

State Building Authority of
the State of Michigan
(a blended component unit of
the State of Michigan)

Audited Financial Statements
and Other Supplementary Information

*Year Ended September 30, 2021
with Report of Independent Auditors*

State Building Authority of
the State of Michigan

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2021

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Report of Independent Auditors

Board of Trustees, State Building Authority
Mr. Doug A. Ringler, CPA, CIA, Auditor General, Office of the Auditor General

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the State Building Authority (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State Building Authority's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022, on our consideration of the State Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State Building Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State Building Authority's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Okemos, Michigan
February 28, 2022

Management's Discussion and Analysis

State Building Authority of the State of Michigan Management's Discussion and Analysis

September 30, 2021

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2021. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

The State Building Authority was organized under P.A. 183 of 1964, as amended. The purpose of the Authority is to acquire, construct, furnish, equip, and renovate buildings and equipment for the use of the State, including public universities and community colleges. It is governed by a five-member Board of Trustees appointed by the governor, with advice and consent of the Senate.

The Authority is authorized to issue and sell bonds and notes for acquisition and construction of facilities and State equipment in an aggregate principal amount outstanding not to exceed \$2.7 billion. Not included in this limitation are bonds allocated for debt service reserves, bond issuance expenses, bond discounts, bond insurance premiums, and certain refunding bonds.

All bonds and commercial paper notes are limited obligations of the Authority and are not general obligations of the State or the Authority. The debt service on the bonds are payable from lease revenue paid by the State pursuant to the provisions of the leases.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements consist of 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a blended component unit of the State of Michigan, all the statements presented in this discussion focus on the Authority, an individual part of the government, reporting only on that one component within the State of Michigan.

- The financial statements and management's discussion and analysis provide both long and short-term information about the Authority's overall financial status.
- Management's discussion and analysis provides a narrative overview of the financial statements from management's perspective.
- The basic financial statements provide information about the Authority's overall financial status.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

State Building Authority of the State of Michigan
Management's Discussion and Analysis

September 30, 2021

Condensed Financial Information

| Fiscal year ended September 30 | Governmental Activities | |
|--|-------------------------|------------------|
| | 2021 | 2020 |
| Total net position (deficit) | \$ (153,765,728) | \$ (154,334,631) |
| Total assets | \$ 3,301,233,437 | \$ 3,261,440,713 |
| Deferred outflows of resources | \$ 37,434,567 | \$ 39,359,653 |
| Short-term debt | \$ 80,700,000 | \$ 158,500,000 |
| Long-term liabilities | \$ 3,236,515,286 | \$ 3,103,248,693 |
| Total liabilities | \$ 3,486,218,506 | \$ 3,448,506,380 |
| Deferred inflows of resources | \$ 6,215,226 | \$ 6,628,617 |
| Revenues: | | |
| Program revenues, primarily lease revenue | \$ 114,722,152 | \$ 122,053,066 |
| General revenues, entirely investment earnings | \$ 9,515 | \$ 836,896 |
| Total revenues | \$ 114,731,667 | \$ 122,889,962 |
| Expenses | \$ 114,162,764 | \$ 127,843,168 |
| Change in net position | \$ 568,903 | \$ (4,953,206) |

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds.

State Building Authority of the State of Michigan
Management's Discussion and Analysis

September 30, 2021

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 46 of this report.

Financial Analysis of the Authority

Net position of the Authority increased \$568,903 to an ending balance of (\$153,765,728). The Authority issued \$206,270,000 of revenue bonds on July 14, 2021. It is important to note, when completing its financial statements, the Authority is required to report one hundred percent of the bonds payable liability but only the present value of the leases receivable asset.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported a combined ending fund balance of \$86,656,863, an increase of \$91,163,831 in comparison with the prior year. This amount was comprised of debt service fund balance of \$143,434,212 and a capital projects fund balance of (\$56,777,349). This deficit has been and continues to be largely the result of the Authority's use of short-term debt to finance certain project costs in advance of bonding. This results in the Authority reporting no asset but reporting one hundred percent of the short-term liability.

State Building Authority of the State of Michigan
Management's Discussion and Analysis

September 30, 2021

Long-Term Debt Activity

The Authority issued \$206,270,000 of revenue bonds in the current year. Information on long-term debt can be found in Note 5 of the financial statements.

Recent Events

On October 7, 2021 the Authority issued \$89,000,000 of commercial paper notes at an interest rate of 0.11% per annum maturing on January 20, 2022. On January 20, 2022 the Authority issued \$149,400,000 of commercial paper notes at an interest rate of 0.20% per annum maturing on April 28, 2022. There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2021 through the date of this report that are expected to affect the Authority's financial position or results of operations.

Economic Outlook

The United States and the State of Michigan declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The Authority's workforce and business operations continue at normal capacity with most from remote locations. The pandemic has not had a material financial impact on the Authority's financial position or results of operations to this point. The SBA has a return to office plan that will take effect January 10, 2022.

Basic Financial Statements

State Building Authority of the State of Michigan
Statement of Net Position
September 30, 2021

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 10,992 |
| Investments | 194,163,001 |
| Accrued interest receivable | 984 |
| Due from other component units | 4,488 |
| Current portion of leases receivable | 90,349,876 |
| Project costs in progress | 84,095,106 |
| Total current assets | 368,624,447 |
| Noncurrent assets | |
| Leases receivable, net of current portion | 2,932,608,990 |
| Total assets | 3,301,233,437 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Losses on debt refunding issues | 37,214,556 |
| Deferred outflows related to pensions | 58,665 |
| Deferred outflows related to OPEB | 161,346 |
| Total assets and deferred outflows of resources | 3,338,668,004 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and other liabilities | 50,353 |
| Due to State of Michigan | 26,756,927 |
| Accrued interest payable | 55,765,940 |
| Short-term debt | 80,700,000 |
| Current portion of long-term debt | 86,430,000 |
| Total current liabilities | 249,703,220 |
| Noncurrent liabilities | |
| Long-term debt, net of current portion | 3,235,678,829 |
| Net pension liability | 456,309 |
| Net OPEB liability | 380,148 |
| Total liabilities | 3,486,218,506 |
| DEFERRED INFLOWS OF RESOURCES | |
| Gains on debt refunding issues | 5,801,872 |
| Deferred inflows related to OPEB | 413,354 |
| Total liabilities and deferred inflows of resources | 3,492,433,732 |
| NET POSITION | |
| Unrestricted (deficit) | \$ (153,765,728) |

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

State Building Authority of the State of Michigan
Statement of Activities
Year Ended September 30, 2021

| | <u>Governmental Activities</u> |
|-------------------------------------|---|
| Expenses | |
| General government - administration | \$ 617,805 |
| Interest on long-term debt | 112,234,173 |
| Debt issuance costs | 1,310,786 |
| Total expenses | <u>114,162,764</u> |
| Program revenues | |
| Charges for services: | |
| Lease revenue | 107,247,009 |
| Other revenue | 7,475,143 |
| Total program revenues | <u>114,722,152</u> |
| Net revenue | 559,388 |
| General revenues | |
| Unrestricted investment earnings | <u>9,515</u> |
| Change in net position | 568,903 |
| Net Position | |
| Beginning of year (deficit) | <u>(154,334,631)</u> |
| End of year (deficit) | <u><u>\$ (153,765,728)</u></u> |

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

State Building Authority of the State of Michigan
Statement of Net Position and
Governmental Funds Balance Sheet
September 30, 2021

| | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--|-----------------------|--------------------------|-----------------------|-------------------------|------------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ 10,992 | \$ 10,992 |
| Investments | 143,450,153 | 50,712,848 | 194,163,001 | - | 194,163,001 |
| Accrued interest receivable | 694 | 290 | 984 | - | 984 |
| Due from other component units | - | - | - | 4,488 | 4,488 |
| Current portion of leases receivable | - | - | - | 90,349,876 | 90,349,876 |
| Project costs in progress | - | - | - | 84,095,106 | 84,095,106 |
| Total current assets | <u>143,450,847</u> | <u>50,713,138</u> | <u>194,163,985</u> | <u>174,460,462</u> | <u>368,624,447</u> |
| Noncurrent assets | | | | | |
| Leases receivable, net of current portion | - | - | - | 2,932,608,990 | 2,932,608,990 |
| Total assets | <u>143,450,847</u> | <u>50,713,138</u> | <u>194,163,985</u> | <u>3,107,069,452</u> | <u>3,301,233,437</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Losses on debt refunding issues | - | - | - | 37,214,556 | 37,214,556 |
| Deferred outflows related to pensions | - | - | - | 58,665 | 58,665 |
| Deferred outflows related to OPEB | - | - | - | 161,346 | 161,346 |
| Total assets and deferred outflows of resources | <u>\$ 143,450,847</u> | <u>\$ 50,713,138</u> | <u>\$ 194,163,985</u> | <u>3,144,504,019</u> | <u>3,338,668,004</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable and other liabilities | \$ 16,635 | \$ 18,238 | \$ 34,873 | 15,480 | 50,353 |
| Due to State of Michigan | - | 26,756,927 | 26,756,927 | - | 26,756,927 |
| Accrued interest payable | - | 15,322 | 15,322 | 55,750,618 | 55,765,940 |
| Short-term debt | - | 80,700,000 | 80,700,000 | - | 80,700,000 |
| Current portion of long-term debt | - | - | - | 86,430,000 | 86,430,000 |
| Total current liabilities | <u>16,635</u> | <u>107,490,487</u> | <u>107,507,122</u> | <u>142,196,098</u> | <u>249,703,220</u> |
| Long-term liabilities | | | | | |
| Long-term debt, net of current portion | - | - | - | 3,235,678,829 | 3,235,678,829 |
| Net pension liability | - | - | - | 456,309 | 456,309 |
| Net OPEB liability | - | - | - | 380,148 | 380,148 |
| Total long-term liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,236,515,286</u> | <u>3,236,515,286</u> |
| Total liabilities | <u>16,635</u> | <u>107,490,487</u> | <u>107,507,122</u> | <u>3,378,711,384</u> | <u>3,486,218,506</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Gains on debt refunding issues | - | - | - | 5,801,872 | 5,801,872 |
| Deferred inflows related to OPEB | - | - | - | 413,354 | 413,354 |
| FUND BALANCES | | | | | |
| Restricted | 143,434,212 | - | 143,434,212 | (143,434,212) | - |
| Unassigned (deficit) | - | (56,777,349) | (56,777,349) | 56,777,349 | - |
| Total fund balances | <u>143,434,212</u> | <u>(56,777,349)</u> | <u>86,656,863</u> | <u>(86,656,863)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 143,450,847</u> | <u>\$ 50,713,138</u> | <u>\$ 194,163,985</u> | | |
| NET POSITION | | | | | |
| Unrestricted (deficit) | | | | <u>\$ (153,765,728)</u> | <u>\$ (153,765,728)</u> |

