | 1 | - | 215 |
| Obligations under security lending | 1,946,262 | - | - |
| Other long-term liabilities | - | - | 452,562 |
| Total liabilities | $ 2,233,072 | $ 7,519 | $ 486,872 |
| **NET ASSETS** | | | |
| Net assets held in trust for pension, postemployment health-care, other employee benefits, and other purposes | $ 49,534,024 | $ 116,178 | |
| Reconciliation of net assets held in trust: | | | |
| Pension benefits (Note 11) | $ 46,206,548 | $ - | |
| Postemployment health-care benefits | 238,714 | - | |
| Other employee benefits (Note 19) | 3,088,761 | - | |
| Other purposes | - | 116,178 | |
| Total net assets held in trust for benefits and other purposes | $ 49,534,024 | $ 116,178 | |

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
**FIDUCIARY FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | PRIVATE PURPOSE TRUST FUNDS |
|---|---|---|
| **ADDITIONS** | | |
| Contributions: | | |
| From participants | $ 604,833 | $ 62,849 |
| From employers | 1,614,243 | - |
| From clients | - | 37,304 |
| From gifts, bequests, and endowments | - | 177 |
| From other plans | 2,873 | - |
| Investment income: | | |
| Net appreciation (depreciation) in fair value of investments | (8,111,910) | (6,649) |
| Interest, dividends, and other | 1,621,621 | 2,489 |
| Securities lending income | 64,592 | - |
| Less investment expense: | | |
| Investment activity expense | 71,159 | 119 |
| Securities lending expense | 59,465 | - |
| Net investment income (loss) | (6,556,321) | (4,280) |
| Escheated property | - | 33,492 |
| Miscellaneous income | 3,134 | 1,145 |
| Transfers from other funds | - | 740 |
| Total Additions | (4,331,238) | 131,428 |
| **DEDUCTIONS** | | |
| Benefits paid to participants or beneficiaries | 2,624,308 | 888 |
| Medical, dental, and life insurance for retirants | 730,990 | - |
| Refunds and transfers to other systems | 21,455 | 1 |
| Amounts distributed to clients or third parties | - | 37,887 |
| Administrative expense | 71,041 | 8 |
| Transfers to other funds | - | 37,585 |
| Total Deductions | 3,447,794 | 76,369 |
| Net increase (decrease) | (7,779,032) | 55,059 |
| Net assets - Beginning of fiscal year - restated | 57,313,056 | 61,119 |
| Net assets - End of fiscal year (Note 11) | $ 49,534,024 | $ 116,178 |
| Reconciliation of net increase in assets: | | |
| Net increase (decrease) in assets held in trust for pension benefits | $ (7,400,673) | $ - |
| Net increase (decrease) in assets held in trust for postemployment benefits | 87,773 | - |
| Net increase (decrease) in assets held in trust for other employee benefits | (466,132) | - |
| Net increase (decrease) in assets held in trust for other purposes | - | 55,059 |
| Total net increase (decrease) | $ (7,779,032) | $ 55,059 |

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

State of Michigan
Office of the State Budget

# COMPONENT UNIT FINANCIAL STATEMENTS

## Major Funds

### MICHIGAN EDUCATION TRUST

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

Public Act 316 of 1986 created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the Act provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the Act. The Act and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

### MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Public Act 346 of 1966, as amended, created the Michigan State Housing Development Authority (MSHDA) to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Governor appoints MSHDA's board members.

### MICHIGAN MUNICIPAL BOND AUTHORITY

Public Act 227 of 1985, as amended, created the Michigan Municipal Bond Authority (MMBA) to assist local units of government in reducing their financing costs for public improvements, deficit reduction, and various other municipal purposes. MMBA pools the borrowing needs of various units and issues limited obligation debt; the proceeds of which are used to purchase local unit obligations or to make loans to local units.

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

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

### CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

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

## Non-Major Funds

The non-major component unit - authorities are presented beginning on page 190.

The non-major component unit - State universities are presented beginning on page 194.

**STATEMENT OF NET ASSETS**
**COMPONENT UNITS**
SEPTEMBER 30, 2001
(In Thousands)

| | AUTHORITIES | | | |
|---|---|---|---|---|
| | MICHIGAN EDUCATION TRUST | MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY | MICHIGAN MUNICIPAL BOND AUTHORITY | NON-MAJOR |
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ 135,764 | $ - | $ 141 | $ 28,596 |
| Equity in common cash (Note 5) | - | - | 19,527 | 200,384 |
| Amounts due from component units | - | - | - | 5,298 |
| Amounts due from primary government | 906 | - | 609 | 11,007 |
| Amounts due from federal government | - | - | - | 7,361 |
| Amounts due from local units | - | - | 751,652 | 2 |
| Inventories | - | - | - | 520 |
| Investments (Note 8) | - | - | 483,427 | 35,362 |
| Other current assets | 18,695 | 68,382 | 53,321 | 133,780 |
| Total Current Assets | 155,364 | 68,382 | 1,308,678 | 422,311 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 356,487 | - | 128,931 |
| Investments | - | 562,055 | - | 103,417 |
| Amounts due from local units | - | - | 1,727,411 | - |
| Mortgages and loans receivable | - | 1,855,219 | - | 762,068 |
| Investments (Note 8) | 684,707 | - | 1,000,953 | 83,982 |
| Capital assets: | | | | |
| Land and other non-depreciable assets | - | - | - | 843 |
| Buildings, equipment, and other depreciable assets | - | - | - | 43,230 |
| Less accumulated depreciation | - | - | - | (11,582) |
| Infrastructure | - | - | - | 99,564 |
| Construction in progress | - | - | - | 1,411 |
| Total capital assets | - | - | - | 133,465 |
| Other noncurrent assets | 21,991 | 51,079 | 141,007 | 11,150 |
| Total Assets | $ 862,062 | $ 2,893,222 | $ 4,178,048 | $ 1,645,324 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | $ - | $ - | $ - | $ 182 |
| Accounts payable and other liabilities | 60,008 | 14,405 | 8,889 | 65,701 |
| Amounts due to component units | - | - | - | 5,298 |
| Amounts due to primary government | - | - | 218 | 1,450 |
| Bonds and notes payable (Note 15) | - | 54,465 | 723,008 | 95,293 |
| Interest payable | - | 17,008 | 58,923 | 8,193 |
| Deferred revenue | - | - | - | 1,854 |
| Current portion of other long-term obligations | - | - | - | 2,313 |
| Total Current Liabilities | 60,008 | 85,879 | 791,037 | 180,283 |
| Deferred revenue | - | - | - | - |
| Bonds and notes payable (Note 15) | - | 1,951,729 | 2,160,827 | 841,010 |
| Noncurrent portion of other long-term obligations | 699,284 | 447,947 | 83,582 | 51,474 |
| Total Liabilities | $ 759,292 | $ 2,485,555 | $ 3,035,446 | $ 1,072,767 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | $ - | $ - | $ - | $ 126,527 |
| Restricted for: | | | | |
| Education | - | - | - | - |
| Construction and debt service | - | 173,599 | - | 12,186 |
| Other purposes | 102,770 | - | 1,134,826 | 1,384 |
| Unrestricted | - | 234,069 | 7,776 | 432,459 |
| Total Net Assets | $ 102,770 | $ 407,667 | $ 1,142,602 | $ 572,557 |

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

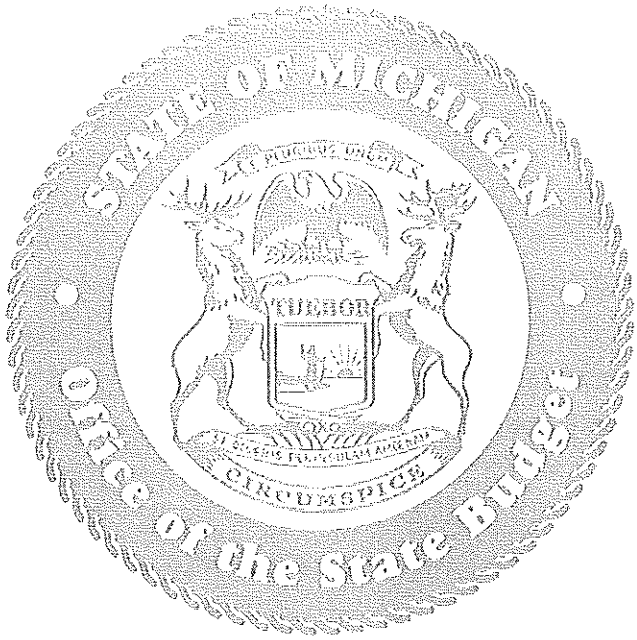
| STATE UNIVERSITIES | | | TOTALS |
|---|---|---|---|
| CENTRAL MICHIGAN UNIVERSITY | WESTERN MICHIGAN UNIVERSITY | NON-MAJOR | SEPTEMBER 30, 2001 |
| $ 19,377 | $ 8,917 | $ 107,965 | $ 300,760 |
| - | - | - | 219,912 |
| 26 | - | 326 | 5,650 |
| 43,629 | 22,872 | 104,704 | 183,727 |
| 959 | 2,273 | 6,053 | 16,647 |
| - | - | 610 | 752,264 |
| 2,813 | 5,243 | 7,648 | 16,224 |
| - | 83,867 | 87,711 | 690,367 |
| 15,663 | 11,752 | 57,329 | 358,921 |
| 82,469 | 134,924 | 372,346 | 2,544,473 |
| - | - | 1,016 | 486,435 |
| - | - | - | 665,472 |
| - | - | - | 1,727,411 |
| 7,633 | 7,622 | 53,429 | 2,685,972 |
| 103,815 | 35,604 | 175,352 | 2,084,413 |
| 9,734 | 9,495 | 60,301 | 80,372 |
| 333,226 | 653,771 | 2,097,899 | 3,128,127 |
| (169,999) | (261,395) | (808,022) | (1,250,999) |
| 9,231 | - | 45,728 | 154,523 |
| 48,100 | 41,063 | 119,277 | 209,851 |
| 230,292 | 442,934 | 1,515,183 | 2,321,874 |
| - | 5,163 | 18,179 | 248,568 |
| $ 424,209 | $ 626,246 | $ 2,135,505 | $ 12,764,617 |
| $ - | $ - | $ - | $ 182 |
| 40,683 | 60,215 | 128,554 | 378,456 |
| - | - | - | 5,298 |
| 597 | 11 | 3,156 | 5,431 |
| 3,365 | 22,759 | 15,771 | 914,661 |
| 1,059 | - | 3,281 | 88,464 |
| 9,770 | 8,484 | 34,500 | 54,608 |
| - | - | - | 2,313 |
| 55,474 | 91,470 | 185,263 | 1,449,413 |
| - | - | 1,699 | 1,699 |
| 91,354 | 217,786 | 433,721 | 5,696,428 |
| 15,100 | - | 37,516 | 1,334,903 |
| $ 161,928 | $ 309,256 | $ 658,199 | $ 8,482,444 |
| $ 135,573 | $ 216,668 | $ 1,103,807 | $ 1,582,576 |
| 27,371 | 20,530 | 145,581 | 193,482 |
| 7,026 | 31,142 | 43,637 | 267,590 |
| - | - | 2,598 | 1,241,579 |
| 92,311 | 48,650 | 181,683 | 996,947 |
| $ 262,281 | $ 316,990 | $ 1,477,306 | $ 4,282,173 |

**STATEMENT OF ACTIVITIES**
**COMPONENT UNITS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS/ CONTRIBUTIONS | PROGRAM REVENUES: CAPITAL GRANTS/ CONTRIBUTIONS | NET (EXPENSE) REVENUE |
|---|---|---|---|---|---|
| Authorities: | | | | | |
| Michigan Education Trust | $ 142,138 | $ 199 | $ 79,260 | $ - | $ (62,680) |
| Michigan State Housing Development Authority | 305,329 | 159,936 | 172,450 | - | 27,057 |
| Michigan Municipal Bond Authority | 151,626 | 105,938 | 169,087 | - | 123,399 |
| Non-Major | 580,603 | 114,956 | 314,743 | - | (150,904) |
| State Universities: | | | | | |
| Central Michigan University | 252,962 | 144,340 | 24,663 | 3,213 | (80,746) |
| Western Michigan University | 381,847 | 200,483 | 26,403 | 151 | (154,810) |
| Non-Major | 1,099,492 | 532,953 | 136,231 | 62,756 | (367,552) |
| Total | $ 2,913,998 | $ 1,258,806 | $ 922,836 | $ 66,120 | $ (666,236) |

| | |
|---|---|
| General revenues: | |
| Interest and investment earnings | 28,981 |
| Payments from State of Michigan | 807,340 |
| Other | 48,884 |
| Total general revenues | 885,205 |
| Change in net assets | 218,969 |
| Net assets -- beginning - restated | 4,063,204 |
| Net assets -- ending | $ 4,282,173 |

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


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Budget

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# NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## A. Reporting Entity

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

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

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

### Blended Component Units

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

### Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Availability of Financial Statements

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

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

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

### Jointly Governed Organizations
The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a non-profit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2000-2001, the State awarded contracts totaling $21.4 million to MPHI.

In fiscal year 1999-2000, the Governor and St. Mary's River Bridge Company of Ontario, Canada signed a 40-year agreement creating the Joint International Bridge Authority (JIBA), a non-profit organization. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of JIBA. Therefore, the State's accountability for JIBA does not extend beyond making the appointments.

## B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As allowed by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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

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

### Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

### Governmental Fund Types:

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

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

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

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

### Proprietary Fund Types:

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

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

### Fiduciary Fund Types:

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

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

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

## D. Fiscal Year-Ends

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

## E. Assets, Liabilities, and Net Assets/Fund Balance

### Cash and Cash Equivalents

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

### Cash

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

### Equity in Common Cash

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

### Taxes Receivable

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

### Amounts Due From Federal Agencies

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

### Inventories

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

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

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

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

### Capital Assets
Capital assets and certain improvements of governmental fund types are recorded in the Statement of Net Assets at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Infrastructure, such as roads and bridges, is capitalized for the first time in fiscal year 2000-2001. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

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

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

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

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

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

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

Long-term liabilities are more fully described in Notes 13, 14, 15, 17, and 18.

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

### Reservations
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Note 24 provides a disaggregation of reserved fund balances.

## F. Revenues and Expenditures/Expenses

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

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

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

Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

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

### Other Financing Sources

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

### Reimbursements

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

### Interfund Services Provided and Used

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

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

### Other Financing Uses

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

## G. Interfund Activity and Balances

### Interfund Activity

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

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

### Interfund Balances

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

## NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

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

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

### PRIMARY GOVERNMENT:

#### MAJOR FUNDS

**Governmental:**
General Fund* (p. 20)
Counter-Cyclical Budget and Economic Stabilization Fund* (p. 20)
School Aid Fund* (p. 20)

**Proprietary:**
State Lottery Fund (p. 26)
Michigan Unemployment Compensation Funds (p. 26)

#### NON-MAJOR FUNDS

**Governmental:**

**Special Revenue Funds:**
**Transportation Related:**
State Aeronautics Fund* (p. 106)
State Trunkline Fund* (p. 106)
Michigan Transportation Fund* (p. 106)
Comprehensive Transportation Fund* (p. 106)
Combined State Trunkline Bond Proceeds Fund (p. 107)
Combined Comprehensive Transportation Bond Proceeds Fund (p. 107)
Transportation Related Trust Funds (p. 107)

**Conservation, Environment, and Recreation Related:**
Game and Fish Protection Fund* (p. 116)
Michigan State Waterways Fund* (p. 116)
Marine Safety Fund* (p. 116)
Game and Fish Protection Trust Fund (p. 116)
State Park Improvement Fund* (p. 117)
Combined Recreation Bond Fund - Local Projects (p. 117)
Combined Environmental Protection Bond Fund (p. 117)
Michigan Nongame Fish and Wildlife Fund* (p. 117)
Forest Development Fund* (p. 117)
Michigan Underground Storage Tank Financial Assurance Fund (p. 117)
Bottle Deposits Fund (p. 118)
Michigan Underground Storage Tank Financial Assurance Finance Authority (p. 118)

**Regulatory and Administrative Related:**
Michigan Employment Security Act – Administration Fund* (p. 130)
Safety Education and Training Fund* (p. 130)
Uninsured Employers' Security Fund (p. 130)
State Construction Code Fund* (p. 130)
Homeowner Construction Lien Recovery Fund* (p. 130)
State Casino Gaming Fund* (p. 131)
Second Injury Fund (p. 131)
Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 131)
Self-Insurers' Security Fund (p. 131)
Utility Consumer Representation Fund (p. 131)

**Other State Funds:**
School Bond Loan Fund (p. 140)
Tobacco Settlement Trust Fund* (p. 140)
Michigan Merit Award Trust Fund* (p. 140)
Assigned Claims Facility and Plan Fund (p. 141)
Miscellaneous Special Revenue Funds (p. 141)

**Debt Service Funds:**
Combined State Trunkline Bond and Interest Redemption Fund (p. 148)
Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 148)
Recreation and Environmental Protection Bond Redemption Fund (p. 148)
School Loan Bond Redemption Fund (p. 149)
State Building Authority (p. 149)
Michigan Underground Storage Tank Financial Assurance Finance Authority (p. 149)

**Capital Projects Funds:**
Combined Recreation Bond Fund - State Projects (p. 154)
Advance Financing Funds (p. 154)
State Building Authority (p. 154)

**Permanent Funds:**
Michigan Natural Resources Trust Fund* (p. 158)
Michigan State Parks Endowment Fund* (p. 158)
Michigan Civilian Conservation Corps Endowment Fund* (p. 158)
Michigan Veterans' Trust Fund* (p. 159)
Children's Trust Fund* (p. 159)

**Proprietary:**

**Enterprise Funds:**
Liquor Purchase Revolving Fund (p. 26)

**Internal Service Funds:**
Correctional Industries Revolving Fund (p. 166)
Motor Transport Fund (p. 166)
Office Services Revolving Fund (p. 166)
Information Technology and Energy Fund (p. 167)
Risk Management Fund (p. 167)
State Sponsored Group Insurance Fund (p. 167)

**Fiduciary:**

**Pension (and other employee benefits) trust funds:**
State Employees' Deferred Compensation Funds (p. 174)
Legislative Retirement Fund (p. 174)
State Police Retirement Fund (p. 174)
State Employees' Retirement Fund (p. 175)
Public School Employees' Retirement Fund (p. 175)
Judges' Retirement Fund (p. 175)
State Employees' Defined Contribution Retirement Fund (p. 175)

**Private Purpose Trust Funds:**
Escheats Fund (p. 180)
Gifts, Bequests, and Deposits Investment Fund (p. 180)
Hospital Patients' Trust Fund (p. 180)
Federal Housing Administration Mortgages Escrow Fund (p. 181)
Michigan Education Savings Program (p. 181)
Workers' Disability Compensation Trust Funds (p. 181)

**Agency Funds:**
Financial Institutions Deposits Fund (p. 186)
Environmental Quality Deposits Fund (p. 185)
Insurance Carrier Deposits Fund (p. 185)
State Treasurer's Escrow and Paying Agent Fund (p. 185)
Child Support Collection Fund (p. 185)

**DISCRETELY PRESENTED COMPONENT UNITS:**

**Authorities:**

**Major Funds:**
Michigan Education Trust (p. 36)
Michigan State Housing Development Authority (p. 36)
Michigan Municipal Bond Authority (p. 36)

**Non-Major Funds:**
Michigan Higher Education Facilities Authority (p. 190)
Mackinac Bridge Authority (p. 190)
Michigan Strategic Fund (p. 190)
Michigan State Hospital Finance Authority (p. 190)
Michigan Higher Education Student Loan Authority (p. 191)
Michigan Higher Education Assistance Authority (p. 191)
Mackinac Island State Park Commission (p. 191)
State Bar of Michigan (p. 191)
Michigan Economic Development Corporation (p. 191)

(1) Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State.

**State Universities (1):**

**Major Funds:**
Central Michigan University (p. 37)
Western Michigan University (p. 37)

**Non-Major Funds:**
Eastern Michigan University (p. 194)
Ferris State University (p. 194)
Grand Valley State University (p. 194)
Lake Superior State University (p. 194)
Michigan Technological University (p. 195)
Northern Michigan University (p. 195)
Oakland University (p. 195)
Saginaw Valley State University (p. 195)

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

## NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

### A. Major Constitutional and Statutory Provisions

#### Balanced Budget Requirements

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

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

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

#### Local Spending Requirements

Article 9, Section 30 of the State Constitution requires that State spending to, or on behalf of, local units of government shall not fall below a specified percentage of total State spending. The percentage, recalculated effective with fiscal year 1992-1993, is 48.97%.

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2000-2001 are not yet complete. For fiscal year 1999-2000, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 61.68%, reflecting payments that exceeded the minimum required by $3.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2000-2001.

#### Revenue Limits

Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1978-1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to personal income tax payers and payers of the State's single business tax. If the limit is exceeded by an amount less than 1%, the excess may be deposited into the State's Budget Stabilization Fund. The calculations determining the State's compliance with this constitutional provision for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, total State revenues subject to this limitation exceeded the constitutional limit by $159.7 million. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2000-2001.

### Budget Stabilization Fund

The Counter-Cyclical Budget and Economic Stabilization Fund ("Budget Stabilization Fund") was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn when the State's unemployment rate exceeds 8% or upon appropriation to finance capital outlay or other projects, or for other purposes designated by the Legislature.

The following table summarizes the transactions for the fund for fiscal year 2000-2001 (in millions):

| | |
|---|---|
| Beginning unreserved fund balance | $ 1,264.4 |
| Interest income | 66.7 |
| Transfers to General Fund | (270.0) |
| Transfers to School Aid Fund | (32.0) |
| Transfers to State Trunkline Fund | (35.0) |
| Ending unreserved fund balance | $ 994.2 |

Transfers to the General Fund represent the transfer of $77.0 million pursuant to P.A. 112 of 2001, Section 353 (10), and the transfer of $193.0 million, pursuant to P.A. 161 of 2001, Section 353 (11). These transfers were made to ensure a balanced General Fund budget. The transfer to the School Aid Fund is for the purpose of making appropriations to school districts and intermediate school districts as required by P.A. 431 of 1984, as amended. The transfer to the State Trunkline Fund is for the purpose of funding a portion of the Build Michigan III program, pursuant to P.A. 189 of 2000, Section 358.

## B. Budgetary Overexpenditures

In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation for the amount overspent, if that amount exceeds their lapses or if they expect to make payments from prior year authorization in the next fiscal year. There were no net overexpenditures by General Fund departments. There were, however, the following line-item overexpenditures of State funds incurred during the year, which represent non-compliance with State budget laws (in millions):

| | |
|---|---|
| **General Fund:** | |
| Community Health | $ 31.3 |
| Career Development | .6 |
| General Fund Total | $ 31.9 |

# NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2000-2001, the State implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions,

No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,

No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,

No. 36, Recipient Reporting for Certain Shared Non-exchange Revenues,

No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and

No. 38, Certain Financial Statement Note Disclosures.

Statement No. 33, as amended by Statement No. 36, establishes standards for recording non-exchange transactions on the modified accrual and accrual bases of accounting. The State derives a significant portion of its revenue from non-exchange transactions, such as taxes and federal aid. The effect on the tax related non-exchange transactions recorded as revenue in the governmental funds was insignificant. However, the State recorded taxes receivable of $2.5 billion in the governmental fund financial statements with a corresponding amount reported as deferred revenue. These amounts represent deferred revenues from non-exchange transactions during the fiscal year, which are not available to finance expenditures of the current period. On the government-wide financial statements reported on the accrual basis of accounting, taxes receivable are recorded as described in the preceding sentence; however, corresponding amounts are reported as revenue instead of deferred revenue.

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State universities, reported as discretely presented component units, adopted the requirements of Statement No. 35.

Statement No. 38 requires certain note disclosures when Statement No. 34 is implemented.

The provisions of these new standards have been incorporated into the financial statements and notes. The following tables summarize (in millions) changes to fund equities as previously reported on the Combined Balance Sheet. The changes resulted primarily from implementation of these GASB Statements, however, the State Building Authority, a capital projects fund, restated its fund equity by $348.1 million to properly reflect commercial paper as a long-term liability.

| | September 30, 2000 As Previously Reported | Fund Reclassifications | Prior Period Adjustments | September 30, 2000 As Restated |
|---|---|---|---|---|
| **GOVERNMENTAL FUNDS AND ACTIVITIES** | | | | |
| **Major Funds:** | | | | |
| General Fund | $ 2,101.3 | $ - | $ - | $ 2,101.3 |
| Previously reported as Special Revenue Funds: | | | | |
| Budget Stabilization Fund | - | 1,264.4 | - | 1,264.4 |
| School Aid Fund | - | 985.6 | - | 985.6 |
| **Non-major Funds:** | | | | |
| Special Revenue Funds: | | | | |
| Transportation Related: | | | | |
| Other Transportation related funds | 519.1 | - | - | 519.1 |
| Total Fund Balances | 519.1 | - | - | 519.1 |
| Conservation, Environment, and Recreation Related: | | | | |
| Michigan Natural Resources Trust Fund | 231.3 | (231.3) | - | - |
| Michigan State Parks Endowment Fund | 93.7 | (93.7) | - | - |
| Michigan Civilian Conservation Corps Endowment Fund | 22.0 | (22.0) | - | - |
| Other Conservation, Environment, and Recreation Related funds | 373.1 | - | - | 373.1 |
| Total Fund Balances | 720.1 | (347.0) | - | 373.1 |
| Regulatory and Administrative Related: | | | | |
| Second Injury Fund | - | 9.0 | - | 9.0 |
| Silicosis, Dust Disease, and Logging Industry Compensation Fund | - | 4.5 | - | 4.5 |
| Self-Insurers' Security Fund | - | 2.0 | - | 2.0 |
| Utility Consumer Representation Fund | - | 1.8 | - | 1.8 |
| Other Regulatory and Administrative Funds | 16.6 | - | - | 16.6 |
| Total Fund Balances | 16.6 | 17.2 | - | 33.8 |
| Other State Funds: | | | | |
| Budget Stabilization Fund | 1,264.4 | (1,264.4) | - | - |
| School Aid Fund | 985.6 | (985.6) | - | - |
| Michigan Veterans' Trust Fund | 48.8 | (48.8) | - | - |
| Children's Trust Fund | 20.6 | (20.6) | - | - |
| Miscellaneous Other State Funds | - | 3.9 | - | 3.9 |
| Other State Funds | 168.0 | - | - | 168.0 |
| Total Fund Balances | 2,487.5 | (2,315.6) | - | 171.9 |
| Total Special Revenue Funds: | 3,743.3 | (2,645.4) | - | 1,097.9 |
| Debt Service Funds | 291.8 | - | - | 291.8 |
| Capital Projects Fund: | | | | |
| State Building Authority | (457.8) | - | 348.1 | (109.8) |
| Other Capital Projects Funds | (44.5) | - | - | (44.5) |
| Total Capital Projects Funds | (502.3) | - | 348.1 | (154.2) |
| Permanent Funds: | | | | |
| Michigan Natural Resources Trust Fund | - | 231.3 | - | 231.3 |
| Michigan State Parks Endowment Fund | - | 93.7 | - | 93.7 |
| Michigan Civilian Conservation Corps Endowment Fund | - | 22.0 | - | 22.0 |
| Michigan Veterans' Trust Fund | - | 48.8 | - | 48.8 |
| Children's Trust fund | - | 20.6 | - | 20.6 |
| Total Permanent Funds | - | 416.4 | - | 416.4 |
| Total Non-major Funds: | 3,532.8 | (2,228.9) | 348.1 | 1,652.0 |
| Total Governmental Funds | $ 5,634.1 | $ 21.2 | $ 348.1 | $ 6,003.4 |

| | September 30, 2000 As Previously Reported | Fund Reclassifications | Prior Period Adjustments | September 30, 2000 As Restated |
|---|---|---|---|---|
| **Adoption of GASB Statement No. 33 and 34** | | | | |
| Revenue recognition | $ - | $ - | $ 2,219.3 | $ 2,219.3 |
| Capital assets, net of depreciation | - | 3,671.5 | 13,347.8 | 17,019.3 |
| Long-term bonds and notes payable | - | - | (4,239.7) | (4,239.7) |
| Other liabilities and long-term obligations | - | - | (1,921.3) | (1,921.3) |
| Interest in joint venture | - | - | 25.0 | 25.0 |
| Net pension assets | - | - | 94.9 | 94.9 |
| Net pension liabilities | - | - | (20.5) | (20.5) |
| Internal service fund conversion | - | 68.0 | - | 68.0 |
| Adoption of GASB Statement No. 33 and 34 | - | 3,739.5 | 9,505.5 | 13,245.0 |
| TOTAL GOVERNMENTAL FUNDS AND ACTIVITIES | $ 5,634.1 | $ 3,760.7 | $ 9,853.6 | $ 19,248.4 |
| **PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES** | | | | |
| **Major Funds:** | | | | |
| Michigan Unemployment Compensation Funds | $ - | $ 3,262.0 | $ 18.1 | $ 3,280.1 |
| State Lottery Fund | 50.9 | - | - | 50.9 |
| Total net assets | 50.9 | 3,262.0 | 18.1 | 3,330.9 |
| **Non-major Funds:** | | | | |
| Liquor Purchase Revolving Fund | 6.7 | - | - | 6.7 |
| Internal Service Funds | 68.0 | (68.0) | - | - |
| TOTAL PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES | $ 125.6 | $ 3,193.9 | $ 18.1 | $ 3,337.6 |
| **FIDUCIARY FUNDS** | | | | |
| Pension (and other employee benefits) Trust Funds: | | | | |
| State Employees' Deferred Compensation Funds | $ - | $ 3,554.9 | $ - | $ 3,554.9 |
| Other Pension Trust Funds | 53,758.2 | - | - | 53,758.2 |
| Total Pension (and other employee benefits) Trust Funds | 53,758.2 | 3,554.9 | - | 57,313.1 |
| Private Purpose Funds: | | | | |
| Escheats Fund | - | - | 21.7 | 21.7 |
| Gifts, Bequests, and Deposits Investment Fund | - | 35.6 | - | 35.6 |
| Hospital Patients' Trust Fund | - | .8 | - | .8 |
| Federal Housing Administration Mortgages Escrow Fund | - | 1.2 | - | 1.2 |
| Workers' Disability Compensation Funds | - | 1.8 | - | 1.8 |
| Total Private Purpose Trust Funds | - | 39.4 | 21.7 | 61.1 |
| Funds previously reported as Expendable Trust Funds: | | | | |
| Michigan Unemployment Compensation Fund | 3,178.7 | (3,178.7) | - | - |
| Michigan Employment Security Act Contingent Fund | 83.3 | (83.3) | - | - |
| Second Injury Fund | 9.0 | (9.0) | - | - |
| State Employees' Deferred Compensation Funds | 3,554.9 | (3,554.9) | - | - |
| Miscellaneous Trust Accounts Fund | 51.6 | (51.6) | - | - |
| Total Expendable Trust Funds | 6,877.4 | (6,877.4) | - | - |
| TOTAL FIDUCIARY FUNDS | $ 60,635.6 | $ (3,283.1) | $ 21.7 | $ 57,374.2 |
| **ACCOUNT GROUPS** | | | | |
| General Fixed Assets | $ 3,671.5 | $ (3,671.5) | $ - | $ - |
| General Long-term Obligations | - | - | - | - |
| TOTAL ACCOUNT GROUPS | $ 3,671.5 | $ (3,671.5) | $ - | $ - |
| TOTAL PRIMARY GOVERNMENT | $ 70,066.8 | $ - | $ 9,893.4 | $ 79,960.2 |

| | September 30, 2000 As Previously Reported | Fund Reclassifications | Prior Period Adjustments | September 30, 2000 As Restated |
|---|---|---|---|---|
| DISCRETELY PRESENTED COMPONENT UNITS | $ 4,021.7 | $ - | $ - | $ 4,021.7 |
| Adoption of GASB Statement No. 33, 34 and 35: | | | | |
| Revenue and expense recognition | - | - | (1.3) | (1.3) |
| Capital assets, net of depreciation | - | - | 91.4 | 91.4 |
| Fund reclassification | - | (57.0) | - | (57.0) |
| Other | - | - | 8.4 | 8.4 |
| Total Net Assets for Discretely Presented Component Units – restated | $ 4,021.7 | $ (57.0) | $ 98.5 | $ 4,063.2 |

## NOTE 5 – TREASURER'S COMMON CASH

### A. General Accounting Policies

The State Treasurer manages the State's Common Cash pool, which is used by most State funds. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool. Many funds, including pension (and other employee benefits) trust funds, use their equity in the pool as a short-term investment vehicle. The Treasurer separately publishes the "Annual Report of the State Treasurer" which includes audited schedules of Common Cash Assets and Equities, Investment Portfolios of Specific Funds, and Investment Earnings.

In this report, the Common Cash pool is not reported as a separate fund. Instead, each State fund's balance in the pool is presented as "Equity in Common Cash."

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

Statute or administrative policy determines whether a particular fund receives or pays interest on its balances in the pool. If a fund does not receive or pay interest, the General Fund receives or absorbs such amounts. Earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter. Accrued earnings of the pool are recorded as assets, with the accrual allocated to the various funds' equity in the pool. Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds.

### B. Investments and Deposits

The investment authority for the Common Cash pool is found in P.A. 105 of 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidences of indebtedness of the United States Government, and its agencies; and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State.

The Treasurer invests excess cash in short-term investments, mostly prime commercial paper. The law does not prohibit the Treasurer from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in fiscal year 2000-2001.

Statutes provide for certain special State investment programs for which the General Fund is credited (charged) for earnings in excess of (under) those achieved by regular pool investments. There have been no principal losses because of these programs to date. The most significant program provides for emergency loans to local units of government. The Treasurer may loan not more than a combined total of $5 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Emergency Financial Assistance Loan Board.

In fiscal year 1999-2000 the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to $159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2001 was $41.8 million. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State collected taxes on cigarettes. There were no repayments on the loans in fiscal year 2000-2001.

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

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

The Act specifies that the maximum amount of a Michigan marina-dredging loan is $75 thousand per marina. The total amount of outstanding loans is statutorily limited to $20 million. The loans accrue at an interest rate of six percent, and the loans' term may not exceed seven years. Other details about the loans are available in the investment agreement. The total amount loaned in fiscal year 2000-2001 was $.6 million; repayments during the year were $71 thousand.

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

| | |
|---|---|
| ASSETS | |
| Cash on hand | $ - |
| Demand deposits | 128.1 |
| Time deposits – regular | 54.0 |
| Time deposits – Marina Loan Programs | .6 |
| Prime commercial paper – at cost | 4,549.6 |
| Interest receivable | 13.8 |
| Emergency loans to local units – at cost | 42.1 |
| Total assets | $ 4,788.2 |
| EQUITIES | |
| Fund equities (net) in Common Cash (1): | |
| Governmental activities | $ 4,211.3 |
| Business-type activities | 147.4 |
| Fiduciary funds | 209.5 |
| Discretely presented component units | 219.9 |
| Net fund equities | $ 4,788.2 |

(1) Negative equity balances in the pool are reclassified at year-end as interfund receivables and liabilities. Current balances are included with "Amounts due from other funds" and "Amounts due to other funds" and long-term amounts are classified as interfund advances. Note 20 summarizes interfund receivables and liabilities.

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

### Deposits

At September 30, 2001, the carrying amount of deposits, including time and demand deposits, was $182.6 million. The deposits were reflected in the accounts of the banks at $182.6 million. Of the bank balance, $7.1 million was covered by federal depository insurance (GASB credit risk category 1), $174.9 million was collateralized with securities held by the State's agent in the State's name (GASB credit risk category 1), and $.6 million of demand deposits which are uninsured and uncollateralized (GASB credit risk category 3). Compensating balances kept in demand deposit accounts to avoid service charges totaled $198.5 million at September 30, 2001.

### Investments

Using the GASB categories of custodial credit risk, all of the investments (including prime commercial paper and emergency municipal loans) are in category 1. The emergency municipal loans are evidenced by notes held by the State in the State's name, so they fall in custodial credit risk category 1. At September 30, 2001, the fair value of prime commercial paper was $4.6 billion.

## NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, for revenues earned in fiscal year 2000-2001, which will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles. Sales, use, single business, and income taxes are accrued to the extent that the related sales, wage, or activity being taxed occurred prior to October 1. Property taxes receivable are accrued when taxes are levied against the property owners.

In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting for amounts due to the State at September 30 (as stated above) that are considered "available" (e.g. received by the State within approximately 60 days after that date). The remainder is recorded as deferred revenue. Annual tax payments (i.e., those paid with an annual return, such as individual personal income taxes filed in April) have not been accrued because they are neither reasonably estimable nor available. The State accrues single business taxes received prior to December 1 (i.e., quarterly filings due November 30).

Local units of government, as agents for the State, assess the State property tax. Taxes are due and payable at the same time as local unit taxes and are generally divided into a summer portion payable to the local units on the succeeding July 1 and a winter portion due December 31. The State accrues revenues received by the State or the local units, on its behalf, during October and November. Since the property taxes are levied and received by the local units, it is not feasible for the State to measure and record delinquent amounts receivable and, therefore, no delinquent amounts are recorded or reflected in the table below. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months.

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

| Tax | General Fund | Special Revenue Funds | Total |
|---|---|---|---|
| Sales & use | $ 320.1 | $ 601.2 | $ 921.2 |
| Individual income | 1,783.5 | 295.7 | 2,079.2 |
| Single business | 1,805.1 | - | 1,805.1 |
| State education (property) tax | - | 557.8 | 577.8 |
| Telephone & telegraph | 67.4 | - | 67.4 |
| Motor fuel | .1 | 240.0 | 240.1 |
| Insurance - retaliatory | 56.4 | - | 56.4 |
| Estate & inheritance | 39.1 | - | 39.1 |
| Tobacco products | 23.9 | 43.7 | 67.6 |
| Other | 30.4 | 57.0 | 87.4 |
| Penalties and interest | 909.8 | .2 | 910.0 |
| Gross taxes receivable | 5,035.7 | 1,815.6 | 6,851.3 |
| Less allowance for uncollectibles | (1,661.5) | (396.0) | (2,057.5) |
| Total taxes receivable (net) | $ 3,374.2 | $ 1,419.6 | $ 4,793.8 |
| As reported on the financial statements | | | |
| Current taxes receivable | $ 2,680.7 | $ 1,283.1 | $ 3,963.8 |
| Noncurrent taxes receivable | 693.4 | 136.6 | 830.0 |
| Total taxes receivable (net) | $ 3,374.2 | $ 1,419.6 | $ 4,793.8 |

## NOTE 7 – JOINT VENTURES AND AFFILIATED FOUNDATIONS

### A. Joint Ventures - Primary Government

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

#### Great Lakes Protection Fund

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

Contribution requirements were established based upon water consumption and usage. Contributions to GLPF are permanently restricted and are not available for disbursement. Michigan is the largest contributor, having made a contribution of $25 million, constituting approximately 31% of the total. Michigan made its required contribution by issuing GLPF a general obligation bond authorized as part of the State's environmental protection bond program. No additional contributions from Michigan will be required.

Two members on GLPF's board of directors represent each of the participating seven member states. The states' respective governors select the board members. Directors control GLPF's financing and budgeting operations, within requirements established by the Articles of Incorporation. One-third of the net earnings on total contributions (after operating expenses) is granted to the respective states in proportion to their contributions to GLPF. Two-thirds of the net earnings are available to GLPF to make other grants. The State's equity interest in GLPF of $25 million is reflected as an asset in the government-wide statements.

### B. Affiliated Foundations - Discretely Presented Component Units

Several of the State university component units are affiliated with independent corporate foundations that exist for the sole purpose of soliciting, collecting, and investing donations for the benefit of the universities. The operations and net assets of these foundations are not included in the financial statements of the universities due to their independence. At June 30, 2001, net assets held by these foundations totaled $316.5 million.