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

State Building Authority of the State of Michigan
Statement of Activities and
Governmental Funds Revenues, Expenditures
and Changes in Fund Balances
Year Ended September 30, 2021

| | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--|-----------------------|--------------------------|----------------------|-------------------------|----------------------------|
| Revenues | | | | | |
| Investment income | \$ 6,395 | \$ 3,120 | \$ 9,515 | \$ - | \$ 9,515 |
| Lease revenue | 204,367,963 | - | 204,367,963 | (97,120,954) | 107,247,009 |
| Other revenue | 2,447,081 | 5,028,062 | 7,475,143 | - | 7,475,143 |
| Total revenues | 206,821,439 | 5,031,182 | 211,852,621 | (97,120,954) | 114,731,667 |
| Expenditures / Expenses | | | | | |
| Current - general government | 579,848 | 193,958 | 773,806 | (156,001) | 617,805 |
| Capital outlay | - | 146,827,835 | 146,827,835 | (146,827,835) | - |
| Capital outlay reimbursed to State of Michigan | - | 3,000 | 3,000 | (3,000) | - |
| Debt service: | | | | | |
| Principal | 89,260,000 | - | 89,260,000 | (89,260,000) | - |
| Interest and fiscal charges | 111,829,001 | 253,322 | 112,082,323 | 151,850 | 112,234,173 |
| Debt issuance costs | 12,278 | 1,298,508 | 1,310,786 | - | 1,310,786 |
| Total expenditures / expenses | 201,681,127 | 148,576,623 | 350,257,750 | (236,094,986) | 114,162,764 |
| Excess of revenues over (under) expenditures / expenses | 5,140,312 | (143,545,441) | (138,405,129) | 138,974,032 | 568,903 |
| Other financing sources (uses) | | | | | |
| Long-term debt issued | - | 206,270,000 | 206,270,000 | (206,270,000) | - |
| Premiums on bonds issued | - | 23,298,960 | 23,298,960 | (23,298,960) | - |
| Transfers from other funds | 363,735 | 120,694 | 484,429 | (484,429) | - |
| Transfers to other funds | (120,694) | (363,735) | (484,429) | 484,429 | - |
| Total other financing sources (uses) | 243,041 | 229,325,919 | 229,568,960 | (229,568,960) | - |
| Excess of revenues and other sources over (under) expenditures/expenses and other uses/changes in net position | 5,383,353 | 85,780,478 | 91,163,831 | (90,594,928) | 568,903 |
| Fund balances / Net position | | | | | |
| Beginning of year (deficit) | 138,050,859 | (142,557,827) | (4,506,968) | (149,827,663) | (154,334,631) |
| End of year (deficit) | <u>\$ 143,434,212</u> | <u>\$ (56,777,349)</u> | <u>\$ 86,656,863</u> | <u>\$ (240,422,591)</u> | <u>\$ (153,765,728)</u> |

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

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the “Authority”), a blended component unit of the State of Michigan (the “State”), as of and for the fiscal year ended September 30, 2021. The Authority’s activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Annual Comprehensive Financial Report (SOMACFR)*. In accordance with accounting principles generally accepted in the United States of America, there are no other component units included in this financial report.

The Authority was organized under Act 183, P.A. 1964, as amended, and is governed by a Board of Trustees consisting of five members appointed by the Governor, with the advice and consent of the Senate. The mission of the Authority is to construct, acquire, improve, enlarge, and lease facilities and equipment for use by the State or any of its agencies, including public institutions of higher education (universities and community colleges).

The Authority is authorized to issue and sell bonds in an aggregate principal amount outstanding not to exceed \$2.7 billion, excluding refunding bonds. Not included in this limitation is the principal amount of bonds allocated to capitalized interest, debt service reserves, bond issuance expenses, including discounts and bond insurance premiums, and bonds issued to refund outstanding bonds. The Authority is also authorized to issue and sell commercial paper notes as a short-term funding source for capital outlay projects prior to bonding. All bonds and commercial paper are limited obligations of the Authority and are not general obligations of the State or the Authority. The bonds are payable solely from equipment and facility lease payments, investment earnings, insurance proceeds, undisbursed bond proceeds retained by the Authority on a bond issue-specific basis, and any other assets pledged by the Authority to the bondholders.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority follows the accounting rules promulgated by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present only the State Building Authority. Accordingly, they do not purport to, and do not, present fairly the financial position and the changes in financial position of the State of Michigan or its component units in conformity with accounting principles generally accepted in the United States of America.

The Authority reports two major governmental funds: a debt service fund and a capital projects fund.

These notes relate directly to the Authority; the *SOMACFR* provides more thorough disclosures of the State's significant accounting policies.

Investments – Investments are stated at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool share.

Leases Receivable – Leases receivable represent amounts due from the State of Michigan for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

Project Costs in Progress – Project costs consist of capital costs incurred to date on various building projects. As the building projects are completed, the assets will be leased to the State of Michigan.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has three items that qualify for reporting as deferred outflows of resources. Deferred outflows of resources consist of deferred outflows related to the net pension liability, deferred outflows related to other postemployment benefit costs, and deferred outflows related to losses on bond refunding issues, which result from the difference between the carrying value of the refunded debt and its reacquisition price.

State Building Authority of the State of Michigan

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In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources consist of deferred inflows related to the net pension liability, deferred inflows related to other postemployment benefit costs, and deferred inflows related to gains on bond refunding issues, which result from the difference between the carrying value of the refunded debt and its reacquisition price.

Debt Issuance Costs – Debt issuance costs on bonds are expensed as incurred.

Federal Arbitrage Liability – Included in long-term debt is a provision for federal arbitrage rebate. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority had no estimated liability as of September 30, 2021.

Long-Term Liabilities – Long-term liabilities are reported on the Authority's statement of net position, net of the applicable bond premiums and discounts, which are deferred and amortized over the life of the bonds using the effective interest method.

Pensions and Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the State Employees' Retirement System (SERS) or the postemployment life insurance benefits plan (the Plan) have been determined on the same basis as they are reported by SERS or the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Lease Revenue – Lease payments are collected from the State of Michigan to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset carrying values.

Other Revenue – Other revenue includes adjustments to prior year capital expenditures.

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Fund Balances – Fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by the constitution, external resource providers, or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by formal action of the government's highest level of decision-making authority.
- d. Assigned fund balances comprise amounts that are constrained by the government's intent to use the fund balances for specific purposes, but are neither restricted nor committed.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose. The unassigned classification is also used for fund balance deficits.

The Authority has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement No. 54 applies expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources.

Note 2 Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them.

The Authority's investments are restricted by State statute to obligations of the State or U.S. government, obligations of which the principal and interest are guaranteed by the State or U.S. government, certificates of deposit of a financial institution, certain commercial paper, and repurchase agreements collateralized by U.S. government obligations and certain investment trusts. Certain other restrictions as to investments are contained in the trust indenture for each bond issue.

As of September 30, 2021, the Authority had deposits of \$10,992 for administrative expenditures and had investments totaling \$194,163,001, which were entirely in U.S. Treasury money market accounts. The Authority's investments comply with State statutes.

State Building Authority of the State of Michigan

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Applicable risk disclosures under GASB Statement No. 40 for the Authority's investments are as follows.

Credit risk – Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's bond indentures restrict the Authority to investments rated in the highest category by Standard & Poor's and Moody's Investors Service. The Authority's investments in 2a7-like money market accounts with U.S. Bank are rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Because investments in money market accounts are not evidenced by securities that exist in physical or book entry form, they are not exposed to custodial credit risk.

Fair Value Measurements – The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

The Authority's investments meet the criteria to be valued at cost.

Note 3 Leases Receivable

The Authority's leasing operations consist of leasing of facilities and equipment for use by the State of Michigan or any of its agencies under direct financing arrangements expiring in various years through June 30, 2056.

State Building Authority of the State of Michigan

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Following is a summary of the components of the Authority's net investment in direct financing leases as of September 30, 2021:

| | |
|---|---------------------------------------|
| Total minimum lease payments to be received | \$ 4,745,348,800 |
| Less – Unearned income | <u>1,722,389,934</u> |
| Net leases receivable | <u><u>\$ 3,022,958,866</u></u> |
| Statement of Net Position classification: | |
| Current portion of leases receivable | \$ 90,349,876 |
| Leases receivable, net of current portion | <u>2,932,608,990</u> |
| Total | <u><u>\$ 3,022,958,866</u></u> |

Minimum lease payments to be received from the State of Michigan as of September 30, 2021, are as follows:

| | |
|-------------------|---------------------------------------|
| 2022 | \$ 210,634,748 |
| 2023 | 210,634,748 |
| 2024 | 210,634,748 |
| 2025 | 210,634,748 |
| 2026 | 210,634,748 |
| 2027 through 2056 | <u>3,692,175,060</u> |
| Total | <u><u>\$ 4,745,348,800</u></u> |

Note 4 Short-Term Debt - Notes Payable

The Authority issues commercial paper notes to fund capital projects prior to bonding. The Authority does not use direct borrowings or placements for short term financing. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum stated amount of \$241,643,835, of which not more than \$225,000,000 may be drawn with respect to the payment of principal of notes, and of which not more than \$16,643,835 may be drawn with respect to the payment of up to 270 days of interest on the notes. The term of the bank letter of credit expires on October 20, 2022. The notes have a maximum interest rate of 10% per annum. Issuance costs are capitalized as part of project costs. The interest rate on commercial paper notes outstanding as of September 30, 2021 was 0.09%.

Short-term debt activity for the fiscal year ended September 30, 2021 was as follows (in thousands):

| | |
|-----------------------|--------------------------------|
| Beginning balance | \$ 158,500 |
| Additions | 74,494 |
| Reductions | <u>(152,294)</u> |
| Ending balance | <u><u>\$ 80,700</u></u> |

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Note 5 **Long-Term Liabilities**

Each series of bonds and related lease contracts are financing transactions under which the Authority issues revenue bonds for the purpose of constructing or acquiring facilities and/or equipment for lease to the State or institutions of higher education. Each issue of bonds is secured by and payable from the rentals. Each such lease (prior to execution) has been approved by the State Administrative Board; by resolution of the Board of Trustees of the Authority; and, where required, by the governing body of the appropriate institution of higher education. The lease payments for all facilities and equipment are appropriated as an annual operating cost by the State.

The bonds represent limited obligations of the Authority and do not constitute general obligations of the Authority or general obligations or debts of the State or of any of the institutions of higher education within the meaning of any constitutional or statutory limitation. The Authority has no taxing power. The bonds are payable from lease revenue to be paid by the State pursuant to the provisions of the leases and certain other funds and revenue provided for in the trust indenture.

On July 14, 2021, the SBA issued the 2021 Series I bonds. The bonds had a par amount of \$206,270,000 and financed 10 new projects. The new bonds bear interest from 2.625% to 4.0% and are due in annual installments ranging from \$2,325,000 to \$13,030,000.

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Outstanding Debt

Changes in long-term debt (excluding defeased bonds) for the fiscal year ended September 30, 2021 are as follows (in thousands):

| | Date Sold | # of Projects | Original Amount Issued | Average Interest Rate | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|-----------|---------------|------------------------|-----------------------|---------------------|-------------------|--------------------|---------------------|-----------------------------|
| Revenue Bonds Payable (in thousands) | | | | | | | | | |
| 2011 Series IA Revenue and Refunding | 07/28/11 | 13 | \$ 409,550 | 5.162% | \$ 19,130 | \$ - | \$ (8,630) | \$ 10,500 | \$ 10,500 |
| 2011 Series IB Taxable Revenue Bonds | 07/28/11 | n/a | 12,195 | 5.694% | 1,060 | - | (520) | 540 | 540 |
| 2011 Series IIA Revenue and Refunding | 07/28/11 | 6 | 180,700 | 5.227% | 2,045 | - | (1,455) | 590 | 590 |
| 2013 Series IA Revenue and Revenue Refunding | 07/18/13 | 13 | 531,290 | 4.760% | 372,545 | - | (3,185) | 369,360 | 3,345 |
| 2015 Series I Revenue and Refunding Bonds | 08/31/15 | 15 | 989,340 | 3.859% | 894,860 | - | (35,425) | 859,435 | 26,465 |
| 2016 Series I Revenue and Refunding Bonds | 08/24/16 | 10 | 665,150 | 3.062% | 603,600 | - | (17,625) | 585,975 | 26,315 |
| 2019 Series I Revenue and Refunding Bonds | 07/30/19 | 7 | 235,580 | 3.192% | 218,675 | - | (14,800) | 203,875 | 9,685 |
| 2020 Series I Revenue and Refunding Bonds | 09/17/20 | 10 | 212,170 | 2.302% | 212,170 | - | (6,970) | 205,200 | - |
| 2020 Series II Refunding bonds (Taxable) | 09/17/20 | n/a | 556,855 | 2.607% | 556,855 | - | (650) | 556,205 | 3,460 |
| 2020 Series III Revenue and Refunding Bonds | 09/17/20 | n/a | 32,835 | Variable | 32,835 | - | - | 32,835 | - |
| 2021 Series I Revenue Bonds | 07/14/21 | 10 | 206,270 | 2.708% | - | 206,270 | - | 206,270 | 5,530 |
| Total revenue bonds payable | | | <u>\$ 4,031,935</u> | | 2,913,775 | 206,270 | (89,260) | 3,030,785 | <u>\$ 86,430</u> |
| Accrued compensated absences | | | | | 14 | - | 20 | 34 | |
| Arbitrage payable | | | | | - | - | - | - | |
| Add (deduct) deferred amounts: | | | | | | | | | |
| For issuance discounts | | | | | (2,701) | - | 88 | (2,613) | |
| For issuance premiums | | | | | 280,364 | 23,299 | (9,761) | 293,902 | |
| Total long-term debt | | | | | <u>\$ 3,191,452</u> | <u>\$ 229,569</u> | <u>\$ (98,913)</u> | <u>\$ 3,322,108</u> | |
| Current portion | | | | | | | | \$ 86,430 | |
| Long-term portion | | | | | | | | 3,235,678 | |
| | | | | | | | | <u>\$ 3,322,108</u> | |

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The 2007 Series I, the 2011 Series IIB, and the 2017 Series I were refunded and defeased in conjunction with the 2020 Series I and Series III bond issues. The 2011 IIB bonds were fully refunded on October 19, 2020 and the 2007 I and 2017 I bonds on November 2, 2020.

The 2020 Series III variable rate obligation bond issue closed on September 17, 2020, refunding the 2007 Series I Multi-Modal bonds. These bonds currently bear interest at a daily rate as determined by the remarketing agent. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements that follow, estimated interest was computed using the daily rate as of September 30, 2021 of 0.09%. Associated annual lease rentals are fully pledged for the payment of bond principal and interest on outstanding bonds. The bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2042.

The 2020 Series III are subject to optional tender by the bond holders at a purchase price of 100% of the principal plus accrued interest to the date of purchase. In the event of optional tender by bond holders, the remarketing agent will use its best efforts to arrange for the sale of such bonds at 100% of the principal plus accrued interest to the date of sale. If for any reason any tendered 2020 Series III bonds are not successfully remarketed during a remarketing window, all tendered 2020 III bonds shall continue to be owned by their respective bond holders, no tendered 2020 III bonds shall be tendered or purchased on their respective purchase date, and the bonds shall become subject to mandatory redemption on the date thirteen months after the tender notice date.