# NOTE 8 – DEPOSITS AND INVESTMENTS

## A. General Information

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

### Deposits

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

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

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

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

### Investments

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

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

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

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

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

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

## B. Deposits and Investments - Primary Government

### Deposits

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At year-end, the carrying amount of such deposits, excluding those classified as investments, was negative $11.1 million, which was caused primarily by a net book cash overdraft in an account maintained by the Michigan Unemployment Compensation Funds (MUCF). The deposits were reflected in the accounts of the banks at $12.6 million. Of the bank balances, $.2 million was covered by federal depository insurance or by collateral held by the State's agents in the State's name (GASB credit risk category #1), $11.3 million was covered by collateral held in the pledging banks' trust departments in the State's name (GASB credit risk category #2), and $1.2 million was uninsured and uncollateralized (GASB credit risk category #3).

### Investments

Investment authority for the State's pension (and other employee benefits) trust funds is found in P.A. 314 of 1965, as amended. This act allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The act has prudence standards and requires that the assets of a retirement system shall be invested solely in the interest of the participants and beneficiaries and be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the State system.

The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefits) trust funds in futures contracts. At September 30, the pension (and other employee benefits) trust funds had a total of $205.0 million (market value) invested in such investments, which were made in Standard & Poors 500 and Standard & Poors Midcap Index futures contracts during the year. Derivatives are used for a small amount of the pension (and other employee benefits) trust fund portfolios to provide additional diversification. However, derivatives are not used for speculation and they are not used to leverage the investment portfolios. Less than 7% of the total pension (and other employee benefits) trust funds portfolio has been invested from time to time in futures contracts and swap agreements. The swap agreements provide that the retirement systems will pay quarterly, over the term of the swap agreements, interest indexed to the three month London Interbank Offered Rate (Libor), adjusted for an interest rate spread, on the notional amount stated in the agreements. United States domestic Libor-based floating rate notes were purchased in the open market to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these notes. Swap agreements represent the largest category of derivatives used and total 6.4% of the total portfolio.

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

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

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

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

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2000-2001, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

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

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

| | GASB Category | | | | | |
|---|---|---|---|---|---|---|
| | #1 | #2 | #3 | Not Categorized | Total Carrying Value | Fair Value |
| Prime commercial paper | $ 3,082.4 | $ - | $ 40.5 | $ - | $ 3,122.9 | $ 3,117.5 |
| Short-term issues | 200.0 | - | - | 100.0 | 300.0 | 301.5 |
| Money market funds | - | - | - | 244.3 | 244.3 | 244.3 |
| Government securities | 4,348.2 | - | 165.8 | 104.0 | 4,618.1 | 4,618.1 |
| Investment agreements | 17.5 | - | - | - | 17.5 | 17.5 |
| Corporate bonds and notes | 4,524.6 | - | - | - | 4,524.6 | 4,524.6 |
| Equities | 18,470.8 | - | - | - | 18,470.8 | 18,470.8 |
| Mortgages | - | - | - | 44.6 | 44.6 | 44.6 |
| Real estate (1) | 93.1 | - | - | 4,148.1 | 4,241.2 | 4,241.2 |
| Venture capital and leveraged buyouts | 288.4 | - | - | 6,617.9 | 6,906.3 | 6,906.3 |
| International | 2,987.7 | - | - | - | 2,987.7 | 2,987.7 |
| U.S. Treasury (unemployment) trust fund | - | - | - | 2,834.5 | 2,834.5 | 2,834.5 |
| Mutual funds | - | - | - | 1,576.8 | 1,576.8 | 1,576.8 |
| Pooled investment funds | - | - | - | 1,714.0 | 1,714.0 | 1,714.0 |
| Security Lending Transactions: | | | | | | |
| Government securities | - | - | - | 1,629.1 | 1,629.1 | 1,629.1 |
| Corporate bonds and notes | - | - | - | 59.7 | 59.7 | 59.7 |
| Equities | - | - | - | 400.4 | 400.4 | 400.4 |
| Total Investments | $ 34,012.7 | $ - | $ 206.3 | $ 19,473.6 | $ 53,692.6 | $ 53,688.7 |

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

| | Current Investments | Non-Current Investments | Total |
|---|---|---|---|
| Governmental activities | $ 296.3 | $ 523.3 | $ 819.6 |
| Business-type activities | 2,943.3 | 709.3 | 3,652.7 |
| Fiduciary funds | 3,658.6 | 45,561.7 | 49,220.3 |
| | $ 6,898.3 | $ 46,794.4 | $ 53,692.6 |

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

The cash collateral received on security lending transactions totaled $2.2 billion.

Pension (and other employee benefits) trust fund investments represent 91.3% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund and MUCF.

The State Lottery Fund investments, $818.1 million, are all in the form of zero coupon U.S. Treasury bonds. As described more fully in Note 17, these investments are held to provide funding for deferred prize awards.

### Securities Lending Transactions

Under the authority of P.A. 314 of 1965, the State lends securities of the pension (and other employee benefits) trust funds and the State Lottery Fund to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. State statutes allow the Michigan Public School Employees, Michigan State Employees, Michigan State Police, and Michigan Judges Retirement Systems to participate in securities lending transactions, and the retirement systems have, via a Securities Lending Authorization Agreement, authorized the agent bank to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. During the fiscal year, the agent bank lent, at the direction of the retirement systems, the retirement systems' securities and received: cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower as collateral. The agent bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and 2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The retirement systems did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the agent bank.

During the fiscal year, the retirement systems and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2001, the investment pool had an average duration of 75 days and an average weighted maturity of 551 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2001, the retirement systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the retirement systems as of September 30, 2001, were $2.1 billion and $2.0 billion respectively.

## C. Deposits and Investments - Discretely Presented Component Units

### Deposits

At year-end, the carrying amount of discretely presented component units deposits, excluding those classified as investments, was $224.9 million. The deposits were reflected in the accounts of the banks at $258.0 million. Of the bank balances, $14.8 million was covered by federal depository insurance or by collateral held by the component units' agents in the component units' names (GASB credit risk category #1), $8.9 million was covered by collateral held in the pledging banks' trust departments in the component units' names (GASB credit risk category #2), $182.1 million was uninsured and uncollateralized (GASB credit risk category #3), and $52.2 million was held in money market funds which are not categorized.

### Investments

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

### Restricted Assets

Restricted assets on the government-wide Statement of Net Assets, totaling $1.2 billion, represent amounts that are pledged toward the payment of outstanding bonds and notes.

The following table shows the carrying amounts and fair values of investments of the discretely presented component units, including deposits classified as investments on the balance sheet, by investment type and in total (in millions):

| | GASB Category | | | | | |
|---|---|---|---|---|---|---|
| | #1 | #2 | #3 | Not Categorized | Total Carrying Value | Fair Value |
| Deposits(1): | | | | | | |
| Time deposits | $ 8.9 | $ - | $ 5.9 | $ 5.3 | $ 20.1 | $ 20.1 |
| Government money market accounts | - | - | 10.3 | 33.3 | 43.6 | 43.6 |
| Investments: | | | | | | |
| Commercial paper | 165.9 | 11.0 | 12.2 | - | 189.2 | 189.2 |
| Short-term notes | - | - | 52.4 | 12.8 | 65.2 | 65.2 |
| Repurchase agreements | 3.5 | - | 8.9 | - | 12.3 | 12.3 |
| Government securities | 758.4 | 43.3 | 58.0 | - | 859.7 | 859.7 |
| Insured mortgage backed securities | 124.3 | - | 13.7 | - | 138.0 | 138.0 |
| Government backed securities | 2.2 | - | 164.2 | - | 166.4 | 166.4 |
| Investment agreements | - | - | - | 317.7 | 317.7 | 317.7 |
| Corporate bonds and notes | 278.6 | - | 62.8 | - | 341.4 | 341.4 |
| Preferred stock | - | - | - | .9 | .9 | .9 |
| Equities | 8.4 | .2 | 25.9 | 16.8 | 51.3 | 51.3 |
| Real estate | .2 | .1 | - | .6 | .9 | .9 |
| Venture capital and leveraged buyouts | - | - | - | 12.7 | 12.7 | 12.7 |
| Government money market funds | - | - | - | 61.9 | 61.9 | 61.9 |
| Mutual funds | - | - | 12.5 | 160.2 | 172.6 | 172.6 |
| Guaranteed investment contracts | 50.2 | - | 9.8 | 1,092.6 | 1,152.6 | 1,152.6 |
| Pooled investment funds | - | - | - | 461.2 | 461.2 | 461.2 |
| Other investments | - | - | 6.1 | - | 6.1 | 6.1 |
| Total Investments | $ 1,400.6 | $ 54.6 | $ 442.6 | $ 2,176.0 | 4,073.8 | $ 4,073.8 |
| Less Investments Reported as "Cash" on the Statement of Net Assets | | | | | (633.5) | |
| Total Investments | | | | | $ 3,440.2 | |
| As Reported on the Statement of Net Assets | | | | | | |
| Current investments | | | | | $ 690.4 | |
| Noncurrent restricted investments | | | | | 665.5 | |
| Noncurrent investments | | | | | 2,084.4 | |
| Total Investments | | | | | $ 3,440.2 | |

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

### Interest Rate Exchange Agreements

The Michigan Higher Education Student Loan Authority (MHESLA) has an outstanding interest rate exchange agreement with an outside party for a notional amount of $11.0 million. The agreement converts MHESLA's interest rate exposure on $11.0 million of its fixed rate bonds to a variable rate allowing improved matching yields on variable rate student loans. The agreement, which matures on September 1, 2002, exposes MHESLA to credit loss in the event of nonperformance by the other party.

On January 2, 2002, Michigan State Housing Development Authority entered into a forward interest rate swap with outside parties for a notional amount totaling $60.0 million to hedge variable rate bonds that will be sold in 2002.

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

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

| | Mortgages and Loans Receivable (Gross) | Unamortized Discount/ Premium and Deferred Loan Origination Fees | Allowance for Possible Losses | Mortgages and Loans Receivable (Net) |
|---|---|---|---|---|
| Authorities: | | | | |
| Michigan Higher Education Student Loan Authority | $ 830.2 | $ 3.9 | $ (.9) | $ 833.1 |
| Michigan State Housing Development Authority | 1,946.5 | (11.7) | (32.0) | 1,902.8 |
| Michigan Economic Development Corporation | 49.1 | - | (23.1) | 26.0 |
| | $ 2,825.8 | $ (7.9) | $ (56.0) | $ 2,761.9 |

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 2001, of $98.5 million. The Michigan Economic Development Corporation had loan and grant commitments outstanding at September 30, 2001, of $180.5 million.

The loans made by the Michigan Municipal Bond Authority are to local units of government, so those loans of $2.5 billion are reported on the "Amounts due from local units" lines on Statement of Net Assets.

## NOTE 10 – CAPITAL ASSETS

### A. Primary Government

#### Summary of Significant Accounting Policies

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

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

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

**Items not capitalized and depreciated**
The State possesses certain capital assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues; monuments; historical documents; paintings; forts and lighthouses; rare library books; miscellaneous capitol-related artifacts and furnishings; and the like.

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

| Asset | Years |
|---|---|
| Equipment | 2-25 |
| Buildings | 3-50 |
| Infrastructure | 15-40 |
| Land Improvements | 10-40 |

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

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

Capital asset activities for the fiscal year ended September 30, 2001 were as follows (in millions):

| Governmental Activities | Beginning Balance | Additions | Deletions | Adjustments and Reclas-sifications | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 3,015.8 | $ 82.1 | $ (10.8) | $ 6.2 | $ 3,093.3 |
| Land improvements | 7.9 | .5 | - | - | 8.4 |
| Construction in progress | 446.5 | 608.4 | (193.2) | .6 | 862.3 |
| Infrastructure | 11,545.2 | 264.1 | (214.4) | - | 11,594.9 |
| Mineral rights | 18.9 | - | - | - | 18.9 |
| Total capital assets, not being depreciated | 15,034.3 | 955.1 | (418.4) | 6.8 | 15,577.9 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 69.4 | 1.1 | (.7) | 2.6 | 72.3 |
| Equipment | 562.2 | 112.1 | (55.8) | (.7) | 617.9 |
| Buildings | 2,421.8 | 190.8 | (63.9) | 79.7 | 2,628.4 |
| Vehicles | 8.7 | - | (1.6) | - | 7.1 |
| Infrastructure | 490.8 | 4.5 | - | 3.0 | 498.3 |
| Total capital assets, being depreciated | 3,552.9 | 308.5 | (122.0) | 84.5 | 3,823.9 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (22.4) | (1.8) | .4 | (.7) | (24.5) |
| Equipment | (380.0) | (80.1) | 34.2 | 1.0 | (424.8) |
| Buildings | (792.6) | (61.4) | 31.1 | (91.0) | (913.9) |
| Vehicles | (6.4) | (.3) | 1.4 | - | (5.3) |
| Infrastructure | (264.1) | (18.6) | - | (.1) | (282.8) |
| Total accumulated depreciation | (1,465.5) | (162.1) | 67.1 | (90.8) | (1,651.3) |
| Total capital assets, being depreciated, net | 2,087.4 | 146.4 | (54.9) | (6.3) | 2,172.6 |
| Governmental activity capital assets, net | $ 17,121.7 | $ 1,101.5 | $ (473.2) | $ .5 | $ 17,750.5 |

| Business-type Activities | Beginning Balance | Additions | Deletions | Adjustments and Reclas-sifications | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, being depreciated: | | | | | |
| Buildings | $ 1.5 | $ - | $ - | $ - | $ 1.5 |
| Equipment | 2.7 | .2 | (1.1) | - | 1.9 |
| Total capital assets, being depreciated | 4.3 | .2 | (1.1) | - | 3.4 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1.5) | - | - | - | (1.5) |
| Equipment | (2.3) | (.2) | 1.0 | - | (1.6) |
| Total accumulated depreciation | (3.8) | (.2) | 1.0 | - | (3.1) |
| Total capital assets, being depreciated, net | .5 | - | (.1) | - | .3 |
| Business-type activity capital assets, net | $ .5 | $ - | $ (.1) | $ - | $ .3 |

Depreciation expense was charged to functions of the primary government as follows:

| | Amount |
|---|---|
| Governmental Activities: | |
| General Government | $ 18.4 |
| Education | .7 |
| Family Independence Services | 35.1 |
| Public Safety and Corrections | 49.8 |
| Conservation, Recreation, and Agriculture | 9.4 |
| Health Services | 18.3 |
| Transportation | 30.2 |
| Depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets. | 37.6 |
| Total Depreciation Expense – Governmental Activities | $ 199.5 |
| Business-type Activities: | |
| Enterprise | .2 |
| Total Depreciation Expense – Business-type Activities | $ .2 |

## B. Discretely Presented Component Units

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

| | Amount |
|---|---|
| State Universities: | |
| Land and other Non-depreciable Assets | $ 79.5 |
| Buildings, Equipment, and other Depreciable Assets | 3,084.9 |
| Infrastructure | 55.0 |
| Construction in Progress | 208.4 |
| Total | 3,427.8 |
| Less Accumulated Depreciation | (1,239.4) |
| Capital Assets, net – State Universities | 2,188.4 |
| Capital Assets, net – Authorities | 133.5 |
| Capital Assets, Total – Discretely Presented Component Units | $ 2,321.9 |

# NOTE 11 – PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS

## A. Defined Benefit Pension Plans

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

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

Each plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members. Each plan, except MRP, is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

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

| Plan Membership Data | LRS | SPRS | SERS | PSERS | JRS | MRP |
|---|---|---|---|---|---|---|
| Current active: | | | | | | |
| Vested | 33 | 1,136 | 36,175 | 118,969 | 268 | 637 |
| Nonvested | 21 | 1,001 | 8,792 | 199,569 | 112 | 9,205 |
| Retirees & beneficiaries receiving benefits | 242 | 2,382 | 37,111 | 130,790 | 546 | 2,156 |
| Terminated members with vested deferred benefits | 80 | 24 | 4,865 | 14,313 | 15 | 965 |

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

#### Basis of Accounting

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

#### Methods Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

#### Significant Investments

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

### FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan. Actual total contributions for pensions met or exceeded the contributions required by state law.

The Public School Employees' Retirement System (PSERS) is a cost-sharing, multiple-employer, State-wide defined benefit retirement system. Statute requires a reconciliation of required contributions and actual contributions in the PSERS. Public Act 158 of 1992 provides that any overage or shortage must be paid in installments over five years.

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

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

Effective in fiscal year 2000-2001, SPRS, SERS, and PSERS use the valuation for the previous fiscal year for their respective reports. This approach is consistent with Governmental Accounting Standards Board (GASB) Statement No. 25. Consistent with this approach the most recent actuarial valuation was performed as of September 30, 2000.

## ANNUAL PENSION COST AND OTHER RELATED INFORMATION

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

| | LRS | SPRS | SERS | MRP |
|---|---|---|---|---|
| **Required contribution rates:** | | | | |
| State | - | 18.87% | 4.57% | -** |
| Plan Members | *** | - | - | - |
| (Amounts are in millions) | | | | |
| **Annual Pension Cost and Net Pension Obligation:** | | | | |
| Annual required contribution | $ - | $ 21.99 | $ 102.99 | $ 2.95 |
| Interest on net pension asset | (.16) | 1.18 | (7.40) | .46 |
| Adjustment to annual required contribution | .29 | (.75) | 7.60 | (.48) |
| Annual pension cost | .13 | 22.42 | 103.19 | 2.94 |
| Contributions made | - | 24.06 | 112.30 | 2.25 |
| Change in net pension asset/obligation | .13 | (1.64) | (9.11) | .69 |
| Net pension (asset) obligation at beginning of fiscal year | (2.34) | 14.70 | (92.55) | 5.79 |
| Net pension (asset) obligation at end of fiscal year | $ (2.21) | $ 13.06 | $ (101.66) | $ 6.48 |
| **Significant Actuarial Assumptions used include:** | | | | |
| Latest actuarial valuation date | 9/30/01 | 9/30/00 | 9/30/00 | 9/30/01 |
| Actuarial cost method | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization method | Level percent of payroll | Level percent closed | Level percent of payroll closed | Level dollar closed |
| Remaining amortization period | 12 years | 36 years | 36 years | 35 years |
| Asset valuation method | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | None, unfunded plan |
| Actuarial assumption: | | | | |
| Investment rate of return | 7% | 8% | 8% | 8% |
| Projected salary increases | 4% | 4.7 - 84% | 4 - 16% | 4% |
| Includes inflation at | 4% | 4% | 4% | 4% |
| Cost-of-living adjustments | 4% annual compounded for members hired before 1/1/95 | 2% annual non-compounded with maximum annual increase $500 | 3% annual non-compounded with maximum annual increase $300 | 4% for special duty retirants |

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

**For MRP, there is no underlying payroll of participants. Except for five special duty members, retirants receive $600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll.

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

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

| | PSERS | JRS |
|---|---|---|
| **Required contribution rates:** | | |
| State | 6.15% | ** |
| Plan Members | 3.9* | 5.95 |
| Number of participating employers | 716 | 172 |

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

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

## THREE YEAR HISTORICAL TREND INFORMATION

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

(Amounts in millions)

| | Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b-a) Unfunded (Overfunded) AAL | (a/b) Funded Ratio | (c) Covered Payroll | ((b-a)/c) UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|---|
| **LRS** | | | | | | | |
| | 9/30/01 | $ 168.4 | $ 138.6 | $ (29.8) | 121.5% | $ 4.3 | (693.0)% |
| | 9/30/00 | 160.3 | 128.5 | (31.8) | 124.7 | 4.3 | (739.5) |
| | 9/30/99 | 146.1 | 127.1 | (19.0) | 115.0 | 4.2 | (452.4) |
| **SPRS**** | | | | | | | |
| | 9/30/00 | 1,113.1 | 1,040.7 | (72.4) | 107.0 | 116.6 | (62.1) |
| | 9/30/99 | 1,036.8 | 1,006.5 | (30.3) | 103.0 | 116.9 | (25.9) |
| | 9/30/98 | 974.4 | 962.5 | (11.9) | 101.2 | 108.2 | (11.0) |
| **SERS**** | | | | | | | |
| | 9/30/00 | 10,336.8 | 9,473.8 | (863.0) | 109.1 | 2,253.8 | (38.3) |
| | 9/30/99 | 9,648.3 | 9,028.6 | (619.7) | 106.8 | 2,213.8 | (28.0) |
| | 9/30/98 | 9,109.0 | 8,497.0 | (612.0) | 107.2 | 2,108.0 | (29.0) |
| **PSERS**** | | | | | | | |
| | 9/30/00 | 36,893.0 | 37,139.0 | 246.0 | 99.3 | 8,985.0 | 2.7 |
| | 9/30/99 | 34,095.0 | 34,348.0 | 253.0 | 99.3 | 8,644.0 | 2.9 |
| | 9/30/98 | 31,870.0 | 32,863.0 | 993.0 | 97.0 | 8,265.0 | 12.0 |
| **JRS** | | | | | | | |
| | 9/30/01 | 291.0 | 224.7 | (66.3) | 129.5 | 42.5 | (155.7) |
| | 9/30/00 | 274.8 | 204.2 | (70.6) | 134.6 | 37.0 | (190.7) |
| | 9/30/99 | 320.9 | 243.5 | (77.4) | 131.8 | 49.6 | (155.9) |
| **MRP*** | | | | | | | |
| | 9/30/01 | - | 34.4 | 34.4 | - | .5 | 7,284.7 |
| | 9/30/99 | - | 33.5 | 33.5 | - | .5 | 6,771.4 |
| | 9/30/97 | - | 30.3 | 30.3 | - | .4 | 7,575.0 |

*Actuarial valuation performed biennially.
**The most recent actuarial valuation was performed as of September 30, 2000.

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

| | Year | Annual Cost (APC) | Percentage Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| **LRS** | | | | |
| | 1998-99 | .1 | - | (2.5) |
| | 1999-00 | .1 | - | (2.3) |
| | 2000-01 | .1 | - | (2.2) |
| **SPRS** | | | | |
| | 1998-99 | 23.0 | 93.7 | 12.2 |
| | 1999-00 | 24.6 | 89.8 | 14.7 |
| | 2000-01 | 22.4 | 107.3 | 13.1 |
| **SERS** | | | | |
| | 1998-99 | 111.5 | 108.6 | (91.8) |
| | 1999-00 | 121.1 | 100.6 | (92.6) |
| | 2000-01 | 103.2 | 108.8 | (101.7) |
| **MRP** | | | | |
| | 1998-99 | 2.5 | 84.4 | 5.0 |
| | 1999-00 | 3.0 | 74.8 | 5.8 |
| | 2000-01 | 3.0 | 76.5 | 6.5 |

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

| | Fiscal Year | Annual Required Contribution (ARC) | Percentage of ARC Contributed |
|---|---|---|---|
| **PSERS** | | | |
| | 1998-99 | 593.5 | 96.8 |
| | 1999-00 | 572.6 | 114.4 |
| | 2000-01 | 582.4 | 108.2 |
| **JRS** | | | |
| | 1998-99 | 1.3 | 4.6 |
| | 1999-00 | - | - |
| | 2000-01 | - | - |

## REQUIRED SUPPLEMENTARY INFORMATION

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

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

### Schedule of funding progress for MRP

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 9/30/97 | - | 30.3 | 30.3 | - | .4 | 7,575.0 |
| 9/30/99 | - | 33.5 | 33.5 | - | .5 | 6,771.4 |
| 9/30/01 | - | 34.4 | 34.4 | - | .5 | 7,284.7 |

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

### Schedule of Employer Contributions for MRP:

| Year ended September 30 | Annual required contribution | Percentage contributed |
|---|---|---|
| 2001 | 3.0 | 76.1 |
| 2000 | 3.0 | 74.6 |
| 1999 | 2.5 | 84.7 |
| 1998 | 2.5 | 82.3 |
| 1997 | 2.3 | 85.0 |
| 1996 | 2.3 | 94.3 |

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

## B. Defined Contribution Pension Plans

### State Employees' Defined Contribution Retirement Plan

The State Employees' Defined Contribution Retirement Plan (Plan) was established to provide benefits at retirement to employees of the State who were hired after March 31, 1997, and to those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. The Plan is administered by the Department of Management and Budget. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. Employer contributions to the plan for the year totaled $41.3 million. Participant contributions to the plan were $15.2 million. The reports may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262.

The following investments represent 5% or more of net plan assets at September 30, 2001: SSGA Stable Value GIC Fund, $29.5 million; Yield Enhanced Short-Term Fund, $81.8 million; SSGA S&P 500 Index Fund, $21.6 million; Dodge & Cox Stock Fund, $19.7 million; Fidelity Magellan Fund, $29.6 million; Putnam Voyager, $21.5 million.

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

### Component Units

In addition to the Public School Employees' Retirement System (PSERS), the State university component units participate in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was $59.4 million for the year ending June 30, 2001.

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

## C. Other Postemployment Benefits

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

The LRS life insurance benefits are paid on an advance-funded basis. The actuarial cost method and actuarial assumptions are the same as for the pension plan, as discussed in Section A. At September 30, 2001, the actuarial accrued liability for life insurance premiums was $8.2 million with net assets available for benefits of $12.5 million. The expense for life insurance premiums was $.2 million in fiscal year 2000-2001.

The net assets available for benefits relate to residual balances from funding provided in prior fiscal years. There were no material changes in the OPEB provisions during fiscal year 2000-2001.

Following is a brief summary of the other postemployment benefits as of September 30, 2001:

| | LRS | SPRS | SERS | JRS | PSERS | TOTAL |
|---|---|---|---|---|---|---|
| Participants eligible for benefits | 330 | 2,382 | 37,111 | 546 | 130,790 | 171,159 |
| Contribution rates for current employees (% of payroll) | None | None | None | 1.5% | None | |
| Percentage of pre-Medicare premiums paid by participants | None | 5% | 5% | 5% | 10%* | |
| Expense for year (in millions) | $3.0 | $23.0 | $248.2 | $ .5 | $456.3 | $731.0 |
| Net assets available for benefits (in millions) | 5.7 | (2.5) | 23.0 | (.5) | 213.0 | 238.7 |

*The schools that employ the plan's members pay the employer share of health costs. PSERS retirees pay the same share of health care costs required from Social Security retirees for part B Medicare coverage until Medicare coverage begins at age 65.

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

## NOTE 12 – COMPENSATED ABSENCES

### A. Primary Government

#### Plan Descriptions

Employees accumulate annual leave (vacation) balances to a maximum ranging from 256 to 316 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours.

#### Accounting Policy

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by GASB. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained in the previous paragraph, at 0 to 50% plus the State's share of social security contributions. The pay rates in effect as of September 30, 2001, are used.

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

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

| | Annual Leave | Sick Leave | Total |
|---|---|---|---|
| Governmental activities | $ 231.3 | $ 206.5 | $ 437.7 |
| Business-type activities | 1.5 | 1.6 | 3.1 |
| Total - primary government | $ 232.8 | $ 208.0 | $ 440.8 |

### B. Discretely Presented Component Units

Compensated absences liabilities of discretely presented component units totaled $48.5 million and are primarily related to State universities.

## NOTE 13 – LEASES

#### Accounting Policy

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

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

For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures. (As explained in Note 3, for budgetary purposes, lease payments are only reported as expenditures when paid.)

Most leases have cancellation clauses with 1 to 6 month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable, because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

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

Leases that exist between the State and the State Building Authority (SBA, a blended component unit) are not recorded as leases in this report. In their separately issued financial statements, SBA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by SBA to construct the assets associated with the leases. Future payments to SBA are, therefore, not included in the schedules of lease commitments below. Note 14 provides information on the amount of the Authority's bonds outstanding and a schedule of debt service requirements.

## A. Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled $84.4 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled $33.7 million, $28.0 million, and $13.5 million, respectively.

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

| Year Ended September 30 | Operating Leases | Capital Leases: Principal | Capital Leases: Interest | Capital Leases: Executory Costs | Capital Leases: Total |
|---|---|---|---|---|---|
| 2002 | $ 44.7 | $ 30.4 | $ 26.9 | $ 12.4 | $ 69.6 |
| 2003 | 35.6 | 28.0 | 24.3 | 12.3 | 64.5 |
| 2004 | 30.0 | 26.8 | 21.7 | 12.0 | 60.5 |
| 2005 | 23.4 | 21.8 | 19.2 | 11.6 | 52.6 |
| 2006 | 15.5 | 19.5 | 16.8 | 10.5 | 46.9 |
| 2007-2011 | 22.3 | 66.5 | 55.6 | 35.3 | 157.5 |
| 2012-2016 | 1.8 | 37.5 | 26.4 | 17.5 | 81.3 |
| 2017-2021 | - | 22.5 | 6.9 | 7.6 | 37.0 |
| Thereafter | - | 2.0 | .4 | .7 | 3.1 |
| Total | $ 173.3 | $ 254.8 | $ 198.2 | $ 120.0 | $ 573.1 |

The above capital leases relate to governmental activities which include the General Fund, special revenue funds, and the internal service funds. A liability of $254.8 million has been recorded in the government-wide statements for the capital lease principal. The historical cost of assets acquired under capital leases and included in capital assets on the government-wide statements at September 30 follows (in millions):

| | |
|---|---|
| Buildings | $ 304.8 |
| Equipment | 92.4 |
| Total | 397.2 |
| Accumulated Depreciation | (178.2) |
| Net Buildings and Equipment | $ 219.1 |

## B. Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled $.2 million during the fiscal year. There were no capital lease obligations.

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

| Year Ended September 30 | Operating Leases |
|---|---|
| 2002 | $ .2 |
| 2003 | .1 |
| 2004 | .1 |
| 2005 | .1 |
| | $ .5 |

## C. Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled $15.0 million. Total capital lease obligations were $21.5 million, $14.7 million, and $0 for principal, interest, and executory costs, respectively.

# NOTE 14 – LONG-TERM LIABILITIES

## A. Bonded Debt

### General Obligation Bonded Debt

Article 9, Section 15, of the State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General obligation notes to provide temporary financing for such loans are recorded as liabilities in the School Bond Loan Fund, a special revenue fund. No such borrowing occurred in fiscal year 2000-2001. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues. General obligation bonds are backed by the full faith and credit of the State.

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. No such borrowing occurred in fiscal year 2000-2001.

### Revenue Dedicated Bonded Debt

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

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

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. The $307.4 million of commercial paper notes outstanding at year-end are not recorded as liabilities in the Authority's statements, but are included in the "long-term liability activity" schedule presented later in this Note.

Subsequent to September 30, 2001, SBA issued an additional $146.1 million in commercial paper. However, a significant portion of outstanding commercial paper has been paid by the issuance of the 2001 Revenue Bonds Series II in the amount of $170.1 million. Stated coupon rates for these bonds range from 3.0 to 5.5 percent, which mature on October 15, 2019. These bonds and notes are limited obligations of SBA and do not constitute general obligations of SBA or the State. The debt requirements of the bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

Grant anticipation notes have been issued by the Department of Transportation (MDOT) in the amount of $400.0 million. The notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate.

The notes are issued in accordance with the authorization provided in P.A. 51 of 1951, as amended. The proceeds of the sale of the notes together with investment earnings on the proceeds and other available monies will be used to pay a portion of the costs to complete the Build Michigan II highway program, to pay capitalized interest on the notes, and to pay note issuance costs.

The principal and interest on the notes are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the Federal-Aid Highway Program. Payment of the principal and interest on the notes from the State share shall be subject to an appropriation each year by the Legislature in an amount sufficient to make the payments. As of September 30, 2001, there were no principal payments made on the notes. The amount outstanding at September 30, 2001, is $400.0 million and is not disclosed in the table below. These notes mature in 2008.

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

### Bonds Issued and Outstanding

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

| GENERAL OBLIGATION BONDED DEBT | AMOUNTS ISSUED | OUTSTANDING 9/30/2001 | MATURITIES FIRST YEAR | MATURITIES LAST YEAR | AVERAGE INTEREST RATE PERCENTAGE |
|---|---|---|---|---|---|
| General Obligation Refunding Debt: | | | | | |
| Series 2001 (Refunding) | $ 183.3 | $ 183.3 | 2002 | 2016 | 4.76 |
| Recreation and Environmental Protection: | | | | | |
| Series 1989 (1) | 75.0 | 28.2 | 1991 | 2011 | 6.92 |
| Series 1992 (1) | 246.3 | 120.4 | 1993 | 2012 | 6.15 |
| College Savings Bonds - Series 1992 Mini-bonds (1) | .5 | .8 | 2012 | 2012 | 6.50 |
| Series 1992 A (1)(2) | 13.9 | 9.4 | 1994 | 2012 | 6.17 |
| Series 1993 (1)(2) | 16.7 | 12.8 | 1995 | 2013 | 5.00 |
| Series 1995 (1) | 234.3 | 143.7 | 1996 | 2019 | 5.28 |
| Series 1998 (1) | 90.0 | 80.3 | 1998 | 2017 | 4.80 |
| Series 1999 A (3) | 81.8 | 81.8 | 2004 | 2020 | 5.57 |
| Series 1999 B (3) | 15.1 | 10.5 | 2001 | 2003 | 6.75 |
| Series 2000 (1) | 60.0 | 60.0 | 2002 | 2021 | 5.22 |

| | AMOUNTS ISSUED | OUTSTANDING 9/30/2001 | MATURITIES FIRST YEAR | MATURITIES LAST YEAR | AVERAGE INTEREST RATE PERCENTAGE |
|---|---|---|---|---|---|
| School Loan Bonds: | | | | | |
| Series 1995 | 180.0 | 65.3 | 1996 | 2015 | 5.47 |
| Series 1998 | 160.0 | 154.1 | 2000 | 2017 | 4.86 |
| Series 2001 A | 81.3 | 81.3 | 2005 | 2021 | 3.50 |
| TOTAL GENERAL OBLIGATION BONDED DEBT | 1,438.2 | 1,031.8 | | | |
| **REVENUE DEDICATED BONDED DEBT** | | | | | |
| MUSTFA Related: | | | | | |
| Tax Dedicated Bonds: | | | | | |
| 1996 - Revenue Bonds - Series I | 216.6 | 152.5 | 1997 | 2010 | 5.67 |
| TOTAL REVENUE DEDICATED BONDED DEBT - MUSTFA RELATED | 216.6 | 152.5 | | | |
| Transportation Related: | | | | | |
| Tax Dedicated Bonds: | | | | | |
| Michigan Comprehensive Transportation: | | | | | |
| Series 1992 (Series A and Series B Refunding) | 165.0 | 104.7 | 1996 | 2022 | 5.96 |
| Series 1996 (Series A Refunding) | 22.7 | 22.4 | 1998 | 2014 | 5.42 |
| Series 1998 (Series A Refunding) | 38.6 | 38.6 | 2004 | 2010 | 4.66 |
| Series 2001 (Series A Refunding) | 27.8 | 27.8 | 2008 | 2022 | 5.01 |
| State Trunkline Fund Bonds: | | | | | |
| Series 1989 (Series A) | 135.8 | 24.9 | 1994 | 2017 | 6.97 |
| Series 1992 (Series A and Series B Refunding) | 353.2 | 172.3 | 1999 | 2021 | 6.16 |
| Series 1994 (Series A and Series B Refunding) | 241.0 | 34.4 | 1994 | 2007 | 5.53 |
| Series 1996 (Series A) | 54.5 | 10.3 | 1997 | 2009 | 5.71 |
| Series 1998 (Series A) | 377.9 | 377.9 | 2005 | 2026 | 5.09 |
| Series 2001 (Series A) | 308.2 | 308.2 | 2003 | 2031 | 5.27 |
| TOTAL REVENUE DEDICATED BONDED DEBT - TRANSPORTATION RELATED | 1,724.6 | 1,121.5 | | | |
| State Building Authority: | | | | | |
| 1993 Revenue Bonds – Refunding Series I | 491.5 | 288.4 | 1994 | 2016 | 4.58 |
| 1994 Series I Bonds | 39.8 | 25.8 | 1995 | 2012 | 5.07 |
| 1994 Series II Bonds | 29.1 | 20.9 | 1996 | 2011 | 4.62 |
| 1996 Series I Bonds | 109.9 | 76.8 | 1997 | 2010 | 5.04 |
| 1997 Series I Bonds | 144.8 | 111.0 | 1997 | 2010 | 5.18 |
| 1997 Series A Bonds | 34.3 | 23.0 | 1997 | 2006 | 4.76 |
| 1997 Series B Bonds | 42.9 | 1.3 | 1997 | 2001 | 4.51 |
| 1997 Series II Bonds | 371.9 | 325.0 | 1997 | 2014 | 5.53 |
| 1998 Series I Bonds | 109.5 | 98.5 | 1998 | 2014 | 4.84 |
| 1998 Series I Bonds Refunding | 330.4 | 315.3 | 1999 | 2021 | 4.75 |
| 1999 Series I | 85.7 | 80.1 | 1999 | 2016 | 4.54 |
| 2000 Revenue Bonds | 45.8 | 45.8 | 2002 | 2012 | 5.63 |
| 2000 Series I Bonds | 147.9 | 147.9 | 2002 | 2022 | 5.24 |
| 2001 Series I Bonds | 121.7 | 121.7 | 2002 | 2019 | 5.28 |
| 2001 Revenue Bonds | 58.2 | 58.2 | 2002 | 2014 | 5.13 |
| 2001 Series I Refunding Bonds | 419.7 | 419.7 | 2003 | 2026 | 5.31 |
| TOTAL STATE BUILDING AUTHORITY BONDED DEBT | 2,583.1 | 2,159.3 | | | |
| TOTAL REVENUE DEDICATED BONDED DEBT | 4,524.3 | 3,433.3 | | | |
| TOTAL GENERAL OBLIGATION AND REVENUE DEDICATED BONDED DEBT | $ 5,962.5 | $ 4,465.1 | | | |

(1) Public Act 327 of 1988 and P.A. 451 of 1994 authorized the issuance of bonds totaling $800 million. As of September 30, 2001, $676.6 million of such bonds had been issued, leaving remaining authorization of $123.4 million. Sum of amounts issued in table differs by amount of bonds refunded or redeemed.

(2) The $13.9 million Series 1992A and the $16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Municipal Bond Authority (a discretely presented component unit). An outside trustee for the Authority is holding the bonds as an investment of the Authority; no immediate cash proceeds were provided. The trustee receives the debt service payments on the bonds, which are negotiable instruments held to subsidize water pollution control financing provided by the Authority.

(3) Public Act 284 of 1998 authorized the issuance of bonds totaling $675.0 million. As of September 30, 2001, $96.9 million of such bonds had been issued, leaving remaining authorization of $578.1 million.

**Capital Appreciation Bonds**
Capital appreciation and convertible capital appreciation bonds are recorded in the preceding table and section C at their accreted year-end book value. The tables which follow summarize capital appreciation bonds (in millions):

| | ACCRETED BOOK VALUE | ULTIMATE MATURITY VALUE | MATURITY DATES |
|---|---|---|---|
| **State Building Authority:** | | | |
| 1994 Series II | $ 19.6 | $ 24.2 | 2000-2012 |
| 1997 Series II | 29.3 | 42.5 | 2000-2012 |
| **General Obligation Bonds:** | | | |
| Series 1989 | 32.5 | 44.4 | 2011 |
| Series 1992 | 21.4 | 30.5 | 2012 |
| College Savings Bonds - Series 1992 Mini-bonds | .8 | 1.8 | 2012 |
| Series 1995 | 22.4 | 29.4 | 2001-2010 |
| **Revenue Dedicated – Transportation Related:** | | | |
| State Trunkline - Series 1989 A | 24.9 | 35.7 | 2004-2009 |
| State Trunkline - Series 1992 A and B | 61.1 | 97.7 | 2005-2012 |

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

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

| | AMOUNTS OUTSTANDING |
|---|---|
| Recreation and Environmental Protection: | |
| Series 1989 | $ 2.5 |
| Series 1992 | 69.1 |
| Series 1995 | 74.4 |
| Total | $ 145.9 |
| School Loan Bonds: | |
| Series 1995 | $ 84.5 |
| Michigan Comprehensive Transportation: | |
| Series 1992 A | $ 32.4 |
| State Trunkline Fund Bonds: | |
| Series 1992 A (partial) | $ 131.2 |
| Series 1992 B (partial) | 56.8 |
| Series 1994 A (partial) | 112.8 |
| Series 1996 A (partial) | 41.2 |
| Total | $ 342.0 |
| State Building Authority: | |
| 1982 Series III | $ 19.3 |
| 1988 Series I | 5.9 |
| 1988 Series II | 5.3 |
| 1989 Series I | 46.4 |
| 1990 Series II | 124.3 |
| 1991 Series I Refunding | 197.0 |
| 1991 Series II | 131.6 |
| 1992 Series I | 133.9 |
| 1992 Series II A | 30.3 |
| Total | $ 694.1 |

### Debt Service Requirements

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

| FISCAL YEARS ENDING | GENERAL OBLIGATION | | MUSTFA AND TRANSPORTATION RELATED | | STATE BUILDING AUTHORITY | | TOTAL PRINCIPAL AND INTEREST |
|---|---|---|---|---|---|---|---|
| | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | |
| 2002 | $ 49.0 | $ 39.9 | $ 45.9 | $ 58.7 | $ 106.5 | $ 103.0 | $ 402.9 |
| 2003 | 51.8 | 38.5 | 53.7 | 60.2 | 125.9 | 103.0 | 433.0 |
| 2004 | 54.4 | 43.3 | 56.6 | 57.4 | 132.2 | 96.3 | 440.1 |
| 2005 | 56.7 | 40.9 | 60.4 | 54.5 | 138.9 | 89.0 | 440.4 |
| 2006 | 57.9 | 38.1 | 63.8 | 51.6 | 118.3 | 82.4 | 412.1 |
| 2007-2011 | 318.8 | 153.7 | 318.1 | 216.1 | 624.3 | 332.9 | 1,963.9 |
| 2012-2016 | 316.7 | 75.3 | 214.0 | 160.0 | 497.9 | 178.9 | 1,442.9 |
| 2017-2021 | 148.7 | 15.6 | 257.1 | 99.0 | 288.2 | 66.7 | 875.4 |
| 2022-2026 | - | - | 158.6 | 40.3 | 127.2 | 11.8 | 338.0 |
| 2027-2032 | - | - | 93.3 | 12.4 | - | - | 105.7 |
| Total | $ 1,054.0 | $ 445.3 | $ 1,321.5 | $ 810.2 | $ 2,159.3 | $ 1,064.1 | $ 6,854.3 |

Interest to maturity for the State Building Authority will be significantly smaller than the amount shown in the above table because many of the bonds will be called prior to the final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing and accrued investment earnings are restricted to projects and debt service on the related bonds. State Building Authority debt service fund unreserved fund balances totaled $226.9 million at year-end. Most of this represents investments related to completed projects that will be used for debt service on the projects' bonds.

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

## B. Other General Long-Term Obligations

### Capital Leases

This liability is described in more detail in Note 13.

### Compensated Absences

This liability is described in Note 12.

### Claims and Judgments

In general, expenditures and fund liabilities are not recorded in governmental funds for claims and judgments until they are considered "due and payable" at September 30 and the related losses are certain. Liabilities for material claims and judgment losses are recorded in the government-wide and proprietary fund financial statements when the loss is considered probable.

### Workers' Compensation

The gross amount of workers' compensation liability, $299.3 million at September 30, 2001, has been recorded at its discounted present value of $199.9 million, using a discount rate of 8%. The present value of the current portion of this liability is $45.1 million. The Accident Fund Company billed State agencies for actual workers' compensation claims paid plus administrative fees, totaling $51.1 million in fiscal year 2000-2001.

### Other Claims & Judgments

The governmental activity estimated liability for litigation losses, $632.5 million at September 30, 2001, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that a loss will be incurred. Also included is an estimated liability totaling $5.4 million for arbitrage payable to the federal government for interest earned on bond proceeds. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities represents overpayments by employers to the Michigan Unemployment Compensation Fund totaling $42.0 million.

### Durant Settlement

The reported estimated liability for litigation losses includes the Donald Durant, et al v State of Michigan, et al consolidated cases, which totaled $451.0 million at September 30, 2001. This amount will, over time, be paid to each "non-Durant" school district for its underfunded State mandated program costs if certain requirements are met. See Note 26 for additional disclosure regarding the Durant case and other contingencies.

Fund expenditures for workers' compensation and settled litigation with long-term repayment provisions are recognized on the "due and payable" basis. Other losses are recognized as fund liabilities in the year of settlement, except that cases settled shortly after year-end are recognized as fund liabilities using a sliding materiality scale that increases from recognizing all losses in early October to recording only settlements in excess of $1.5 million after November 30.

### Net Pension Obligation

This liability is described in Note 11.

## C. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2001, are summarized as follows (in millions):

| Governmental Activities | Beginning Balance (Restated) | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due Thereafter |
|---|---|---|---|---|---|---|
| Bonds Payable: | | | | | | |
| General obligation debt | $ 930.3 | $ 328.8 | $ 227.3 | $ 1,031.8 | $ 49.0 | $ 982.8 |
| Revenue bonds | 1,003.6 | 341.3 | 70.8 | 1,274.0 | 45.9 | 1,228.1 |
| State Building Authority | 1,825.9 | 795.8 | 462.4 | 2,159.3 | 106.5 | 2,052.9 |
| Notes Payable: | | | | | | |
| Transportation related | - | 400.0 | - | 400.0 | - | 400.0 |
| State Building Authority | 131.9 | - | 131.9 | - | - | - |
| Deferred Loss on Refundings: | | | | | | |
| General obligation debt | - | (11.7) | .3 | (11.5) | - | (11.5) |
| Revenue dedicated debt | - | (.7) | - | (.7) | - | (.7) |
| State Building Authority | - | (8.2) | .1 | (8.2) | - | (8.2) |
| Unamortized Premiums: | | | | | | |
| General obligation debt | - | 14.4 | .3 | 14.0 | - | 14.0 |
| Revenue dedicated debt | - | 4.5 | - | 4.5 | - | 4.5 |
| State Building Authority | - | 26.0 | .6 | 25.5 | - | 25.5 |
| Other Debt: | | | | | | |
| State Building Authority | | | | | | |
| Commercial paper | 348.1 | 653.8 | 694.5 | 307.4 | 137.3 | 170.1 |
| Total bonds and notes payable | 4,239.7 | 2,543.8 | 1,588.2 | 5,196.1 | 338.7 | 4,857.5 |
| Other Long-term Liabilities: | | | | | | |
| Capital lease obligations | 278.2 | 42.2 | 65.6 | 254.8 | 30.4 | 224.4 |
| Compensated absences | 468.3 | 227.0 | 257.6 | 437.7 | 20.6 | 417.1 |
| Workers' compensation | 195.0 | 48.9 | 44.0 | 199.9 | 45.1 | 154.8 |
| Net pension obligations | 20.5 | .7 | 1.6 | 19.5 | - | 19.5 |
| Other claims & judgments | 596.4 | 612.8 | 576.6 | 632.5 | 109.9 | 522.6 |
| Durant settlement | 509.6 | - | 58.7 | 451.0 | 60.0 | 391.0 |
| Total other liabilities | 2,068.1 | 931.6 | 1,004.2 | 1,995.4 | 265.9 | 1,729.5 |
| Total Long-term Liabilities | $ 6,307.8 | $ 3,475.4 | $ 2,592.4 | $ 7,191.5 | $ 604.6 | $ 6,587.0 |
| **Business-type Activities** | | | | | | |
| Other Long-term Liabilities: | | | | | | |
| Lottery prize awards* | $ 823.8 | $ - | $ 59.8 | $ 764.0 | $ 148.4 | $ 615.6 |
| Compensated absences | 4.6 | 1.0 | 2.5 | 3.1 | .5 | 2.6 |
| Other claims & judgments | - | 42.0 | - | 42.0 | - | 42.0 |
| Total Long-term Liabilities | $ 828.4 | $ 43.0 | $ 62.3 | $ 809.1 | $ 148.9 | $ 660.3 |

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

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

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

## A. Bonds and Notes Payable

### Bonds Payable

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

The State universities and the Michigan State Housing Development Authority utilize June 30 fiscal year-ends. The remaining discretely presented component units have September 30 fiscal year-ends. The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-ends (in millions):

| Fiscal Years Ending In | Principal | Interest | Total |
|---|---|---|---|
| 2002 | $ 299.4 | $ 306.7 | $ 606.1 |
| 2003 | 252.1 | 296.7 | 548.8 |
| 2004 | 252.6 | 287.0 | 539.6 |
| 2005 | 246.8 | 276.3 | 523.2 |
| 2006 | 237.0 | 263.2 | 500.2 |
| | 1,288.0 | 1,429.9 | 2,717.9 |
| 2007-2011 | 1,333.2 | 1,072.8 | 2,406.0 |
| 2012-2016 | 1,165.3 | 740.8 | 1,906.1 |
| 2017-2021 | 1,038.1 | 438.3 | 1,476.4 |
| 2022-2026 | 543.1 | 205.4 | 748.4 |
| 2027-2031 | 403.4 | 88.2 | 491.6 |
| 2032-2036 | 193.4 | 19.7 | 213.1 |
| 2037-2042 | 5.8 | .3 | 6.1 |
| | 4,682.2 | 2,565.4 | 7,247.7 |
| | | $ 3,995.3 | $ 9,965.6 |
| Less: | | | |
| Unamortized discount | (.1) | | |
| Total principal | $ 5,970.2 | | |

Included in the table above is $409 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, $141.4 million, and the Michigan State Housing Development Authority, $267.6 million. Defeased bonds outstanding of the Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, and nine of the State universities are not reflected in the table above.

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

| | Amount |
|---|---|
| Michigan State Housing Development Authority | $ 24.4 |
| Michigan State Hospital Finance Authority | 91.3 |
| Eastern Michigan University | 41.4 |
| Grand Valley State University | 31.4 |
| Northern Michigan University | 30.0 |
| Oakland University | 48.0 |
| Saginaw Valley State University | 24.4 |
| | $ 290.9 |

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

Subsequent to June 30, 2001, the Michigan State Housing Development Authority entered into a forward interest rate swap in the amount of $60 million. The swap is in place to hedge variable rate bonds that will be sold in July 2002. The bonds are being issued to fund multi-family mortgage loans.

### Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of $614.1 million as of September 30, 2001.

## B. Unrecorded Limited Obligation Debt

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

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2001, MHEFA had bonds outstanding of $312.4 million. Of the above amount, $20.6 million of bonds have been defeased in substance, leaving a remaining undefeased balance of $291.8 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds ($5.8 billion for the period January 1, 1979 through September 30, 2001) which are not recorded as liabilities. Total taxable bonds issued by MSF for the period October 1, 1997 through September 30, 2001, was $8.3 million, which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued $4.8 billion of no commitment bonds as of September 30, 2001. Of the above amount, $1.1 billion have been defeased in substance. Economic gains and accounting gains and losses, resulting from substance defeasance, inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements. Subsequent to September 30, 2001, the Authority issued similar limited obligation bonds totaling $91.3 million.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to $800 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2001, limited obligation bonds had been issued totaling $426.7 million, of which eight issues totaling $70.2 million had been retired.

## NOTE 16 – INCOME TAX REFUNDS AND TAX EXPENDITURES

### A. Income Tax Credits

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

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

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

| | |
|---|---|
| Property tax credits: | |
| General homestead | $ 255.9 |
| Senior citizens | 220.4 |
| Farmland preservation | 18.9 |
| Other property tax credits | 21.0 |
| Subtotal – property tax credits | 516.2 |
| Home heating (excluding federal share) | 1.8 |
| Senior citizens' prescription drugs | 14.8 |
| Total tax expenditures | $ 532.8 |

### B. Income Tax Refunds Payable

The $618.0 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

## NOTE 17 – LOTTERY PRIZE AWARDS PAYABLE

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

Prize awards payable in future years are as follows (in millions):

Fiscal year ending September 30:

| | |
|---|---|
| 2002 (net of unamortized discount) | $ 148.4 |
| 2003 | 109.8 |
| 2004 | 109.5 |
| 2005 | 103.0 |
| 2006 | 94.2 |
| 2007 through 2011 | 333.8 |
| 2012 through 2016 | 130.2 |
| Later years | 49.4 |
| Total | 1,078.2 |
| Less unamortized discount on long-term portion | (314.2) |
| Total at present value | $ 764.0 |

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

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

## NOTE 18 – OTHER LONG-TERM LIABILITIES

### Discretely Presented Component Units

#### Michigan Education Trust (MET)

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

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

The actuarial report on the status of MET Plans B and C, as of September 30, 2001, shows the actuarial present value of future tuition obligations to be $635.6 million, as compared to the actuarially determined market value of assets available of $734.7 million. The actuarial assumptions used include: a projected tuition increase rate of 5.71% for the years through 2007 and 7.30% for subsequent years; and a discount rate of 6.20%.

The actuarial report on the status of MET Plan D, as of September 30, 2001, shows the actuarial present value of future tuition obligations to be $123.6 million, as compared to the actuarially determined market value of assets available of $127.3 million. The actuarial assumptions used include: a projected tuition increase rate of 5.71% for the years through 2007 and 7.30% for subsequent years; and a discount rate of 7.00%.

On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is an integral part of the State of Michigan and, thus, the investment income realized by MET is not currently subject to federal income tax. On August 20, 1996, the Small Business Job Protection Act of 1996 (the "1996 Tax Act") was signed into law which included a provision adding a new section to the Internal Revenue Code of 1986 defining "qualified state tuition programs." A qualified state tuition program is generally exempt from income tax, but is subject to unrelated business income tax. MET has no unrelated business income. Distributions made in excess of contributions (whether to the refund designee, beneficiary, or to a college on behalf of the beneficiary) are taxable income to the beneficiary or the refund designee. The Internal Revenue Service (IRS) was expected to release regulations in 2000, which would have clarified the 1996 federal legislation for qualified state tuition programs. In May 1997, MET submitted a request for ruling to the IRS for verification that MET is in compliance with the 1996 Tax Act. On December 23, 1997, the IRS issued a favorable ruling which confirms that MET is in compliance with the Act.

## NOTE 19 – DEFERRED COMPENSATION PLANS

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

The State makes no contribution to the 457 plan, but makes matching contributions to the 401k plan as part of certain employees' compensation packages. To expand investment options, three investment tiers were developed and made available to participants on July 1, 1997. Participants invest their contributions and accumulated earnings by selecting mutual funds in one or more of the investment tiers. Employees may, at any time, transfer accumulated balances and future contributions among mutual funds in the investment tiers. Investment earnings, net of administrative charges, are credited to the participants proportionally, based upon their balances in the plan.

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

Net assets available for plan benefits for the 457 plan and the 401k plan at September 30, 2001, were $2.0 and $1.1 billion, respectively.

## NOTE 20 – INTERFUND RECEIVABLES AND PAYABLES

### A. Primary Government

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

| | Due To | | | | | | |
|---|---|---|---|---|---|---|---|
| Due From | General Fund | School Aid Fund | Non-major Governmental Funds | Unemployment Compensation Funds | Internal Service Funds | Fiduciary Funds | Total |
| General Fund | $ - | $ - | $ - | $ 1.6 | $ 12.5 | $ 13.6 | $ 27.6 |
| School Aid Fund | 117.3 | - | - | - | - | - | 117.3 |
| Non-major Governmental Funds | 181.1 | - | 192.2 | - | 1.3 | 1.3 | 375.9 |
| State Lottery Fund | - | 9.0 | - | - | - | - | 9.1 |
| Unemployment Compensation Funds | - | - | - | 2.8 | - | - | 2.8 |
| Non-major Enterprise Funds | - | - | - | - | - | - | .1 |
| Internal Service Funds | - | - | - | - | 26.3 | .1 | 26.4 |
| Fiduciary Funds | .2 | - | - | - | - | - | .2 |
| Total | $ 298.6 | $ 9.0 | $ 192.2 | $ 4.4 | $ 40.2 | $ 15.1 | $ 559.5 |

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

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $7.2 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction and $26.4 million due from the Blue Water Bridge Fund to the State Trunkline Fund (both reported as part of the State Trunkline Fund, a special revenue fund) for federal funds loaned for bridge construction.

### B. Discretely Presented Component Units

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

## NOTE 21 – INTERFUND COMMITMENTS

### A. Mackinac Bridge Authority

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

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

As of September 30, 2001, the Authority has repaid a total of $9.5 million of the advance from the Michigan Transportation Fund, leaving a balance of $53.5 million. No repayments have been made on the advance from the State Trunkline Fund.

## NOTE 22 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2001, consisted of the following (in millions):

| | Transferred To | | | | |
|---|---|---|---|---|---|
| Transferred From | General Fund | School Aid Fund | Non-major Governmental Funds | Fiduciary Funds | Total |
| General Fund | $ - | $ 385.2 | $ 351.0 | $ .7 | $ 737.0 |
| Budget Stabilization Fund | 270.0 | 32.0 | 35.0 | - | 337.0 |
| School Aid Fund | 2.9 | - | - | - | 2.9 |
| Non-major Governmental Funds | 176.6 | - | 1,157.7 | - | 1,334.3 |
| State Lottery Fund | 10.4 | 587.0 | - | - | 597.4 |
| Unemployment Compensation Funds | 2.6 | - | 10.3 | - | 12.9 |
| Non-major Enterprise Funds | 127.4 | - | - | - | 127.4 |
| Internal Service Funds | .2 | - | - | - | .2 |
| Fiduciary Funds | 37.0 | - | .6 | - | 37.6 |
| Total | $ 627.0 | $ 1,004.2 | $ 1,554.6 | $ .7 | $ 3,186.7 |

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

In the fiscal year ended September 30, 2001, the State recorded transfers for $270.0 million from the Counter-Cyclical Budget and Economic Stabilization Fund to the General Fund to subsidize lower than expected revenues. These transfers were made in accordance with statutory authority granted by the Legislature.

# NOTE 23 – FUND DEFICITS

## A. Primary Government

**Governmental Funds**

The Combined Recreation Bond Fund – Local Projects, a special revenue fund, had a fund balance deficit of $13.5 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued.

The Combined Recreation Bond Fund – State Projects, a capital projects fund, had a fund balance deficit of $1.6 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued.

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of $175.5 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of $95.4 million. The deficit was caused by amounts due to the Advance Financing Funds for reimbursable expenditures for which bond or commercial paper proceeds have not yet been received.

## B. Discretely Presented Component Units

All discretely presented component units have positive net asset balances as of September 30, 2001.

# NOTE 24 – FUND BALANCES

## A. Reservations - Primary Government

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

| | General | School Aid | Other Special Revenue | Capital Projects | Permanent | Total |
|---|---|---|---|---|---|---|
| Budgetary carry-forwards: | | | | | | |
| Encumbrances | $ 137.6 | $ .3 | $ 112.3 | $ - | $ 16.9 | $ 267.1 |
| Restricted revenues | 1,006.6 | 7.7 | 358.2 | - | - | 1,372.5 |
| Multi-year projects (capital outlay and work projects) | 308.1 | - | 251.6 | - | 30.8 | 590.4 |
| Construction and debt service | - | - | 35.9 | 15.5 | - | 51.4 |
| Revolving loan programs | 5.0 | - | 43.6 | - | - | 48.6 |
| Funds held as permanent investments | - | - | 109.5 | - | 382.9 | 492.4 |
| Noncurrent assets | 423.1 | 1.3 | 27.1 | - | - | 451.5 |
| Total Reserved Fund Balances | $ 1,880.5 | $ 9.3 | $ 938.1 | $ 15.5 | $ 430.6 | $ 3,274.0 |

Budgetary carry-forwards represent unused spending authorization that continues to be available in the new year. Restricted revenue carry-forwards include revenues restricted by law for specified purposes. The largest restricted revenue carry-forwards in the General Fund are related to Medicaid Benefits Trust, $420.9 million, and local government revenue sharing, $207.4 million. Beginning in 1996, encumbrances in multi-year projects are recorded in the reserve for encumbrances. Similar amounts in previous years had not been specifically identified, and were thus included in the broader reserve for multi-year projects. The $308.1 million of multi-year projects in the General Fund includes $139.1 million of capital outlay and $169.0 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

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

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

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

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

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

## B. Net Asset Designations - Primary Government

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

The State Sponsored Group Insurance Fund, an internal service fund, described in Note 27, designated $58.3 million for future catastrophic losses.

## NOTE 25 – DISAGGREGATION OF PAYABLES

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

| | General Fund | School Aid Fund | Non-major Govern-mental Funds | Other Funds | State Lottery Fund | Michigan Unemployment Compensation Funds | Liquor Purchase Revolving Fund | Total |
|---|---|---|---|---|---|---|---|---|
| Medicaid Programs | $ 451.5 | $ - | $ - | $ - | $ - | $ - | $ - | $ 451.5 |
| Non-Medicaid Health Programs | 180.1 | - | 3.5 | - | - | - | - | 183.6 |
| Family Independence Programs | 320.9 | - | .1 | - | - | - | - | 321.0 |
| Transportation Programs | - | - | 451.1 | - | - | - | - | 451.1 |
| School Aid Programs | - | 121.1 | - | - | - | - | - | 121.1 |
| Merit Award Scholarships | - | - | 101.4 | - | - | - | - | 101.4 |
| Payroll and Withholdings | 121.0 | - | 13.3 | - | .4 | - | .5 | 135.2 |
| Tax Refunds other than Income Tax | 155.0 | 4.1 | 7.2 | - | - | - | - | 166.4 |
| Unearned Receipts | 41.9 | - | 1.3 | - | - | - | - | 43.2 |
| Amounts Held for Others | 18.1 | - | 4.9 | - | .8 | - | - | 23.9 |
| Capital Project Related | - | - | 162.0 | - | - | - | - | 162.0 |
| Prize Awards | - | - | - | - | 148.4 | - | - | 148.4 |
| Liquor Purchase | - | - | - | - | - | - | 52.9 | 52.9 |
| Unemployment Payments | - | - | - | - | - | 17.3 | - | 17.3 |
| Internal Service Fund Liabilities | - | - | - | 35.1 | - | - | - | 35.1 |
| Due to Fiduciary Funds* | - | - | - | 15.1 | - | - | - | 15.1 |
| Miscellaneous | 313.5 | - | 102.8 | - | 5.2 | - | - | 421.5 |
| Total | $ 1,602.0 | $ 125.2 | $ 847.7 | $ 50.2 | $ 154.8 | $ 17.3 | $ 53.4 | $2,850.6 |

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

# NOTE 26 – CONTINGENCIES AND COMMITMENTS

## A. Primary Government

### Litigation

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

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

10th Judicial Circuit et al v State of Michigan et al: On August 22, 1994, the Ingham Circuit and Probate Courts, together with the 55th District Court, filed suits in the Court of Claims and Ingham County Circuit Court against the State of Michigan and Ingham County entitled, 30th Judicial Circuit et al v Governor et al for declaratory and injunctive relief, and for damages, due to the alleged failure of the State Court Administrative Office to properly calculate Ingham County's reimbursement under MCL 600.9947; MSA 27A.9947, the court funding statute. The 30th Judicial Circuit et al v Governor et al case has been dismissed by stipulation of the parties because the plaintiffs are raising the same claims as members of a class action captioned as 10th Judicial Circuit et al v State of Michigan et al (Saginaw Circuit Court No. 94-2936-AA-1/Court of Claims No. 94-15534-CM). Plaintiffs assert that the amount in controversy exceeds $5 million. The case is currently pending final class certification.

Durant et al v State of Michigan: On November 15, 2000, more than 365 Michigan school districts and individuals filed two suits in the Michigan Court of Appeals. The first suit, Durant et al v State et al, ("Durant III") asserts that the current State School Aid appropriation act, P.A. 297 of 2000, violates Michigan Constitution, Article 9, §§ 25-34 (the "Headlee Amendment"), because it allegedly transfers per pupil revenue guaranteed to school districts under the Constitution of 1963, Article 9, § 11, for unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, § 29. The plaintiffs in Durant III are seeking a monetary remedy, including approximately $1.7 billion for the 1999-2000 through 2002-2003 school years for the State's alleged underfunding of special education programs and services, inclusive of special education transportation services. The Durant III plaintiffs are also requesting a declaratory judgment that the State, through P.A. 297 of 2000, is violating Article 9, § 11, and Article 9, § 29. The Durant III plaintiffs further seek orders declaring that the State has failed, through P.A. 297 of 2000, to meet its constitutional duty to fund services and activities provided by the plaintiff school districts during school years 1999-2000 through 2002-2003 in the same proportion by which they were funded when the Headlee Amendment became effective, and that the State has reduced the State-financed proportion of necessary costs incurred by the plaintiff school districts for special education services for the 1999-2000 through 2002-2003 school years below that provided by the State when the Headlee Amendment became effective. The Durant III plaintiffs also seek an injunction permanently enjoining the State from making any future reductions below the levels of funding provided when the Headlee Amendment became effective to pay for the cost of the activities and services required of them by State law. They also seek attorneys' fees and costs of litigation.

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

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

Jefferson Smurfit Corporation v State of Michigan: On November 24, 1999, the Michigan Court of Claims in Jefferson Smurfit Corporation v State of Michigan, File No. 98-17140-CM, ruled that the site-based capital acquisition deduction in Michigan's single business tax act is unconstitutional. According to the Michigan Department of Treasury, the potential financial impact of this decision is approximately $261 million. The State has appealed the decision. On November 13, 2001, the Michigan Court of Appeals issued its opinion reversing the decision of the lower court and holding that the capital acquisition deduction did not violate constitutional provisions. It is anticipated that the taxpayers will seek reconsideration or will file their application for leave to appeal with the Michigan Supreme Court.

**Federal Grants**
The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. As of September 30, 2001, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

The Department of Community Health (DCH) administers the School Based Outreach Services Program to provide certain health services to school-aged children. A dispute arose between DCH and the U.S. Department of Health and Human Services (HHS) regarding costs which had been submitted to HHS for reimbursement. The dispute involved costs covering several years. In January 2002 the State and HHS negotiated an agreement to resolve the dispute. Although the U.S. Department of Justice must approve the settlement, the State views that action as a formality and has adjusted the accounting records at September 30, 2001, to reflect the impact of the settlement. In the event that the agreement is set aside, the State would again assert its claim for reimbursement for costs disallowed by HHS.

Federal sanctions that may result in a loss to the State include $47.5 million for the Food Stamp Program and $55.2 million for the Child Support Enforcement System.

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

In November 1998, the Attorney General joined 45 other states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling $220.6 billion over the next 25 years, and continues in perpetuity. Michigan's share of the settlement is expected to be $8.5 billion over the next 25 years starting in 1998 and $348.3 million thereafter, adjusted for inflation and other factors. The State also received $2.2 million, representing costs incurred to litigate the case. While Michigan's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in the payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear, therefore the financial statements only reflect amounts which can be reasonably estimated.

**Construction Projects**
As of September 30, 2001, several construction projects were in progress, with several others in the planning stages. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note 10).

The Department of Transportation has entered into construction contracts that will be paid with transportation related funds. As of September 30, 2001, the balances remaining in these contracts equated $583.2 million.

**Contingent Liability for Local School District Bonds**
Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 2001, the principal amount of qualified bonds outstanding was $11.1 billion. Total debt service requirements on these bonds including interest will approximate $972.0 million in 2002. The amount of loans by the State (related to local school district bonds qualified under this program), outstanding to local school districts as of September 30, 2001, is $410.0 million. Interest due on these loans as of September 30, 2001, is $78.8 million.

## B. Discretely Presented Component Units

**Student Loan Guarantees**
The Michigan Higher Education Assistance Authority (MHEAA) is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State, other than MHEAA, is not liable for these loans. MHEAA's default ratio is currently below 5% for the fiscal year ended September 30, 2001. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2001, is 100% for loans made prior to October 1, 1993, and 98% for loans made on or after October 1, 1993 to September 30, 1998. In the event of future adverse default experience, MHEAA could be liable for up to 25% of defaulted loans. Management does not expect that all guaranteed loans could default in one year. At the beginning of each fiscal year, MHEAA's reinsurance rate returns to 98%. In the event of future adverse default experience, MHEAA could be liable for up to 25% of such defaulted loans. Accordingly, MHEAA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 2001, is $639.8 million.

MHEAA entered into commitment agreements with all lenders that provide, among other things, that MHEAA will maintain cash and marketable securities. MHEAA was in compliance with this requirement as of September 30, 2001, at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended.

**Multi-Family Mortgage Loans**
As of June 30, 2001, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of $77.5 million and single-family mortgage loans in the amount of $21.0 million.

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

# NOTE 27 – RISK MANAGEMENT

## A. Primary Government

### General

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

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

For unemployment claims, the Unemployment Agency (UA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UA through September 30. During the 2000-2001 fiscal year, expenditures for payments to former State employees (not including university employees) totaled $5.4 million. The potential liability for future payments cannot be estimated.

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

### Risk Management Fund

This fund was established during fiscal year 1989-1990 to account for insurance management activities implemented within the Department of Management and Budget. The automotive liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of $6.5 million. This includes a long-term portion, which is recorded at $4.3 million.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2001 and 2000 are as follows (in millions):

| | 2001 | 2000 |
|---|---|---|
| Balance - beginning | $ 8.0 | $ 6.9 |
| Current year claims and changes in estimates | 1.2 | 1.8 |
| Claim payments | (2.6) | (.8) |
| Balance - ending | $ 6.5 | $ 8.0 |

### State Sponsored Group Insurance Fund

The Department of Management and Budget uses this fund to account for employee and retiree insurance benefit programs, which are largely self-funded. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $183.7 million. This includes a long-term portion which is recorded at a discounted present value of $84.0 million using a discount rate of 10.5% (first 10 years of disability), 9.0% (next 10 years), and 6.0% thereafter for claims incurred prior to January 1, 1992. Claims incurred in past years were discounted using rates as follows in the calculation of incurred but not reported claims: 1993 and 1994 used a rate of 6.0%, 1995 used a rate of 6.25%, 1996 and 1997 used a rate of 5.75%, and 1998 through 2001 used a rate of 5.25%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net assets has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was $58.3 million at September 30, 2001. Unrestricted net assets totaled $60.0 million at September 30, 2001.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee and retiree insurance benefit programs for the fiscal years ending September 30, 2001 and 2000 are as follows (in millions):

| | 2001 | 2000 |
|---|---|---|
| Balance - beginning | $ 184.0 | $ 173.7 |
| Current year claims and changes in estimates | 516.9 | 494.6 |
| Claim payments | (517.2) | (484.3) |
| Balance - ending | $ 183.7 | $ 184.0 |

## B. Discretely Presented Component Units

### State Universities

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

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

# NOTE 28 – SUBSEQUENT EVENTS

## A. Long-Term Borrowing

In October 2001, the State issued school loan bonds totaling $47.1 million to finance loans to school districts.

In October 2001, the State issued Clean Michigan Initiative bonds totaling $56.8 million. The bonds were part of the $675 million general obligation bond package authorized by the voters in 1998. The funds will be used primarily for environmental cleanup, water enhancement and protection, and infrastructure improvements at State parks.

STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Budget

# II FINANCIAL SECTION

## REQUIRED SUPPLEMENTARY INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE
### MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2001
(In Thousands)

| | GENERAL FUND | | | |
|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| Beginning budgetary fund balance | $ 1,739,887 | $ 1,739,887 | $ 1,739,887 | $ - |
| Resources (inflows): | | | | |
| General purpose revenues: | | | | |
| Taxes | 9,408,000 | 8,687,550 | 8,687,550 | - |
| Federal | 50,000 | 24,633 | 24,633 | - |
| Local | 1,000 | 1,767 | 1,767 | - |
| Licenses and permits | 24,000 | 23,502 | 23,502 | - |
| Services | 9,000 | 4,770 | 4,770 | - |
| Miscellaneous | 89,000 | 143,221 | 143,221 | - |
| Transfers in | 143,000 | 529,029 | 529,029 | - |
| Restricted revenues: | | | | |
| Taxes | 1,804,919 | 2,325,513 | 2,325,513 | - |
| Federal | 8,377,749 | 8,286,131 | 8,286,131 | - |
| Local | 1,054,974 | 1,260,283 | 1,260,283 | - |
| Licenses and permits | 230,467 | 196,230 | 196,230 | - |
| Services | 169,338 | 109,875 | 109,875 | - |
| Miscellaneous | 746,311 | 368,691 | 368,691 | - |
| Transfers in | 86,932 | 98,019 | 98,019 | - |
| Total revenue inflows | 22,194,689 | 22,059,213 | 22,059,213 | - |
| Amounts available for appropriation | 23,934,576 | 23,799,101 | 23,799,101 | - |
| Charges to appropriations (outflows): | | | | |
| Legislative Branch | 186,172 | 169,865 | 168,971 | 895 |
| Judicial Branch | 249,384 | 243,585 | 236,329 | 7,257 |
| Executive Branch: | | | | |
| Agriculture | 118,040 | 97,067 | 96,799 | 268 |
| Attorney General | 61,402 | 56,299 | 55,600 | 699 |
| Career Development | 531,316 | 446,978 | 446,825 | 152 |
| Civil Rights | 16,463 | 15,541 | 15,289 | 252 |
| Civil Service | 32,310 | 31,679 | 31,679 | - |
| Colleges and Universities Grants | 2,105,059 | 2,102,765 | 2,102,073 | 693 |
| Community Health | 8,497,159 | 8,985,614 | 8,981,466 | 4,148 |
| Consumer and Industry Services | 269,829 | 248,147 | 246,617 | 1,530 |
| Corrections | 1,735,059 | 1,699,812 | 1,692,214 | 7,598 |
| Education | 1,317,292 | 1,217,029 | 1,216,005 | 1,024 |
| Environmental Quality | 360,781 | 210,814 | 210,725 | 89 |
| Executive Office | 5,680 | 5,711 | 5,674 | 37 |
| Family Independence Agency | 3,644,929 | 3,660,366 | 3,657,224 | 3,142 |
| Management and Budget | 967,762 | 600,496 | 586,261 | 14,235 |
| Military and Veterans Affairs | 99,256 | 98,850 | 96,952 | 1,898 |
| Natural Resources | 134,457 | 119,503 | 114,551 | 4,952 |
| State | 196,743 | 188,996 | 185,850 | 3,145 |
| State Police | 423,085 | 439,257 | 430,227 | 9,030 |
| Transportation | 32,663 | 17,160 | 17,160 | - |
| Treasury | 1,989,351 | 2,474,912 | 2,468,914 | 5,998 |
| Intrafund expenditure reimbursements | - | (673,758) | (673,758) | - |
| Total charges to appropriations | 22,974,191 | 22,456,688 | 22,389,647 | 67,041 |
| Reconciling Items: | | | | |
| Encumbrances at September 30 | - | 137,626 | 137,626 | - |
| Change in noncurrent assets: | - | (61,680) | (61,680) | - |
| Net Reconciling Items | - | 75,945 | 75,945 | - |
| Ending budgetary fund balance | $ 960,385 | $ 1,418,358 | $ 1,485,399 | $ 67,041 |

# II FINANCIAL SECTION

## REQUIRED SUPPLEMENTARY INFORMATION

| COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND | | | | SCHOOL AID FUND | | | |
|---|---|---|---|---|---|---|---|
| ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| $ 1,264,434 | $ 1,264,434 | $ 1,264,434 | $ - | $ 983,899 | $ 983,899 | $ 983,899 | $ - |
| - | - | - | - | 9,749,200 | 9,407,071 | 9,407,071 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 77,700 | 66,736 | 66,736 | - | - | 117,380 | 117,380 | - |
| - | - | - | - | 856,903 | 839,551 | 839,551 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 145,000 | 148,627 | 148,627 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 172,697 | 164,686 | 164,686 | - |
| 77,700 | 66,736 | 66,736 | - | 10,923,800 | 10,677,315 | 10,677,315 | - |
| 1,342,134 | 1,331,170 | 1,331,170 | - | 11,907,699 | 11,661,214 | 11,661,214 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 11,052,915 | 11,011,494 | 10,959,167 | 52,327 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 67,000 | 336,983 | 336,983 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 67,000 | 336,983 | 336,983 | - | 11,052,915 | 11,011,494 | 10,959,167 | 52,327 |
| - | - | - | - | - | 334 | 334 | - |
| - | - | - | - | - | 480 | 480 | - |
| - | - | - | - | - | 814 | 814 | - |
| $ 1,275,134 | $ 994,187 | $ 994,187 | $ - | $ 854,784 | $ 650,533 | $ 702,861 | $ 52,327 |

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE
### BUDGET-TO-GAAP RECONCILIATION
SEPTEMBER 30, 2001
(In Thousands)

| | GENERAL FUND | COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND | SCHOOL AID FUND |
|---|---|---|---|
| **Sources/inflows of resources** | | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | $ 23,799,101 | $ 1,331,170 | $ 11,661,214 |
| 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. | (1,739,887) | (1,264,434) | (983,899) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (627,049) | - | (1,004,237) |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. | $ 21,432,165 | $ 66,736 | $ 9,673,078 |
| **Uses/outflows of resources** | | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule. | $ 22,389,647 | $ 336,983 | $ 10,959,167 |
| Differences - budget to GAAP: | | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | (137,626) | - | (334) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (736,981) | (336,983) | (2,889) |
| Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP. | 23,014 | - | - |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. | $ 21,538,055 | $ - | $ 10,955,944 |

## Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

**Statutory/Budgetary Presentation**

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

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

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

The budgetary comparison schedule presented for the General Fund, the Budget Stabilization Fund, and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2000-2001, as well as the actual resource inflows, outflows and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2000, and includes encumbrance and multi-year projects budgetary carry-forwards from the prior fiscal year.

The budgetary fund balance represents total fund balance, net of reserves for noncurrent assets. Reserves for noncurrent assets do not represent current financial resources available for appropriation and are removed for budgetary purposes.

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

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

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

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

**Statutory/Budgetary Reconciliation**

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

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

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

## Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,300 lane miles of roads and approximately 5,700 bridges that the State is responsible to maintain.

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

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

### Roads

**Measurement Scale**

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

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

**Established Condition Level**

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

**Assessed Conditions**

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

| Rating | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|
| Good | 78% | 75% | 73% | 69% | 64% |
| Poor | 22% | 25% | 27% | 31% | 36% |

## Bridges

**Measurement Scale**
MDOT utilizes the National Bridge Inventory to monitor the condition of the 5,679 bridges under its jurisdiction. The Inventory rates bridges, including the deck, superstructure and substructure, using a 10-point scale:

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

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

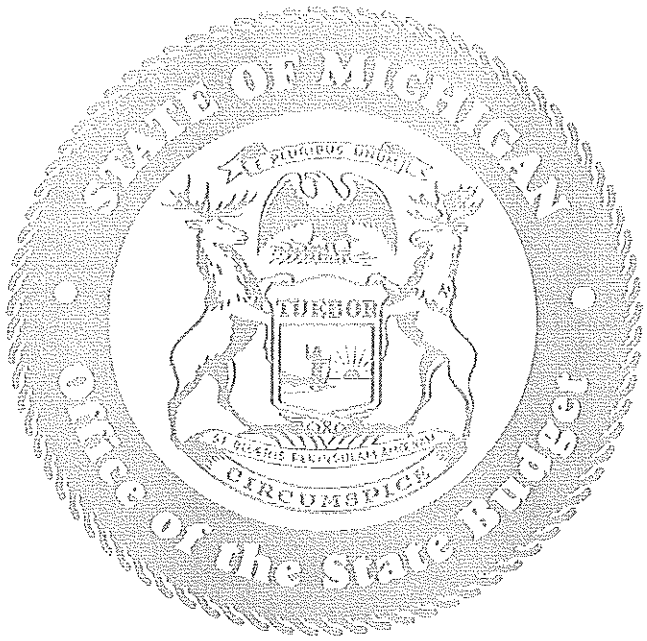
**Assessed Conditions**
"Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements (e.g. the deck, superstructure, or substructure). The following table reports the percentage of bridges whose condition was assessed as "structurally deficient",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

| Calendar Year | Structurally Deficient |
|---|---|
| 2000 | 22.5% |
| 1999 | 18.9% |
| 1998 | 19.2% |
| 1997 | 16.7% |
| 1996 | 17.4% |

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

| Fiscal Year | Estimated Spending | Actual Spending |
|---|---|---|
| 2001-2002 | $993.3 | - |
| 2000-2001 | $984.3 | $915.2 |
| 1999-2000 | $817.4 | $895.3 |
| 1998-1999 | $831.8 | $822.0 |
| 1997-1998 | $688.1 | $693.5 |
| 1996-1997 | $634.0 | $630.4 |

The budgeting process utilized by the Department of Transportation results in spending in one fiscal year from amounts that were budgeted in a previous year(s). Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past five years, the State spending has been in line with the budgeted amounts and the other tables contained within this narrative demonstrate that the State has met its desired condition levels.