As outlined in the Master Trust Indenture, the obligation of the Authority is absolute and unconditional to pay the principal and redemption price of and interest on the Master Indenture bonds to the due dates. Registered Owners have the right of action, which is absolute and unconditional, to enforce payment, but only from the moneys of the Authority pledged. Events of default defined under the Master Trust Indenture of the Authority include: a default in payment of principal, interest, or redemption premium; lack of performance or failure to observe any other covenant, agreement, or

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condition listed in or tied to the Master Trust Indenture; failure by the State in payment of rent due under pledged lease agreements; damage to, destruction, or failure to secure title to the Facility. In the event of a default, the Trustee may, and, upon written request of the Registered Owners, shall proceed to protect and enforce the rights of the Registered owners. Remedies available under the Master Trust Indenture include: suit, action, or proceeding in accordance with State law the right to compel the Authority to collect on rent owed or take over operation of any or all facilities. Neither the Trustee nor the Registered Owners have the right to accelerate payment of principal or interest on the Master Indenture Bonds.

| <u>Redemption Provisions of Outstanding Bonds*</u> | <u>Issue Date</u> | <u>Date of First Optional Redemption</u> | <u>Final Maturity Date</u> |
|--|-------------------|--|----------------------------|
| 2011 Series IA Revenue & Refunding | 7/28/11 | 10/15/21 | 10/15/45 |
| 2011 Series IB Taxable Revenue Bonds | 7/28/11 | 10/15/21 | 10/15/31 |
| 2011 Series IIA Revenue & Refunding | 7/28/11 | 10/15/21 | 10/15/41 |
| 2013 Series I Revenue & Refunding | 7/18/13 | 10/15/23 | 10/15/47 |
| 2015 Series I Revenue & Refunding | 8/31/15 | 10/15/25 | 10/15/50 |
| 2016 Series I Revenue & Refunding | 8/24/16 | 10/15/22*** | 10/15/51 |
| 2019 Series I Revenue and Refunding Bonds | 7/30/19 | 10/15/29 | 4/15/54 |
| 2020 Series I Revenue and Refunding Bonds | 9/17/20 | 10/15/30 | 10/15/45 |
| 2020 Series II Revenue & Refunding (Taxable) | 9/17/20 | 10/15/30 | 10/15/55 |
| 2020 Series III Variable Rate Obligation Bonds | 9/17/20 | ** | 10/15/42 |
| 2021 Series I Revenue Bonds | 7/14/21 | 10/15/31 | 10/15/56 |

* Mandatory Redemption amounts are already included in the Debt Service Requirements table.

** Variable rate debt can be redeemed on any interest payment date.

*** This is the first optional redemption that only pertains to the 2016 Series I 2036 Term Bonds. All other bonds maturing on or after April 15, 2027 are subject to optional redemption beginning on 10/15/26.

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Debt Service Requirements

The annual requirements to service the outstanding debt are as follows (in thousands):

| <u>Fiscal Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| 2022 | \$ 86,430 | \$ 121,766 | \$ 208,196 |
| 2023 | 88,845 | 119,845 | 208,690 |
| 2024 | 89,205 | 116,222 | 205,427 |
| 2025 | 97,000 | 112,314 | 209,314 |
| 2026 | 103,030 | 108,371 | 211,401 |
| 2027-2031 | 576,905 | 469,100 | 1,046,005 |
| 2032-2036 | 716,625 | 320,806 | 1,037,431 |
| 2037-2041 | 567,780 | 192,873 | 760,653 |
| 2042-2046 | 331,825 | 110,812 | 442,637 |
| 2047-2051 | 252,810 | 46,353 | 299,163 |
| 2052-2056 | 118,005 | 9,281 | 127,286 |
| 2057 | 2,325 | 36 | 2,361 |
| | <u>\$ 3,030,785</u> | <u>\$ 1,727,779</u> | <u>\$ 4,758,564</u> |

Interest to maturity for the bonds may be significantly less than the amount shown in the above table because many of the bonds (i.e., sinking fund bonds) will be called prior to their 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.

Defeased Debt

The Authority has defeased certain bond issues by placing refunding bond proceeds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The following table summarizes the defeased bonds outstanding as of September 30, 2021 with the expected final payment date:

| | | |
|---------------------|-----------------------|------------------|
| 2011 Series IA | \$ 329,780,000 | October 15, 2021 |
| 2011 Series IB | 7,525,000 | October 15, 2021 |
| 2011 Series IIA | 168,360,000 | October 15, 2021 |
| 2015 Series I | 20,000,000 | October 15, 2025 |
| Total Defeased Debt | <u>\$ 525,665,000</u> | |

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Note 6 Net Position Deficit and Capital Projects Fund Balance

The Authority is reporting a net position deficit balance of \$153,765,728 as of September 30, 2021. The capital projects fund is reporting a fund balance deficit of \$56,777,349 due to the issuance of commercial paper for new projects.

Note 7 Pension Plan

A. Plan Description

The Michigan State Employees Retirement System (System or SERS) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. The board consists of nine members – five appointed by the Governor, which consist of two members of the State Employees' Retirement System, at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to the State's government employees.

The Michigan State Employees' Retirement System 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. That report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

B. Benefits Provided

Introduction

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

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

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Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act 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.

Pension Reform of 2012

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

- Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate state employment. The 4% contribution began on April 1, 2012.
- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's DC plan. The 4% contribution began April 1, 2012, and continues until they switch to the DC plan or terminate employment, whichever comes first.
- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

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

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

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will

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contribute up to 2% of their compensation to a 401(k) or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Regular Retirement

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

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

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

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

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

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

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

In either case, the three years immediately preceding retirement must have been in a covered position. Employees in covered positions are responsible for the custody and supervision of inmates.

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Deferred Retirement

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

Non-Duty Disability Benefit

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

Duty Disability Benefit

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

Survivor Benefit

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

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Pension Payment Options

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

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

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

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

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

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

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Post Retirement Adjustments

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

C. Contributions

Member Contributions

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

Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2021, the Authority's contribution rate was 23.90% of the defined benefit employee wages and 18.42% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2021 was \$57,606.

D. Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|---|
| Wage Inflation Rate | 2.75% |
| Projected Salary Increases | 2.75 – 11.75%, including wage inflation at 2.75% |
| Investment Rate of Return | 6.70%, net of investment expenses |
| Cost-of-Living Pension Adjustment | 3% Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible |

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Mortality rates for retirees were based on RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 93% for males and 98% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Mortality rates for disabled retirees were based on RP-2014 Male and Female Disabled Annuitant Mortality Table scaled by 100% for males and 100% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Mortality rates for active employees were based on RP-2014 Male and Female Employee Annuitant Mortality Table scaled by 100% for males and 100% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|-------------------|---|
| Domestic equity pools | 25.0% | 5.6 % |
| Private equity pools | 16.0 | 9.3 % |
| International equity pools | 15.0 | 7.4 % |
| Fixed income pools | 10.5 | 0.5 % |
| Real estate and infrastructure pools | 10.0 | 4.9 % |
| Absolute return pools | 9.0 | 3.2 % |
| Real return and opportunistic pools | 12.5 | 6.6 % |
| Short term investment pools | 2.0 | (0.1)% |
| Total | 100.0% | |

*Long-term rate of returns are net of administrative expenses and 2.1% inflation.

E. Discount Rate

A discount rate of 6.70% was used to measure the total pension liability for the September 30, 2019 valuation. A discount rate of 6.7% was used to measure the total pension liability for the September 30, 2018 valuation. The discount rate for the September 30, 2019 valuation was based on the long term expected rate of return on pension plan investments of 6.7%. The projection of cash flows used to determine this

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

F. Net Pension Liability

As of September 30, 2021, the Authority reported a liability of \$456,309 for its proportionate share of SERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the State Building Authority's required pension contributions received by SERS during the measurement period October 1, 2019, through September 30, 2020, relative to the total required employer contributions from all of SERS' participating employers. As of September 30, 2020, the Authority's proportion was 0.0068%.

G. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate of 6.7 % as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease 5.7% | Current Discount 6.7% | 1% Increase 7.7% |
|---|-----------------------------------|--|-----------------------------------|
| State Building Authority's proportionate share of net pension liability | \$582,340 | \$456,309 | \$348,999 |

H. Pension Plan Fiduciary Net Position

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

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I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the Authority recognized pension expense of \$(9,206). As of September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes of assumptions | \$ - | \$ - |
| Net difference between projected and actual earnings on investments | 1,059 | - |
| Differences between expected and actual Experience | - | - |
| Changes in proportion and differences between actual contributions and proportionate share of contributions | - | - |
| Authority contributions subsequent to the measurement date | 57,606 | - |
| Total | <u>\$ 58,665</u> | <u>\$ -</u> |

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended September 30: | Pension Expense (Credit) Amount |
|---------------------------------|--|
| 2022 | \$ (7,398) |
| 2023 | 126 |
| 2024 | 5,718 |
| 2025 | 2,613 |

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Note 8 Other Postemployment Benefit (OPEB) Plan – Healthcare

A. Plan Description

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

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

B. Benefits Provided

Introduction

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental, and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental, and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by the Michigan Department of Technology, Management, and Budget (DTMB) and the Civil

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Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental, or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

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

This plan is closed to new hires.

C. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2020, the Authority's contribution rate was 23.09% of the defined benefit employee wages and 23.09% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2021 was \$61,962. Active employees are not required to contribute to SERS OPEB.

D. Actuarial Assumptions

The Authority's net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|---|
| Wage Inflation Rate | 2.75% |
| Investment Rate of Return | 6.90%, net of investment expenses |
| Projected Salary Increases | 2.75 – 11.75%, including wage inflation at 2.75% |
| Health Care Cost Trend Rate | 7.50% Year 1 graded to 3.50% Year 15; 3.00% Year 120 |
| Mortality | RP-2014 Male and Female Annuitant Mortality Table used for retirees (scaled by 93% for males and 98% for females), active employees, and disabled retirees, with adjustments for mortality improvements using projection scale MP-2017 from 2006. |

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2017 valuation.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return *</u> |
|--------------------------------------|--------------------------|--|
| Domestic equity pools | 25.0% | 5.6 % |
| Private equity pools | 16.0 | 9.3 % |
| International equity pools | 15.0 | 7.4 % |
| Fixed income pools | 10.5 | 0.5 % |
| Real estate and infrastructure pools | 10.0 | 4.9 % |
| Absolute return pools | 9.0 | 3.2 % |
| Real return and opportunistic pools | 12.5 | 6.6 % |
| Short term investment pools | 2.0 | (0.1)% |
| Total | <u>100.0%</u> | |

* Long-term rates of return are net of administrative expenses and 2.1% inflation.