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Budget

# II FINANCIAL SECTION

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

**BALANCE SHEET**
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**
SEPTEMBER 30, 2001
(In Thousands)

| | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | PERMANENT FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash | $ 716 | $ 4,611 | $ - | $ - | $ 5,327 |
| Equity in common cash | 1,934,673 | 5,786 | 2,265 | 77,259 | 2,019,983 |
| Taxes, interest, and penalties receivable | 120,856 | - | - | - | 120,856 |
| Amounts due from other funds | 65,374 | 102 | 126,685 | - | 192,161 |
| Amounts due from component units | 1,318 | - | 14,381 | - | 15,699 |
| Amounts due from federal agencies | 201,180 | - | 2,353 | - | 203,533 |
| Amounts due from local units | 40,578 | - | 11,957 | 114 | 52,649 |
| Inventories | 8,155 | - | - | - | 8,155 |
| Investments | - | 265,316 | 30,995 | - | 296,311 |
| Other current assets | 110,011 | 833 | 6,793 | 13,202 | 130,838 |
| Total Current Assets | 2,482,860 | 276,648 | 195,430 | 90,575 | 3,045,512 |
| Taxes, interest, and penalties receivable | 6,347 | - | - | - | 6,347 |
| Advances to other funds | 26,442 | - | - | - | 26,442 |
| Amounts due from local units | 44,767 | - | - | - | 44,767 |
| Investments | 83,212 | 48,099 | - | 392,009 | 523,320 |
| Other noncurrent assets | 8,693 | - | - | - | 8,693 |
| Total Assets | $ 2,652,321 | $ 324,747 | $ 195,430 | $ 482,583 | $ 3,655,081 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Current Liabilities: | | | | | |
| Warrants outstanding | $ 18,555 | $ - | $ 4,268 | $ 939 | $ 23,762 |
| Accounts payable and other liabilities | 670,220 | 4,700 | 162,982 | 9,812 | 847,715 |
| Amounts due to other funds | 74,410 | 1,326 | 300,166 | 13 | 375,916 |
| Amounts due to component units | - | - | - | 159 | 159 |
| Interest payable | - | - | 478 | - | 478 |
| Deferred revenue | 126,342 | - | - | - | 126,342 |
| Total Current Liabilities | 889,527 | 6,027 | 467,895 | 10,923 | 1,374,371 |
| Long-Term Liabilities: | | | | | |
| Advances from other funds | 26,442 | - | - | - | 26,442 |
| Deferred revenue | 25,169 | - | - | - | 25,169 |
| Total Liabilities | 941,138 | 6,027 | 467,895 | 10,923 | 1,425,982 |
| Fund Balances: | | | | | |
| Reserved fund balance | 938,133 | - | 15,494 | 430,579 | 1,384,205 |
| Unreserved fund balance (deficit) | 773,050 | 318,721 | (287,958) | 41,082 | 844,894 |
| Total Fund Balances | 1,711,183 | 318,721 | (272,464) | 471,660 | 2,229,100 |
| Total Liabilities and Fund Balances | $ 2,652,321 | $ 324,747 | $ 195,430 | $ 482,583 | $ 3,655,081 |

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | PERMANENT FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 1,984,890 | $ - | $ - | $ - | $ 1,984,890 |
| From federal agencies | 1,106,963 | - | 5,763 | 781 | 1,113,507 |
| From local agencies | 121,320 | - | - | - | 121,320 |
| From services | 700 | - | - | - | 700 |
| From licenses and permits | 171,923 | - | - | - | 171,923 |
| Miscellaneous | 585,254 | 20,764 | 10,426 | 99,158 | 715,601 |
| Total Revenues | 3,971,050 | 20,764 | 16,189 | 99,940 | 4,107,942 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 144,302 | 1,054 | 6,404 | - | 151,760 |
| Education | 88,408 | 2,244 | 198,569 | - | 289,222 |
| Family independence services | - | - | - | 2,590 | 2,590 |
| Public safety and corrections | 24 | - | - | 3,866 | 3,890 |
| Conservation, environment, recreation, and agriculture | 255,157 | - | - | 18,576 | 273,733 |
| Labor, commerce, and regulatory | 196,905 | - | - | - | 196,905 |
| Health services | 47,268 | - | - | - | 47,268 |
| Transportation | 2,058,191 | 293 | - | - | 2,058,484 |
| Capital outlay | 1,199,012 | - | 245,361 | 19,626 | 1,463,998 |
| Debt service: | | | | | |
| Bond principal retirement | - | 219,552 | - | - | 219,552 |
| Bond interest and fiscal charges | 2,219 | 199,761 | - | - | 201,980 |
| Capital lease payments | 1,057 | - | - | - | 1,057 |
| Total Expenditures | 3,992,543 | 422,905 | 450,334 | 44,658 | 4,910,440 |
| Excess of Revenues over (under) Expenditures | (21,493) | (402,141) | (434,145) | 55,282 | (802,498) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Bonds and notes issued | 849,999 | - | 373,550 | - | 1,223,549 |
| Premium on bond issuance | 4,203 | 27,716 | 12,454 | - | 44,373 |
| Refunding bonds issued | 37 | 630,775 | - | - | 630,812 |
| Payment to refunded bond escrow agent | - | (698,723) | - | - | (698,723) |
| Extinguishment of commercial paper | - | - | (40,680) | - | (40,680) |
| Transfers from other funds | 1,052,798 | 473,555 | 18,224 | 10,053 | 1,554,629 |
| Transfers to other funds | (1,272,299) | (4,283) | (47,635) | (10,121) | (1,334,338) |
| Total Other Financing Sources (Uses) | 634,739 | 429,039 | 315,913 | (69) | 1,379,623 |
| Excess of Revenues and Other Sources over (under) Expenditures Other Uses | 613,246 | 26,898 | (118,232) | 55,213 | 577,125 |
| Fund Balances - Beginning of fiscal year - restated | 1,097,937 | 291,822 | (154,232) | 416,447 | 1,651,975 |
| Fund Balances - End of fiscal year | $ 1,711,183 | $ 318,721 | $ (272,464) | $ 471,660 | $ 2,229,100 |

**BALANCE SHEET**
**SPECIAL REVENUE FUNDS - BY CLASSIFICATION**
SEPTEMBER 30, 2001
(In Thousands)

| | TRANSPORTATION RELATED | CONSERVATION, ENVIRONMENT, AND RECREATION RELATED | REGULATORY AND ADMINISTRATIVE RELATED |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash | $ 394 | $ 319 | $ 3 |
| Equity in common cash | 1,181,848 | 348,746 | 78,052 |
| Taxes, interest, and penalties receivable | 114,943 | 5,913 | - |
| Amounts due from other funds | 64,374 | 1,000 | - |
| Amounts due from component units | 1,318 | - | - |
| Amounts due from federal agencies | 188,973 | 928 | 11,279 |
| Amounts due from local units | 39,285 | 1,286 | - |
| Inventories | 8,079 | 76 | - |
| Other current assets | 11,576 | 11,729 | 1,333 |
| Total Current Assets | 1,610,791 | 369,997 | 90,666 |
| Taxes, interest, and penalties receivable | 6,347 | - | - |
| Advances to other funds | 26,442 | - | - |
| Amounts due from local units | 40,301 | 4,467 | - |
| Investments | - | 83,212 | - |
| Other noncurrent assets | 6,870 | 674 | - |
| Total Assets | $ 1,690,750 | $ 458,349 | $ 90,666 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Current Liabilities: | | | |
| Warrants outstanding | $ 12,982 | $ 2,618 | $ 2,317 |
| Accounts payable and other liabilities | 468,968 | 75,976 | 16,001 |
| Amounts due to other funds | 66,299 | 6,632 | 1,478 |
| Deferred revenue | 28,212 | 1,330 | 11,464 |
| Total Current Liabilities | 576,461 | 86,556 | 31,260 |
| Long-Term Liabilities: | | | |
| Advances from other funds | 26,442 | - | - |
| Deferred revenue | 24,486 | 674 | - |
| Total Liabilities | 627,389 | 87,230 | 31,260 |
| Fund Balances: | | | |
| Reserves for: | | | |
| Budgetary carry-forwards: | | | |
| Encumbrances | 70,267 | 18,464 | 174 |
| Restricted revenues | 216,691 | 131,705 | 9,766 |
| Multi-year projects | 136,990 | 82,211 | 645 |
| Construction and debt service | 35,902 | - | - |
| Revolving loan programs | 38,146 | 5,456 | - |
| Funds held as permanent investments | - | 109,483 | - |
| Noncurrent assets | 25,985 | - | - |
| Total Reserved | 523,982 | 347,318 | 10,585 |
| Unreserved | 539,379 | 23,801 | 48,821 |
| Total Fund Balances | 1,063,361 | 371,119 | 59,407 |
| Total Liabilities and Fund Balances | $ 1,690,750 | $ 458,349 | $ 90,666 |

| OTHER STATE FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|
| $ - | $ 716 |
| 326,026 | 1,934,673 |
| - | 120,856 |
| - | 65,374 |
| - | 1,318 |
| - | 201,180 |
| 6 | 40,578 |
| - | 8,155 |
| 85,373 | 110,011 |
| 411,406 | 2,482,860 |
| - | 6,347 |
| - | 26,442 |
| - | 44,767 |
| - | 83,212 |
| 1,150 | 8,693 |
| $ 412,556 | $ 2,652,321 |
| $ 638 | $ 18,555 |
| 109,276 | 670,220 |
| 1 | 74,410 |
| 85,336 | 126,342 |
| 195,251 | 889,527 |
| - | 26,442 |
| 9 | 25,169 |
| 195,260 | 941,138 |
| 23,356 | 112,261 |
| - | 358,162 |
| 31,741 | 251,587 |
| - | 35,902 |
| - | 43,602 |
| - | 109,483 |
| 1,150 | 27,136 |
| 56,248 | 938,133 |
| 161,049 | 773,050 |
| 217,297 | 1,711,183 |
| $ 412,556 | $ 2,652,321 |

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**SPECIAL REVENUE FUNDS - BY CLASSIFICATION**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | TRANSPORTATION RELATED | CONSERVATION, ENVIRONMENT, AND RECREATION RELATED | REGULATORY AND ADMINISTRATIVE RELATED |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ 1,925,948 | $ 58,942 | $ - |
| From federal agencies | 988,275 | 3,150 | 115,538 |
| From local agencies | 121,320 | - | - |
| From services | 697 | - | 4 |
| From licenses and permits | 74,141 | 86,159 | 11,623 |
| Miscellaneous | 67,722 | 98,285 | 77,520 |
| Total Revenues | 3,178,102 | 246,537 | 204,684 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | 477 | 13,185 |
| Education | - | - | - |
| Public safety and corrections | - | - | - |
| Conservation, environment, recreation, and agriculture | - | 255,157 | - |
| Labor, commerce, and regulatory | - | - | 171,904 |
| Health services | - | 1,391 | - |
| Transportation | 2,058,191 | - | - |
| Capital outlay | 1,190,103 | 8,909 | - |
| Debt service: | | | |
| Bond interest and fiscal charges | - | - | - |
| Capital lease payments | 463 | - | 594 |
| Total Expenditures | 3,248,757 | 265,934 | 185,684 |
| Excess of Revenues over (under) Expenditures | (70,655) | (19,397) | 19,001 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds and notes issued | 708,200 | 60,499 | - |
| Premium on bond issuance | 3,901 | - | - |
| Refunding bonds issued | - | - | - |
| Transfers from other funds | 994,582 | 47,408 | 10,808 |
| Transfers to other funds | (1,091,740) | (90,532) | (4,216) |
| Total Other Financing Sources (Uses) | 614,943 | 17,376 | 6,591 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 544,288 | (2,022) | 25,592 |
| Fund Balances - Beginning of fiscal year - restated | 519,072 | 373,141 | 33,815 |
| Fund Balances - End of fiscal year | $ 1,063,361 | $ 371,119 | $ 59,407 |

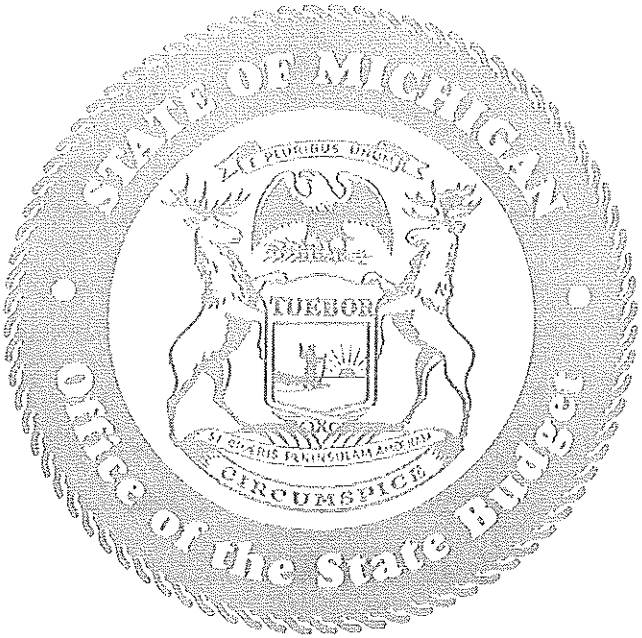
| OTHER STATE FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|
| $ - | $ 1,984,890 |
| - | 1,106,963 |
| - | 121,320 |
| - | 700 |
| - | 171,923 |
| 341,726 | 585,254 |
| 341,726 | 3,971,050 |
| 130,639 | 144,302 |
| 88,408 | 88,408 |
| 24 | 24 |
| - | 255,157 |
| 25,001 | 196,905 |
| 45,876 | 47,268 |
| - | 2,058,191 |
| - | 1,199,012 |
| 2,219 | 2,219 |
| - | 1,057 |
| 292,167 | 3,992,543 |
| 49,559 | (21,493) |
| 81,300 | 849,999 |
| 301 | 4,203 |
| 37 | 37 |
| - | 1,052,798 |
| (85,810) | (1,272,299) |
| (4,172) | 634,739 |
| 45,387 | 613,246 |
| 171,909 | 1,097,937 |
| $ 217,297 | $ 1,711,183 |

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

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | TRANSPORTATION RELATED | | | CONSERVATION, ENVIRONMENT, AND RECREATION RELATED | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| Taxes | $ 1,925,948 | $ 1,925,948 | $ - | $ 447 | $ 447 | $ - |
| From federal agencies | 773,730 | 773,730 | - | 3,150 | 3,150 | - |
| From local agencies | 57,711 | 57,711 | - | - | - | - |
| From services | 697 | 697 | - | - | - | - |
| From licenses and permits | 74,141 | 74,141 | - | 86,159 | 86,159 | - |
| Miscellaneous | 62,497 | 62,497 | - | 30,795 | 30,795 | - |
| Transfers in | 988,252 | 988,252 | - | 26,806 | 26,806 | - |
| Total Revenues and Other Sources | 3,882,976 | 3,882,976 | - | 147,358 | 147,358 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Career Development | - | - | - | - | - | - |
| Colleges and Universities Grants | - | - | - | - | - | - |
| Community Health | - | - | - | - | - | - |
| Consumer and Industry Services | - | - | - | - | - | - |
| Management and Budget | - | - | - | - | - | - |
| Natural Resources | - | - | - | 177,584 | 160,844 | 16,740 |
| Transportation | 4,071,008 | 3,904,012 | 166,996 | - | - | - |
| Treasury | - | - | - | - | - | - |
| Total Expenditures, Transfers Out, and Encumbrances | 4,071,008 | 3,904,012 | 166,996 | 177,584 | 160,844 | 16,740 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (188,032) | (21,036) | $ 166,996 | $ (30,225) | (13,485) | $ 16,740 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 70,267 | | | 14,138 | |
| Funds not annually budgeted | | 495,057 | | | (2,674) | |
| Net Reconciling Items | | 565,325 | | | 11,464 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | 544,288 | | | (2,022) | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | 519,072 | | | 373,141 | |
| Ending balances (GAAP Basis) | | $ 1,063,361 | | | $ 371,119 | |

| REGULATORY AND ADMINISTRATIVE RELATED | | | OTHER STATE FUNDS | | | TOTALS | | |
|---|---|---|---|---|---|---|---|---|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 1,926,395 | $ 1,926,395 | $ - |
| 115,538 | 115,538 | - | - | - | - | 892,418 | 892,418 | - |
| - | - | - | - | - | - | 57,711 | 57,711 | - |
| 4 | 4 | - | - | - | - | 700 | 700 | - |
| 11,623 | 11,623 | - | - | - | - | 171,923 | 171,923 | - |
| 35,167 | 35,167 | - | 280,737 | 280,737 | - | 409,196 | 409,196 | - |
| 10,303 | 10,303 | - | - | - | - | 1,025,361 | 1,025,361 | - |
| 172,634 | 172,634 | - | 280,737 | 280,737 | - | 4,483,705 | 4,483,705 | - |
| - | - | - | 34,213 | 34,213 | - | 34,213 | 34,213 | - |
| - | - | - | 127,853 | 88,408 | 39,445 | 127,853 | 88,408 | 39,445 |
| - | - | - | 94,289 | 59,916 | 34,373 | 94,289 | 59,916 | 34,373 |
| 144,513 | 143,503 | 1,010 | - | - | - | 144,513 | 143,503 | 1,010 |
| - | - | - | 50,000 | 50,000 | - | 50,000 | 50,000 | - |
| - | - | - | - | - | - | 177,584 | 160,844 | 16,740 |
| - | - | - | - | - | - | 4,071,008 | 3,904,012 | 166,996 |
| 16,894 | 14,965 | 1,929 | 49,866 | 40,310 | 9,556 | 66,760 | 55,275 | 11,485 |
| 161,406 | 158,467 | 2,939 | 356,221 | 272,848 | 83,373 | 4,766,218 | 4,496,171 | 270,047 |
| $ 11,228 | 14,167 | $ 2,939 | $ (75,484) | 7,889 | $ 83,373 | $ (282,513) | (12,466) | $ 270,047 |
| | 174 | | | 23,356 | | | 107,935 | |
| | 11,251 | | | 14,142 | | | 517,777 | |
| | 11,425 | | | 37,498 | | | 625,712 | |
| | 25,592 | | | 45,387 | | | 613,246 | |
| | 33,815 | | | 171,909 | | | 1,097,937 | |
| | $ 59,407 | | | $ 217,297 | | | $ 1,711,183 | |


STATE OF MICHIGAN
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Office of the State Budget

# SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

## STATE AERONAUTICS FUND

Established pursuant to P.A. 327 of 1945, as amended, this fund accounts for airport improvement projects. Financing consists primarily of aviation fuel taxes and federal and local contributions. Although subject to change in the future, annual appropriation acts have allowed any unobligated and unexpended balance at fiscal year-end to lapse and revert to the fund for appropriation in the following year.

## STATE TRUNKLINE FUND

Established pursuant to Section 11 of P.A. 51 of 1951, as amended, this fund accounts for highway construction and maintenance. Its annual budget is subject to legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of federal aid, local participation, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. Although subject to change in the future, annual appropriation acts have allowed for any fund balance not otherwise reserved at fiscal year-end to be reserved for road and bridge construction.

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund. A portion of the receivables and payables between the State Trunkline Fund and the Blue Water Bridge Fund are classified as current and are presented as "Amounts due from other funds" and "Amounts due to other funds". The remainder is classified as long-term "Advances from other funds" and "Advances to other funds" because repayment will not occur within the next 12 months.

## MICHIGAN TRANSPORTATION FUND

Established pursuant to Section 10 of P.A. 51 of 1951, as amended, this fund accounts for the receipt and distribution of several tax revenues dedicated for highway purposes. Transfers are made to the General Fund, State Trunkline Fund, and the Comprehensive Transportation Fund. Expenditures include grants to counties, cities, and villages for highway purposes.

## COMPREHENSIVE TRANSPORTATION FUND

This fund operates under Section 10(b) of P.A. 51 of 1951, as amended, and accounts for the planning and development of public transportation systems within the State. Federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund provide financing for expenditures. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the fund for appropriation in the following year.

## COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

Established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, this fund accounts for the proceeds of State trunkline revenue dedicated bonds. These bonds are used in part to finance the costs of road and bridge construction.

## COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

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

## TRANSPORTATION RELATED TRUST FUNDS

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

**COMBINING BALANCE SHEET**
**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
SEPTEMBER 30, 2001
(In Thousands)

| | STATE AERONAUTICS FUND | STATE TRUNKLINE FUND | MICHIGAN TRANSPORTATION FUND | COMPREHENSIVE TRANSPORTATION FUND |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ 5 | $ 326 | $ - | $ 1 |
| Equity in common cash | 11,082 | 397,287 | 181,976 | 69,653 |
| Taxes, interest, and penalties receivable | 535 | - | 114,409 | - |
| Amounts due from other funds | - | 47,544 | - | 12,090 |
| Amounts due from component units | - | 1,318 | - | - |
| Amounts due from federal agencies | 21,797 | 99,224 | - | 12,754 |
| Amounts due from local units | 3,751 | 20,754 | - | 344 |
| Inventories | - | 8,079 | - | - |
| Other current assets | 40 | 6,465 | 4,614 | 133 |
| Total Current Assets | 37,211 | 580,997 | 300,999 | 94,975 |
| Taxes, interest, and penalties receivable | - | - | 6,347 | - |
| Advances to other funds | - | 26,442 | - | - |
| Amounts due from local units | 974 | 37,173 | - | 2,154 |
| Other noncurrent assets | - | 3,935 | - | 2,935 |
| Total Assets | $ 38,184 | $ 648,547 | $ 307,345 | $ 100,064 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | $ 891 | $ 6,790 | $ 1,430 | $ 876 |
| Accounts payable and other liabilities | 14,274 | 143,165 | 232,969 | 22,011 |
| Amounts due to other funds | 26 | 6,330 | 54,634 | 41 |
| Deferred revenue | 5,092 | 3,621 | 11,966 | - |
| Total Current Liabilities | 20,283 | 159,907 | 300,999 | 22,927 |
| Long-Term Liabilities: | | | | |
| Advances from other funds | - | 26,442 | - | - |
| Deferred revenue | - | 15,205 | 6,347 | 2,935 |
| Total Liabilities | 20,283 | 201,553 | 307,345 | 25,862 |
| Fund Balances: | | | | |
| Reserves for: | | | | |
| Budgetary carry-forwards: | | | | |
| Encumbrances | 2,940 | 28,948 | - | 38,379 |
| Restricted revenues | 154 | 209,164 | - | 7,373 |
| Multi-year projects | 11,742 | 125,248 | - | - |
| Construction and debt service | - | 35,902 | - | - |
| Revolving loan programs | 2,200 | 21,746 | - | 14,200 |
| Noncurrent assets | - | 25,985 | - | - |
| Total Reserved | 17,036 | 446,993 | - | 59,952 |
| Unreserved | 865 | - | - | 14,250 |
| Total Fund Balances | 17,901 | 446,993 | - | 74,202 |
| Total Liabilities and Fund Balances | $ 38,184 | $ 648,547 | $ 307,345 | $ 100,064 |

| COMBINED STATE TRUNKLINE BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | TRANSPORTATION RELATED TRUST FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ - | $ 62 | $ 394 |
| 514,108 | 7,742 | - | 1,181,848 |
| - | - | - | 114,943 |
| 4,740 | - | - | 64,374 |
| - | - | - | 1,318 |
| 23,078 | - | 32,119 | 188,973 |
| 1,874 | - | 12,562 | 39,285 |
| - | - | - | 8,079 |
| 4 | - | 319 | 11,576 |
| 543,805 | 7,742 | 45,062 | 1,610,791 |
| - | - | - | 6,347 |
| - | - | - | 26,442 |
| - | - | - | 40,301 |
| - | - | - | 6,870 |
| $ 543,805 | $ 7,742 | $ 45,062 | $ 1,690,750 |
| $ 1,499 | $ 2 | $ 1,494 | $ 12,982 |
| 24,200 | 612 | 31,735 | 468,968 |
| - | - | 5,268 | 66,299 |
| 969 | - | 6,565 | 28,212 |
| 26,669 | 614 | 45,062 | 576,461 |
| - | - | - | 26,442 |
| - | - | - | 24,486 |
| 26,669 | 614 | 45,062 | 627,389 |
| - | - | - | 70,267 |
| - | - | - | 216,691 |
| - | - | - | 136,990 |
| - | - | - | 35,902 |
| - | - | - | 38,146 |
| - | - | - | 25,985 |
| - | - | - | 523,982 |
| 517,136 | 7,128 | - | 539,379 |
| 517,136 | 7,128 | - | 1,063,361 |
| $ 543,805 | $ 7,742 | $ 45,062 | $ 1,690,750 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | STATE AERONAUTICS FUND | STATE TRUNKLINE FUND | MICHIGAN TRANSPORTATION FUND | COMPREHENSIVE TRANSPORTATION FUND |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 6,706 | $ - | $ 1,845,514 | $ 73,728 |
| From federal agencies | 86,647 | 655,096 | - | 31,987 |
| From local agencies | 21,440 | 36,205 | - | 65 |
| From services | 697 | - | - | - |
| From licenses and permits | 314 | 18,898 | 54,671 | 258 |
| Miscellaneous | 847 | 45,967 | 11,366 | 4,317 |
| Total Revenues | 116,651 | 756,167 | 1,911,550 | 110,356 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Transportation | 131,634 | 504,645 | 914,782 | 257,340 |
| Capital outlay | - | 938,164 | - | - |
| Debt service: | | | | |
| Capital lease payments | - | 463 | - | - |
| Total Expenditures | 131,634 | 1,443,272 | 914,782 | 257,340 |
| Excess of Revenues over (under) Expenditures | (14,984) | (687,105) | 996,768 | (146,984) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Bonds and notes issued | - | - | - | - |
| Premium on bond issuance | - | - | - | - |
| Transfers from other funds | 17,160 | 808,802 | 1,990 | 160,300 |
| Transfers to other funds | (265) | (63,913) | (998,758) | (23,781) |
| Total Other Financing Sources (Uses) | 16,895 | 744,889 | (996,768) | 136,519 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 1,912 | 57,784 | - | (10,465) |
| Fund Balances - Beginning of fiscal year - restated | 15,990 | 389,209 | - | 84,667 |
| Fund Balances - End of fiscal year | $ 17,901 | $ 446,993 | $ - | $ 74,202 |

| COMBINED STATE TRUNKLINE BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | TRANSPORTATION RELATED TRUST FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ - | $ - | $ 1,925,948 |
| 31,312 | - | 183,232 | 988,275 |
| 8,516 | - | 55,093 | 121,320 |
| - | - | - | 697 |
| - | - | - | 74,141 |
| 4,615 | 609 | - | 67,722 |
| 44,444 | 609 | 238,325 | 3,178,102 |
| - | 5,173 | 244,617 | 2,058,191 |
| 251,939 | - | - | 1,190,103 |
| - | - | - | 463 |
| 251,939 | 5,173 | 244,617 | 3,248,757 |
| (207,496) | (4,563) | (6,291) | (70,655) |
| 708,200 | - | - | 708,200 |
| 3,901 | - | - | 3,901 |
| 31 | - | 6,300 | 994,582 |
| (5,013) | (3) | (8) | (1,091,740) |
| 707,119 | (3) | 6,291 | 614,943 |
| 499,624 | (4,566) | - | 544,288 |
| 17,512 | 11,694 | - | 519,072 |
| $ 517,136 | $ 7,128 | $ - | $ 1,063,361 |

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | STATE AERONAUTICS FUND | | |
|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | |
| Taxes | $ 6,706 | $ 6,706 | $ - |
| From federal agencies | 86,647 | 86,647 | - |
| From local agencies | 21,440 | 21,440 | - |
| From services | 697 | 697 | - |
| From licenses and permits | 314 | 314 | - |
| Miscellaneous | 847 | 847 | - |
| Transfers in | 17,160 | 17,160 | - |
| Total Revenues and Other Sources | 133,811 | 133,811 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | |
| Transportation | 136,847 | 134,839 | 2,008 |
| Total Expenditures, Transfers Out, and Encumbrances | 136,847 | 134,839 | 2,008 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (3,037) | (1,029) | $ 2,008 |
| Reconciling Items: | | | |
| Encumbrances at September 30 | | 2,940 | |
| Funds not annually budgeted | | - | |
| Net Reconciling Items | | 2,940 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | 1,912 | |
| **FUND BALANCES (GAAP BASIS)** | | | |
| Beginning balances - restated | | 15,990 | |
| Ending balances (GAAP Basis) | | $ 17,901 | |

| STATE TRUNKLINE FUND | | | MICHIGAN TRANSPORTATION FUND | | |
|---|---|---|---|---|---|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ 1,845,514 | $ 1,845,514 | $ - |
| 655,096 | 655,096 | - | - | - | - |
| 36,205 | 36,205 | - | - | - | - |
| - | - | - | - | - | - |
| 18,898 | 18,898 | - | 54,671 | 54,671 | - |
| 45,967 | 45,967 | - | 11,366 | 11,366 | - |
| 808,802 | 808,802 | - | 1,990 | 1,990 | - |
| 1,564,969 | 1,564,969 | - | 1,913,540 | 1,913,540 | - |
| 1,664,046 | 1,536,133 | 127,913 | 1,935,747 | 1,913,540 | 22,207 |
| 1,664,046 | 1,536,133 | 127,913 | 1,935,747 | 1,913,540 | 22,207 |
| $ (99,077) | 28,836 | $ 127,913 | $ (22,207) | - | $ 22,207 |
| | 28,948 | | | - | |
| | - | | | - | |
| | 28,948 | | | - | |
| | 57,784 | | | - | |
| | 389,209 | | | - | |
| | $ 446,993 | | | $ - | |

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | COMPREHENSIVE TRANSPORTATION FUND | | |
|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | |
| Taxes | $ 73,728 | $ 73,728 | $ - |
| From federal agencies | 31,987 | 31,987 | - |
| From local agencies | 65 | 65 | - |
| From services | - | - | - |
| From licenses and permits | 258 | 258 | - |
| Miscellaneous | 4,317 | 4,317 | - |
| Transfers in | 160,300 | 160,300 | - |
| Total Revenues and Other Sources | 270,656 | 270,656 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | |
| Transportation | 334,368 | 319,500 | 14,868 |
| Total Expenditures, Transfers Out, and Encumbrances | 334,368 | 319,500 | 14,868 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (63,712) | (48,844) | $ 14,868 |
| Reconciling Items: | | | |
| Encumbrances at September 30 | | 38,379 | |
| Funds not annually budgeted | | - | |
| Net Reconciling Items | | 38,379 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | (10,465) | |
| **FUND BALANCES (GAAP BASIS)** | | | |
| Beginning balances - restated | | 84,667 | |
| Ending balances (GAAP Basis) | | $ 74,202 | |

| FUNDS NOT ANNUALLY BUDGETED | | | TOTALS | | |
|---|---|---|---|---|---|
| COMBINED STATE TRUNKLINE BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | TRANSPORTATION RELATED TRUST FUNDS | | | |
| ACTUAL | ACTUAL | ACTUAL | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ 1,925,948 | $ 1,925,948 | $ - |
| - | - | - | 773,730 | 773,730 | - |
| - | - | - | 57,711 | 57,711 | - |
| - | - | - | 697 | 697 | - |
| - | - | - | 74,141 | 74,141 | - |
| - | - | - | 62,497 | 62,497 | - |
| - | - | - | 988,252 | 988,252 | - |
| - | - | - | 3,882,976 | 3,882,976 | - |
| - | - | - | 4,071,008 | 3,904,012 | 166,996 |
| - | - | - | 4,071,008 | 3,904,012 | 166,996 |
| - | - | - | $ (188,032) | (21,036) | $ 166,996 |
| - | - | - | | 70,267 | |
| 499,624 | (4,566) | - | | 495,057 | |
| 499,624 | (4,566) | - | | 565,325 | |
| 499,624 | (4,566) | - | | 544,288 | |
| 17,512 | 11,694 | - | | 519,072 | |
| $ 517,136 | $ 7,128 | $ - | | $ 1,063,361 | |

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

## GAME AND FISH PROTECTION FUND

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

## MICHIGAN STATE WATERWAYS FUND

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

## MARINE SAFETY FUND

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

## GAME AND FISH PROTECTION TRUST FUND

This fund was established in 1986 and presently operates under Part 437 of P.A. 451 of 1994, as amended, to restrict certain assets for the purpose of generating interest and earnings for transfer to the Game and Fish Protection Fund. In addition, the Legislature may appropriate up to $6 million annually for use by the Game and Fish Protection Fund. Mineral royalties from lands acquired by the Game and Fish Protection Fund; direct sale proceeds; and other revenues, which, by statute, are retained for permanent investment, provide additional investment funding.

## STATE PARK IMPROVEMENT FUND

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

## COMBINED RECREATION BOND FUND - LOCAL PROJECTS

Established in 1988, this fund presently operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The residual balances in this fund reflect proceeds and investment earnings remaining from two bond packages: $70 million of general obligation bonds approved by voters in November 1988, as part of a $140 million bond package for financing state and local public recreation projects, and $50 million of general obligation bonds approved by voters in November of 1998, as part of a $675 million bond package known as the "Clean Michigan Initiative." Proceeds from the 1988 bond package provide grants and loans to local units of government in the amounts of $65 million for local recreation projects and $5 million to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package also provide grants to local units of government for local recreation projects pursuant to Part 716 of P.A. 451 of 1994.

## COMBINED ENVIRONMENTAL PROTECTION BOND FUND

Established by P.A. 328 of 1988, this fund accounts for the proceeds of $660 million of general obligation bonds approved by Michigan voters in November 1988 to finance environmental protection programs. This approval was obtained under the general authority of Article 9, Section 15, of the 1963 State Constitution. Public Act 328 of 1988 specifies that not more than $425 million of the bond proceeds be available to clean up sites of toxic and other environmental contamination; not more than $150 million be available for solid waste projects; not more than $60 million be available to capitalize the State Water Pollution Control Loan Fund; and not more than $25 million be available to fund Michigan's participation in a regional Great Lakes Protection Fund.

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

## MICHIGAN NONGAME FISH AND WILDLIFE FUND

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

## FOREST DEVELOPMENT FUND

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

## MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND

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

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

## BOTTLE DEPOSITS FUND

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

The 75% distribution to the Department of Environmental Quality is initially deposited into the Cleanup and Redevelopment Trust Sub-Fund (CRTF), and if not further distributed, remains there until the principal amount reaches $200 million. Of funds received annually by the CRTF, 80% is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10% to the Community Pollution Prevention Sub-Fund (CPPF).

Public Act 380 of 1996 moved the former Environmental Response Fund (ERF) to a sub-fund of the CRF. The law mandates that proceeds of all cost recovery actions taken and settlements entered into pursuant to the ERF (excluding natural resource damages) by the department or the Attorney General, or both, shall be credited to the ERF.

## MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operates under Part 215 of P.A. 451 of 1994, as amended to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund, including short or long-term debt instruments. A five-member board of directors governs the Authority.

**COMBINING BALANCE SHEET**
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**
SEPTEMBER 30, 2001
(In Thousands)

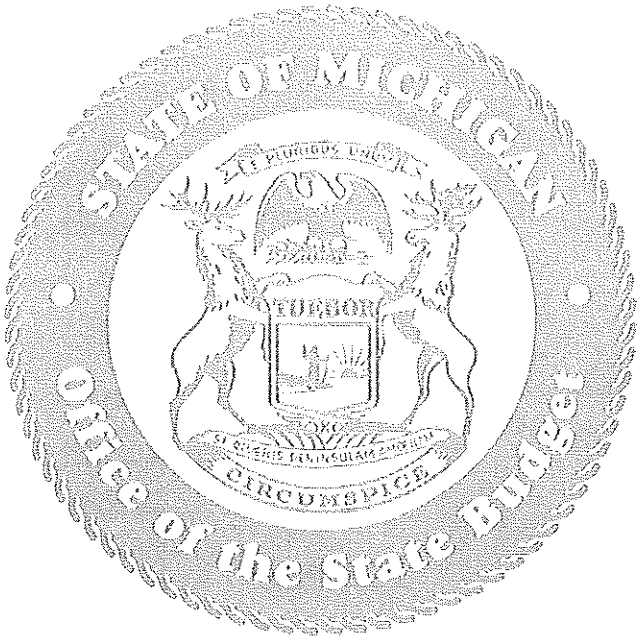
| | GAME AND FISH PROTECTION FUND | MICHIGAN STATE WATERWAYS FUND | MARINE SAFETY FUND | GAME AND FISH PROTECTION TRUST FUND |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ 5 | $ 9 | $ - | $ - |
| Equity in common cash | 30,188 | 66,359 | 6,339 | 9,988 |
| Taxes, interest, and penalties receivable | - | 219 | - | - |
| Amounts due from other funds | - | - | - | - |
| Amounts due from federal agencies | 327 | 84 | 516 | - |
| Amounts due from local units | - | - | - | - |
| Inventories | - | 76 | - | - |
| Other current assets | 3,822 | 5 | - | 2,228 |
| Total Current Assets | 34,342 | 66,752 | 6,854 | 12,216 |
| Amounts due from local units | - | - | - | - |
| Investments | 251 | - | - | 82,209 |
| Other noncurrent assets | - | - | - | - |
| Total Assets | $ 34,593 | $ 66,752 | $ 6,854 | $ 94,424 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | $ 420 | $ 314 | $ 835 | $ - |
| Accounts payable and other liabilities | 5,157 | 2,852 | 1,945 | - |
| Amounts due to other funds | 294 | 45 | 1 | - |
| Deferred revenue | - | - | - | - |
| Total Current Liabilities | 5,871 | 3,212 | 2,782 | - |
| Long-Term Liabilities: | | | | |
| Deferred revenue | - | - | - | - |
| Total Liabilities | 5,871 | 3,212 | 2,782 | - |
| Fund Balances: | | | | |
| Reserves for: | | | | |
| Budgetary carry-forwards: | | | | |
| Encumbrances | 2,083 | 10,374 | 86 | - |
| Restricted revenues | 12,714 | 3,728 | - | - |
| Multi-year projects | - | 23,586 | - | - |
| Revolving loan programs | - | - | - | - |
| Funds held as permanent investments | 1,828 | - | - | 88,424 |
| Total Reserved | 16,625 | 37,689 | 86 | 88,424 |
| Unreserved | 12,097 | 25,852 | 3,987 | 6,000 |
| Total Fund Balances | 28,722 | 63,541 | 4,073 | 94,424 |
| Total Liabilities and Fund Balances | $ 34,593 | $ 66,752 | $ 6,854 | $ 94,424 |

| STATE PARK IMPROVEMENT FUND | COMBINED RECREATION BOND FUND-LOCAL PROJECTS | COMBINED ENVIRONMENTAL PROTECTION BOND FUND | MICHIGAN NONGAME FISH AND WILDLIFE FUND | FOREST DEVELOPMENT FUND | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND |
|---|---|---|---|---|---|
| $ 228 | $ - | $ - | $ - | $ 40 | $ - |
| 14,385 | 2,853 | 48,101 | 5,992 | 11,022 | 2,078 |
| - | - | - | - | - | 5,693 |
| - | - | - | - | - | 1,000 |
| - | - | - | - | 1 | - |
| - | - | 720 | - | - | - |
| - | - | - | - | - | - |
| 871 | - | 34 | 36 | 11 | 4 |
| 15,484 | 2,853 | 48,855 | 6,029 | 11,074 | 8,775 |
| - | - | - | - | - | - |
| - | - | - | 752 | - | - |
| - | - | - | - | - | - |
| $ 15,484 | $ 2,853 | $ 48,855 | $ 6,781 | $ 11,074 | $ 8,775 |
| $ 92 | $ 8 | $ 763 | $ 14 | $ 126 | $ 4 |
| 2,387 | 10,159 | 36,830 | 78 | 2,608 | 372 |
| 27 | 6,136 | 1 | 5 | 74 | 37 |
| 1,012 | - | - | - | - | - |
| 3,518 | 16,302 | 37,594 | 97 | 2,808 | 413 |
| - | - | - | - | - | - |
| 3,518 | 16,302 | 37,594 | 97 | 2,808 | 413 |
| 772 | - | - | 137 | 685 | 2 |
| - | - | - | - | - | 1,953 |
| 5,893 | - | - | - | - | 41,780 |
| - | - | - | - | - | - |
| - | - | - | 6,002 | - | - |
| 6,665 | - | - | 6,140 | 685 | 43,735 |
| 5,301 | (13,450) | 11,261 | 545 | 7,581 | (35,372) |
| 11,966 | (13,450) | 11,261 | 6,684 | 8,266 | 8,363 |
| $ 15,484 | $ 2,853 | $ 48,855 | $ 6,781 | $ 11,074 | $ 8,775 |

This statement continued on next page.