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Discount Rate

A Single Discount Rate of 6.9% was used to measure the total OPEB liability for the September 30, 2019 valuation. A discount rate of 6.9% was used to measure the total OPEB liability for the September 30, 2018 valuation. This Single Discount Rate for the September 30, 2019 valuation was based on the expected rate of return on OPEB plan investments of 6.9%. The projection of cash flows used to determine this Single Discount Rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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F. Net OPEB Liability

At September 30, 2021, the Authority reported a liability of \$304,405 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2019, through September 30, 2020, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2020, the Authority's proportion was 0.0052%.

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

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using a Single Discount Rate of 6.90%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

| | <u>1% Decrease</u> 5.9% | <u>Current</u> <u>Discount 6.9%</u> | <u>1% Increase</u> 7.9% |
|--|----------------------------|--|----------------------------|
| State Building Authority's proportionate share of net OPEB liability | \$362,480 | \$304,405 | \$255,638 |

Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates

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

| | <u>1% Decrease</u> | <u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> | <u>1% Increase</u> |
|--|--------------------|--|--------------------|
| State Building Authority's proportionate share of net OPEB liability | \$253,186 | \$304,405 | \$363,606 |

H. OPEB Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the Authority recognized OPEB expense (credit) of \$(40,768). At September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 167,418 |
| Changes of assumptions | 75,873 | - |
| Net difference between projected and actual earnings on investments | 1,739 | - |
| Changes in proportion and differences between actual contributions and proportionate share of contributions | 9,398 | 203,859 |
| Authority contributions subsequent to the measurement date | 61,962 | - |
| Total | <u>\$ 148,972</u> | <u>\$ 371,277</u> |

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended September 30: | OPEB Expense (Credit) Amount |
|---------------------------------|---|
| 2022 | \$ (72,415) |
| 2023 | (71,460) |
| 2024 | (70,036) |
| 2025 | (51,288) |
| 2026 | (19,068) |

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Note 9 Other Postemployment Benefit (OPEB) Plan – Postemployment Life Insurance Benefits

A. Plan Description

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

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

The Plan is not a trust and has no assets.

B. Benefits Provided

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

Eligible retirees are provided with life insurance coverage equal to 25% of the active life insurance coverage (which amount is rounded to the next higher \$100 provided the retiree retired after July 1, 1974), \$1,000 for spouse and \$1,000 for each dependent under age 23.

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The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$50,000.

C. Contributions

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rates for FY 2019 and FY 2020 were \$.28, for each \$1,000.00 of coverage of active payroll per pay period. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

More specific information concerning eligibility requirements, benefit level, and funding policies is included in employee collective bargaining agreements, benefit plan booklets, and rules and regulations issued by the Michigan Civil Service Commission.

D. Actuarial Valuations and Assumptions

The Authority's total OPEB liability as of September 30, 2021 was measured as of September 30, 2020 and is based on an actuarial valuation performed as of September 30, 2019. The total OPEB liability as of September 30, 2020 was measured as of September 30, 2019 and is based on an actuarial valuation performed as of September 30, 2019.

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

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

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

Wage Inflation Rate: 2.75%
Investment Rate of Return (discount rate): 2.41% per year (2.75% per year as of September 30, 2020)

Mortality: The post-retirement mortality tables used in this valuation were 110% of the Healthy Life and Disabled Life Mortality Tables

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

Spouse Benefits for Future Retirees: The liabilities for active members were loaded by 1.5% to account for potential postemployment life insurance benefits payable to spouses of future retirees.

Spouse Benefits for Current Retirees: Data regarding postemployment life insurance benefits coverage for spouses of current retirees was not available. Liabilities for retired members were loaded by 2% to account for postemployment life insurance benefits payable to the spouses of current retirees.

Opt-Out Factors: No eligible SPRS, SERS, or Special Duty Officer retiree was assumed to opt out of the PRLIB Program. PRLIB participation data was supplied for current JRS and LRS retirees and used without adjustment.

Compensation: For some MSERS retirees, FAC was not reported. The FAC for these members was assumed to be \$54,575 (the average of all MSERS retiree records reported with FAC).

For purposes of valuing the postemployment life insurance benefit policies for retirees, base wage at retirement was not available and was approximated by applying a factor to the reported FAC at retirement. The factor used to convert an FAC to a base wage is based on the length of the FAC period for each group. The factor used for each affected plan follows:

| | |
|--------|---|
| MSERS: | Conservation: 0.986618 (2 year FAC) |
| | Corrections and All Others: 0.973475 (3 year FAC) |
| SPRS: | Non-Hybrid: 0.986618 (2 year FAC) |
| | Hybrid: 0.947886 (5 year FAC) |

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

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

Individuals retired after July 1974: 25% x (2 x compensation at retirement (compensation reported for the 2019 retirement system valuations))

| | |
|---|---------|
| Spousal benefits: | \$1,000 |
| Individuals retired on or before July 1974: | \$3,000 |
| Spousal benefits: | \$1,000 |

Data for current retiree members of the Plan was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2019 retirement valuations were included in this valuation of the Plan.

E. Discount Rate

A discount rate of 2.41% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2020. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets. For the September 30, 2019 measurement date, the discount rate used was 2.75%. An increase in the discount rate used affects the measurement of total OPEB liability for the Postemployment Life Insurance Benefits Plan by decreasing its total OPEB liability.

F. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2021, the Authority reported a liability of \$75,743 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2019, through September 30, 2020 by the total OPEB actual contributions received from all applicable employers. At September 30, 2020, the Authority's proportion was 0.0054%.

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

The following table presents the Authority's proportionate share of the total OPEB liability, calculated using a Single Discount Rate of 2.41%, as well as what the Authority's proportionate share of the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

| | <u>1% Decrease</u> <u>1.41%</u> | <u>Current</u> <u>Discount</u> <u>2.41%</u> | <u>1% Increase</u> <u>3.41%</u> |
|--|------------------------------------|---|------------------------------------|
| State Building Authority's proportionate share of net OPEB liability | \$90,605 | \$75,743 | \$64,227 |

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for Postemployment Life Insurance Benefits

For the year ended September 30, 2021, the Authority recognized OPEB expense (credit) of \$(5,273). At September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred</u> <u>Outflows of</u> <u>Resources</u> | <u>Deferred</u> <u>Inflows of</u> <u>Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 22 | \$ 4,858 |
| Changes of assumptions | 8,340 | 3,137 |
| Changes in proportion and differences between actual contributions and proportionate share of contributions | 1,081 | 34,082 |
| Authority contributions subsequent to the measurement date | 2,931 | - |
| Total | <u>\$ 12,374</u> | <u>\$ 42,077</u> |

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

Amounts reported as deferred as outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended September 30: | <u>OPEB Expense (Credit) Amount</u> |
|--------------------------|---|
| 2022 | \$ (8,585) |
| 2023 | (8,489) |
| 2024 | (7,796) |
| 2025 | (6,130) |
| 2026 | (1,634) |

Note 10 Adjustments

Following is an explanation of the adjustments between the governmental funds balance sheet and the statement of net position, which reconciles fund balances to net position:

| | |
|--|---------------|
| Fund Balances | \$ 86,656,863 |
| Adjustments: | |
| Leases receivable are not current financial resources and therefore are not reported in the governmental funds | 3,022,958,866 |
| Accrued payroll liabilities are paid by the State and not reported in the governmental funds until after reimbursement | 15,442 |
| Cash deficiency in the administrative fund as a result of over expenditure in the state appropriation | (4,488) |
| Cash deficiency in the administrative fund as a result of over expenditure in the state appropriation | 4,488 |
| Project costs financed by short-term borrowings are temporarily capitalized for net position until lease agreements are executed | 84,095,106 |
| Pension and OPEB related assets are not reported in the governmental funds (and are reported as deferred outflow of resources) | 220,011 |

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

Adjustments (continued):

| | |
|---|-------------------------------------|
| Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds | (3,030,785,002) |
| Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized for net position (and added to bonds payable) | (293,902,101) |
| Discounts on bonds are reported as other financing uses in the governmental funds, whereas they are capitalized and amortized for net position (and netted against bonds payable) | 2,612,938 |
| Gains on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and reported as deferred inflows of resources) | (5,801,872) |
| Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and reported as deferred outflows of resources) | 37,214,556 |
| Accrued compensated absences and arbitrage payable are not recorded by governmental funds | (34,664) |
| Accrued interest payable on bonds is not recorded by governmental funds | (55,750,618) |
| Pension and OPEB related liabilities are not reported in the governmental funds (and are reported as a noncurrent liability or in deferred inflows of resources) | (1,249,811) |
| Accrued payroll liabilities are paid by the State and not reported in the governmental funds until after reimbursement | (15,442) |
| Net position | <hr/> \$ (153,765,728) <hr/> |

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net position:

| | |
|---|-------------------|
| Net change in fund balances | \$ 91,163,831 |
| Adjustments: | |
| Amounts received for lease payments include both principal and interest for purposes of governmental funds. For the statement of activities, the principal portions are eliminated with that portion of the receipts that pertain to interest being recognized as lease revenues. | (97,120,954) |
| Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for net position | 89,260,000 |
| Construction costs are recorded as expenditures in the funds, but increase leases receivable or project costs in progress for net position | 146,830,835 |
| The issuance of bonds provides current financial resources and bond discounts and premiums are a use or source of current financial resources, respectively. These transactions do not affect net position and therefore are eliminated: | |
| Bond and refunding proceeds | (206,270,000) |
| Premiums on bonds | (23,298,960) |
| Accrued interest expense and the amortization of discounts, premiums, and gain and loss on refunding are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of net position: | |
| Accrued interest expense | (8,356,521) |
| Amortization of premiums on bonds | 9,760,805 |
| Amortization of discounts on bonds | (88,317) |
| Amortization of gain on refunding | 495,768 |
| Amortization of loss on refunding | (1,963,585) |
| Pension and OPEB liability and expenditures are not recorded by governmental funds but are reported for purposes of determining net position | 175,959 |
| Estimated liability for accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining net position | (19,958) |
| Change in net position | \$ 568,903 |

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

Note 11 Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan provides insurance coverage for the Authority. The Authority has not filed any insurance claims or received any settlements in the last four fiscal years.

Note 12 Upcoming Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The primary objective of this statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of this statement were originally effective for the Authority's financial statements for the year ending September 30, 2021, but were extended to September 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. The Authority is currently evaluating the impact of this statement on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The primary objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this statement were originally effective for the Authority's financial statements for the year ending September 30, 2021, but were extended to September 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. The Authority is currently evaluating the impact of this statement on the financial statements.

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2021

Note 13 Subsequent Events

On October 7, 2021, the Authority issued \$89,000,000 of commercial paper notes at an interest rate of 0.11% per annum maturing on January 20, 2022. On January 20, 2022 the Authority issued \$149,400,000 of commercial paper notes at an interest rate of 0.20% per annum maturing on April 28, 2022.

Note 14 COVID-19 Pandemic

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe and has had an economic impact on the United States and the international community. The Authority's workforce and business operations continue at normal capacity with some from remote locations. The Authority has a return to office plan in place that will take effect January 10, 2022.

Required Supplementary Information

State Building Authority of the State of Michigan

Required Supplementary Information

State Employees' Retirement System – Pension

Schedule of the Authority's Proportionate Share of Net Pension Liability (in thousands of dollars)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Authority's proportionate share of the net pension liability: | | | | | | | |
| As a percentage | 0.0068% | 0.0073% | 0.0102% | 0.0094% | 0.0087% | 0.0090% | 0.0083% |
| Amount | \$ 456 | \$ 486 | \$ 617 | \$ 488 | \$ 462 | \$ 496 | \$ 425 |
| Authority's covered payroll | \$ 166 | \$ 193 | \$ 274 | \$ 261 | \$ 239 | \$ 246 | \$ 223 |
| Authority's proportionate share of the net pension liability, as a percentage of its covered payroll | 274.70% | 251.81% | 225.18% | 186.97% | 193.31% | 201.63% | 190.58% |
| Plan fiduciary net position as a percentage of total pension liability | 64.07% | 64.71% | 67.22% | 69.45% | 67.48% | 66.11% | 68.07% |

The amounts presented above for each fiscal year were determined as of the prior fiscal year.

Schedule of the Authority's Pension Contributions (in thousands of dollars)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------|--------|--------|--------|--------|--------|--------|
| Statutorily required contribution | \$ 58 | \$ 42 | \$ 42 | \$ 65 | \$ 67 | \$ 62 | \$ 67 |
| Contributions in relation to the statutorily required contributions | 58 | 42 | 42 | 65 | 67 | 62 | 67 |
| Contribution deficiency | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's covered payroll | \$ 270 | \$ 166 | \$ 193 | \$ 263 | \$ 261 | \$ 239 | \$ 246 |
| Contributions as a percentage of covered payroll | 21.48% | 25.30% | 21.76% | 24.71% | 25.67% | 25.94% | 27.24% |

State Building Authority of the State of Michigan

Notes to Pension Required Supplementary Information

September 30, 2021

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

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

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

The actuarially determined contributions presented in the Schedule of Contributions for Pension are calculated as of September 30, four years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the fiscal year 2021 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2021

| | |
|-------------------------------|---|
| Valuation Date | September 30, 2017 |
| Actuarial Cost Method | Entry Age, Normal |
| Amortization Method | Level Dollar, Closed Period |
| Remaining Amortization Period | 17 years, as of October 1, 2019, ending Sept. 30, 2036 |
| Asset Valuation Method | 5-Year Smoothed Fair Value |
| Price Inflation | 2.50% |
| Projected Salary Increases | 3.50% to 12.50%, including wage inflation at 3.50% |
| Investment Rate of Return | 7.00% net of investment and administrative expenses |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. |
| Mortality | RP-2000 Combined Health Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100% of the table rates were used for males and females. For active members, 50% of the table rates were used for males and females. |

State Building Authority of the State of Michigan

Required Supplementary Information

State Employees' Retirement System – Healthcare

Schedule of the Authority's Proportionate Share of Net OPEB Liability (in thousands of dollars)

| | 2021 | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|-------------|
| Authority's proportionate share of the net OPEB liability: | | | | |
| As a percentage | 0.0052% | 0.0062% | 0.0088% | 0.0085% |
| Amount | \$ 304 | \$ 488 | \$ 698 | \$ 705 |
| Authority's covered payroll | \$ 166 | \$ 193 | \$ 274 | \$ 261 |
| Authority's proportionate share of the net OPEB liability, as a percentage of its covered payroll | 183.13% | 252.85% | 254.74% | 270.11% |
| Plan fiduciary net position as a percentage of net OPEB liability | 38.29% | 27.88% | 24.41% | 19.89% |

The amounts presented above for each fiscal year were determined as of the prior fiscal year.

Schedule of the Authority's OPEB Contributions (in thousands of dollars)

| | 2021 | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|-------------|
| Statutorily required contribution | \$ 62 | \$ 34 | \$ 46 | \$ 58 |
| Contributions in relation to the statutorily required contributions | 62 | 36 | 46 | 58 |
| Contribution deficiency (excess) | \$ - | \$ (2) | \$ - | \$ - |
| Authority's covered payroll | \$ 270 | \$ 166 | \$ 193 | \$ 263 |
| Contributions as a percentage of covered payroll | 22.96% | 21.69% | 23.83% | 22.05% |

State Building Authority of the State of Michigan

Notes to OPEB Required Supplementary Information

September 30, 2021

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

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

The Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The Schedule of the Proportionate Share of the Net OPEB Liability represents, in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions for OPEB is a comparison of the employer's contributions to the actuarially determined contributions.

The actuarially determined contributions presented in the Schedule of Contributions for OPEB are calculated as of September 30, four years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the fiscal year 2021 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contributions for Fiscal Year 2021

| | |
|-------------------------------|--|
| Valuation Date | September 30, 2017 |
| Actuarial Cost Method | Entry Age, Normal |
| Amortization Method | Level Percent of Payroll, Closed Period |
| Remaining Amortization Period | 17 years, as of October 1, 2019, ending Sept. 30, 2036 |
| Asset Valuation Method | Fair Value |
| Price Inflation | 2.50% |
| Projected Salary Increases | 3.50% to 12.50%, including wage inflation at 3.50% |
| Investment Rate of Return | 7.35% net of investment and administrative expenses |
| Health Care Cost Trend Rate | 8.25% year 1 graded to 3.50% in year 9 |
| Mortality | RP-2000 Combined Health Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100% of the table rates were used for male and females. For active members, 50% of the table rates were used for males and females. |

State Building Authority of the State of Michigan

Required Supplementary Information

Postemployment Life Insurance Benefits

**Schedule of the Authority's Proportionate Share of Total OPEB
Liability (in thousands of dollars)**

| | <u>2021</u> | | <u>2020</u> | | <u>2019</u> | | <u>2018</u> |
|---|-------------|----|-------------|----|-------------|----|-------------|
| Authority's proportionate share of the total OPEB liability: | | | | | | | |
| As a percentage | 0.0054% | | 0.0067% | | 0.0089% | | 0.0087% |
| Amount | \$ 76 | \$ | 82 | \$ | 111 | \$ | 111 |
| Authority's covered-employee payroll | \$ 166 | \$ | 193 | \$ | 274 | \$ | 261 |
| Authority's proportionate share of the total OPEB liability, as a percentage of its covered-employee payroll | 45.78% | | 42.49% | | 40.51% | | 42.53% |

The amounts presented above for each fiscal year were determined as of the prior fiscal year.

The Plan is not a trust and has no assets.