**COMBINING BALANCE SHEET**
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)**
SEPTEMBER 30, 2001
(In Thousands)

| | BOTTLE DEPOSITS FUND | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash | $ 37 | $ - | $ 319 |
| Equity in common cash | 151,442 | - | 348,746 |
| Taxes, interest, and penalties receivable | - | - | 5,913 |
| Amounts due from other funds | - | - | 1,000 |
| Amounts due from federal agencies | - | - | 928 |
| Amounts due from local units | 566 | - | 1,286 |
| Inventories | - | - | 76 |
| Other current assets | 4,718 | - | 11,729 |
| Total Current Assets | 156,762 | - | 369,997 |
| Amounts due from local units | 4,467 | - | 4,467 |
| Investments | - | - | 83,212 |
| Other noncurrent assets | 674 | - | 674 |
| Total Assets | $ 161,903 | $ - | $ 458,349 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Current Liabilities: | | | |
| Warrants outstanding | $ 42 | $ - | $ 2,618 |
| Accounts payable and other liabilities | 13,586 | - | 75,976 |
| Amounts due to other funds | 13 | - | 6,632 |
| Deferred revenue | 318 | - | 1,330 |
| Total Current Liabilities | 13,959 | - | 86,556 |
| Long-Term Liabilities: | | | |
| Deferred revenue | 674 | - | 674 |
| Total Liabilities | 14,633 | - | 87,230 |
| Fund Balances: | | | |
| Reserves for: | | | |
| Budgetary carry-forwards: | | | |
| Encumbrances | 4,324 | - | 18,464 |
| Restricted revenues | 113,310 | - | 131,705 |
| Multi-year projects | 10,953 | - | 82,211 |
| Revolving loan programs | 5,456 | - | 5,456 |
| Funds held as permanent investments | 13,228 | - | 109,483 |
| Total Reserved | 147,270 | - | 347,318 |
| Unreserved | - | - | 23,801 |
| Total Fund Balances | 147,270 | - | 371,119 |
| Total Liabilities and Fund Balances | $ 161,903 | $ - | $ 458,349 |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Bids

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

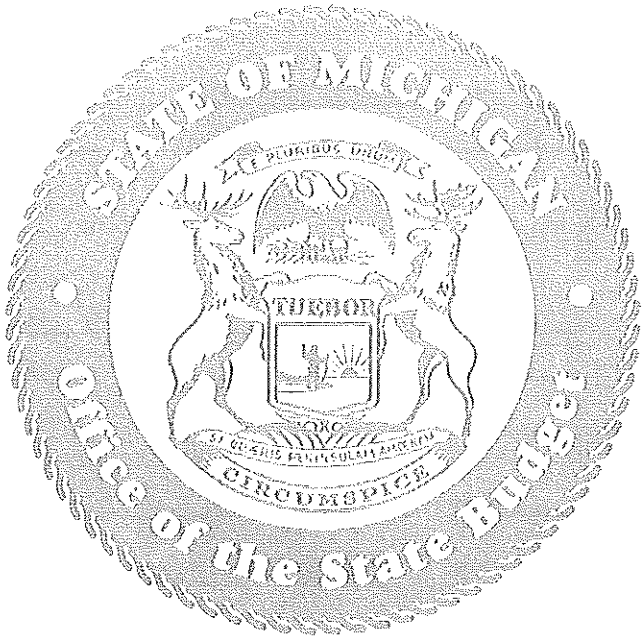
| | GAME AND FISH PROTECTION FUND | MICHIGAN STATE WATERWAYS FUND | MARINE SAFETY FUND | GAME AND FISH PROTECTION TRUST FUND |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ - | $ 447 | $ - | $ - |
| From federal agencies | 2,068 | 612 | 470 | - |
| From licenses and permits | 48,009 | 6,265 | 4,733 | - |
| Miscellaneous | 2,202 | 4,262 | 360 | 21,533 |
| Total Revenues | 52,280 | 11,585 | 5,562 | 21,533 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Conservation, environment, recreation, and agriculture | 55,769 | 21,777 | 4,908 | - |
| Health services | - | - | - | - |
| Capital outlay | 2,257 | 4,181 | - | - |
| Total Expenditures | 58,026 | 25,957 | 4,908 | - |
| Excess of Revenues over (under) Expenditures | (5,746) | (14,372) | 655 | 21,533 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Bonds and notes issued | - | - | - | - |
| Transfers from other funds | 12,021 | 14,785 | - | - |
| Transfers to other funds | (1,415) | (373) | (1,091) | (12,032) |
| Total Other Financing Sources (Uses) | 10,607 | 14,412 | (1,091) | (12,032) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 4,860 | 40 | (436) | 9,500 |
| Fund Balances - Beginning of fiscal year - restated | 23,861 | 63,501 | 4,509 | 84,924 |
| Fund Balances - End of fiscal year | $ 28,722 | $ 63,541 | $ 4,073 | $ 94,424 |

| STATE PARK IMPROVEMENT FUND | COMBINED RECREATION BOND FUND-LOCAL PROJECTS | COMBINED ENVIRONMENTAL PROTECTION BOND FUND | MICHIGAN NONGAME FISH AND WILDLIFE FUND | FOREST DEVELOPMENT FUND | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 58,495 |
| - | - | - | - | 1 | - |
| 27,151 | - | - | - | 1 | - |
| 683 | 210 | 8,961 | 548 | 22,741 | 59 |
| 27,834 | 210 | 8,961 | 548 | 22,742 | 58,554 |
| - | - | - | - | - | 477 |
| 27,798 | 15,122 | 78,052 | 763 | 23,562 | 4,126 |
| - | - | 1,391 | - | - | - |
| 2,297 | - | - | - | 174 | - |
| 30,095 | 15,122 | 79,444 | 763 | 23,736 | 4,604 |
| (2,261) | (14,913) | (70,483) | (215) | (993) | 53,951 |
| - | - | 60,499 | - | - | - |
| - | - | - | - | - | 4,000 |
| (205) | (3) | (16,607) | (5) | (132) | (58,160) |
| (205) | (3) | 43,892 | (5) | (132) | (54,160) |
| (2,467) | (14,916) | (26,591) | (220) | (1,125) | (209) |
| 14,432 | 1,466 | 37,851 | 6,904 | 9,391 | 8,572 |
| $ 11,966 | $ (13,450) | $ 11,261 | $ 6,684 | $ 8,266 | $ 8,363 |

This statement continued on next page.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | BOTTLE DEPOSITS FUND | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ - | $ - | $ 58,942 |
| From federal agencies | - | - | 3,150 |
| From licenses and permits | - | - | 86,159 |
| Miscellaneous | 36,554 | 173 | 98,285 |
| Total Revenues | 36,554 | 173 | 246,537 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | - | 477 |
| Conservation, environment, recreation, and agriculture | 23,280 | - | 255,157 |
| Health services | - | - | 1,391 |
| Capital outlay | - | - | 8,909 |
| Total Expenditures | 23,280 | - | 265,934 |
| Excess of Revenues over (under) Expenditures | 13,274 | 173 | (19,397) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds and notes issued | - | - | 60,499 |
| Transfers from other funds | 16,602 | - | 47,408 |
| Transfers to other funds | (509) | - | (90,532) |
| Total Other Financing Sources (Uses) | 16,093 | - | 17,376 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 29,368 | 173 | (2,022) |
| Fund Balances - Beginning of fiscal year - restated | 117,902 | (173) | 373,141 |
| Fund Balances - End of fiscal year | $ 147,270 | $ - | $ 371,119 |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Ethics

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | GAME AND FISH PROTECTION FUND | | | MICHIGAN STATE WATERWAYS FUND | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| Taxes | $ - | $ - | $ - | $ 447 | $ 447 | $ - |
| From federal agencies | 2,068 | 2,068 | - | 612 | 612 | - |
| From licenses and permits | 48,009 | 48,009 | - | 6,265 | 6,265 | - |
| Miscellaneous | 2,202 | 2,202 | - | 4,262 | 4,262 | - |
| Transfers in | 12,021 | 12,021 | - | 14,785 | 14,785 | - |
| Total Revenues and Other Sources | 64,301 | 64,301 | - | 26,370 | 26,370 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Natural Resources | 70,984 | 61,524 | 9,460 | 43,012 | 36,705 | 6,307 |
| Total Expenditures, Transfers Out and Encumbrances | 70,984 | 61,524 | 9,460 | 43,012 | 36,705 | 6,307 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (6,682) | 2,778 | $ 9,460 | $ (16,641) | (10,335) | $ 6,307 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 2,083 | | | 10,374 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | 2,083 | | | 10,374 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | 4,860 | | | 40 | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | 23,861 | | | 63,501 | |
| Ending balances (GAAP Basis) | | $ 28,722 | | | $ 63,541 | |

| MARINE SAFETY FUND | | | STATE PARK IMPROVEMENT FUND | | |
|---|---|---|---|---|---|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ - | $ - | $ - |
| 470 | 470 | - | - | - | - |
| 4,733 | 4,733 | - | 27,151 | 27,151 | - |
| 360 | 360 | - | 683 | 683 | - |
| - | - | - | - | - | - |
| 5,562 | 5,562 | - | 27,834 | 27,834 | - |
| 6,091 | 6,085 | 6 | 31,128 | 31,073 | 55 |
| 6,091 | 6,085 | 6 | 31,128 | 31,073 | 55 |
| $ (529) | (522) | $ 6 | $ (3,294) | (3,239) | $ 55 |
| | 86 | | | 772 | |
| | - | | | - | |
| | 86 | | | 772 | |
| | (436) | | | (2,467) | |
| | 4,509 | | | 14,432 | |
| | $ 4,073 | | | $ 11,966 | |

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN NONGAME FISH AND WILDLIFE FUND | | | FOREST DEVELOPMENT FUND | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| Taxes | $ - | $ - | $ - | $ - | $ - | $ - |
| From federal agencies | - | - | - | 1 | 1 | - |
| From licenses and permits | - | - | - | 1 | 1 | - |
| Miscellaneous | 548 | 548 | - | 22,741 | 22,741 | - |
| Transfers in | - | - | - | - | - | - |
| Total Revenues and Other Sources | 548 | 548 | - | 22,742 | 22,742 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Natural Resources | 921 | 905 | 16 | 25,448 | 24,552 | 896 |
| Total Expenditures, Transfers Out and Encumbrances | 921 | 905 | 16 | 25,448 | 24,552 | 896 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (374) | (357) | $ 16 | $ (2,706) | (1,810) | $ 896 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 137 | | | 685 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | 137 | | | 685 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | (220) | | | (1,125) | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | 6,904 | | | 9,391 | |
| Ending balances (GAAP Basis) | | $ 6,684 | | | $ 8,266 | |

| FUNDS NOT ANNUALLY BUDGETED | | | | | |
|---|---|---|---|---|---|
| GAME AND FISH PROTECTION TRUST FUND | COMBINED RECREATION BOND FUND-LOCAL PROJECTS | COMBINED ENVIRONMENTAL PROTECTION BOND FUND | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND | BOTTLE DEPOSITS FUND | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY |
| ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL |
| $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 9,500 | (14,916) | (26,591) | (209) | 29,368 | 173 |
| 9,500 | (14,916) | (26,591) | (209) | 29,368 | 173 |
| 9,500 | (14,916) | (26,591) | (209) | 29,368 | 173 |
| 84,924 | 1,466 | 37,851 | 8,572 | 117,902 | (173) |
| $ 94,424 | $ (13,450) | $ 11,261 | $ 8,363 | $ 147,270 | $ - |

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**
**SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | TOTALS | | |
|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | |
| Taxes | $ 447 | $ 447 | $ - |
| From federal agencies | 3,150 | 3,150 | - |
| From licenses and permits | 86,159 | 86,159 | - |
| Miscellaneous | 30,795 | 30,795 | - |
| Transfers in | 26,806 | 26,806 | - |
| Total Revenues and Other Sources | 147,358 | 147,358 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | |
| Natural Resources | 177,584 | 160,844 | 16,740 |
| Total Expenditures, Transfers Out and Encumbrances | 177,584 | 160,844 | 16,740 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (30,225) | (13,485) | $ 16,740 |
| Reconciling Items: | | | |
| Encumbrances at September 30 | | 14,138 | |
| Funds not annually budgeted | | (2,674) | |
| Net Reconciling Items | | 11,464 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | (2,022) | |
| **FUND BALANCES (GAAP BASIS)** | | | |
| Beginning balances - restated | | 373,141 | |
| Ending balances (GAAP Basis) | | $ 371,119 | |

# SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

## MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

Public Act 1 of 1936 (Extra Session) created this fund to account for administrative costs of the Unemployment Agency, which is administered by the Department of Consumer and Industry Services. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (reported as part of the Michigan Unemployment Compensation Funds, an enterprise fund). Expenditures for administration are subject to legislative appropriation.

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

## SAFETY EDUCATION AND TRAINING FUND

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

## UNINSURED EMPLOYERS' SECURITY FUND

Under P.A. 198 of 1993, this fund succeeded the former Workplace Health and Safety Fund. This fund provided workers' compensation benefits to employees injured on or after June 29, 1990 (and for related claims administration), where their employer failed to provide coverage for them. This fund was closed in accordance with P.A. 357 of 1996. Sufficient equity in common cash was retained to cover the remaining liabilities.

## STATE CONSTRUCTION CODE FUND

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

## HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Established by P.A. 497 of 1980, the Homeowner Construction Lien Recovery Fund allows contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers.

## STATE CASINO GAMING FUND

Created by P.A. 69 of 1997, this fund provides the licensing, regulation and control of casino gaming activities in Michigan. The five-member gaming control board is vested with the authority for licensing, regulating, and controlling casino gaming operations; manufacturers and distributors of gaming equipment and supplies; and persons who participate in gaming. Activities financed by casino gaming revenue are legally restricted for specific purposes.

## SECOND INJURY FUND

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

## SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

Established by P.A. 317 of 1969, as amended, the Silicosis, Dust Disease, and Logging Industry Compensation Fund reimburses insurance carriers who pay benefits to employees injured from certain dust diseases, and employees who have sustained personal injury or death while being employed in the logging industry. Revenues are generated through annual assessments of insurance carriers.

## SELF-INSURERS' SECURITY FUND

Established by P.A. 317 of 1969, as amended, the Self-Insurers' Security Fund pays workers' compensation benefits to injured employees of insolvent, private self-insured employers. Revenues are generated through annual assessments of insurance carriers.

## UTILITY CONSUMER REPRESENTATION FUND

Established by P.A. 304 of 1982, as amended, the Utility Consumer Representation Fund provides funding, on behalf of residential gas, fuel, and electric customers, for energy cost recovery hearings before the Michigan Public Service Commission. Revenues are generated through annual assessments of regulated utility companies.

**COMBINING BALANCE SHEET**
**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**
SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND | SAFETY EDUCATION AND TRAINING FUND | UNINSURED EMPLOYERS' SECURITY FUND | STATE CONSTRUCTION CODE FUND | HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash | $ 3 | $ - | $ - | $ - | $ - |
| Equity in common cash | - | 3,824 | 479 | 14,494 | 2,756 |
| Amounts due from federal agencies | 11,279 | - | - | - | - |
| Other current assets | 359 | 9 | - | 82 | - |
| Total Current Assets | 11,641 | 3,833 | 479 | 14,577 | 2,756 |
| Total Assets | $ 11,641 | $ 3,833 | $ 479 | $ 14,577 | $ 2,756 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Current Liabilities: | | | | | |
| Warrants outstanding | $ 1,424 | $ 46 | $ - | $ 12 | $ 12 |
| Accounts payable and other liabilities | 8,809 | 258 | 479 | 260 | 210 |
| Amounts due to other funds | 1,408 | 1 | - | 39 | 1 |
| Deferred revenue | - | - | - | 1 | - |
| Total Current Liabilities | 11,641 | 305 | 479 | 311 | 223 |
| Total Liabilities | 11,641 | 305 | 479 | 311 | 223 |
| Fund Balances: | | | | | |
| Reserves for: | | | | | |
| Budgetary carry-forwards: | | | | | |
| Encumbrances | - | 163 | - | 5 | - |
| Restricted revenues | - | - | - | 33 | - |
| Multi-year projects | - | - | - | - | - |
| Total Reserved | - | 163 | - | 38 | - |
| Unreserved | - | 3,365 | - | 14,228 | 2,533 |
| Total Fund Balances | - | 3,528 | - | 14,266 | 2,533 |
| Total Liabilities and Fund Balances | $ 11,641 | $ 3,833 | $ 479 | $ 14,577 | $ 2,756 |

| STATE CASINO GAMING FUND | SECOND INJURY FUND | SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND | SELF-INSURERS' SECURITY FUND | UTILITY CONSUMER REPRESENTATION FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 3 |
| 11,376 | 34,243 | 5,125 | 3,833 | 1,921 | 78,052 |
| - | - | - | - | - | 11,279 |
| 342 | 142 | 3 | 15 | 381 | 1,333 |
| 11,718 | 34,384 | 5,128 | 3,848 | 2,302 | 90,666 |
| $ 11,718 | $ 34,384 | $ 5,128 | $ 3,848 | $ 2,302 | $ 90,666 |
| $ 140 | $ 537 | $ 124 | $ 22 | $ - | $ 2,317 |
| 965 | 3,132 | 1,370 | 412 | 104 | 16,001 |
| 18 | 7 | 5 | - | - | 1,478 |
| 8 | 10,378 | 698 | 379 | - | 11,464 |
| 1,131 | 14,054 | 2,197 | 814 | 104 | 31,260 |
| 1,131 | 14,054 | 2,197 | 814 | 104 | 31,260 |
| 6 | - | - | - | - | 174 |
| 9,734 | - | - | - | - | 9,766 |
| 645 | - | - | - | - | 645 |
| 10,384 | - | - | - | - | 10,585 |
| 202 | 20,331 | 2,931 | 3,034 | 2,198 | 48,821 |
| 10,586 | 20,331 | 2,931 | 3,034 | 2,198 | 59,407 |
| $ 11,718 | $ 34,384 | $ 5,128 | $ 3,848 | $ 2,302 | $ 90,666 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND | SAFETY EDUCATION AND TRAINING FUND | UNINSURED EMPLOYERS' SECURITY FUND | STATE CONSTRUCTION CODE FUND | HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| From federal agencies | $ 115,538 | $ - | $ - | $ - | $ - |
| From services | - | - | - | 2 | - |
| From licenses and permits | - | - | - | 11,473 | - |
| Miscellaneous | 97 | 6,637 | - | 692 | 625 |
| Total Revenues | 115,634 | 6,637 | - | 12,168 | 625 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Labor, commerce, and regulatory | 123,441 | 6,149 | - | 9,994 | 1,108 |
| Debt Service: | | | | | |
| Capital lease payments | 594 | - | - | - | - |
| Total Expenditures | 124,035 | 6,149 | - | 9,994 | 1,108 |
| Excess of Revenues over (under) Expenditures | (8,400) | 488 | - | 2,174 | (483) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers from other funds | 10,303 | - | - | - | - |
| Transfers to other funds | (1,902) | (46) | - | (86) | (14) |
| Total Other Financing Sources (Uses) | 8,400 | (46) | - | (86) | (14) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | - | 442 | - | 2,088 | (497) |
| Fund Balances - Beginning of fiscal year - restated | - | 3,086 | - | 12,178 | 3,030 |
| Fund Balances - End of fiscal year | $ - | $ 3,528 | $ - | $ 14,266 | $ 2,533 |

| STATE CASINO GAMING FUND | SECOND INJURY FUND | SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND | SELF-INSURERS' SECURITY FUND | UTILITY CONSUMER REPRESENTATION FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 115,538 |
| 1 | - | - | - | - | 4 |
| 150 | - | - | - | - | 11,623 |
| 27,116 | 34,998 | 2,511 | 3,843 | 1,000 | 77,520 |
| 27,267 | 34,998 | 2,511 | 3,843 | 1,000 | 204,684 |
| 12,824 | - | - | - | 362 | 13,185 |
| - | 23,667 | 4,045 | 3,274 | 226 | 171,904 |
| - | - | - | - | - | 594 |
| 12,824 | 23,667 | 4,045 | 3,274 | 587 | 185,684 |
| 14,443 | 11,331 | (1,534) | 569 | 413 | 19,001 |
| - | - | - | 505 | - | 10,808 |
| (2,135) | (20) | (7) | (5) | (1) | (4,216) |
| (2,135) | (20) | (7) | 500 | (1) | 6,591 |
| 12,308 | 11,312 | (1,541) | 1,069 | 413 | 25,592 |
| (1,722) | 9,019 | 4,472 | 1,966 | 1,785 | 33,815 |
| $ 10,586 | $ 20,331 | $ 2,931 | $ 3,034 | $ 2,198 | $ 59,407 |

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND | | | SAFETY EDUCATION AND TRAINING FUND | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| From federal agencies | $ 115,538 | $ 115,538 | $ - | $ - | $ - | $ - |
| From services | - | - | - | - | - | - |
| From licenses and permits | - | - | - | - | - | - |
| Miscellaneous | 97 | 97 | - | 6,637 | 6,637 | - |
| Transfers in | 10,303 | 10,303 | - | - | - | - |
| Total Revenues and Other Sources | 125,937 | 125,937 | - | 6,637 | 6,637 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Consumer and Industry Services | 125,937 | 125,937 | - | 6,616 | 6,358 | 259 |
| Treasury | - | - | - | - | - | - |
| Total Expenditures, Transfers Out, and Encumbrances | 125,937 | 125,937 | - | 6,616 | 6,358 | 259 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ - | - | $ - | $ 21 | 279 | $ 259 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | - | | | 163 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | - | | | 163 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | - | | | 442 | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | - | | | 3,086 | |
| Ending balances (GAAP Basis) | | $ - | | | $ 3,528 | |

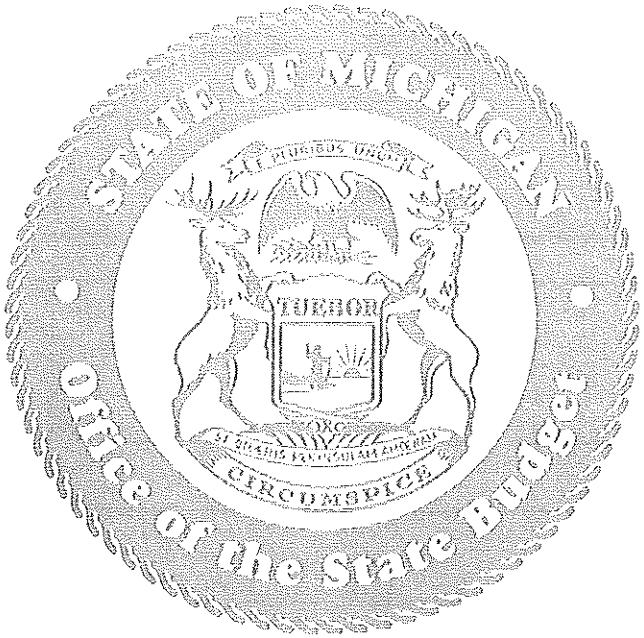
| STATE CONSTRUCTION CODE FUND | | | HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND | | |
|---|---|---|---|---|---|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ - | $ - | $ - |
| 2 | 2 | - | - | - | - |
| 11,473 | 11,473 | - | - | - | - |
| 692 | 692 | - | 625 | 625 | - |
| - | - | - | - | - | - |
| 12,168 | 12,168 | - | 625 | 625 | - |
| 10,428 | 10,085 | 343 | 1,531 | 1,122 | 408 |
| - | - | - | - | - | - |
| 10,428 | 10,085 | 343 | 1,531 | 1,122 | 408 |
| $ 1,740 | 2,082 | $ 343 | $ (906) | (497) | $ 408 |
| | 5 | | | - | |
| | - | | | - | |
| | 5 | | | - | |
| | 2,088 | | | (497) | |
| | 12,178 | | | 3,030 | |
| | $ 14,266 | | | $ 2,533 | |

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | STATE CASINO GAMING FUND | | | FUNDS NOT ANNUALLY BUDGETED | |
|---|---|---|---|---|---|
| | | | | UNINSURED EMPLOYERS' SECURITY FUND | SECOND INJURY FUND |
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | ACTUAL | ACTUAL |
| **REVENUES AND OTHER SOURCES** | | | | | |
| From federal agencies | $ - | $ - | $ - | $ - | $ - |
| From services | 1 | 1 | - | - | - |
| From licenses and permits | 150 | 150 | - | - | - |
| Miscellaneous | 27,116 | 27,116 | - | - | - |
| Transfers in | - | - | - | - | - |
| Total Revenues and Other Sources | 27,267 | 27,267 | - | - | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | |
| Consumer and Industry Services | - | - | - | - | - |
| Treasury | 16,894 | 14,965 | 1,929 | - | - |
| Total Expenditures, Transfers Out, and Encumbrances | 16,894 | 14,965 | 1,929 | - | - |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ 10,373 | 12,303 | $ 1,929 | - | - |
| Reconciling Items: | | | | | |
| Encumbrances at September 30 | | 6 | | - | - |
| Funds not annually budgeted | | - | | - | 11,312 |
| Net Reconciling Items | | 6 | | - | 11,312 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | 12,308 | | - | 11,312 |
| **FUND BALANCES (GAAP BASIS)** | | | | | |
| Beginning balances - restated | | (1,722) | | - | 9,019 |
| Ending balances (GAAP Basis) | | $ 10,586 | | $ - | $ 20,331 |

| FUNDS NOT ANNUALLY BUDGETED | | | TOTALS | | |
|---|---|---|---|---|---|
| SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND | SELF-INSURERS' SECURITY FUND | UTILITY CONSUMER REPRESENTATION FUND | | | |
| ACTUAL | ACTUAL | ACTUAL | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ 115,538 | $ 115,538 | $ - |
| - | - | - | 4 | 4 | - |
| - | - | - | 11,623 | 11,623 | - |
| - | - | - | 35,167 | 35,167 | - |
| - | - | - | 10,303 | 10,303 | - |
| - | - | - | 172,634 | 172,634 | - |
| - | - | - | 144,513 | 143,503 | 1,010 |
| - | - | - | 16,894 | 14,965 | 1,929 |
| - | - | - | 161,406 | 158,467 | 2,939 |
| - | - | - | $ 11,228 | 14,167 | $ 2,939 |
| - | - | - | | 174 | |
| (1,541) | 1,069 | 413 | | 11,251 | |
| (1,541) | 1,069 | 413 | | 11,425 | |
| (1,541) | 1,069 | 413 | | 25,592 | |
| 4,472 | 1,966 | 1,785 | | 33,815 | |
| $ 2,931 | $ 3,034 | $ 2,198 | | $ 59,407 | |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Budget

# SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

## SCHOOL BOND LOAN FUND

Article 9, Section 16, of the State Constitution, P.A. 74 of 1955, and P.A. 112 of 1961 authorized the issuance of State general obligation bonds to provide funds for loans to school districts. Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. State bond proceeds are credited to the fund as an "Other Financing Source." When loans are made, transfers are recorded to the General Fund, which receives loan payments and provides financing for debt service. In the General Fund, loans receivable are recorded as assets.

## TOBACCO SETTLEMENT TRUST FUND

Public Act 489 of 2000 created this fund to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. Fund expenditures are used for a variety of programs as determined by the Legislature.

## MICHIGAN MERIT AWARD TRUST FUND

This fund was created by P.A. 94 of 1999 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Fund expenditures are primarily used for the Michigan Merit Award Scholarship Program.

## ASSIGNED CLAIMS FACILITY AND PLAN FUND

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

## MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Vietnam Veterans' Memorial Monument, Children's Institute Trust, Special Assessment Deferment, and Agricultural College Fund – Morrill Act.

**COMBINING BALANCE SHEET**
**SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | SCHOOL BOND LOAN FUND | TOBACCO SETTLEMENT TRUST FUND | MICHIGAN MERIT AWARD TRUST FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Equity in common cash | $ 1,050 | $ 179,487 | $ 143,590 |
| Amounts due from local units | - | 6 | - |
| Other current assets | - | 21,150 | 63,449 |
| Total Current Assets | 1,050 | 200,643 | 207,039 |
| Other noncurrent assets | - | - | - |
| Total Assets | $ 1,050 | $ 200,643 | $ 207,039 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Current Liabilities: | | | |
| Warrants outstanding | $ - | $ 465 | $ 172 |
| Accounts payable and other liabilities | - | 7,895 | 101,372 |
| Amounts due to other funds | - | - | 1 |
| Deferred revenue | - | 21,150 | 63,449 |
| Total Current Liabilities | - | 29,510 | 164,995 |
| Long-Term Liabilities: | | | |
| Deferred revenue | - | - | - |
| Total Liabilities | - | 29,510 | 164,995 |
| Fund Balances: | | | |
| Reserves for: | | | |
| Budgetary carry-forwards: | | | |
| Encumbrances | - | 23,252 | 105 |
| Multi-year projects | - | 29,678 | 2,063 |
| Noncurrent assets | - | - | - |
| Total Reserved | - | 52,929 | 2,168 |
| Unreserved | 1,050 | 118,204 | 39,876 |
| Total Fund Balances | 1,050 | 171,134 | 42,044 |
| Total Liabilities and Fund Balances | $ 1,050 | $ 200,643 | $ 207,039 |

| ASSIGNED CLAIMS FACILITY AND PLAN FUND | MISCELLANEOUS SPECIAL REVENUE FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|
| $ 134 | $ 1,765 | $ 326,026 |
| - | - | 6 |
| 604 | 171 | 85,373 |
| 738 | 1,936 | 411,406 |
| - | 1,150 | 1,150 |
| $ 738 | $ 3,086 | $ 412,556 |
| $ 1 | $ - | $ 638 |
| - | 9 | 109,276 |
| - | - | 1 |
| 737 | - | 85,336 |
| 738 | 9 | 195,251 |
| - | 9 | 9 |
| 738 | 17 | 195,260 |
| - | - | 23,356 |
| - | - | 31,741 |
| - | 1,150 | 1,150 |
| - | 1,150 | 56,248 |
| - | 1,918 | 161,049 |
| - | 3,069 | 217,297 |
| $ 738 | $ 3,086 | $ 412,556 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | SCHOOL BOND LOAN FUND | TOBACCO SETTLEMENT TRUST FUND | MICHIGAN MERIT AWARD TRUST FUND |
|---|---|---|---|
| **REVENUES** | | | |
| Miscellaneous | $ - | $ 141,608 | $ 139,128 |
| Total Revenues | - | 141,608 | 139,128 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 422 | 51,371 | 18,834 |
| Education | - | 764 | 87,644 |
| Public safety and corrections | - | - | - |
| Labor, commerce, and regulatory | - | 25,001 | - |
| Health services | - | 45,876 | - |
| Debt Service: | | | |
| Bond interest and fiscal charges | 2,219 | - | - |
| Total Expenditures | 2,641 | 123,013 | 106,478 |
| Excess of Revenues over (under) Expenditures | (2,641) | 18,596 | 32,650 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds and notes issued | 81,300 | - | - |
| Premium on bond issuance | 301 | - | - |
| Refunding bonds issued | 37 | - | - |
| Transfers to other funds | (64,008) | (20,000) | - |
| Total Other Financing Sources (Uses) | 17,631 | (20,000) | - |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 14,990 | (1,404) | 32,650 |
| Fund Balances - Beginning of fiscal year - restated | (13,940) | 172,538 | 9,395 |
| Fund Balances - End of fiscal year | $ 1,050 | $ 171,134 | $ 42,044 |

| ASSIGNED CLAIMS FACILITY AND PLAN FUND | MISCELLANEOUS SPECIAL REVENUE FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|
| $ 60,755 | $ 235 | $ 341,726 |
| 60,755 | 235 | 341,726 |
| 60,012 | - | 130,639 |
| - | - | 88,408 |
| - | 24 | 24 |
| - | - | 25,001 |
| - | - | 45,876 |
| - | - | 2,219 |
| 60,012 | 24 | 292,167 |
| 743 | 211 | 49,559 |
| - | - | 81,300 |
| - | - | 301 |
| - | - | 37 |
| (743) | (1,060) | (85,810) |
| (743) | (1,060) | (4,172) |
| - | (848) | 45,387 |
| - | 3,917 | 171,909 |
| $ - | $ 3,069 | $ 217,297 |

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | TOBACCO SETTLEMENT TRUST FUND | | | MICHIGAN MERIT AWARD TRUST FUND | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| Miscellaneous | $ 141,608 | $ 141,608 | $ - | $ 139,128 | $ 139,128 | $ - |
| Total Revenues and Other Sources | 141,608 | 141,608 | - | 139,128 | 139,128 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Career Development | 34,213 | 34,213 | - | - | - | - |
| Colleges and Universities Grants | 10,000 | 764 | 9,236 | 117,853 | 87,644 | 30,209 |
| Community Health | 94,289 | 59,916 | 34,373 | - | - | - |
| Management and Budget | 50,000 | 50,000 | - | - | - | - |
| Treasury | 30,917 | 21,371 | 9,545 | 18,949 | 18,939 | 10 |
| Total Expenditures, Transfers Out, and Encumbrances | 219,419 | 166,264 | 53,154 | 136,802 | 106,583 | 30,219 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ (77,810) | (24,656) | $ 53,154 | $ 2,326 | 32,545 | $ 30,219 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 23,252 | | | 105 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | 23,252 | | | 105 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | (1,404) | | | 32,650 | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | 172,538 | | | 9,395 | |
| Ending balances (GAAP Basis) | | $ 171,134 | | | $ 42,044 | |

| FUNDS NOT ANNUALLY BUDGETED | | | | | |
|---|---|---|---|---|---|
| SCHOOL BOND LOAN FUND | ASSIGNED CLAIMS FACILITY AND PLAN FUND | MISCELLANEOUS SPECIAL REVENUE FUNDS | TOTALS | | |
| ACTUAL | ACTUAL | ACTUAL | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ 280,737 | $ 280,737 | $ - |
| - | - | - | 280,737 | 280,737 | - |
| - | - | - | 34,213 | 34,213 | - |
| - | - | - | 127,853 | 88,408 | 39,445 |
| - | - | - | 94,289 | 59,916 | 34,373 |
| - | - | - | 50,000 | 50,000 | - |
| - | - | - | 49,866 | 40,310 | 9,556 |
| - | - | - | 356,221 | 272,848 | 83,373 |
| - | - | - | $ (75,484) | 7,889 | $ 83,373 |
| - | - | - | | 23,356 | |
| 14,990 | - | (848) | | 14,142 | |
| 14,990 | - | (848) | | 37,498 | |
| 14,990 | - | (848) | | 45,387 | |
| (13,940) | - | 3,917 | | 171,909 | |
| $ 1,050 | $ - | $ 3,069 | | $ 217,297 | |

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# DEBT SERVICE FUNDS

## COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

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

## COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

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

## RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

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

## SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 and P. A. 112 of 1961 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

## STATE BUILDING AUTHORITY

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

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

## MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operates under Part 215 of P.A. 451 of 1994, as amended, to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund. A five-member board of directors governs the Authority.

**COMBINING BALANCE SHEET**
**DEBT SERVICE FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash | $ - | $ - | $ - |
| Equity in common cash | - | - | 1 |
| Amounts due from other funds | - | - | - |
| Investments | - | - | - |
| Other current assets | - | - | - |
| Total Current Assets | - | - | 1 |
| Investments | - | - | - |
| Total Assets | $ - | $ - | $ 1 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Current Liabilities: | | | |
| Accounts payable and other liabilities | $ - | $ - | $ 1 |
| Amounts due to other funds | - | - | - |
| Total Current Liabilities | - | - | 1 |
| Total Liabilities | - | - | 1 |
| Fund Balances: | | | |
| Unreserved | - | - | - |
| Total Fund Balances | - | - | - |
| Total Liabilities and Fund Balances | $ - | $ - | $ 1 |

| SCHOOL LOAN BOND REDEMPTION FUND | STATE BUILDING AUTHORITY | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ - | $ 4,611 | $ 4,611 |
| - | - | 5,785 | 5,786 |
| - | 102 | - | 102 |
| - | 178,255 | 87,060 | 265,316 |
| - | 833 | - | 833 |
| - | 179,190 | 97,457 | 276,648 |
| - | 48,099 | - | 48,099 |
| $ - | $ 227,290 | $ 97,457 | $ 324,747 |
| $ - | $ 58 | $ 4,642 | $ 4,700 |
| - | 326 | 1,000 | 1,326 |
| - | 384 | 5,642 | 6,027 |
| - | 384 | 5,642 | 6,027 |
| - | 226,906 | 91,815 | 318,721 |
| - | 226,906 | 91,815 | 318,721 |
| $ - | $ 227,290 | $ 97,457 | $ 324,747 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**DEBT SERVICE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND |
|---|---|---|---|
| **REVENUES** | | | |
| Miscellaneous | $ - | $ 1 | $ - |
| Total Revenues | - | 1 | - |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | - | 534 |
| Education | - | - | - |
| Transportation | - | 293 | - |
| Debt Service: | | | |
| Bond principal retirement | 18,670 | 10,465 | 29,902 |
| Bond interest and fiscal charges | 29,526 | 11,233 | 34,779 |
| Total Expenditures | 48,196 | 21,991 | 65,216 |
| Excess of Revenues over (under) Expenditures | (48,195) | (21,990) | (65,216) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Premium on bond issuance | - | 600 | 7,069 |
| Refunding bonds issued | - | 27,765 | 97,985 |
| Payment to refunded bond escrow agent | - | (28,072) | (104,520) |
| Transfers from other funds | 48,196 | 21,698 | 64,682 |
| Transfers to other funds | - | (1) | - |
| Total Other Financing Sources (Uses) | 48,195 | 21,990 | 65,216 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | - | - | - |
| Fund Balances - Beginning of fiscal year | - | - | - |
| Fund Balances - End of fiscal year | $ - | $ - | $ - |

| SCHOOL LOAN BOND REDEMPTION FUND | STATE BUILDING AUTHORITY | MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ 17,260 | $ 3,502 | $ 20,764 |
| - | 17,260 | 3,502 | 20,764 |
| 472 | - | 48 | 1,054 |
| - | 2,244 | - | 2,244 |
| - | - | - | 293 |
| 12,490 | 133,675 | 14,350 | 219,552 |
| 14,273 | 100,466 | 9,485 | 199,761 |
| 27,236 | 236,385 | 23,882 | 422,905 |
| (27,236) | (219,125) | (20,380) | (402,141) |
| 6,488 | 13,559 | - | 27,716 |
| 85,295 | 419,730 | - | 630,775 |
| (91,311) | (474,820) | - | (698,723) |
| 26,763 | 254,304 | 57,912 | 473,555 |
| - | (281) | (4,000) | (4,283) |
| 27,236 | 212,491 | 53,912 | 429,039 |
| - | (6,634) | 33,532 | 26,898 |
| - | 233,540 | 58,283 | 291,822 |
| $ - | $ 226,906 | $ 91,815 | $ 318,721 |

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# CAPITAL PROJECTS FUNDS

## COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund currently operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The balances remaining in the fund reflect proceeds and investment earnings remaining from two bond packages: $70 million of general obligation bonds approved by voters in November 1988 as part of a $140 million bond package for financing State and local public recreation projects, and $50 million of general obligation bonds approved by voters in November 1998 as part of a $675 million bond package known as the "Clean Michigan Initiative." The proceeds from the 1988 bond package are used to construct, expand, and develop recreational facilities at State parks. The proceeds from the 1998 bond package are used for infrastructure improvements at State parks with the installation or upgrade of drinking water systems or rest room facilities as a first priority.

## ADVANCE FINANCING FUNDS

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

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

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

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

## STATE BUILDING AUTHORITY

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

This capital projects fund, accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the State Building Authority Advance Financing Fund, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

**COMBINING BALANCE SHEET**
**CAPITAL PROJECTS FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | COMBINED RECREATION BOND FUND-STATE PROJECTS | ADVANCE FINANCING FUNDS | STATE BUILDING AUTHORITY | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Equity in common cash | $ 2,265 | $ - | $ - | **$ 2,265** |
| Amounts due from other funds | 534 | 125,832 | 318 | **126,685** |
| Amounts due from component units | - | 14,381 | - | **14,381** |
| Amounts due from federal agencies | - | 2,353 | - | **2,353** |
| Amounts due from local units | - | 11,957 | - | **11,957** |
| Investments | - | - | 30,995 | **30,995** |
| Other current assets | - | 6,602 | 191 | **6,793** |
| Total Current Assets | 2,800 | 161,126 | 31,505 | **195,430** |
| Total Assets | $ 2,800 | $ 161,126 | $ 31,505 | **$ 195,430** |
| **LIABILITIES AND FUND BALANCES** | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | $ 17 | $ 4,252 | $ - | **$ 4,268** |
| Accounts payable and other liabilities | 3,845 | 158,636 | 501 | **162,982** |
| Amounts due to other funds | 534 | 173,697 | 125,934 | **300,166** |
| Interest payable | - | - | 478 | **478** |
| Total Current Liabilities | 4,396 | 336,585 | 126,913 | **467,895** |
| Total Liabilities | 4,396 | 336,585 | 126,913 | **467,895** |
| Fund Balances: | | | | |
| Reserves for: | | | | |
| Construction and debt service | - | - | 15,494 | **15,494** |
| Total Reserved | - | - | 15,494 | **15,494** |
| Unreserved | (1,596) | (175,460) | (110,902) | **(287,958)** |
| Total Fund Balances | (1,596) | (175,460) | (95,409) | **(272,464)** |
| Total Liabilities and Fund Balances | $ 2,800 | $ 161,126 | $ 31,505 | **$ 195,430** |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**CAPITAL PROJECTS FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | COMBINED RECREATION BOND FUND-STATE PROJECTS | ADVANCE FINANCING FUNDS | STATE BUILDING AUTHORITY | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|
| **REVENUES** | | | | |
| From federal agencies | $ - | $ 5,763 | $ - | **$ 5,763** |
| Miscellaneous | 801 | 1,357 | 8,268 | **10,426** |
| Total Revenues | 801 | 7,120 | 8,268 | **16,189** |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | 6,404 | - | **6,404** |
| Education | - | 9,428 | 189,142 | **198,569** |
| Capital outlay | 17,017 | 110,692 | 117,651 | **245,361** |
| Total Expenditures | 17,017 | 126,524 | 306,793 | **450,334** |
| Excess of Revenues over (under) Expenditures | (16,216) | (119,404) | (298,525) | **(434,145)** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Bonds and notes issued | - | - | 373,550 | **373,550** |
| Premium on bond issuance | - | - | 12,454 | **12,454** |
| Extinguishment of commercial paper | - | - | (40,680) | **(40,680)** |
| Transfers from other funds | - | 18,224 | - | **18,224** |
| Transfers to other funds | (2) | (15,198) | (32,436) | **(47,635)** |
| Total Other Financing Sources (Uses) | (2) | 3,026 | 312,889 | **315,913** |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | (16,218) | (116,378) | 14,364 | **(118,232)** |
| Fund Balances - Beginning of fiscal year - restated | 14,622 | (59,082) | (109,773) | **(154,232)** |
| Fund Balances - End of fiscal year | $ (1,596) | $ (175,460) | $ (95,409) | **$ (272,464)** |

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# PERMANENT FUNDS

## MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Part 19 of P.A. 451 of 1994, as amended. Most rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned land are credited to the fund. Public Act 451 of 1994 directs a portion (50%, up to $10 million per year) of these revenues to the Michigan State Parks Endowment Fund.

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

## MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund operates under Part 741 of P.A. 451 of 1994, as amended, to finance operations, maintenance, and capital improvements at Michigan State parks. The fund was established with a $40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to $10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land are deposited into this fund until the Michigan Natural Resources Trust Fund reaches an accumulated principal of $400 million after which time all revenue previously going to that fund will go to this fund. The fund's investment reserve will be capped at $800 million. The legislature is limited to appropriating no more than $5 million, adjusted for inflation since 1994, each year from the fund until the cap is attained. When the fund's reserve reaches $800 million, only the interest and earnings in excess of the amount needed to maintain the $800 million principal limit may be expended.

## MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

Public Act 394 of 1994, as amended, established this fund for the purpose of conserving, improving, and developing the State's natural resources, and for enhancing, preserving, and maintaining public lands and waters through the employment of residents of this State in work training programs.

Twenty million dollars earmarked from the sale of the Accident Fund of Michigan provided the fund's permanent investment reserve. Only the interest and earnings of the fund can be expended.

## MICHIGAN VETERANS' TRUST FUND

Public Act 9 of 1946 (First Extra Session) created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings and by transfers from the General Fund. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

## CHILDREN'S TRUST FUND

Public Act 249 of 1982 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under P.A. 250 of 1982 to coordinate and fund activities for the prevention of child abuse and neglect in the State.

Public Act 291 of 2000 provided for a transfer of $13.1 million from the General Fund during fiscal year 1999-2000 to bring the fund's total assets to an amount exceeding $20 million. Only the earnings credited to the fund are available for disbursement once the total assets of the fund exceed $20 million corpus. Revenues are derived primarily from grants from the federal government, gifts and donations, and interest on investments.

**COMBINING BALANCE SHEET**
**PERMANENT FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN NATURAL RESOURCES TRUST FUND | MICHIGAN STATE PARKS ENDOWMENT FUND | MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Equity in common cash | $ 33,292 | $ 12,251 | $ 19,127 |
| Amounts due from local units | - | - | - |
| Other current assets | 10,755 | 1,704 | 1 |
| Total Current Assets | 44,047 | 13,956 | 19,128 |
| Investments | 235,633 | 95,495 | 2,006 |
| Total Assets | $ 279,680 | $ 109,450 | $ 21,134 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Current Liabilities: | | | |
| Warrants outstanding | $ 861 | $ 44 | $ 8 |
| Accounts payable and other liabilities | 8,741 | 477 | 200 |
| Amounts due to other funds | 5 | 3 | - |
| Amounts due to component units | - | - | - |
| Total Current Liabilities | 9,607 | 524 | 208 |
| Total Liabilities | 9,607 | 524 | 208 |
| Fund Balances: | | | |
| Reserves for: | | | |
| Budgetary carry-forwards: | | | |
| Encumbrances | 16,192 | 545 | 66 |
| Multi-year projects | 29,509 | 1,262 | - |
| Funds held as permanent investments | 191,682 | 101,067 | 20,006 |
| Total Reserved | 237,383 | 102,874 | 20,072 |
| Unreserved | 32,690 | 6,053 | 854 |
| Total Fund Balances | 270,073 | 108,927 | 20,927 |
| Total Liabilities and Fund Balances | $ 279,680 | $ 109,450 | $ 21,134 |

| MICHIGAN VETERANS' TRUST FUND | CHILDREN'S TRUST FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|
| $ 6,323 | $ 6,265 | $ 77,259 |
| 114 | - | 114 |
| 419 | 322 | 13,202 |
| 6,857 | 6,587 | 90,575 |
| 43,670 | 15,205 | 392,009 |
| $ 50,527 | $ 21,792 | $ 482,583 |
| $ 2 | $ 24 | $ 939 |
| 298 | 96 | 9,812 |
| 6 | - | 13 |
| 159 | - | 159 |
| 464 | 120 | 10,923 |
| 464 | 120 | 10,923 |
| - | 72 | 16,876 |
| - | - | 30,771 |
| 49,000 | 21,177 | 382,932 |
| 49,000 | 21,249 | 430,579 |
| 1,062 | 423 | 41,082 |
| 50,062 | 21,672 | 471,660 |
| $ 50,527 | $ 21,792 | $ 482,583 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**PERMANENT FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN NATURAL RESOURCES TRUST FUND | MICHIGAN STATE PARKS ENDOWMENT FUND | MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND |
|---|---|---|---|
| **REVENUES** | | | |
| From federal agencies | $ - | $ - | $ - |
| Miscellaneous | 78,304 | 11,733 | 1,187 |
| Total Revenues | 78,304 | 11,733 | 1,187 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Family independence services | - | - | - |
| Public safety and corrections | - | - | - |
| Conservation, environment, recreation, and agriculture | 11,027 | 5,289 | 2,260 |
| Capital outlay | 18,451 | 1,175 | - |
| Total Expenditures | 29,478 | 6,464 | 2,260 |
| Excess of Revenues over (under) Expenditures | 48,826 | 5,268 | (1,073) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers from other funds | - | 10,000 | - |
| Transfers to other funds | (10,044) | (30) | (7) |
| Total Other Financing Sources (Uses) | (10,044) | 9,970 | (7) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 38,781 | 15,239 | (1,080) |
| Fund Balances - Beginning of fiscal year - restated | 231,292 | 93,688 | 22,006 |
| Fund Balances - End of fiscal year | $ 270,073 | $ 108,927 | $ 20,927 |

| MICHIGAN VETERANS' TRUST FUND | CHILDREN'S TRUST FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|
| $ - | $ 781 | $ 781 |
| 5,128 | 2,807 | 99,158 |
| 5,128 | 3,588 | 99,940 |
| - | 2,590 | 2,590 |
| 3,866 | - | 3,866 |
| - | - | 18,576 |
| - | - | 19,626 |
| 3,866 | 2,590 | 44,658 |
| 1,261 | 999 | 55,282 |
| - | 53 | 10,053 |
| (28) | (11) | (10,121) |
| (28) | 41 | (69) |
| 1,233 | 1,040 | 55,213 |
| 48,830 | 20,632 | 416,447 |
| $ 50,062 | $ 21,672 | $ 471,660 |

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

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN NATURAL RESOURCES TRUST FUND | | | MICHIGAN STATE PARKS ENDOWMENT FUND | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| From federal agencies | $ - | $ - | $ - | $ - | $ - | $ - |
| Miscellaneous | 78,304 | 78,304 | - | 11,733 | 11,733 | - |
| Transfers in | - | - | - | 10,000 | 10,000 | - |
| Total Revenues and Other Sources | 78,304 | 78,304 | - | 21,733 | 21,733 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Family Independence Agency | - | - | - | - | - | - |
| Military and Veterans Affairs | - | - | - | - | - | - |
| Natural Resources | 61,771 | 55,714 | 6,057 | 7,056 | 7,039 | 16 |
| Total Expenditures, Transfers Out, and Encumbrances | 61,771 | 55,714 | 6,057 | 7,056 | 7,039 | 16 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ 16,533 | 22,590 | $ 6,057 | $ 14,677 | 14,693 | $ 16 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 16,192 | | | 545 | |
| Net Reconciling Items | | 16,192 | | | 545 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | 38,781 | | | 15,239 | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | 231,292 | | | 93,688 | |
| Ending balances (GAAP Basis) | | $ 270,073 | | | $ 108,927 | |

| MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND | | | MICHIGAN VETERANS' TRUST FUND | | |
|---|---|---|---|---|---|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| $ - | $ - | $ - | $ - | $ - | $ - |
| 1,187 | 1,187 | - | 5,128 | 5,128 | - |
| - | - | - | - | - | - |
| 1,187 | 1,187 | - | 5,128 | 5,128 | - |
| - | - | - | - | - | - |
| - | - | - | 4,737 | 3,895 | 842 |
| 2,333 | 2,333 | - | - | - | - |
| 2,333 | 2,333 | - | 4,737 | 3,895 | 842 |
| $ (1,146) | (1,146) | $ - | $ 391 | 1,233 | $ 842 |
| | 66 | | | - | |
| | 66 | | | - | |
| | (1,080) | | | 1,233 | |
| | 22,006 | | | 48,830 | |
| | $ 20,927 | | | $ 50,062 | |

This schedule continued on next page.

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PERMANENT FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | CHILDREN'S TRUST FUND | | | TOTALS | | |
|---|---|---|---|---|---|---|
| Statutory/Budgetary Basis | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| **REVENUES AND OTHER SOURCES** | | | | | | |
| From federal agencies | $ 781 | $ 781 | $ - | $ 781 | $ 781 | $ - |
| Miscellaneous | 2,807 | 2,807 | - | 99,158 | 99,158 | - |
| Transfers in | 53 | 53 | - | 10,053 | 10,053 | - |
| Total Revenues and Other Sources | 3,641 | 3,641 | - | 109,992 | 109,992 | - |
| **EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY** | | | | | | |
| Family Independence Agency | 2,903 | 2,673 | 230 | 2,903 | 2,673 | 230 |
| Military and Veterans Affairs | - | - | - | 4,737 | 3,895 | 842 |
| Natural Resources | - | - | - | 71,160 | 65,087 | 6,073 |
| Total Expenditures, Transfers Out, and Encumbrances | 2,903 | 2,673 | 230 | 78,800 | 71,655 | 7,145 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | $ 738 | 968 | $ 230 | $ 31,193 | 38,337 | $ 7,145 |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 72 | | | 16,876 | |
| Net Reconciling Items | | 72 | | | 16,876 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | 1,040 | | | 55,213 | |
| **FUND BALANCES (GAAP BASIS)** | | | | | | |
| Beginning balances - restated | | 20,632 | | | 416,447 | |
| Ending balances (GAAP Basis) | | $ 21,672 | | | $ 471,660 | |

# INTERNAL SERVICE FUNDS

## CORRECTIONAL INDUSTRIES REVOLVING FUND

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

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The repayment provisions, as stipulated in Executive Order 1992-13, resulted in no required payment in fiscal year 2000-2001, however $1 million was paid against the principal because sufficient cash was available.

## MOTOR TRANSPORT FUND

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

## OFFICE SERVICES REVOLVING FUND

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

## INFORMATION TECHNOLOGY AND ENERGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 1999-2000, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

## RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

## STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the Government-wide Financial Statements entitled "Risk Management" provides additional information about this fund.

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

**COMBINING STATEMENT OF NET ASSETS**
**INTERNAL SERVICE FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | CORRECTIONAL INDUSTRIES REVOLVING FUND | MOTOR TRANSPORT FUND | OFFICE SERVICES REVOLVING FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash | $ - | $ - | $ 17 |
| Equity in common cash | 4,677 | - | - |
| Amounts due from other funds | - | - | - |
| Inventories | 15,897 | 259 | 2,608 |
| Other current assets | 263 | 18,580 | 467 |
| Total Current Assets | 20,838 | 18,840 | 3,092 |
| Capital Assets: | | | |
| Buildings and equipment | 43,046 | 16,943 | 26,332 |
| Allowance for depreciation | (19,470) | (12,037) | (13,579) |
| Total capital assets | 23,576 | 4,906 | 12,753 |
| Other noncurrent assets | - | 955 | - |
| Total Assets | $ 44,414 | $ 24,701 | $ 15,844 |
| **LIABILITIES** | | | |
| Current Liabilities: | | | |
| Warrants outstanding | $ 571 | $ 40 | $ 903 |
| Accounts payable and other liabilities | 2,896 | 2,840 | 2,258 |
| Amounts due to other funds | 88 | 13,530 | 6,129 |
| Deferred revenue | - | 38 | 63 |
| Current portion of other long-term obligations | 102 | 21 | 1,324 |
| Total Current Liabilities | 3,656 | 16,469 | 10,676 |
| Long-Term Liabilities: | | | |
| Advances from other funds | 7,210 | - | - |
| Noncurrent portion of other long-term obligations | 1,044 | 369 | 4,471 |
| Total Liabilities | $ 11,911 | $ 16,838 | $ 15,147 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | $ 23,576 | $ 4,906 | $ 8,986 |
| Restricted for other purposes | 8,927 | 2,957 | - |
| Unrestricted | - | - | (8,289) |
| Total Net Assets | $ 32,503 | $ 7,863 | $ 697 |

| INFORMATION TECHNOLOGY AND ENERGY FUND | RISK MANAGEMENT FUND | STATE SPONSORED GROUP INSURANCE FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ - | $ 20 | $ 38 |
| - | 10,106 | 122,457 | 137,241 |
| - | - | 40,163 | 40,163 |
| 951 | - | - | 19,716 |
| 233 | - | 3,587 | 23,129 |
| 1,184 | 10,106 | 166,228 | 220,287 |
| 187,509 | 4 | 10,253 | 284,087 |
| (122,553) | (4) | (2,293) | (169,936) |
| 64,956 | - | 7,960 | 114,151 |
| - | - | 88,065 | 89,020 |
| $ 66,140 | $ 10,106 | $ 262,253 | $ 423,458 |
| $ 4,171 | $ 51 | $ 670 | $ 6,405 |
| 15,240 | 2,084 | 9,805 | 35,122 |
| 6,672 | 4 | - | 26,422 |
| 4,851 | - | 185 | 5,138 |
| 10,221 | 2,252 | 99,665 | 113,586 |
| 41,156 | 4,391 | 110,325 | 186,672 |
| - | - | - | 7,210 |
| 17,048 | 4,349 | 84,008 | 111,289 |
| $ 58,204 | $ 8,740 | $ 194,332 | $ 305,172 |
| $ 39,919 | $ - | $ 7,960 | $ 85,347 |
| - | - | - | 11,884 |
| (31,983) | 1,366 | 59,960 | 21,055 |
| $ 7,936 | $ 1,366 | $ 67,920 | $ 118,286 |

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**
**INTERNAL SERVICE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

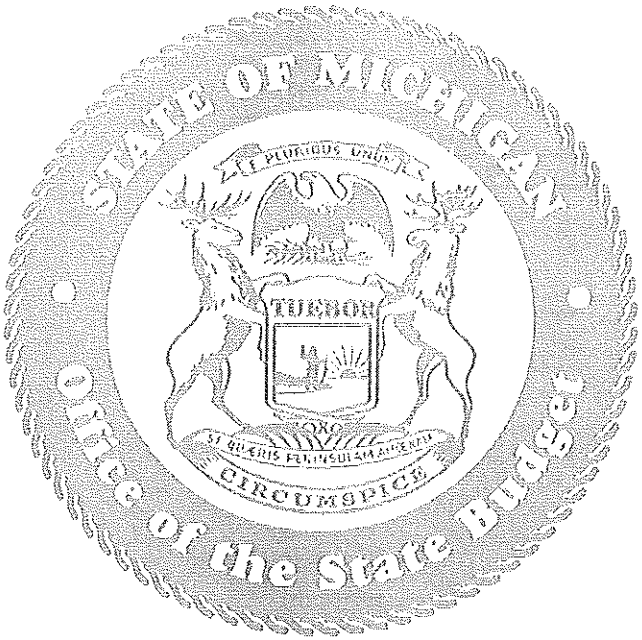
| | CORRECTIONAL INDUSTRIES REVOLVING FUND | MOTOR TRANSPORT FUND | OFFICE SERVICES REVOLVING FUND |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Operating revenues | $ 40,589 | $ 68,181 | $ 57,860 |
| Total Operating Revenues | 40,589 | 68,181 | - |
| **OPERATING EXPENSES** | | | |
| Salaries, wages, and other administrative | 22,430 | 5,693 | 27,191 |
| Depreciation | 1,544 | 669 | 2,829 |
| Purchases for resale | - | - | 29,229 |
| Purchases for prison industries | 15,528 | - | - |
| Premiums and claims | - | 2,494 | 55 |
| Other operating expenses: | | | |
| Leased vehicles expense | - | 36,903 | - |
| Vehicle maintenance expense | - | 24,663 | - |
| Total other operating expenses | - | 61,566 | - |
| Total Operating Expenses | 39,502 | 70,421 | 59,305 |
| Operating Income (Loss) | 1,087 | (2,240) | (1,445) |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Other nonoperating revenues | - | - | - |
| Interest expense | (219) | - | (184) |
| Other nonoperating expense | (74) | (11) | (2,819) |
| Total Nonoperating Revenues (Expenses) | (293) | (11) | (3,003) |
| Income (Loss) Before Transfers | 794 | (2,251) | (4,448) |
| **TRANSFERS** | | | |
| Transfers to other funds | (186) | (30) | (28) |
| Total Transfers In (Out) | (186) | (30) | (28) |
| Change in net assets | 608 | (2,281) | (4,476) |
| Total net assets - Beginning of fiscal year | 31,895 | 10,144 | 5,173 |
| Total net assets - End of fiscal year | $ 32,503 | $ 7,863 | $ 697 |

| INFORMATION TECHNOLOGY AND ENERGY FUND | RISK MANAGEMENT FUND | STATE SPONSORED GROUP INSURANCE FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ 121,390 | $ 2,858 | $ 786,062 | $ 1,076,940 |
| 121,390 | 2,858 | 786,062 | 1,076,940 |
| 71,992 | 1,266 | 39,512 | 168,084 |
| 30,544 | - | 1,990 | 37,576 |
| 16,956 | - | - | 46,185 |
| - | - | - | 15,528 |
| - | 1,174 | 700,989 | 704,712 |
| - | - | - | 36,903 |
| - | - | - | 24,663 |
| - | - | - | 61,566 |
| 119,492 | 2,440 | 742,491 | 1,033,651 |
| 1,898 | 418 | 43,571 | 43,289 |
| - | - | 11,410 | 11,410 |
| (680) | - | - | (1,083) |
| (225) | - | - | (3,130) |
| (905) | - | 11,410 | 7,198 |
| 993 | 418 | 54,981 | 50,487 |
| - | - | - | (244) |
| - | - | - | (244) |
| 993 | 418 | 54,981 | 50,243 |
| 6,943 | 948 | 12,939 | 68,043 |
| $ 7,936 | $ 1,366 | $ 67,920 | $ 118,286 |

**COMBINING STATEMENT OF CASH FLOWS**
**INTERNAL SERVICE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | CORRECTIONAL INDUSTRIES REVOLVING FUND | MOTOR TRANSPORT FUND | OFFICE SERVICES REVOLVING FUND |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | $ 40,590 | $ 66,888 | $ 57,744 |
| Payments to employees | (13,136) | (3,730) | (12,898) |
| Payments to suppliers | (15,547) | (67,038) | (44,705) |
| Claims paid | - | - | - |
| Other receipts | - | 590 | - |
| Other payments | (9,248) | - | - |
| Net cash provided (used) by operating activities | $ 2,660 | $ (3,290) | $ 140 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Loans or loan repayments from other funds | $ - | $ 3,188 | $ 1,486 |
| Loans or loan repayments to other funds | (1,000) | - | - |
| Transfers to other funds | (186) | (30) | (28) |
| Net cash provided (used) by noncapital financing activities | $ (1,186) | $ 3,158 | $ 1,459 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Acquisition and construction of capital assets | $ (1,841) | $ (312) | $ (654) |
| Principal paid on bond and loan maturities | - | - | - |
| Interest paid | (219) | - | - |
| Capital lease payments (including imputed interest expense) | - | - | (1,543) |
| Proceeds from sale of capital assets | - | 410 | 131 |
| Net cash provided (used) by capital and related financing activities | $ (2,060) | $ 98 | $ (2,066) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest and dividends on investments | $ - | $ - | $ - |
| Net cash provided (used) by investing activities | $ - | $ - | $ - |
| Net cash provided (used) - all activities | $ (587) | $ (34) | $ (468) |
| Cash and cash equivalents at beginning of year | 4,693 | (6) | (418) |
| **Cash and cash equivalents at end of year** | $ 4,107 | $ (40) | $ (885) |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | |
| Operating income (loss) | $ 1,087 | $ (2,240) | $ (1,445) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 1,544 | 669 | 2,829 |
| Amortization of pre-paid expense | - | - | 93 |
| Other reconciling items | - | - | - |
| Net changes in assets and liabilities: | | | |
| Inventories | (303) | 28 | (550) |
| Other assets (net) | 3 | (1,675) | (144) |
| Accounts payable and other liabilities | 329 | (72) | (644) |
| Net cash provided (used) by operating activities | $ 2,660 | $ (3,290) | $ 140 |
| **SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES** | | | |
| Cost of capital assets acquisitions financed by capital leases | $ - | $ - | $ 1,978 |
| Capital lease liabilities entered into during the year | - | - | (1,978) |
| Gain (loss) on disposal of capital assets | (74) | - | (2,819) |
| Total noncash investing, capital, and financing activities | $ (74) | $ - | $ (2,819) |

| INFORMATION TECHNOLOGY AND ENERGY FUND | RISK MANAGEMENT FUND | STATE SPONSORED GROUP INSURANCE FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ 122,874 | $ 2,796 | $ 783,869 | $ 1,074,760 |
| (19,415) | (747) | - | (49,926) |
| (67,252) | (458) | (190,061) | (385,061) |
| - | (2,590) | (542,457) | (545,048) |
| - | 1,416 | - | 2,006 |
| (2,083) | - | (5,151) | (16,482) |
| $ 34,124 | $ 417 | $ 46,200 | $ 80,250 |
| | | | |
| $ (247) | $ - | $ - | $ 4,427 |
| - | - | (4,427) | (5,427) |
| - | - | - | (244) |
| $ (247) | $ - | $ (4,427) | $ (1,244) |
| | | | |
| (23,937) | $ - | $ (4,650) | $ (31,394) |
| (6,881) | - | - | (6,881) |
| - | - | - | (219) |
| (6,545) | - | - | (8,089) |
| - | - | - | 541 |
| $ (37,363) | $ - | $ (4,650) | $ (46,041) |
| | | | |
| $ - | $ - | $ 11,410 | $ 11,410 |
| $ - | $ - | $ 11,410 | $ 11,410 |
| $ (3,487) | $ 417 | $ 48,532 | $ 44,375 |
| (685) | 9,638 | 73,275 | 86,499 |
| $ (4,171) | $ 10,055 | $ 121,808 | $ 130,873 |
| | | | |
| $ 1,898 | $ 418 | $ 43,571 | $ 43,289 |
| | | | |
| 30,544 | - | 1,990 | 37,576 |
| - | - | - | 93 |
| 21 | - | - | 21 |
| (477) | - | - | (1,302) |
| 148 | - | (2,402) | (4,070) |
| 1,991 | (1) | 3,041 | 4,644 |
| $ 34,124 | $ 417 | $ 46,200 | $ 80,250 |
| | | | |
| $ 17,357 | $ - | $ - | $ 19,335 |
| (17,357) | - | - | (19,335) |
| (225) | - | - | (3,118) |
| $ (225) | $ - | $ - | $ (3,118) |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Office of the State Budget

# PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans" and "Pension Benefits and Other Postemployment Benefits," include additional information regarding the following funds and plans.

## STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS

The State Employees' Deferred Compensation Fund I (457) and the State Employees' Deferred Compensation Fund II (401k) are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years. Executive Order 1999-7 transferred administration of the plans from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer continues to oversee investment options.

## LEGISLATIVE RETIREMENT FUND

Public Act 261 of 1957 created the Legislative Retirement System (LRS) to provide retirement and other benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

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

## STATE POLICE RETIREMENT FUND

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

## STATE EMPLOYEES' RETIREMENT FUND

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

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

## PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981, the Public School Employees' Chapter I Retirement Fund merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. Public Acts 136 of 1945 and 259 of 1974, respectively, created the two original funds. An eight-member board governs administrative policy.

Employer contributions and investment earnings provide financing for the fund. Under P.A. 91 of 1985, employees may contribute additional amounts into a "member investment plan."

## JUDGES' RETIREMENT FUND

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

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

## STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND

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

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

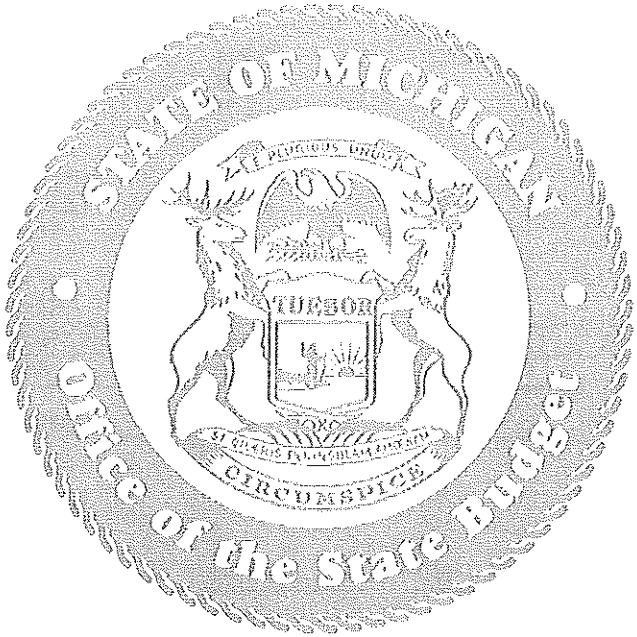
| | STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS | LEGISLATIVE RETIREMENT FUND | STATE POLICE RETIREMENT FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ - | $ - | $ - |
| Equity in common cash | 1,032 | 4,054 | 7,020 |
| Receivables: | | | |
| Employee | 79,363 | - | - |
| Employer | 213 | 339 | - |
| Interest and dividends | - | 193 | 3,781 |
| Due from other funds | - | - | 1,763 |
| Sale of investments | - | - | 16 |
| Investments at fair value: | | | |
| Short-term investments | 177,166 | - | 60,017 |
| Bonds, notes, mortgages, and preferred stock | - | 18,293 | 213,396 |
| Common stock | - | 63,710 | 427,071 |
| Real estate | - | - | 98,236 |
| Alternative investments | - | - | 160,315 |
| International investments | - | - | 69,019 |
| Mutual funds | 1,308,934 | 72,497 | - |
| Pooled investment funds | 1,436,530 | - | - |
| Money market funds | 85,524 | - | - |
| Securities lending collateral | - | - | 44,764 |
| Capital assets: | | | |
| Buildings and equipment | - | - | - |
| Allowance for depreciation | - | - | - |
| Total capital assets | - | - | - |
| Total Assets | $ 3,088,761 | $ 159,087 | $ 1,085,397 |
| **LIABILITIES** | | | |
| Warrants outstanding | $ - | $ 37 | $ 331 |
| Accounts payable and other liabilities | - | 655 | 4,373 |
| Amounts due to other funds | - | 1 | - |
| Obligations under security lending | - | - | 44,764 |
| Total Liabilities | $ - | $ 693 | $ 49,468 |
| **NET ASSETS** | | | |
| Net assets held in trust for pension, postemployment health-care, and other employee benefits | $ 3,088,761 | $ 158,393 | $ 1,035,929 |
| Reconciliation of net assets held in trust: | | | |
| Pension benefits | $ - | $ 152,698 | $ 1,038,440 |
| Postemployment health-care benefits | - | 5,695 | (2,511) |
| Other employee benefits | 3,088,761 | - | - |
| Total net assets held in trust for benefits | $ 3,088,761 | $ 158,393 | $ 1,035,929 |

| STATE EMPLOYEES' RETIREMENT FUND | PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND | JUDGES' RETIREMENT FUND | STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|
| $ 108 | $ 457 | $ - | $ - | $ 565 |
| 44,692 | 96,412 | 4,327 | 31 | 157,568 |
| - | - | - | 13,409 | 92,772 |
| 778 | 355,988 | 105 | 14 | 357,437 |
| 35,653 | 125,682 | 1,047 | - | 166,355 |
| 13,364 | - | - | - | 15,126 |
| 340 | 1,196 | 3 | - | 1,555 |
| 598,335 | 2,703,797 | 20,255 | 81,710 | 3,641,279 |
| 1,994,246 | 6,974,547 | 59,129 | - | 9,259,610 |
| 3,931,888 | 14,338,965 | 109,531 | - | 18,871,164 |
| 938,533 | 3,172,623 | 31,777 | - | 4,241,169 |
| 1,495,217 | 5,217,511 | 33,243 | - | 6,906,286 |
| 631,404 | 2,271,316 | 15,943 | - | 2,987,682 |
| - | - | - | 144,091 | 1,525,522 |
| - | - | - | 71,951 | 1,508,482 |
| - | - | - | 2,737 | 88,261 |
| 408,715 | 1,483,052 | 9,731 | - | 1,946,262 |
| 6 | 18 | - | - | 24 |
| (6) | (18) | - | - | (24) |
| - | - | - | - | - |
| $ 10,093,272 | $ 36,741,544 | $ 285,091 | $ 313,943 | $ 51,767,096 |
| $ 3,852 | $ 9,073 | $ 64 | $ - | $ 13,357 |
| 41,161 | 226,191 | 1,070 | - | 273,451 |
| - | - | - | - | 1 |
| 408,715 | 1,483,052 | 9,731 | - | 1,946,262 |
| $ 453,728 | $ 1,718,316 | $ 10,866 | $ - | $ 2,233,072 |
| $ 9,639,544 | $ 35,023,228 | $ 274,226 | $ 313,943 | $ 49,534,024 |
| $ 9,616,517 | $ 34,810,222 | $ 274,728 | $ 313,943 | $ 46,206,548 |
| 23,027 | 213,005 | (503) | - | 238,714 |
| - | - | - | - | 3,088,761 |
| $ 9,639,544 | $ 35,023,228 | $ 274,226 | $ 313,943 | $ 49,534,024 |

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS | LEGISLATIVE RETIREMENT FUND | STATE POLICE RETIREMENT FUND |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions: | | | |
| From participants | $ 165,962 | $ 380 | $ 1,463 |
| From employers | 4,848 | 3,348 | 44,646 |
| From other plans | 2,852 | - | - |
| Investment income: | | | |
| Net appreciation (depreciation) in fair value of investments | (688,756) | (24,579) | (167,724) |
| Interest, dividends, and other | 203,532 | 5,694 | 31,457 |
| Securities lending income | - | - | 1,486 |
| Less investment expense: | | | |
| Investment activity expense | - | 518 | 1,649 |
| Securities lending expense | - | - | 1,368 |
| Net investment income (loss) | (485,224) | (19,402) | (137,799) |
| Miscellaneous income | 1,814 | 1,068 | - |
| Total Additions | (309,748) | (14,606) | (91,690) |
| **DEDUCTIONS** | | | |
| Benefits paid to participants or beneficiaries | 149,665 | 6,274 | 60,407 |
| Medical, dental, and life insurance for retirants | - | 2,956 | 23,024 |
| Refunds and transfers to other systems | 466 | 12 | - |
| Administrative expense | 6,254 | 245 | 299 |
| Total Deductions | 156,384 | 9,487 | 83,730 |
| Net increase (decrease) | (466,132) | (24,093) | (175,420) |
| Net assets held in trust for pension, postemployment health-care, and other employee benefits - Beginning of fiscal year - restated | 3,554,894 | 182,487 | 1,211,349 |
| Net assets held in trust for pension, postemployment health-care, and other employee benefits - End of fiscal year | $ 3,088,761 | $ 158,393 | $ 1,035,929 |
| Reconciliation of net increase in assets: | | | |
| Net increase (decrease) in assets held in trust for pension benefits | $ - | $ (25,144) | $ (174,243) |
| Net increase (decrease) in assets held in trust for postemployment benefits | - | 1,050 | (1,177) |
| Net increase (decrease) in assets held in trust for other employee benefits | (466,132) | - | - |
| Total net increase (decrease) | $ (466,132) | $ (24,093) | $ (175,420) |

| STATE EMPLOYEES' RETIREMENT FUND | PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND | JUDGES' RETIREMENT FUND | STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|
| $ 9,135 | $ 410,033 | $ 2,650 | $ 15,211 | $ 604,833 |
| 361,926 | 1,158,197 | - | 41,278 | 1,614,243 |
| - | - | - | 21 | 2,873 |
| (1,547,999) | (5,574,288) | (40,547) | (68,017) | (8,111,910) |
| 299,173 | 1,058,618 | 9,795 | 13,352 | 1,621,621 |
| 13,564 | 49,219 | 323 | - | 64,592 |
| 15,372 | 53,350 | 270 | - | 71,159 |
| 12,488 | 45,312 | 297 | - | 59,465 |
| (1,263,120) | (4,565,114) | (30,996) | (54,666) | (6,556,321) |
| 2 | 138 | - | 113 | 3,134 |
| (892,058) | (2,996,746) | (28,346) | 1,956 | (4,331,238) |
| 478,525 | 1,890,812 | 15,793 | 22,831 | 2,624,308 |
| 248,246 | 456,257 | 505 | - | 730,990 |
| 92 | 19,908 | 976 | 2 | 21,455 |
| 4,147 | 58,683 | 500 | 914 | 71,041 |
| 731,010 | 2,425,661 | 17,775 | 23,747 | 3,447,794 |
| (1,623,068) | (5,422,407) | (46,120) | (21,791) | (7,779,032) |
| 11,262,612 | 40,445,634 | 320,346 | 335,734 | 57,313,056 |
| $ 9,639,544 | $ 35,023,228 | $ 274,226 | $ 313,943 | $ 49,534,024 |
| $ (1,631,416) | $ (5,502,118) | $ (45,961) | $ (21,791) | $ (7,400,673) |
| 8,347 | 79,712 | (160) | - | 87,773 |
| - | - | - | - | (466,132) |
| $ (1,623,068) | $ (5,422,407) | $ (46,120) | $ (21,791) | $ (7,779,032) |


STATE OF MICHIGAN
TUEBOR
CIRCUMSPICE
Seal of the State Bureau

# PRIVATE PURPOSE TRUST FUNDS

## ESCHEATS FUND

The Escheats Fund operates under the authority of P.A. 29 of 1995 and is used to account for unclaimed property escheated to the State. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the Act are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the Act. The administrator transfers all remaining proceeds received under this Act to the General Fund.

## GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended when appropriated by the Legislature and in accordance with any applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

## HOSPITAL PATIENTS' TRUST FUND

Public Act 258 of 1974 established this fund to account for funds of patients receiving services in State hospitals. The Department of Community Health, in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. The Department of Community Health distributes interest on a monthly basis to patients meeting minimum balance requirements.

## FEDERAL HOUSING ADMINISTRATION (FHA) MORTGAGES ESCROW FUND

This fund was administratively created, as required by FHA regulations, to account for escrow deposits held to provide for payment of taxes, insurance, and property maintenance for mortgage investments held by certain State pension funds.

## MICHIGAN EDUCATION SAVINGS PROGRAM

Public Act 161 of 2000 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The Federal government and the State both offer tax deductions for contributions made each year.