Other Supplementary Information

State Building Authority of the State of Michigan
Commercial Paper Program, Series 8
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ - | \$ 8,109,535 | \$ 8,109,535 |
| Accrued interest receivable | - | 49 | 49 |
| Total assets | \$ - | \$ 8,109,584 | \$ 8,109,584 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ 18,238 | \$ 18,238 |
| Due to State of Michigan | - | 10,377,103 | 10,377,103 |
| Accrued interest payable | - | 15,322 | 15,322 |
| Short-term debt | - | 80,700,000 | 80,700,000 |
| Total liabilities | - | 91,110,663 | 91,110,663 |
| PROJECT EQUITY | | | |
| Unassigned | - | (83,001,079) | (83,001,079) |
| Total liabilities and project equity | \$ - | \$ 8,109,584 | \$ 8,109,584 |
| OUTSTANDING DEBT (short-term) | | | \$ 80,700,000 |

State Building Authority of the State of Michigan
Commercial Paper Program, Series 8
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|-----------------|
| Revenues | | | |
| Investment income | \$ - | \$ 1,774 | \$ 1,774 |
| Lease revenue | - | - | - |
| Other revenue | - | 4,384,376 | 4,384,376 |
| | - | 4,386,150 | 4,386,150 |
| Total revenues | - | 4,386,150 | 4,386,150 |
| Expenditures | | | |
| Current - general government | - | - | - |
| Capital outlay | - | 86,202,135 | 86,202,135 |
| Capital outlay reimbursed to State of Michigan | - | 3,000 | 3,000 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | - | 253,322 | 253,322 |
| | - | 86,458,457 | 86,458,457 |
| Total expenditures | - | 86,458,457 | 86,458,457 |
| Revenue over (under) expenditures | - | (82,072,307) | (82,072,307) |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | - | 149,875,293 | 149,875,293 |
| | - | 149,875,293 | 149,875,293 |
| Total other financing sources (uses) | - | 149,875,293 | 149,875,293 |
| Net change in project equity | - | 67,802,986 | 67,802,986 |
| Project equity (deficit) | | | |
| Beginning of year | - | (150,804,065) | (150,804,065) |
| End of year | \$ - | \$ (83,001,079) | \$ (83,001,079) |

State Building Authority of the State of Michigan
2007 Multi-Modal Revenue Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|-------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ - | \$ - | \$ - |
| Accrued interest receivable | - | - | - |
| Total assets | \$ - | \$ - | \$ - |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| Total liabilities | - | - | - |
| PROJECT EQUITY | | | |
| Restricted | - | - | - |
| Total liabilities and project equity | \$ - | \$ - | \$ - |
| OUTSTANDING DEBT (long-term) | | | \$ - |

State Building Authority of the State of Michigan
2007 Multi-Modal Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|-------------|
| Revenues | | | |
| Investment income | \$ 26 | \$ - | \$ 26 |
| Lease revenue | 1,031,166 | - | 1,031,166 |
| Other revenue | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 1,031,192 | - | 1,031,192 |
| Expenditures | | | |
| Current - general government | 11,735 | - | 11,735 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | 3,222 | - | 3,222 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 14,957 | - | 14,957 |
| Revenue over (under) expenditures | 1,016,235 | - | 1,016,235 |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | (4,364,469) | - | (4,364,469) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | (4,364,469) | - | (4,364,469) |
| Net change in project equity | (3,348,234) | - | (3,348,234) |
| Project equity | | | |
| Beginning of year | 3,348,234 | - | 3,348,234 |
| | <hr/> | <hr/> | <hr/> |
| End of year | \$ - | \$ - | \$ - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

State Building Authority of the State of Michigan
2011 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|---|--------------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 8,123,066 | \$ - | \$ 8,123,066 |
| Accrued interest receivable | 40 | - | 40 |
| | Total assets | \$ - | \$ 8,123,106 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | Total liabilities | - | - |
| PROJECT EQUITY | | | |
| Restricted | 8,123,106 | - | 8,123,106 |
| | Total liabilities and project equity | \$ - | \$ 8,123,106 |
| OUTSTANDING DEBT (long-term) | | | \$ 11,040,000 |

State Building Authority of the State of Michigan
2011 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|--------------|
| Revenues | | | |
| Investment income | \$ 346 | \$ - | \$ 346 |
| Lease revenue | 6,867,508 | - | 6,867,508 |
| Other revenue | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 6,867,854 | - | 6,867,854 |
| Expenditures | | | |
| Current - general government | 41,450 | - | 41,450 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 9,150,000 | - | 9,150,000 |
| Interest and fiscal charges | 777,190 | - | 777,190 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 9,968,640 | - | 9,968,640 |
| Revenue over (under) expenditures | (3,100,786) | - | (3,100,786) |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | 8,725,000 | - | 8,725,000 |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 8,725,000 | - | 8,725,000 |
| Net change in project equity | 5,624,214 | - | 5,624,214 |
| Project equity | | | |
| Beginning of year | 2,498,892 | - | 2,498,892 |
| | <hr/> | <hr/> | <hr/> |
| End of year | \$ 8,123,106 | \$ - | \$ 8,123,106 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

State Building Authority of the State of Michigan
2011 Revenue and Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 6,333,765 | \$ - | \$ 6,333,765 |
| Accrued interest receivable | 31 | - | 31 |
| | | | |
| Total assets | \$ 6,333,796 | \$ - | \$ 6,333,796 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | | | |
| Total liabilities | - | - | - |
| PROJECT EQUITY | | | |
| Restricted | 6,333,796 | - | 6,333,796 |
| | | | |
| Total liabilities and project equity | \$ 6,333,796 | \$ - | \$ 6,333,796 |
| OUTSTANDING DEBT (long-term) | | | \$ 590,000 |

State Building Authority of the State of Michigan
2011 Revenue and Revenue Refunding Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|---------------------|
| Revenues | | | |
| Investment income | \$ 200 | \$ - | \$ 200 |
| Lease revenue | 7,223,674 | - | 7,223,674 |
| Other revenue | - | - | - |
| | <u>7,223,874</u> | <u>-</u> | <u>7,223,874</u> |
| Total revenues | 7,223,874 | - | 7,223,874 |
| Expenditures | | | |
| Current - general government | 28,749 | - | 28,749 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 1,455,000 | - | 1,455,000 |
| Interest and fiscal charges | 56,200 | - | 56,200 |
| | <u>1,539,949</u> | <u>-</u> | <u>1,539,949</u> |
| Total expenditures | 1,539,949 | - | 1,539,949 |
| Revenue over (under) expenditures | 5,683,925 | - | 5,683,925 |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | (1,130,072) | - | (1,130,072) |
| | <u>(1,130,072)</u> | <u>-</u> | <u>(1,130,072)</u> |
| Total other financing sources (uses) | (1,130,072) | - | (1,130,072) |
| Net change in project equity | 4,553,853 | - | 4,553,853 |
| Project equity | | | |
| Beginning of year | 1,779,943 | - | 1,779,943 |
| End of year | <u>\$ 6,333,796</u> | <u>\$ -</u> | <u>\$ 6,333,796</u> |

State Building Authority of the State of Michigan
2013 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 25,559,118 | \$ - | \$ 25,559,118 |
| Accrued interest receivable | 126 | - | 126 |
| | | | |
| Total assets | \$ 25,559,244 | \$ - | \$ 25,559,244 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | | | |
| Total liabilities | - | - | - |
| PROJECT EQUITY | | | |
| Restricted | 25,559,244 | - | 25,559,244 |
| | | | |
| Total liabilities and project equity | \$ 25,559,244 | \$ - | \$ 25,559,244 |
| OUTSTANDING DEBT (long-term) | | | \$ 369,360,000 |

State Building Authority of the State of Michigan
2013 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|----------------------|
| Revenues | | | |
| Investment income | \$ 1,423 | \$ - | \$ 1,423 |
| Lease revenue | 13,859,052 | - | 13,859,052 |
| Other revenue | - | - | - |
| | <u>13,860,475</u> | <u>-</u> | <u>13,860,475</u> |
| Total revenues | 13,860,475 | - | 13,860,475 |
| Expenditures | | | |
| Current - general government | 58,299 | - | 58,299 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 3,185,000 | - | 3,185,000 |
| Interest and fiscal charges | 18,886,762 | - | 18,886,762 |
| | <u>22,130,061</u> | <u>-</u> | <u>22,130,061</u> |
| Total expenditures | 22,130,061 | - | 22,130,061 |
| Revenue over (under) expenditures | (8,269,586) | - | (8,269,586) |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | 7,175,000 | - | 7,175,000 |
| | <u>7,175,000</u> | <u>-</u> | <u>7,175,000</u> |
| Total other financing sources (uses) | 7,175,000 | - | 7,175,000 |
| Net change in project equity | (1,094,586) | - | (1,094,586) |
| Project equity | | | |
| Beginning of year | <u>26,653,830</u> | <u>-</u> | <u>26,653,830</u> |
| End of year | <u>\$ 25,559,244</u> | <u>\$ -</u> | <u>\$ 25,559,244</u> |

State Building Authority of the State of Michigan
2015 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|---|--------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 22,288,193 | \$ - | \$ 22,288,193 |
| Accrued interest receivable | 110 | - | 110 |
| | Total assets | \$ - | \$ 22,288,303 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ 83 | \$ - | \$ 83 |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | Total liabilities | - | 83 |
| PROJECT EQUITY | | | |
| Restricted | 22,288,220 | - | 22,288,220 |
| | Total liabilities and project equity | \$ - | \$ 22,288,303 |
| OUTSTANDING DEBT (long-term) | | | \$ 859,435,000 |