## WORKERS' DISABILITY COMPENSATION TRUST FUNDS

This fund was administratively created to comply with court orders for bankrupt employers to pay obligations due under the Michigan Workers' Disability Compensation Act.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**
**PRIVATE PURPOSE TRUST FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | ESCHEATS FUND | GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND | HOSPITAL PATIENTS' TRUST FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ - | $ 3 | $ 29 |
| Equity in common cash | 21,060 | 24,030 | 377 |
| Receivables: | | | |
| Interest and dividends | - | 373 | - |
| Investments at fair value: | | | |
| Short-term investments | - | - | - |
| Bonds, notes, mortgages, and preferred stock | - | 14,289 | - |
| Common stock | - | 85 | - |
| Mutual funds | - | 6 | - |
| Pooled investment funds | - | - | - |
| Other current assets | 1,275 | 3,516 | - |
| Total Assets | $ 22,335 | $ 42,301 | $ 405 |
| **LIABILITIES** | | | |
| Warrants outstanding | $ 1,026 | $ 1,021 | $ 46 |
| Accounts payable and other liabilities | 274 | 4,573 | 7 |
| Total Liabilities | $ 1,300 | $ 5,594 | $ 53 |
| **NET ASSETS** | | | |
| Net assets held in trust for other purposes | $ 21,034 | $ 36,707 | $ 353 |

| FEDERAL HOUSING ADMINISTRATION MORTGAGES ESCROW FUND | MICHIGAN EDUCATION SAVINGS PROGRAM | WORKERS' DISABILITY COMPENSATION TRUST FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ 355 | $ - | $ 386 |
| 720 | - | 1,325 | 47,511 |
| 3 | - | - | 376 |
| 164 | - | - | 164 |
| - | - | - | 14,289 |
| - | - | - | 85 |
| - | 51,314 | - | 51,319 |
| - | 4,437 | - | 4,437 |
| - | 339 | - | 5,130 |
| $ 887 | $ 56,444 | $ 1,325 | $ 123,697 |
| $ 108 | $ - | $ - | $ 2,202 |
| - | 464 | - | 5,318 |
| $ 108 | $ 464 | $ - | $ 7,519 |
| $ 779 | $ 55,980 | $ 1,325 | $ 116,178 |

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
**PRIVATE PURPOSE TRUST FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | ESCHEATS FUND | GIFTS, BEQUESTS AND DEPOSITS INVESTMENTS FUND | HOSPITAL PATIENTS' TRUST FUND |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions: | | | |
| From participants | $ - | $ - | $ - |
| From clients | - | 34,439 | 2,865 |
| From gifts, bequests, and endowments | - | 177 | - |
| Investment income: | | | |
| Net appreciation (depreciation) in fair value of investments | - | 55 | - |
| Interest, dividends, and other | - | 1,536 | 34 |
| Less investment expense: | | | |
| Investment activity expense | - | - | - |
| Net investment income (loss) | - | 1,592 | 34 |
| Escheated property | 33,492 | - | - |
| Miscellaneous income | - | 1,086 | - |
| Transfers from other funds | 740 | - | - |
| Total Additions | 34,232 | 37,294 | 2,899 |
| **DEDUCTIONS** | | | |
| Benefits paid to participants or beneficiaries | - | - | - |
| Refunds and transfers to other systems | - | - | - |
| Amounts distributed to clients or third parties | - | 34,038 | 3,341 |
| Administrative expense | - | 3 | - |
| Transfers to other funds | 34,904 | 2,176 | - |
| Total Deductions | 34,904 | 36,217 | 3,341 |
| Net increase (decrease) | (672) | 1,078 | (443) |
| Net assets held in trust for others - Beginning of fiscal year - restated | 21,706 | 35,629 | 795 |
| Net assets held in trust for others - End of fiscal year | $ 21,034 | $ 36,707 | $ 353 |
| Reconciliation of net increase in assets: | | | |
| Net increase (decrease) in assets held in trust for other purposes | $ (672) | $ 1,078 | $ (443) |
| Total net increase (decrease) | $ (672) | $ 1,078 | $ (443) |

| FEDERAL HOUSING ADMINISTRATION MORTGAGES ESCROW FUND | MICHIGAN EDUCATION SAVINGS PROGRAM | WORKERS' DISABILITY COMPENSATION TRUST FUNDS | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|
| $ - | $ 62,849 | $ - | $ 62,849 |
| - | - | - | 37,304 |
| - | - | - | 177 |
| - | (6,704) | - | (6,649) |
| 7 | 843 | 68 | 2,489 |
| - | 119 | - | 119 |
| 7 | (5,981) | 68 | (4,280) |
| - | - | - | 33,492 |
| 58 | 1 | - | 1,145 |
| - | - | - | 740 |
| 65 | 56,869 | 68 | 131,428 |
| - | 888 | - | 888 |
| - | 1 | - | 1 |
| 508 | - | - | 37,887 |
| - | - | 5 | 8 |
| - | - | 505 | 37,585 |
| 508 | 889 | 510 | 76,369 |
| (442) | 55,980 | (442) | 55,059 |
| 1,221 | - | 1,767 | 61,119 |
| $ 779 | $ 55,980 | $ 1,325 | $ 116,178 |
| $ (442) | $ 55,980 | $ (442) | $ 55,059 |
| $ (442) | $ 55,980 | $ (442) | $ 55,059 |

# AGENCY FUNDS

## FINANCIAL INSTITUTIONS DEPOSITS FUNDS

This fund was administratively created as of October 1, 1988, to account for security deposits held by the State Treasurer on behalf of banks which operates trust departments. Deposits are in the form of securities or other acceptable assets. Public Act 482 of 2000 repealed the requirement of pledge securities as a condition to exercising trust powers. Therefore, this fund was closed in fiscal year 2000-2001.

## ENVIRONMENTAL QUALITY DEPOSITS FUND

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

## INSURANCE CARRIER DEPOSITS FUND

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

## STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals, which have defeased Michigan State Hospital Finance Authority (MSHFA) bonds.

## CHILD SUPPORT COLLECTION FUND

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

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**
**AGENCY FUNDS**
SEPTEMBER 30, 2001
(In Thousands)

| | ENVIRONMENTAL QUALITY DEPOSITS FUND | INSURANCE CARRIER DEPOSITS FUND | STATE TREASURER'S ESCROW AND PAYING AGENT FUND | CHILD SUPPORT COLLECTION FUND | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash | $ - | $ - | $ 1,162 | $ 6,773 | $ 7,935 |
| Equity in common cash | 3,407 | 1,018 | - | - | 4,425 |
| Investments at fair value: | | | | | |
| Short-term investments | - | - | 17,174 | - | 17,174 |
| Bonds, notes, mortgages, and preferred stock | - | - | 103,421 | - | 103,421 |
| Other current assets | - | - | 4,156 | 172 | 4,329 |
| Other noncurrent assets | - | 349,587 | - | - | 349,587 |
| Total Assets | $ 3,407 | $ 350,605 | $ 125,914 | $ 6,946 | $ 486,872 |
| **LIABILITIES** | | | | | |
| Warrants outstanding | $ - | $ 145 | $ - | $ - | $ 145 |
| Accounts payable and other liabilities | 3,407 | 590 | 23,222 | 6,731 | 33,950 |
| Amounts due to other funds | - | - | - | 215 | 215 |
| Other long-term liabilities | - | 349,871 | 102,691 | - | 452,562 |
| Total Liabilities | $ 3,407 | $ 350,605 | $ 125,914 | $ 6,946 | $ 486,872 |

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| | BALANCE OCTOBER 1, 2000 | ADDITIONS | DEDUCTIONS | BALANCE SEPTEMBER 30, 2001 |
|---|---|---|---|---|
| FINANCIAL INSTITUTIONS DEPOSITS FUND | | | | |
| **ASSETS** | | | | |
| Other noncurrent assets | $ 1,500 | $ - | $ 1,500 | $ - |
| Total Assets | $ 1,500 | $ - | $ 1,500 | $ - |
| **LIABILITIES** | | | | |
| Other long-term liabilities | $ 1,500 | $ - | $ 1,500 | $ - |
| Total Liabilities | $ 1,500 | $ - | $ 1,500 | $ - |
| ENVIRONMENTAL QUALITY DEPOSITS FUND | | | | |
| **ASSETS** | | | | |
| Equity in common cash | $ 2,440 | $ 1,469 | $ 502 | $ 3,407 |
| Total Assets | $ 2,440 | $ 1,469 | $ 502 | $ 3,407 |
| **LIABILITIES** | | | | |
| Accounts payable and other liabilities | $ 2,440 | $ 1,469 | $ 502 | $ 3,407 |
| Total Liabilities | $ 2,440 | $ 1,469 | $ 502 | $ 3,407 |
| INSURANCE CARRIER DEPOSITS FUND | | | | |
| **ASSETS** | | | | |
| Equity in common cash | $ 2,579 | $ 48,665 | $ 50,225 | $ 1,018 |
| Other noncurrent assets | 357,396 | 110,390 | 118,199 | 349,587 |
| Total Assets | $ 359,975 | $ 159,055 | $ 168,424 | $ 350,605 |
| **LIABILITIES** | | | | |
| Warrants outstanding | $ 4 | $ 141 | $ - | $ 145 |
| Accounts payable and other liabilities | 2,291 | 51,431 | 53,133 | 590 |
| Other long-term liabilities | 357,680 | 110,390 | 118,199 | 349,871 |
| Total Liabilities | $ 359,975 | $ 161,962 | $ 171,332 | $ 350,605 |

| | BALANCE OCTOBER 1, 2000 | ADDITIONS | DEDUCTIONS | BALANCE SEPTEMBER 30, 2001 |
|---|---|---|---|---|
| STATE TREASURER'S ESCROW AND PAYING AGENT FUND | | | | |
| **ASSETS** | | | | |
| Cash | $ 1,281 | $ 30,656 | $ 30,775 | $ 1,162 |
| Equity in common cash | - | 44 | 44 | - |
| Investments at fair value: | | | | |
| Short-term investments | 15,629 | 18,350 | 16,804 | 17,174 |
| Bonds, notes, mortgages, and preferred stock | 120,303 | 3,039 | 19,921 | 103,421 |
| Other current assets | 4,627 | 13,067 | 13,538 | 4,156 |
| Total Assets | $ 141,840 | $ 65,155 | $ 81,082 | $ 125,914 |
| **LIABILITIES** | | | | |
| Accounts payable and other liabilities | $ 22,299 | $ 30,353 | $ 29,429 | $ 23,222 |
| Other long-term liabilities | 119,542 | 19,677 | 36,528 | 102,691 |
| Total Liabilities | $ 141,840 | $ 50,030 | $ 65,957 | $ 125,914 |
| CHILD SUPPORT COLLECTION FUND | | | | |
| **ASSETS** | | | | |
| Cash | $ 200 | $ 605,789 | $ 599,215 | $ 6,773 |
| Other current assets | - | 172 | - | 172 |
| Total Assets | $ 200 | $ 605,961 | $ 599,215 | $ 6,946 |
| **LIABILITIES** | | | | |
| Accounts payable and other liabilities | $ 190 | $ 606,027 | $ 599,486 | $ 6,731 |
| Amounts due to other funds | 10 | 221 | 17 | 215 |
| Total Liabilities | $ 200 | $ 606,248 | $ 599,502 | $ 6,946 |
| TOTALS - ALL AGENCY FUNDS | | | | |
| **ASSETS** | | | | |
| Cash | $ 1,481 | $ 636,445 | $ 629,990 | $ 7,935 |
| Equity in common cash | 5,019 | 50,177 | 50,771 | 4,425 |
| Investments at fair value: | | | | |
| Short-term investments | 15,629 | 18,350 | 16,804 | 17,174 |
| Bonds, notes, mortgages, and preferred stock | 120,303 | 3,039 | 19,921 | 103,421 |
| Other current assets | 4,627 | 13,239 | 13,538 | 4,329 |
| Other noncurrent assets | 358,896 | 110,390 | 119,699 | 349,587 |
| Total Assets | $ 505,955 | $ 831,640 | $ 850,723 | $ 486,872 |
| **LIABILITIES** | | | | |
| Warrants outstanding | $ 4 | $ 141 | $ - | $ 145 |
| Accounts payable and other liabilities | 27,219 | 689,280 | 682,548 | 33,950 |
| Amounts due to other funds | 10 | 221 | 17 | 215 |
| Other long-term liabilities | 478,721 | 130,067 | 156,227 | 452,562 |
| Total Liabilities | $ 505,955 | $ 819,709 | $ 838,793 | $ 486,872 |

# COMPONENT UNITS – AUTHORITIES

## MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the creation of the Michigan Higher Education Facilities Authority (MHEFA) for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. MHEFA consists of an eleven-member commission, nine are appointed by the Governor with the advice and consent of the Senate and two are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, however these bonds do not constitute an obligation of the State or MHEFA, therefore no liabilities have been recorded. Annual service fees to higher education institutions finance MHEFA's administrative operations.

## MACKINAC BRIDGE AUTHORITY

Public Act 21 of 1950 created the Mackinac Bridge Authority (MBA). Public Act 214 of 1952, as amended, empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

## MICHIGAN STRATEGIC FUND

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

## MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Michigan State Hospital Finance Authority (MSHFA) was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals and health-care corporations for capital improvements or debt refinancing. The Act also empowers MSHFA to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. MSHFA is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Community Health). Some of MSHFA's revenue and mortgage bonds have been defeased by the various borrowers by placing proceeds of new bonds in an escrow with the State Treasurer or trustee as escrow agent. Such defeased bonds and related investments are reported in the State Treasurer's Escrow and Paying Agent Fund.

MSHFA no longer performs trustee, fiscal agent, registrar, and paying agent functions for bonds payable. The bonds and related assets have been transferred to financial institutions' trust departments. Since these obligations are, in substance, debts of other entities, MSHFA does not reflect the liabilities, assets, revenues and expenditures related to these bonds in its financial statements.

## MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority (MHESLA) to make loans to qualified students (or their parents) attending participating institutions of higher education. MHESLA may issue revenue-dedicated debt in principal amounts necessary to provide funds for achieving its purpose. A board comprised of the same members as Michigan Higher Education Assistance Authority governs MHESLA. The Governor, with the consent of the Senate, appoints the 15 members. The State Treasurer, an ex officio member, serves as chairman of the board.

## MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

Public Act 77 of 1960, as amended, created the Michigan Higher Education Assistance Authority (MHEAA). It is governed by a 16-member board, appointed by the Governor, with the advice and consent of the Senate. MHEAA is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan and to administer scholarship and grant programs in accordance with State laws. The federal government reimburses MHEAA for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

## MACKINAC ISLAND STATE PARK COMMISSION

Public Act 355 of 1927, as amended, established the Mackinac Island State Park Commission. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

## STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its financial support comes solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article VII, Section 28 of the Michigan State Constitution of 1963 and P.A. of 1967, is a public body corporation. Created by a ten-year contract (inter-local agreement) between participating local economic development corporations formed under P.A. 338 of 1974 and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 17 members appointed to eight-year, staggered terms.

**COMBINING STATEMENT OF NET ASSETS**
**NON-MAJOR COMPONENT UNITS**
**AUTHORITIES**
SEPTEMBER 30, 2001
(In Thousands)

| | MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY | MACKINAC BRIDGE AUTHORITY | MICHIGAN STRATEGIC FUND | MICHIGAN STATE HOSPITAL FINANCE AUTHORITY |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ - | $ 875 | $ 60 | $ 350 |
| Equity in common cash | - | - | 134 | - |
| Amounts due from component units | - | - | - | - |
| Amounts due from primary government | 346 | - | - | 25 |
| Amounts due from federal government | - | - | 7,299 | - |
| Amounts due from local units | - | - | 2 | - |
| Inventories | - | - | - | - |
| Investments | - | 20,761 | - | 2,452 |
| Other current assets | 32 | 444 | 5,312 | 1,041 |
| Total Current Assets | 378 | 22,080 | 12,807 | 3,868 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | - |
| Investments | - | - | - | 191 |
| Mortgages and loans receivable | - | - | - | - |
| Investments | - | - | - | 6,574 |
| Capital assets: | | | | |
| Land and other non-depreciable assets | - | 125 | - | - |
| Buildings, equipment, and other depreciable assets | - | 7,265 | - | 68 |
| Less accumulated depreciation | - | (2,477) | - | (27) |
| Infrastructure | - | 99,564 | - | - |
| Construction in progress | - | 1,411 | - | - |
| Total capital assets | - | 105,888 | - | 41 |
| Other noncurrent assets | - | - | - | - |
| Total Assets | $ 378 | $ 127,967 | $ 12,807 | $ 10,674 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | $ - | $ - | $ - | $ - |
| Accounts payable and other liabilities | - | 1,750 | 7,329 | 50 |
| Amounts due to component units | - | - | 5,298 | - |
| Amounts due to primary government | - | 1,358 | 4 | - |
| Bonds and notes payable | - | - | - | - |
| Interest payable | - | - | - | - |
| Deferred revenue | - | 348 | - | - |
| Current portion of other long-term obligations | - | - | - | - |
| Total Current Liabilities | - | 3,456 | 12,631 | 50 |
| Bonds and notes payable | - | - | - | - |
| Noncurrent portion of other long-term obligations | - | 489 | - | 411 |
| Total Liabilities | $ - | $ 3,945 | $ 12,631 | $ 461 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | $ - | $ 105,888 | $ - | $ 41 |
| Restricted for: | | | | |
| Construction and debt service | - | - | - | - |
| Other purposes | - | - | - | - |
| Unrestricted | 378 | 18,135 | 176 | 10,173 |
| Total Net Assets | $ 378 | $ 124,022 | $ 176 | $ 10,214 |

| MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY | MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY | MACKINAC ISLAND STATE PARK COMMISSION | STATE BAR OF MICHIGAN | MICHIGAN ECONOMIC DEVELOPMENT CORPORATION | TOTALS SEPTEMBER 30, 2001 |
|---|---|---|---|---|---|
| $ - | $ 1,822 | $ 419 | $ 1,414 | $ 23,656 | $ 28,596 |
| - | - | - | - | 200,250 | 200,384 |
| - | - | - | - | 5,298 | 5,298 |
| 410 | 9,752 | 474 | - | - | 11,007 |
| - | - | - | - | 62 | 7,361 |
| - | - | - | - | - | 2 |
| - | - | 520 | - | - | 520 |
| - | 5,538 | - | 2,957 | 3,654 | 35,362 |
| 114,826 | 1,406 | 74 | 526 | 10,120 | 133,780 |
| 115,236 | 18,517 | 1,487 | 4,897 | 243,040 | 422,311 |
| 114,058 | - | 985 | - | 13,888 | 128,931 |
| 100,200 | - | 3,026 | - | - | 103,417 |
| 743,943 | - | - | - | 18,125 | 762,068 |
| - | - | - | - | 77,408 | 83,982 |
| - | - | 337 | 381 | - | 843 |
| - | - | 8,590 | 11,745 | 15,563 | 43,230 |
| - | - | (4,752) | (4,171) | (156) | (11,582) |
| - | - | - | - | - | 99,564 |
| - | - | - | - | - | 1,411 |
| - | - | 4,175 | 7,954 | 15,407 | 133,465 |
| 11,150 | - | - | - | - | 11,150 |
| $ 1,084,587 | $ 18,517 | $ 9,673 | $ 12,851 | $ 367,868 | $ 1,645,324 |
| $ - | $ 182 | $ - | $ - | $ - | $ 182 |
| 1,455 | 8,573 | 169 | 813 | 45,563 | 65,701 |
| - | - | - | - | - | 5,298 |
| - | - | 88 | - | - | 1,450 |
| 94,893 | - | 195 | 204 | - | 95,293 |
| 8,177 | - | 16 | - | - | 8,193 |
| - | - | - | 1,455 | 51 | 1,854 |
| 2,313 | - | - | - | - | 2,313 |
| 106,839 | 8,755 | 467 | 2,472 | 45,614 | 180,283 |
| 834,472 | - | 2,441 | 4,098 | - | 841,010 |
| 33,958 | 474 | - | - | 16,142 | 51,474 |
| $ 975,268 | $ 9,229 | $ 2,908 | $ 6,570 | $ 61,756 | $ 1,072,767 |
| $ - | $ - | $ 1,539 | $ 3,652 | $ 15,407 | $ 126,527 |
| 9,039 | - | 3,147 | - | - | 12,186 |
| - | - | 1,384 | - | - | 1,384 |
| 100,280 | 9,288 | 695 | 2,629 | 290,705 | 432,459 |
| $ 109,319 | $ 9,288 | $ 6,765 | $ 6,282 | $ 306,112 | $ 572,557 |

**COMBINING STATEMENT OF ACTIVITIES**
**NON-MAJOR COMPONENT UNITS - AUTHORITIES**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS/ CONTRIBUTIONS | PROGRAM REVENUES: CAPITAL GRANTS/ CONTRIBUTIONS | NET (EXPENSE) REVENUE |
|---|---|---|---|---|---|
| Michigan Higher Education Facilities Authority | $ 104 | $ 123 | $ - | $ - | $ 20 |
| Mackinac Bridge Authority | 16,125 | 10,443 | - | - | (5,682) |
| Michigan Strategic Fund | 171,522 | 1,613 | 41,195 | - | (128,715) |
| Michigan State Hospital Finance Authority | 1,232 | 1,059 | - | - | (173) |
| Michigan Higher Education Student Loan Authority | 63,566 | 64,485 | 11,364 | - | 12,283 |
| Michigan Higher Education Assistance Authority | 153,229 | 24,741 | 132,138 | - | 3,650 |
| Mackinac Island State Park Commission | 5,653 | 3,600 | 82 | - | (1,970) |
| State Bar of Michigan | 8,993 | 8,892 | - | - | (102) |
| Michigan Economic Development Corporation | 160,179 | - | 129,965 | - | (30,214) |
| Total | $ 580,603 | $ 114,956 | $ 314,743 | $ - | $ (150,904) |

| | |
|---|---|
| General revenues: | |
| Interest and investment earnings | 6,354 |
| Payments from State of Michigan | 117,159 |
| Other | 20,186 |
| Total general revenues | 143,700 |
| Change in net assets | (7,205) |
| Net assets -- beginning - restated | 579,762 |
| Net assets -- ending | $ 572,557 |

# COMPONENT UNITS – STATE UNIVERSITIES

The State has thirteen legally separate public universities, ten of which are included in this report as component units and three of which are excluded. Included are the ten universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by GASB Statement No. 14. Excluded are those three that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The three that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the ten universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2001. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

**COMBINING STATEMENT OF NET ASSETS**
**NON-MAJOR COMPONENT UNITS**
**STATE UNIVERSITIES**
JUNE 30, 2001
(In Thousands)

| | EASTERN MICHIGAN UNIVERSITY | FERRIS STATE UNIVERSITY | GRAND VALLEY STATE UNIVERSITY | LAKE SUPERIOR STATE UNIVERSITY |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ 19,350 | $ 23,296 | $ 12,671 | $ 5,028 |
| Amounts due from component units | - | - | 106 | - |
| Amounts due from primary government | 20,145 | 12,426 | 22,239 | 2,855 |
| Amounts due from federal government | 1,316 | 192 | 21 | 377 |
| Amounts due from local units | - | - | - | - |
| Inventories | 555 | 1,077 | 1,795 | 849 |
| Investments | 28,199 | 21,781 | 36,987 | - |
| Other current assets | 18,737 | 3,538 | 14,419 | 657 |
| Total Current Assets | 88,303 | 62,309 | 88,238 | 9,765 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | 1,016 | - |
| Mortgages and loans receivable | 9,304 | 16,911 | 8,044 | 2,267 |
| Investments | 27 | 27,241 | 56,547 | 17,180 |
| Capital assets: | | | | |
| Land and other non-depreciable assets | 10,590 | 3,389 | 19,780 | 7,885 |
| Buildings, equipment, and other depreciable assets | 397,728 | 301,639 | 313,292 | 108,911 |
| Less accumulated depreciation | (161,503) | (123,853) | (80,688) | (49,900) |
| Infrastructure | 24,241 | 6,058 | - | 1,205 |
| Construction in progress | 15,129 | 3,765 | 36,499 | 4,318 |
| Total capital assets | 286,184 | 190,998 | 288,882 | 72,419 |
| Other noncurrent assets | 1,212 | 2,081 | 12,131 | - |
| Total Assets | $ 385,031 | $ 299,540 | $ 454,858 | $ 101,632 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Accounts payable and other liabilities | $ 23,713 | $ 11,630 | $ 32,678 | $ 4,696 |
| Amounts due to primary government | 715 | 619 | 125 | 165 |
| Bonds and notes payable | 4,627 | 1,905 | 4,387 | 659 |
| Interest payable | 492 | 1,471 | 1,095 | 207 |
| Deferred revenue | 6,090 | 3,724 | 7,798 | 876 |
| Total Current Liabilities | 35,638 | 19,349 | 46,084 | 6,604 |
| Deferred revenue | 874 | 826 | - | - |
| Bonds and notes payable | 95,061 | 77,591 | 79,028 | 32,831 |
| Noncurrent portion of other long-term obligations | 6,640 | 12,083 | 2,429 | 2,692 |
| Total Liabilities | $ 138,212 | $ 109,849 | $ 127,541 | $ 42,127 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | $ 190,379 | $ 130,607 | $ 208,352 | $ 49,262 |
| Restricted for: | | | | |
| Education | 14,362 | 32,014 | 42,175 | 5,697 |
| Construction and debt service | 19,072 | 10 | 16,405 | 1,673 |
| Other purposes | - | - | - | 2,598 |
| Unrestricted | 23,004 | 27,060 | 60,386 | 274 |
| Total Net Assets | $ 246,818 | $ 189,691 | $ 327,318 | $ 59,504 |

| MICHIGAN TECHNOLOGICAL UNIVERSITY | NORTHERN MICHIGAN UNIVERSITY | OAKLAND UNIVERSITY | SAGINAW VALLEY STATE UNIVERSITY | TOTALS JUNE 30, 2001 |
|---|---|---|---|---|
| $ - | $ 10,973 | $ 13,804 | $ 22,843 | $ 107,965 |
| 140 | 31 | 49 | - | 326 |
| 10,570 | 14,663 | 9,733 | 12,074 | 104,704 |
| 1,986 | 358 | 1,470 | 332 | 6,053 |
| - | 610 | - | - | 610 |
| 1,480 | 1,368 | 320 | 204 | 7,648 |
| - | 744 | - | - | 87,711 |
| 5,678 | 4,670 | 7,187 | 2,443 | 57,329 |
| 19,854 | 33,417 | 32,563 | 37,896 | 372,346 |
| - | - | - | - | 1,016 |
| 10,254 | 6,540 | - | 110 | 53,429 |
| 8,601 | 18,396 | 47,360 | - | 175,352 |
| 8,793 | 3,762 | 4,325 | 1,777 | 60,301 |
| 306,597 | 204,247 | 275,866 | 189,620 | 2,097,899 |
| (143,015) | (76,774) | (102,373) | (69,916) | (808,022) |
| - | 14,224 | - | - | 45,728 |
| 72 | 20,589 | 7,753 | 31,153 | 119,277 |
| 172,447 | 166,047 | 185,571 | 152,634 | 1,515,183 |
| - | - | 2,754 | - | 18,179 |
| $ 211,156 | $ 224,400 | $ 268,248 | $ 190,640 | $ 2,135,505 |
| $ 15,040 | $ 13,986 | $ 16,311 | $ 10,501 | $ 128,554 |
| 982 | 288 | 261 | - | 3,156 |
| 273 | 1,460 | 1,505 | 955 | 15,771 |
| 17 | - | - | - | 3,281 |
| 2,627 | 3,198 | 7,447 | 2,739 | 34,500 |
| 18,938 | 18,931 | 25,524 | 14,195 | 185,263 |
| - | - | - | - | 1,699 |
| 11,675 | 41,765 | 43,725 | 52,045 | 433,721 |
| 941 | 6,297 | 4,674 | 1,759 | 37,516 |
| $ 31,554 | $ 66,993 | $ 73,923 | $ 67,999 | $ 658,199 |
| $ 160,499 | $ 122,822 | $ 136,179 | $ 105,706 | $ 1,103,807 |
| 14,068 | 10,610 | 22,230 | 4,425 | 145,581 |
| 6,476 | - | - | - | 43,637 |
| - | - | - | - | 2,598 |
| (1,442) | 23,975 | 35,916 | 12,510 | 181,683 |
| $ 179,601 | $ 157,407 | $ 194,325 | $ 122,641 | $ 1,477,306 |

**COMBINING STATEMENT OF ACTIVITIES**
**NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES**
FISCAL YEAR ENDED JUNE 30, 2001
(In Thousands)

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS/ CONTRIBUTIONS | PROGRAM REVENUES: CAPITAL GRANTS/ CONTRIBUTIONS | NET (EXPENSE) REVENUE |
|---|---|---|---|---|---|
| Eastern Michigan University | $ 231,120 | $ 116,230 | $ 27,948 | $ 8,550 | $ (78,392) |
| Ferris State University | 158,111 | 82,113 | 13,725 | 21,697 | (40,575) |
| Grand Valley State University | 173,335 | 102,057 | 14,692 | 19,079 | (37,507) |
| Lake Superior State University | 40,664 | 17,846 | 4,264 | 2,846 | (15,708) |
| Michigan Technological University | 161,157 | 57,358 | 33,420 | 3,346 | (67,033) |
| Northern Michigan University | 115,387 | 46,180 | 13,242 | 2,263 | (53,702) |
| Oakland University | 149,753 | 77,263 | 19,944 | 4,955 | (47,591) |
| Saginaw Valley State University | 69,966 | 33,906 | 8,996 | 20 | (27,044) |
| Total | $ 1,099,492 | $ 532,953 | $ 136,231 | $ 62,756 | $ (367,552) |

| | |
|---|---|
| General revenues: | |
| Interest and investment earnings | 11,130 |
| Payments from State of Michigan | 455,283 |
| Other | 12,300 |
| Total general revenues | 478,713 |
| Change in net assets | 111,161 |
| Net assets -- beginning - restated | 1,366,144 |
| Net assets -- ending | $ 1,477,306 |

# III STATISTICAL SECTION

**COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES**
**GENERAL AND SPECIAL REVENUE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| SOURCE | TOTAL | GENERAL FUND | SPECIAL REVENUE FUNDS |
|---|---|---|---|
| **TAXES** | | | |
| Sales | $ 6,352,306 | $ 1,647,193 | $ 4,705,113 |
| Personal income | 7,282,173 | 5,326,846 | 1,955,327 |
| Single business | 2,022,882 | 2,022,882 | - |
| Use | 1,333,607 | 889,071 | 444,536 |
| State education (property) | 1,489,552 | - | 1,489,552 |
| Real estate transfer | 252,894 | - | 252,894 |
| Tobacco products | 596,082 | 213,019 | 383,063 |
| Beer and wine | 50,357 | 50,357 | - |
| Liquor | 86,234 | 57,829 | 28,404 |
| Casino gaming wagering | 75,415 | - | 75,415 |
| Horse race wagering | 12,520 | 12,520 | - |
| Intangibles* | (334) | (334) | - |
| Estate and inheritance | 155,469 | 155,469 | - |
| Telephone and telegraph company | 152,523 | 152,523 | - |
| Commercial mobile radio service | 28,756 | 28,756 | - |
| Insurance company | 200,756 | 200,756 | - |
| Motor vehicle weight | 778,201 | 297 | 777,903 |
| Gasoline | 934,399 | - | 934,399 |
| Aviation fuel | 6,706 | - | 6,706 |
| Diesel fuel | 133,658 | - | 133,658 |
| Gas and oil severance | 61,804 | 61,804 | - |
| Industrial facilities | 131,261 | - | 131,261 |
| Convention hotel accommodation | 17,477 | 17,477 | - |
| Airport parking | 17,059 | 17,059 | - |
| Penalties and interest | 157,377 | 157,377 | - |
| Other | 75,890 | 2,160 | 73,730 |
| | 22,405,023 | 11,013,063 | 11,391,961 |
| **FROM FEDERAL AGENCIES** | | | |
| Department of Health and Human Services | 6,284,070 | 6,284,070 | - |
| Department of Education | 836,585 | 687,958 | 148,627 |
| Department of Agriculture | 955,345 | 955,345 | - |
| Department of Labor | 263,286 | 147,748 | 115,538 |
| Department of Housing and Urban Development | 5,039 | 5,039 | - |
| Environmental Protection Agency | 36,807 | 36,807 | - |
| Department of Energy | 11,106 | 11,106 | - |
| Department of Transportation | 1,005,561 | 17,036 | 988,526 |
| Department of Interior | 18,176 | 15,571 | 2,605 |
| Department of Defense | 20,323 | 20,323 | - |
| Department of Justice | 81,222 | 81,222 | - |
| Other | 48,834 | 48,539 | 294 |
| | 9,566,353 | 8,310,763 | 1,255,590 |
| **FROM LOCAL AGENCIES** | | | |
| Counties | 108,031 | 89,243 | 18,788 |
| Cities, villages, and townships | 16,856 | 1,123 | 15,733 |
| Colleges and universities | 179 | 163 | 17 |
| School districts | 1,179 | 1,179 | - |
| Multi-level governmental units | 1,277 | - | 1,277 |
| Other | 100,474 | 14,969 | 85,505 |
| | 227,996 | 106,676 | 121,320 |
| **SPECIAL MEDICAID REIMBURSEMENTS** | 1,155,374 | 1,155,374 | - |
| | 1,155,374 | 1,155,374 | - |

| SOURCE | TOTAL | GENERAL FUND | SPECIAL REVENUE FUNDS |
|---|---|---|---|
| **FROM SERVICES** | | | |
| Charges for furnishing vehicle driver records | $ 29,614 | $ 29,614 | $ - |
| Revenue for patient, ward, and inmate care | 36,162 | 36,162 | - |
| Other | 49,570 | 48,869 | 700 |
| | 115,346 | 114,645 | 700 |
| **FROM LICENSES AND PERMITS** | | | |
| Liquor retailers', manufacturers', and wholesalers' licenses | 12,065 | 12,065 | - |
| Motor vehicle operators' and chauffeurs' licenses | 45,892 | 32,148 | 13,744 |
| Examination fees - financial institutions and insurance industry | 21,842 | 21,842 | - |
| Concession and privilege fees - State parks | 988 | - | 988 |
| Motor vehicle related | 59,429 | 4,758 | 54,671 |
| Hunting, fishing, and trapping licenses | 48,009 | - | 48,009 |
| Public utility assessment fees | 16,309 | 16,309 | - |
| Consumer and Industry Services licenses and permits | 74,186 | 62,713 | 11,473 |
| Auto repair facilities and mechanics licenses and fees | 4,337 | 4,337 | - |
| Corporation franchise fees | 12,459 | 12,459 | - |
| Other | 96,139 | 53,101 | 43,038 |
| | 391,655 | 219,732 | 171,923 |
| **MISCELLANEOUS** | | | |
| Income from investments | 217,718 | 71,534 | 146,184 |
| Tobacco settlement proceeds | 261,247 | - | 261,247 |
| Various fines, fees, and assessments | 71,752 | 45,292 | 26,461 |
| Court fines, fees, and assessments | 93,924 | 87,004 | 6,920 |
| Oil and gas royalties, fees, assignments, and rentals | 20,444 | 11,674 | 8,770 |
| Environmental pollution settlements | 17,570 | 5,821 | 11,750 |
| State Fair revenue | 5,222 | 5,222 | - |
| Child support | 26,629 | 26,629 | - |
| Other | 566,775 | 258,737 | 308,038 |
| | 1,281,281 | 511,912 | 769,369 |
| Total Revenues | 35,143,027 | 21,432,165 | 13,710,863 |
| **OTHER FINANCING SOURCES** | | | |
| Proceeds from bond issues and bond anticipation notes | 854,240 | - | 854,240 |
| Capital lease acquisitions | 23,014 | 23,014 | - |
| Transfers from other funds: | | | |
| From Liquor Purchase Revolving Fund | 127,393 | 127,393 | - |
| From State Lottery Fund | 597,386 | 10,377 | 587,009 |
| From Escheats Fund | 34,904 | 34,904 | - |
| From other funds | 1,924,401 | 454,375 | 1,470,026 |
| Total Other Financing Sources | 3,561,338 | 650,063 | 2,911,275 |
| Total Revenue and Other Financing Sources (GAAP Basis) | $ 38,704,365 | $ 22,082,227 | $ 16,622,138 |

* Negative amount represents refunds in excess of revenues collected.

## SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
## GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| SOURCE | TOTAL | GENERAL PURPOSE | RESTRICTED REVENUES |
|---|---|---|---|
| **TAXES** | | | |
| Sales | $ 1,647,193 | $ 76,142 | $ 1,571,051 |
| Personal income | 5,326,846 | 4,756,160 | 570,687 |
| Single business | 2,022,882 | 2,021,363 | 1,519 |
| Use | 889,071 | 887,513 | 1,558 |
| Tobacco products | 213,019 | 146,201 | 66,818 |
| Beer and wine | 50,357 | 50,357 | - |
| Liquor | 57,829 | 29,345 | 28,485 |
| Horse race wagering | 12,520 | 2 | 12,518 |
| Intangibles* | (334) | (334) | - |
| Estate and inheritance | 155,469 | 155,466 | 2 |
| Telephone and telegraph company | 152,523 | 152,523 | - |
| Commercial mobile radio service | 28,756 | - | 28,756 |
| Insurance company | 200,756 | 200,739 | 17 |
| Motor vehicle weight | 297 | - | 297 |
| Gas and oil severance | 61,804 | 60,139 | 1,666 |
| Convention hotel accommodation | 17,477 | - | 17,477 |
| Airport parking | 17,059 | - | 17,059 |
| Penalties and interest | 157,377 | 150,150 | 7,227 |
| Other | 2,160 | 1,784 | 376 |
| | 11,013,063 | 8,687,550 | 2,325,513 |
| **FROM FEDERAL AGENCIES** | | | |
| Department of Health and Human Services | 6,284,070 | 15,156 | 6,268,914 |
| Department of Education | 687,958 | 1,658 | 686,300 |
| Department of Agriculture | 955,345 | 1,328 | 954,017 |
| Department of Labor | 147,748 | 846 | 146,902 |
| Department of Housing and Urban Development | 5,039 | 187 | 4,852 |
| Environmental Protection Agency | 36,807 | 3,622 | 33,185 |
| Department of Energy | 11,106 | 96 | 11,010 |
| Department of Transportation | 17,036 | 369 | 16,666 |
| Department of Interior | 15,571 | 221 | 15,350 |
| Department of Defense | 20,323 | 25 | 20,297 |
| Department of Justice | 81,222 | 127 | 81,094 |
| Other | 48,539 | 997 | 47,542 |
| | 8,310,763 | 24,633 | 8,286,131 |
| **FROM LOCAL AGENCIES** | | | |
| Counties | 89,243 | 6 | 89,237 |
| Cities, villages, and townships | 1,123 | 1,059 | 64 |
| Colleges and universities | 163 | - | 163 |
| School districts | 1,179 | - | 1,179 |
| Other | 14,969 | 702 | 14,267 |
| | 106,676 | 1,767 | 104,909 |
| **SPECIAL MEDICAID REIMBURSEMENTS** | 1,155,374 | - | 1,155,374 |
| | 1,155,374 | - | 1,155,374 |
| **FROM SERVICES** | | | |
| Charges for vehicle driver records | 29,614 | 8 | 29,606 |
| Revenue for patient, ward, and inmate care | 36,162 | 172 | 35,990 |
| Other | 48,869 | 4,590 | 44,279 |
| | 114,645 | 4,770 | 109,875 |

| SOURCE | TOTAL | GENERAL PURPOSE | RESTRICTED REVENUES |
|---|---|---|---|
| **FROM LICENSES AND PERMITS** | | | |
| Liquor retailers', manufacturers', and wholesalers' licenses | $ 12,065 | $ - | $ 12,065 |
| Motor vehicle operators' and chauffeurs' licenses | 32,148 | 4,244 | 27,904 |
| Examination fees - financial institutions and insurance industry | 21,842 | - | 21,842 |
| Motor vehicle related | 4,758 | 571 | 4,188 |
| Public utility assessment fees | 16,309 | - | 16,309 |
| Consumer and Industry Services licenses and permits | 62,713 | 11,157 | 51,556 |
| Auto repair facilities and mechanics licenses and fees | 4,337 | 9 | 4,328 |
| Corporation franchise fees | 12,459 | 6,270 | 6,189 |
| Other | 53,101 | 1,251 | 51,850 |
| | 219,732 | 23,502 | 196,230 |
| **MISCELLANEOUS** | | | |
| Income from investments | 71,534 | 50,331 | 21,203 |
| Various fines, fees, and assessments | 45,292 | 1,599 | 43,693 |
| Court fines, fees, and assessments | 87,004 | 4,849 | 82,155 |
| Oil and gas royalties, fees, assignments, and rentals | 11,674 | (1,654) | 13,328 |
| Environmental pollution settlements | 5,821 | 2,070 | 3,751 |
| State Fair revenue | 5,222 | - | 5,222 |
| Child support | 26,629 | 139 | 26,490 |
| Other | 258,737 | 85,886 | 172,850 |
| | 511,912 | 143,221 | 368,691 |
| Total Revenues | 21,432,165 | 8,885,441 | 12,546,723 |
| **OTHER FINANCING SOURCES** | | | |
| Capital lease acquisitions | 23,014 | - | 23,014 |
| Transfers from other funds: | | | |
| From Liquor Purchase Revolving Fund | 127,393 | 118,832 | 8,561 |
| From State Lottery Fund | 10,377 | 9,393 | 984 |
| From Escheats Fund | 34,904 | 30,360 | 4,544 |
| From other funds | 454,375 | 370,444 | 83,931 |
| Total Other Financing Sources | 650,063 | 529,029 | 121,033 |
| Total Revenue and Other Financing Sources (GAAP Basis) | 22,082,227 | 9,414,471 | 12,667,757 |
| **BUDGETARY BASIS ADJUSTMENTS** | | | |
| Capital lease acquisitions | (23,014) | - | (23,014) |
| Total Revenue and Other Financing Sources (budgetary basis) | $ 22,059,213 | $ 9,414,471 | $ 12,644,742 |

* Negative amount represents refunds in excess of revenues collected.

## SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

| BRANCH AND DEPARTMENT | CURRENT LEGISLATIVE APPROPRIATION | BUDGETARY TRANSFERS IN/OUT | BUDGETARY ADJUSTMENT | UNEXPENDED FROM PRIOR YEAR | RESTRICTED REVENUE ADDITIONS | LESS: TIMING DIFFERENCES* RESTRICTED REVENUE NOT AUTHORIZED |
|---|---|---|---|---|---|---|
| Legislative Branch | $ 153,360 | $ - | $ 245 | $ 24,986 | $ 6,873 | $ (47) |
| Judicial Branch | 175,658 | - | - | 15,940 | 56,483 | (4,061) |
| Executive Branch: | | | | | | |
| Agriculture | 51,795 | - | - | 25,629 | 40,367 | (8,940) |
| Attorney General | 35,271 | - | - | 749 | 20,317 | (38) |
| Career Development | 33,279 | - | 641 | 11,236 | 402,254 | (330) |
| Civil Rights | 14,267 | - | - | 1,191 | 824 | - |
| Civil Service | 12,374 | - | - | 1,904 | 20,261 | (1,400) |
| Colleges and Universities Grants | 2,097,917 | - | - | 3,243 | 3,196 | - |
| Community Health | 2,673,556 | - | 8,344 | 298,719 | 6,469,217 | (457,084) |
| Consumer and Industry Services | 83,344 | - | - | 70,590 | 159,751 | (65,537) |
| Corrections | 1,619,601 | - | - | 49,692 | 57,147 | (3,085) |
| Education | 420,769 | - | - | 6,246 | 794,661 | (4,195) |
| Environmental Quality | 99,407 | - | 94 | 90,485 | 137,126 | (95,132) |
| Executive Office | 5,651 | - | - | 70 | 13 | (23) |
| Family Independence Agency | 1,216,744 | - | 28,750 | 57,927 | 2,399,287 | (483) |
| Management and Budget | 197,269 | - | 1,517 | 463,559 | 116,332 | (39,717) |
| Military and Veterans Affairs | 41,648 | - | 10 | 5,749 | 53,251 | (1,808) |
| Natural Resources | 53,679 | - | - | 42,756 | 45,712 | (15,826) |
| State | 66,805 | - | - | 22,937 | 110,731 | (6,094) |
| State Police | 321,356 | - | - | 47,752 | 102,302 | (29,757) |
| Transportation | 21,300 | - | - | 11,363 | - | - |
| Treasury | 159,974 | - | - | 275,353 | 2,322,399 | (269,121) |
| Intrafund expenditure reimbursements | - | - | - | - | - | - |
| TOTAL | $ 9,555,019 | $ - | $ 39,601 | $ 1,528,078 | $ 13,318,500 | $ (1,002,679) |

*Unused spending authority which does not lapse has been divided into two categories:

Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenues which were not available for expenditure in the current year because they had not been appropriated.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs that could have been used in the current period but were not.

** Appropriation revisions of $195.7 million were made in fiscal year 2000-2001 for capital outlay appropriations that are now funded by the State Building Authority. This resulted in reductions to "current legislative appropriation" which totalled $9.8 billion before the appropriation revisions were recorded.

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

| | | "BUDGET" | "ACTUAL" | | "VARIANCES" | | |
|---|---|---|---|---|---|---|---|
| GROSS SPENDING AUTHORITY | LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS | AS PRESENTED IN STATEMENTS | EXPENDED/ TRANSFERRED | ENCUMBERED BALANCES FORWARD | RESTRICTED REVENUE BALANCES AUTHORIZED | LAPSES | OVEREXPENDED |
| $ 185,416 | $ (15,551) | $ 169,865 | $ 166,280 | $ 2,691 | $ 440 | $ 455 | $ - |
| 244,019 | (434) | 243,585 | 232,492 | 3,837 | 14 | 7,242 | - |
| 108,851 | (11,784) | 97,067 | 93,966 | 2,833 | - | 268 | - |
| 56,299 | - | 56,299 | 55,427 | 173 | - | 699 | - |
| 447,080 | (102) | 446,978 | 445,998 | 827 | - | 736 | (584) |
| 16,281 | (740) | 15,541 | 15,046 | 243 | - | 252 | - |
| 33,139 | (1,460) | 31,679 | 31,444 | 235 | - | - | - |
| 2,104,355 | (1,590) | 2,102,765 | 2,102,073 | - | - | 693 | - |
| 8,992,751 | (7,137) | 8,985,614 | 8,976,960 | 4,505 | 2,872 | 32,583 | (31,307) |
| 248,147 | - | 248,147 | 241,228 | 5,389 | 99 | 1,431 | - |
| 1,723,354 | (23,543) | 1,699,812 | 1,662,984 | 29,230 | - | 7,598 | - |
| 1,217,482 | (452) | 1,217,029 | 1,214,830 | 1,175 | - | 1,024 | - |
| 231,979 | (21,165) | 210,814 | 191,170 | 19,555 | - | 89 | - |
| 5,711 | - | 5,711 | 5,664 | 10 | - | 37 | - |
| 3,702,224 | (41,858) | 3,660,366 | 3,653,099 | 4,126 | - | 3,142 | - |
| 738,961 | (138,465) | 600,496 | 548,403 | 37,858 | - | 14,235 | - |
| 98,850 | - | 98,850 | 95,685 | 1,267 | 675 | 1,223 | - |
| 126,321 | (6,817) | 119,503 | 112,540 | 2,011 | - | 4,952 | - |
| 194,378 | (5,383) | 188,996 | 180,379 | 5,471 | 833 | 2,312 | - |
| 441,653 | (2,396) | 439,257 | 420,164 | 10,063 | 1,157 | 7,873 | - |
| 32,663 | (15,503) | 17,160 | 17,160 | - | - | - | - |
| 2,488,605 | (13,693) | 2,474,912 | 2,462,786 | 6,128 | 3,213 | 2,785 | - |
| - | - | (673,758) | (673,758) | - | - | - | - |
| $ 23,438,519 | $ (308,073) | $ 22,456,688 | $ 22,252,022 | $ 137,626 | $ 9,302 | $ 89,630 | $ (31,891) |

**SOURCE AND DISPOSITION OF**
**GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS**
**APPROPRIATION YEAR 2001**
**FISCAL YEAR ENDED SEPTEMBER 30, 2001**
(In Thousands)

| BRANCH AND DEPARTMENT | CURRENT LEGISLATIVE APPROPRIATION | BUDGETARY TRANSFERS IN/OUT | BUDGETARY ADJUSTMENT |
|---|---|---|---|
| Legislative Branch | $ 153,360 | $ 44 | $ 245 |
| Judicial Branch | 175,658 | - | - |
| Executive Branch: | | | |
| Agriculture | 51,795 | - | - |
| Attorney General | 35,271 | - | - |
| Career Development | 33,279 | - | 641 |
| Civil Rights | 14,267 | - | - |
| Civil Service | 12,374 | - | - |
| Colleges and Universities Grants | 2,097,917 | - | - |
| Community Health | 2,673,556 | - | 8,344 |
| Consumer and Industry Services | 83,344 | - | - |
| Corrections | 1,619,601 | - | - |
| Education | 420,769 | - | - |
| Environmental Quality | 99,407 | - | 94 |
| Executive Office | 5,651 | - | - |
| Family Independence Agency | 1,216,744 | - | 28,750 |
| Management and Budget | 392,479 | - | 1,517 |
| Military and Veterans Affairs | 41,648 | - | 10 |
| Natural Resources | 53,679 | - | - |
| State | 66,805 | - | - |
| State Police | 321,806 | - | - |
| Transportation | 21,300 | - | - |
| Treasury | 159,974 | - | - |
| TOTAL | $ 9,750,679 | $ 44 | $ 39,601 |

| | "ACTUAL" | | | "VARIANCES" | |
|---|---|---|---|---|---|
| GROSS SPENDING AUTHORITY | EXPENDED/ TRANSFERRED | ENCUMBERED BALANCES FORWARD | MULTI-YEAR PROJECT BALANCES FORWARD | LAPSES | OVEREXPENDED |
| $ 153,649 | $ 148,144 | $ 1,224 | $ 3,972 | $ 309 | $ - |
| 175,658 | 172,202 | 2,367 | - | 1,088 | - |
| 51,795 | 45,227 | 1,300 | 5,000 | 267 | - |
| 35,271 | 34,551 | 173 | - | 548 | - |
| 33,919 | 33,221 | 693 | - | 589 | (584) |
| 14,267 | 13,809 | 211 | - | 247 | - |
| 12,374 | 11,303 | 171 | 900 | - | - |
| 2,097,917 | 2,095,639 | - | 1,585 | 692 | - |
| 2,681,900 | 2,677,007 | 1,962 | 2,925 | 30,959 | (30,954) |
| 83,344 | 80,172 | 2,451 | - | 720 | - |
| 1,619,601 | 1,587,035 | 19,810 | 11,551 | 1,205 | - |
| 420,769 | 418,338 | 1,036 | 452 | 942 | - |
| 99,501 | 82,473 | 6,367 | 10,615 | 45 | - |
| 5,651 | 5,604 | 10 | - | 37 | - |
| 1,245,493 | 1,217,901 | 3,868 | 21,195 | 2,530 | - |
| 393,996 | 352,738 | 3,554 | 24,935 | 12,771 | - |
| 41,658 | 40,645 | 506 | - | 508 | - |
| 53,679 | 51,880 | 1,169 | - | 630 | - |
| 66,805 | 61,389 | 1,975 | 2,020 | 1,420 | - |
| 321,806 | 315,501 | 3,890 | 2,396 | 19 | - |
| 21,300 | 11,773 | - | 9,527 | - | - |
| 159,974 | 149,442 | 1,127 | 8,100 | 1,305 | - |
| $ 9,790,324 | $ 9,605,994 | $ 53,864 | $ 105,174 | $ 56,830 | $ (31,538) |

**REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS**
**GENERAL AND SPECIAL REVENUE FUNDS**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Thousands)

| SOURCE | 1991-1992 | 1992-1993 | 1993-1994 | 1994-1995 |
|---|---|---|---|---|
| TAXES: | | | | |
| Sales | $ 2,738,147 | $ 2,905,665 | $ 3,775,260 | $ 4,884,198 |
| Personal Income (net of tax expenditures) | 3,927,931 | 4,204,772 | 4,461,416 | 5,013,472 |
| Amount reported as tax expenditures | 964,700 | 975,200 | 1,067,700 | 459,600 |
| Single Business | 1,685,052 | 1,791,128 | 2,035,394 | 2,130,395 |
| Use | 479,979 | 529,532 | 725,091 | 942,885 |
| State Education (Property) | - | - | 446,863 | 1,155,601 |
| Real Estate Transfer | - | - | - | - |
| Liquor, Beer, Wine, and Tobacco Products | 360,461 | 358,887 | 510,312 | 734,645 |
| Casino Gaming Wagering | - | - | - | - |
| Telephone and Telegraph Company | 145,199 | 149,613 | 122,477 | 127,189 |
| Insurance Company | 178,304 | 188,196 | 194,442 | 213,638 |
| Motor Vehicle and Fuel | 1,185,774 | 1,244,816 | 1,287,765 | 1,338,692 |
| Other | 566,646 | 518,496 | 455,788 | 468,399 |
| TOTAL TAXES | 12,232,193 | 12,866,305 | 15,082,510 | 17,468,714 |
| FEDERAL AGENCIES | 5,379,072 | 5,923,406 | 6,370,178 | 6,532,050 |
| LOCAL AGENCIES | 178,660 | 148,956 | 156,267 | 183,282 |
| SPECIAL MEDICAID REIMBURSEMENTS | 454,257 | 738,026 | 900,461 | 490,517 |
| SERVICES | 107,939 | 110,543 | 113,757 | 122,532 |
| LICENSES AND PERMITS | 288,764 | 302,481 | 328,978 | 348,873 |
| MISCELLANEOUS | 448,480 | 427,227 | 478,194 | 655,578 |
| TOTAL REVENUE | 19,089,364 | 20,516,944 | 23,430,346 | 25,801,546 |
| PROCEEDS FROM BOND ISSUES | 461,957 | 14,179 | 166,036 | 541,881 |
| CAPITAL LEASE ACQUISITIONS | 24,349 | 18,304 | 8,778 | 23,782 |
| TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS | $ 19,575,671 | $ 20,549,427 | $ 23,605,160 | $ 26,367,209 |

NOTES:

(1) Beginning in fiscal year 1996-97, the State began reporting the federal share of child support collections as federal revenue, rather than as miscellaneous revenue. Prior year amounts have been reclassified to include the federal revenue which were previously reported on the "Miscellaneous" line.

(2) Beginning in fiscal year 1997-98, the State began reporting real estate transfer tax separately from State education (property) tax. Amounts of the real estate transfer tax for years prior to 1997-98 are not available.

| 1995-1996 | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 |
|---|---|---|---|---|---|
| $ 5,171,598 | $ 5,389,802 | $ 5,617,331 | $ 5,901,733 | $ 6,277,498 | $ 6,352,306 |
| 5,438,788 | 5,930,404 | 6,316,125 | 6,907,933 | 7,144,211 | 6,749,373 |
| 429,618 | 470,000 | 477,000 | 486,100 | 502,100 | 532,800 |
| 2,187,418 | 2,224,319 | 2,349,148 | 2,360,533 | 2,324,868 | 2,022,882 |
| 1,034,886 | 1,092,216 | 1,159,258 | 1,283,017 | 1,355,389 | 1,333,607 |
| 1,272,288 | 1,348,832 | 1,256,874 | 1,273,459 | 1,381,420 | 1,489,552 |
| - | - | 227,852 | 261,696 | 257,093 | 252,894 |
| 698,007 | 662,287 | 689,451 | 739,972 | 736,859 | 732,673 |
| - | - | - | - | - | 75,415 |
| 135,412 | 145,805 | 151,964 | 150,334 | 149,206 | 152,523 |
| 205,996 | 182,389 | 142,565 | 199,463 | 191,946 | 200,756 |
| 1,334,349 | 1,424,963 | 1,695,068 | 1,784,970 | 1,829,979 | 1,852,964 |
| 611,716 | 569,300 | 543,391 | 609,665 | 714,899 | 657,279 |
| 18,520,076 | 19,440,316 | 20,626,025 | 21,958,875 | 22,865,469 | 22,405,023 |
| 7,469,416 | 7,653,495 | 7,679,490 | 7,902,699 | 8,571,625 | 9,566,353 |
| 197,972 | 168,247 | 165,443 | 183,822 | 173,882 | 227,996 |
| 598,654 | 593,402 | 585,179 | 690,799 | 1,059,343 | 1,155,374 |
| 120,415 | 114,354 | 107,623 | 113,415 | 110,294 | 115,346 |
| 353,266 | 353,492 | 376,909 | 383,778 | 393,006 | 391,655 |
| 701,004 | 655,963 | 700,553 | 769,236 | 1,032,248 | 1,281,281 |
| 27,960,804 | 28,979,270 | 30,241,222 | 32,002,624 | 34,205,867 | 35,143,027 |
| 6,149 | 54,021 | 251,454 | - | 82,099 | 854,240 |
| 71,810 | 54,157 | 29,027 | 57,609 | 22,330 | 23,014 |
| $ 28,038,762 | $ 29,087,448 | $ 30,521,703 | $ 32,060,233 | $ 34,310,295 | $ 36,020,281 |

**SCHEDULE OF EXPENDITURES BY FUNCTION**
**GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Thousands)

| | 1991 - 1992 | 1992 - 1993 | 1993 - 1994 | 1994 - 1995 |
|---|---|---|---|---|
| Current: | | | | |
| General government | $ 935,530 | $ 906,287 | $ 844,696 | $ 970,101 |
| Education | 4,898,512 | 5,226,199 | 6,032,718 | 9,781,080 |
| Family independence services (1) | 6,209,410 | 6,964,193 | 7,596,169 | 7,389,722 |
| Public safety and corrections | 1,189,233 | 1,298,270 | 1,403,525 | 1,557,854 |
| Conservation, environment, recreation, and agriculture | 357,647 | 367,688 | 518,336 | 639,425 |
| Labor, commerce, and regulatory | 597,427 | 590,282 | 658,148 | 704,191 |
| Health services (1) | 1,304,679 | 1,370,988 | 1,428,218 | 1,471,392 |
| Transportation | 1,174,803 | 1,240,270 | 1,297,326 | 1,352,745 |
| Tax expenditures | 964,700 | 975,200 | 1,067,700 | 459,600 |
| Capital outlay | 517,777 | 538,647 | 523,512 | 625,390 |
| Intergovernmental - revenue sharing | 956,102 | 1,063,608 | 1,136,127 | 1,190,838 |
| Debt service: | | | | |
| Bond interest and fiscal charges | - | - | - | - |
| Capital lease payments | 47,515 | 39,279 | 36,341 | 38,523 |
| Total Expenditures | $ 19,153,334 | $ 20,580,911 | $ 22,542,815 | $ 26,180,861 |

NOTES: (1) Beginning in fiscal year 1996-97 the State consolidated the Medical Services Administration (MSA), the Departments of Public Health and Mental Health to form the Department of Community Health and accounted for the combined operations as "Health services." MSA and Public Health expenditures were previously reported as "Health and welfare," which was renamed to "Family independence services." Prior year amounts have not been restated.

| 1995 - 1996 | 1996 - 1997 | 1997 - 1998 | 1998 - 1999 | 1999 - 2000 | 2000 - 2001 |
|---|---|---|---|---|---|
| $ 1,061,865 | $ 1,060,633 | $ 1,003,062 | $ 1,072,735 | $ 1,071,643 | $ 1,270,363 |
| 10,219,613 | 10,568,759 | 11,462,128 | 11,827,226 | 12,436,812 | 13,975,247 |
| 8,619,094 | 3,496,468 | 3,262,649 | 3,229,377 | 3,336,835 | 3,596,001 |
| 1,683,618 | 1,738,682 | 1,720,105 | 1,908,871 | 1,983,001 | 2,155,735 |
| 511,459 | 440,656 | 446,377 | 482,901 | 564,738 | 617,703 |
| 716,571 | 756,754 | 763,484 | 720,070 | 740,687 | 881,069 |
| 1,501,080 | 6,563,740 | 6,781,614 | 7,100,795 | 7,692,354 | 8,525,435 |
| 1,392,778 | 1,459,704 | 1,556,082 | 1,645,123 | 1,663,318 | 2,058,191 |
| 429,618 | 470,000 | 477,000 | 486,100 | 502,100 | 532,800 |
| 608,159 | 716,835 | 898,509 | 1,144,575 | 1,196,211 | 1,267,158 |
| 1,281,089 | 1,301,153 | 1,381,009 | 1,410,400 | 1,494,016 | 1,555,799 |
| - | - | - | - | - | 2,219 |
| 44,932 | 57,562 | 58,905 | 59,287 | 52,027 | 48,820 |
| $ 28,069,878 | $ 28,630,947 | $ 29,810,925 | $ 31,087,460 | $ 32,733,741 | $ 36,486,541 |

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Thousands)

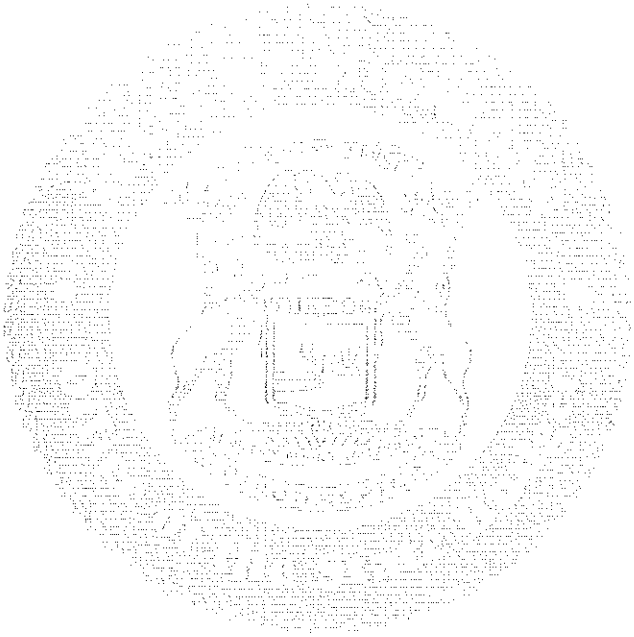
| FISCAL YEAR | PRINCIPAL | INTEREST AND FISCAL CHARGES | TOTAL DEBT SERVICE EXPENDITURES | TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS | RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL FUND EXPENDITURES AND TRANSFERS |
|---|---|---|---|---|---|
| 1991-1992 | $ 27,282 | $ 8,184 | $ 35,466 | $ 15,500,936 | .23 % |
| 1992-1993 | 19,342 | 18,341 | 37,683 | 17,120,555 | .22 % |
| 1993-1994 | 20,795 | 19,895 | 40,690 | 17,989,224 | .23 % |
| 1994-1995 | 23,584 | 19,081 | 42,665 | 17,549,649 | .24 % |
| 1995-1996 | 21,097 | 33,150 | 54,246 | 18,755,877 | .29 % |
| 1996-1997 | 29,857 | 34,143 | 64,000 | 18,571,900 | .34 % |
| 1997-1998 | 31,141 | 32,676 | 63,817 | 18,847,724 | .34 % |
| 1998-1999 | 34,751 | 45,055 | 79,806 | 20,027,355 | .40 % |
| 1999-2000 | 36,035 | 49,584 | 85,619 | 20,942,926 | .41 % |
| 2000-2001 | 42,392 | 49,053 | 91,445 | 22,275,036 | .41 % |

NOTE: Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

**NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Thousands)

| FISCAL YEAR | POPULATION* | GROSS BONDED DEBT | LESS DEBT SERVICE FUNDS | NET BONDED DEBT | NET BONDED DEBT PER CAPITA (IN DOLLARS) |
|---|---|---|---|---|---|
| 1991-1992 | 9,470 | $ 397,067 | $ - | $ 397,067 | $ 41.93 |
| 1992-1993 | 9,529 | 394,950 | - | 394,950 | 41.45 |
| 1993-1994 | 9,584 | 394,278 | - | 394,278 | 41.14 |
| 1994-1995 | 9,660 | 719,222 | - | 719,222 | 74.45 |
| 1995-1996 | 9,739 | 702,486 | - | 702,486 | 72.13 |
| 1996-1997 | 9,785 | 677,277 | - | 677,277 | 69.22 |
| 1997-1998 | 9,820 | 901,103 | - | 901,103 | 91.76 |
| 1998-1999 | 9,864 | 869,788 | - | 869,788 | 88.18 |
| 1999-2000 | 9,938 | 930,279 | - | 930,279 | 93.61 |
| 2000-2001 | 9,991 | 1,031,802 | - | 1,031,802 | 103.27 |

*SOURCE: U. S. Census Bureau, Population Division, and Office of the State Budget, Michigan Information Center.



**STATE BUILDING AUTHORITY (SBA) BONDED DEBT PER CAPITA**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Thousands)

| FISCAL YEAR | POPULATION* | SBA GROSS BONDED DEBT | LESS SBA DEBT SERVICE FUNDS | SBA NET BONDED DEBT | SBA NET BONDED DEBT PER CAPITA (IN DOLLARS) |
|---|---|---|---|---|---|
| 1991-1992 | 9,470 | $ 1,490,815 | $ 187,184 | $ 1,303,631 | $ 137.66 |
| 1992-1993 | 9,529 | 1,453,140 | 109,494 | 1,343,647 | 141.01 |
| 1993-1994 | 9,584 | 1,494,440 | 150,972 | 1,343,468 | 140.18 |
| 1994-1995 | 9,660 | 1,453,420 | 170,478 | 1,282,942 | 132.81 |
| 1995-1996 | 9,739 | 1,478,896 | 171,244 | 1,307,652 | 134.27 |
| 1996-1997 | 9,785 | 1,616,700 | 193,219 | 1,423,481 | 145.48 |
| 1997-1998 | 9,820 | 1,996,787 | 245,050 | 1,751,737 | 178.38 |
| 1998-1999 | 9,864 | 1,945,086 | 220,745 | 1,724,341 | 174.81 |
| 1999-2000 | 9,938 | 1,825,918 | 233,540 | 1,592,378 | 160.23 |
| 2000-2001 | 9,991 | 2,159,314 | 226,906 | 1,932,408 | 193.41 |

NOTE: State Building Authority (SBA) bonds are revenue dedicated bonds whose debt service requirements are financed by General Fund appropriations for rent of leased property, excess bond proceeds, and investments earnings. The bonds of the Authority are not considered direct debts or obligations of the State.

*SOURCE: U. S. Census Bureau, Population Division, Office of the State Budget, and Michigan Information Center.

**DEBT SERVICE COVERAGE**
**COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Millions)

| | 1991-1992 | 1992-1993 | 1993-1994 | 1994-1995 |
|---|---|---|---|---|
| Constitutionally Restricted Transportation Fund Revenues: | | | | |
| Motor Fuel Taxes | $ 686.6 | $ 724.9 | $ 729.0 | $ 756.3 |
| Registration Taxes | 441.8 | 462.5 | 494.3 | 521.2 |
| Miscellaneous Fees | 61.8 | 64.4 | 70.0 | 71.8 |
| Total | 1,190.2 | 1,251.8 | 1,293.3 | 1,349.3 |
| Less Deductions | 90.8 | 96.5 | 100.2 | 103.8 |
| Remaining Balance | 1,099.4 | 1,155.3 | 1,193.1 | 1,245.5 |
| Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest) | 110.0 | 115.8 | 120.7 | 125.8 |
| Motor Vehicle Related Sales Tax Revenues | $ 639.0 | $ 701.9 | $ 768.5 | $ 747.1 |
| Allocation to Comprehensive Transportation Fund | 32.8 | 43.9 | 53.6 | 55.6 |
| Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund | $ 142.8 | $ 159.7 | $ 174.3 | $ 181.4 |
| Plus Other Revenues (primarily interest) | 1.1 | 1.3 | 1.8 | 15.8 |
| Money Available for Debt Service | 143.9 | 161.0 | 176.1 | 197.2 |
| Actual Annual Debt Service (1) | 17.0 | 20.1 | 20.7 | 20.6 |
| Debt Service Coverage | 8.5 x | 8.0 x | 8.5 x | 9.6 x |

(1) The table above does not include debt service on refunded bonds.

Source: Michigan Department of Transportation.

| 1995-1996 | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 |
|---|---|---|---|---|---|
| $ 761.7 | $ 821.0 | $ 1,022.7 | $ 1,066.3 | $ 1,066.5 | $ 1,067.6 |
| 564.5 | 596.5 | 664.8 | 709.9 | 755.1 | 777.9 |
| 57.4 | 54.4 | 59.1 | 57.0 | 55.2 | 54.7 |
| 1,383.6 | 1,471.9 | 1,746.6 | 1,833.2 | 1,876.7 | 1,900.2 |
| 113.4 | 116.9 | 117.9 | 121.2 | 128.0 | 132.0 |
| 1,270.2 | 1,355.0 | 1,628.7 | 1,712.0 | 1,748.7 | 1,768.2 |
| 129.0 | 132.2 | 145.3 | 153.0 | 156.9 | 159.2 |
| $ 837.5 | $ 843.4 | $ 864.7 | $ 906.7 | $ 999.3 | $ 1,057.0 |
| 58.4 | 58.8 | 60.3 | 63.2 | 69.7 | 73.7 |
| $ 187.4 | $ 191.0 | $ 205.6 | $ 216.3 | $ 226.6 | $ 232.9 |
| 7.9 | 5.0 | 6.1 | 6.6 | 3.1 | 3.5 |
| 195.3 | 196.1 | 211.7 | 222.9 | 229.7 | 236.4 |
| 23.1 | 22.5 | 23.1 | 21.9 | 21.2 | 21.7 |
| 8.5 x | 8.7 x | 9.2 x | 10.2 x | 10.8 x | 10.9 x |

**DEBT SERVICE COVERAGE**
**STATE TRUNKLINE FUND RELATED BONDS**
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Millions)

| | 1991-1992 | 1992-1993 | 1993-1994 | 1994-1995 |
|---|---|---|---|---|
| Constitutionally Restricted Transportation Fund Revenues: | | | | |
| Motor Fuel Taxes | $ 686.6 | $ 724.9 | $ 729.0 | $ 756.3 |
| Registration Taxes | 441.8 | 462.5 | 494.3 | 521.2 |
| Miscellaneous Fees | 61.8 | 64.4 | 70.0 | 71.8 |
| Total | 1,190.2 | 1,251.8 | 1,293.3 | 1,349.3 |
| Less Deductions: | | | | |
| Critical Bridge Debt Service | - | - | 2.8 | 1.3 |
| P. A. 51 Dedicated State Trunkline Fund Debt Service (1) | - | - | - | - |
| Collection Costs | 78.4 | 83.6 | 84.2 | 90.2 |
| Waterways/Recreational Improvement Fund | 12.4 | 13.0 | 13.2 | 13.4 |
| Comprehensive Transportation Fund (excluding interest) | 110.0 | 115.8 | 120.7 | 125.8 |
| Local Program Fund | - | 20.0 | 33.0 | 33.0 |
| Critical Bridge Fund | 5.0 | 5.0 | 5.0 | 5.0 |
| Economic Development Fund | 36.8 | 36.8 | 36.8 | 36.8 |
| Total Deductions | 242.6 | 274.2 | 295.7 | 305.5 |
| Constitutionally Restricted Revenues Available for Distribution | 947.6 | 977.6 | 997.6 | 1,043.8 |
| Plus Other Revenues (primarily interest) | 5.5 | 11.0 | 5.5 | 12.7 |
| Total Money Available for Distribution | 953.1 | 988.6 | 1,003.1 | 1,056.5 |
| Distributions to: | | | | |
| Cities and Villages | 209.4 | 217.9 | 218.6 | 233.2 |
| County Road Commissions | 371.3 | 385.0 | 392.2 | 411.4 |
| State Trunkline Fund | 372.4 | 385.7 | 392.2 | 411.9 |
| Money Available for Debt Service | | | | |
| State Trunkline Fund | 372.4 | 385.7 | 392.2 | 411.9 |
| P. A. 51 Dedicated State Trunkline Fund Debt Service (1) | - | - | - | - |
| Economic Development Fund | 36.8 | 36.8 | 36.8 | 36.8 |
| Local Program Fund | - | 20.0 | 33.0 | 33.0 |
| Critical Bridge Fund | - | - | 2.8 | - |
| Total Available for Debt Service | 409.2 | 442.5 | 464.8 | 481.7 |
| Actual Annual Debt Service (2) | 29.4 | 31.9 | 34.5 | 42.5 |
| Debt Service Coverage | 13.9 x | 13.9 x | 13.5 x | 11.3 x |

(1) Beginning fiscal year 1997-98, the formula for the tax distribution was revised to apportion and appropriate $43 million from the Michigan Transportation Fund to the State Trunkline Fund for debt service costs on State of Michigan projects. Prior year amounts are not available.

(2) The table above excludes amounts related to refunded bonds.

SOURCE: Michigan Department of Transportation.

| 1995-1996 | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 |
|---|---|---|---|---|---|
| $ 761.7 | $ 821.0 | $ 1,022.7 | $ 1,066.3 | $ 1,066.5 | $ 1,067.6 |
| 564.5 | 596.5 | 664.8 | 709.9 | 755.1 | 777.9 |
| 57.4 | 54.4 | 59.1 | 57.0 | 55.2 | 54.7 |
| 1,383.6 | 1,471.9 | 1,746.6 | 1,833.2 | 1,876.7 | 1,900.2 |
| 1.6 | 1.6 | 1.6 | 1.4 | 2.4 | 2.4 |
| - | - | 43.0 | 43.0 | 43.0 | 43.0 |
| 99.8 | 101.2 | 55.4 | 58.4 | 64.0 | 63.1 |
| 13.6 | 14.1 | 17.9 | 18.4 | 18.6 | 18.5 |
| 129.0 | 132.2 | 145.3 | 153.0 | 156.9 | 159.2 |
| 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 |
| 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 36.8 | 36.8 | 40.3 | 40.3 | 40.3 | 40.3 |
| 318.8 | 323.9 | 341.5 | 352.5 | 363.2 | 364.5 |
| 1,064.7 | 1,148.1 | 1,405.1 | 1,480.7 | 1,513.6 | 1,535.7 |
| 18.8 | 59.7 | 13.9 | 11.6 | 15.8 | 13.4 |
| 1,083.5 | 1,207.8 | 1,419.0 | 1,492.3 | 1,529.4 | 1,549.1 |
| 239.5 | 270.5 | 302.7 | 318.7 | 326.7 | 331.9 |
| 421.4 | 477.9 | 534.3 | 561.0 | 575.0 | 582.9 |
| 422.7 | 459.3 | 582.0 | 612.7 | 627.7 | 634.3 |
| 422.7 | 459.3 | 582.0 | 612.7 | 627.7 | 634.3 |
| - | - | 43.0 | 43.0 | 43.0 | 43.0 |
| 36.8 | 36.8 | 40.3 | 40.3 | 40.3 | 2.4 |
| 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 |
| - | - | 1.6 | 1.4 | 2.4 | 40.3 |
| 492.5 | 529.0 | 699.9 | 730.4 | 746.4 | 753.0 |
| 58.2 | 59.7 | 61.3 | 57.8 | 47.2 | 48.2 |
| 8.5 x | 8.9 x | 11.4 x | 12.6 x | 15.8 x | 15.6 x |

## Economic and Social Data

### GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 58,110 square miles of land mass (exclusive of 1,305 square miles of inland water and 38,575 square miles of Great Lakes water area) with 3,288 miles of shoreline on four of the five Great Lakes. A combined water and land area of 97,990 square miles makes it the tenth largest state.

### POPULATION

The following table presents population trends for Michigan for the last ten years (in thousands):

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population | 9,470 | 9,529 | 9,584 | 9,660 | 9,739 | 9,785 | 9,820 | 9,864 | 9,938 | 9,991 |
| Percent Change | .8% | .6% | .6% | .8% | .8% | .5% | .4% | .4% | .8% | .5% |

Source:

U.S. Census Bureau, Population Division (estimated at July 1 for 2001, all prior years are actual).

### WEALTH

The following table presents per capita income, retail sales, taxable property, and bank deposits data for the last ten years:

| | Per Capita Income (a) | | Retail Sales (b) (In Billions) | State Equalized Value of Taxable Property (c) (In Billions) | Bank Deposits (d) (In Billions) |
|---|---|---|---|---|---|
| YEAR | MI | U.S. | U.S. | MI | MI |
| 1991 | $19,311 | $20,039 | $1,855.9 | $150.9 | $109.5 |
| 1992 | 20,263 | 20,979 | 1,951.6 | 154.3 | 110.6 |
| 1993 | 21,366 | 21,557 | 2,082.1 | 167.9 | 111.8 |
| 1994 | 22,829 | 22,358 | 2,248.2 | 175.5 | 117.8 |
| 1995 | 23,931 | 23,272 | 2,359.0 | 186.4 | 117.4 |
| 1996 | 24,394 | 24,286 | 2,502.4 | 200.3 | 116.9 |
| 1997 | 25,505 | 25,427 | 2,610.6 | 216.7 | 118.2 |
| 1998 | 26,870 | 26,909 | 2,745.6 | 237.4 | 123.4 |
| 1999 | 27,886 | 27,859 | 2,994.9 | 261.0 | 122.3 |
| 2000 | 29,071 | 29,451 | 3,082.8 | 284.4 | 136.5 |

Sources:

(a) U.S. Department of Commerce, Bureau of Economic Analysis, October 2001 release.
(b) U.S. Census Bureau, Monthly Retail Surveys Branch.
(c) State of Michigan, Department of Treasury, Property Tax Division.
(d) State of Michigan, Department of Consumer & Industry Services, Office of Financial and Insurance Services, Division of Financial Institutions. The amounts shown include state and national banks, state and federal credit unions, state and federal savings banks, and saving and loan associations.

## Economic and Social Data (Continued)

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the last ten calendar years:

| Year | Total Labor Force | Total Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|
| 1991 | 4,592 | 4,165 | 427 | 9.3% |
| 1992 | 4,690 | 4,274 | 416 | 8.9% |
| 1993 | 4,753 | 4,418 | 335 | 7.0% |
| 1994 | 4,823 | 4,539 | 284 | 5.9% |
| 1995 | 4,814 | 4,556 | 258 | 5.4% |
| 1996 | 4,897 | 4,659 | 238 | 4.9% |
| 1997 | 4,961 | 4,752 | 209 | 4.2% |
| 1998 | 5,031 | 4,837 | 194 | 3.9% |
| 1999 | 5,144 | 4,950 | 194 | 3.8% |
| 2000 | 5,201 | 5,016 | 185 | 3.6% |

Source: Michigan Department of Career Development, Employment Service Agency.

Wage and salary employees for the last five calendar years consisted of the following (in thousands):

| Wage and Salary Employment | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Goods Producing Industries: | | | | | |
| Manufacturing | | | | | |
| Durable Goods: | | | | | |
| Lumber & Wood Products | 17.4 | 17.1 | 17.7 | 18.2 | 18.1 |
| Furniture & Fixtures | 37.9 | 38.8 | 41.7 | 43.5 | 44.2 |
| Stone, Clay, and Glass Products | 18.6 | 19.1 | 20.7 | 20.9 | 22.1 |
| Primary Metals | 36.9 | 36.7 | 37.3 | 38.3 | 38.8 |
| Fabricated Metals | 127.5 | 127.6 | 128.1 | 131.2 | 131.3 |
| Industrial Machinery & Computer Equipment | 133.7 | 134.9 | 135.1 | 133.1 | 134.5 |
| Electrical Equipment except Computer | 33.6 | 34.0 | 35.4 | 35.7 | 35.8 |
| Transportation Equipment | 294.9 | 289.2 | 287.8 | 299.7 | 298.3 |
| Other Durable Goods | 26.9 | 26.0 | 25.8 | 25.5 | 25.3 |
| Total Durable Goods | 727.4 | 723.4 | 729.6 | 746.1 | 748.4 |
| Nondurable Goods: | | | | | |
| Food & Kindred Products | 42.8 | 41.3 | 40.1 | 37.9 | 37.1 |
| Textiles & Apparel | 19.6 | 19.3 | 19.4 | 19.6 | 19.8 |
| Paper & Allied Products | 21.4 | 21.8 | 20.7 | 20.2 | 20.0 |
| Printing & Publishing | 43.8 | 43.7 | 43.7 | 43.1 | 42.3 |
| Chemicals & Petroleum | 45.1 | 44.8 | 45.4 | 45.4 | 44.7 |
| Rubber & Miscellaneous Plastics | 67.9 | 68.0 | 66.8 | 65.9 | 64.5 |
| Other Nondurable Goods | 3.7 | 4.0 | 4.0 | 3.6 | 3.0 |
| Total Nondurable Goods | 244.3 | 242.9 | 240.1 | 235.7 | 231.4 |
| Total Manufacturing | 971.7 | 966.3 | 969.7 | 981.8 | 979.8 |
| Mining | 7.6 | 7.6 | 7.8 | 7.0 | 7.7 |
| Construction | 168.0 | 179.8 | 186.1 | 196.5 | 211.4 |
| Total Goods Producing Industries | 1,147.3 | 1,153.7 | 1,163.6 | 1,185.3 | 1,198.9 |
| Service Producing Industries: | | | | | |
| Transportation, Communications, and Utilities | 170.4 | 173.5 | 177.7 | 178.9 | 180.7 |
| Wholesale Trade | 219.6 | 228.6 | 232.6 | 234.9 | 238.8 |
| Retail Trade | 805.6 | 817.4 | 822.8 | 840.0 | 855.1 |
| Finance, Insurance, and Real Estate | 202.4 | 205.7 | 208.5 | 208.0 | 205.3 |
| Services | 1,171.6 | 1,221.9 | 1,249.0 | 1,267.2 | 1,316.5 |
| Government | 643.8 | 647.4 | 656.0 | 667.6 | 683.9 |
| Total Service Producing Industries | 3,213.4 | 3,294.4 | 3,346.6 | 3,396.6 | 3,480.3 |
| Total Wage and Salary Employment | 4,360.7 | 4,448.2 | 4,510.2 | 4,581.9 | 4,679.2 |

Source: Michigan Department of Career Development, Employment Service Agency (wage and salary benchmark of March 2000).

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This report may be viewed on-line at: www.state.mi.us/dmb/ofm/.