State Building Authority of the State of Michigan
2015 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|----------------------|
| Revenues | | | |
| Investment income | \$ 1,039 | \$ - | \$ 1,039 |
| Lease revenue | 44,383,140 | - | 44,383,140 |
| Other revenue | - | - | - |
| | <u>44,384,179</u> | <u>-</u> | <u>44,384,179</u> |
| Total revenues | 44,384,179 | - | 44,384,179 |
| Expenditures | | | |
| Current - general government | 101,144 | - | 101,144 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 35,425,000 | - | 35,425,000 |
| Interest and fiscal charges | 44,502,650 | - | 44,502,650 |
| | <u>80,028,794</u> | <u>-</u> | <u>80,028,794</u> |
| Total expenditures | 80,028,794 | - | 80,028,794 |
| Revenue over (under) expenditures | (35,644,615) | - | (35,644,615) |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | 28,350,000 | - | 28,350,000 |
| | <u>28,350,000</u> | <u>-</u> | <u>28,350,000</u> |
| Total other financing sources (uses) | 28,350,000 | - | 28,350,000 |
| Net change in project equity | (7,294,615) | - | (7,294,615) |
| Project equity | | | |
| Beginning of year | <u>29,582,835</u> | <u>-</u> | <u>29,582,835</u> |
| End of year | <u>\$ 22,288,220</u> | <u>\$ -</u> | <u>\$ 22,288,220</u> |

State Building Authority of the State of Michigan
2016 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|---|--------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 44,046,029 | \$ - | \$ 44,046,029 |
| Accrued interest receivable | 217 | - | 217 |
| | Total assets | \$ - | \$ 44,046,246 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | Total liabilities | - | - |
| PROJECT EQUITY | | | |
| Restricted | 44,046,246 | - | 44,046,246 |
| | Total liabilities and project equity | \$ - | \$ 44,046,246 |
| OUTSTANDING DEBT (long-term) | | | \$ 585,975,000 |

State Building Authority of the State of Michigan
2016 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|----------------------|
| Revenues | | | |
| Investment income | \$ 1,736 | \$ - | \$ 1,736 |
| Lease revenue | 93,057,000 | - | 93,057,000 |
| Other revenue | - | - | - |
| | <u>93,058,736</u> | <u>-</u> | <u>93,058,736</u> |
| Total revenues | 93,058,736 | - | 93,058,736 |
| Expenditures | | | |
| Current - general government | 66,373 | - | 66,373 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 17,625,000 | - | 17,625,000 |
| Interest and fiscal charges | 26,100,075 | - | 26,100,075 |
| | <u>43,791,448</u> | <u>-</u> | <u>43,791,448</u> |
| Total expenditures | 43,791,448 | - | 43,791,448 |
| Revenue over (under) expenditures | 49,267,288 | - | 49,267,288 |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | (59,680,000) | - | (59,680,000) |
| | <u>(59,680,000)</u> | <u>-</u> | <u>(59,680,000)</u> |
| Total other financing sources (uses) | (59,680,000) | - | (59,680,000) |
| Net change in project equity | (10,412,712) | - | (10,412,712) |
| Project equity | | | |
| Beginning of year | <u>54,458,958</u> | <u>-</u> | <u>54,458,958</u> |
| End of year | <u>\$ 44,046,246</u> | <u>\$ -</u> | <u>\$ 44,046,246</u> |

State Building Authority of the State of Michigan
2017 Multi-Modal Revenue Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|-------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ - | \$ - | \$ - |
| Accrued interest receivable | - | - | - |
| | | | |
| Total assets | \$ - | \$ - | \$ - |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | | | |
| Total liabilities | - | - | - |
| PROJECT EQUITY | | | |
| Restricted | - | - | - |
| | | | |
| Total liabilities and project equity | \$ - | \$ - | \$ - |
| OUTSTANDING DEBT (long-term) | | | \$ - |

State Building Authority of the State of Michigan
2017 Multi-Modal Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|--------------------|
| Revenues | | | |
| Investment income | \$ 48 | \$ - | \$ 48 |
| Lease revenue | 1,405,836 | - | 1,405,836 |
| Other revenue | - | - | - |
| | <u>1,405,884</u> | <u>-</u> | <u>1,405,884</u> |
| Total revenues | 1,405,884 | - | 1,405,884 |
| Expenditures | | | |
| Current - general government | 47,003 | - | 47,003 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | 8,538 | - | 8,538 |
| | <u>55,541</u> | <u>-</u> | <u>55,541</u> |
| Total expenditures | 55,541 | - | 55,541 |
| Revenue over (under) expenditures | 1,350,343 | - | 1,350,343 |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | (7,830,030) | - | (7,830,030) |
| | <u>(7,830,030)</u> | <u>-</u> | <u>(7,830,030)</u> |
| Total other financing sources (uses) | (7,830,030) | - | (7,830,030) |
| Net change in project equity | (6,479,687) | - | (6,479,687) |
| Project equity | | | |
| Beginning of year | <u>6,479,687</u> | <u>-</u> | <u>6,479,687</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**State Building Authority of the State of Michigan
2019 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2021**

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 11,672,295 | \$ 1 | \$ 11,672,296 |
| Accrued interest receivable | 57 | - | 57 |
| Total assets | \$ 11,672,352 | \$ 1 | \$ 11,672,353 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| Total liabilities | - | - | - |
| PROJECT EQUITY | | | |
| Restricted | 11,672,352 | 1 | 11,672,353 |
| Total liabilities and project equity | \$ 11,672,352 | \$ 1 | \$ 11,672,353 |
| OUTSTANDING DEBT (long-term) | | | \$ 203,875,000 |

State Building Authority of the State of Michigan
2019 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|---------------|
| Revenues | | | |
| Investment income | \$ 597 | \$ 1 | \$ 598 |
| Lease revenue | 12,070,020 | - | 12,070,020 |
| Other revenue | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 12,070,617 | 1 | 12,070,618 |
| Expenditures | | | |
| Current - general government | 24,153 | - | 24,153 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 14,800,000 | - | 14,800,000 |
| Interest and fiscal charges | 9,528,875 | - | 9,528,875 |
| Debt issuance costs | 3,000 | - | 3,000 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 24,356,028 | - | 24,356,028 |
| Revenue over (under) expenditures | (12,285,411) | 1 | (12,285,410) |
| Other financing sources (uses) | | | |
| Transfers from other funds | 363,735 | - | 363,735 |
| Transfers to other funds | 10,835,000 | (363,735) | 10,471,265 |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 11,198,735 | (363,735) | 10,835,000 |
| Net change in project equity | (1,086,676) | (363,734) | (1,450,410) |
| Project equity | | | |
| Beginning of year | <hr/> | <hr/> | <hr/> |
| | 12,759,028 | 363,735 | 13,122,763 |
| End of year | <hr/> | <hr/> | <hr/> |
| | \$ 11,672,352 | \$ 1 | \$ 11,672,353 |

State Building Authority of the State of Michigan
2020 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|---|--------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 12,575,579 | \$ 2,180,713 | \$ 14,756,292 |
| Accrued interest receivable | 50 | 29 | 79 |
| | Total assets | \$ 2,180,742 | \$ 14,756,371 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | 679,898 | 679,898 |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | Total liabilities | 679,898 | 679,898 |
| PROJECT EQUITY | | | |
| Restricted | 12,575,629 | 1,500,844 | 14,076,473 |
| | Total liabilities and project equity | \$ 2,180,742 | \$ 14,756,371 |
| OUTSTANDING DEBT (long-term) | | | \$ 205,200,000 |

State Building Authority of the State of Michigan
2020 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|----------------------|
| Revenues | | | |
| Investment income | \$ 551 | \$ 642 | \$ 1,193 |
| Lease revenue | 16,003,514 | - | 16,003,514 |
| Other revenue | 2,443,046 | 643,686 | 3,086,732 |
| | <u>18,447,111</u> | <u>644,328</u> | <u>19,091,439</u> |
| Total revenues | 18,447,111 | 644,328 | 19,091,439 |
| Expenditures | | | |
| Current - general government | 18,177 | 43,958 | 62,135 |
| Capital outlay | - | 7,101,822 | 7,101,822 |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 6,970,000 | - | 6,970,000 |
| Interest and fiscal charges | 4,515,188 | - | 4,515,188 |
| Debt issuance costs | 1,058 | 901 | 1,959 |
| | <u>11,504,423</u> | <u>7,146,681</u> | <u>18,651,104</u> |
| Total expenditures | 11,504,423 | 7,146,681 | 18,651,104 |
| Revenue over (under) expenditures | 6,942,688 | (6,502,353) | 440,335 |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | 120,694 | 120,694 |
| Transfers to other funds | 5,395,103 | - | 5,395,103 |
| | <u>5,395,103</u> | <u>120,694</u> | <u>5,515,797</u> |
| Total other financing sources (uses) | 5,395,103 | 120,694 | 5,515,797 |
| Net change in project equity | 12,337,791 | (6,381,659) | 5,956,132 |
| Project equity | | | |
| Beginning of year | <u>237,838</u> | <u>7,882,503</u> | <u>8,120,341</u> |
| End of year | <u>\$ 12,575,629</u> | <u>\$ 1,500,844</u> | <u>\$ 14,076,473</u> |

State Building Authority of the State of Michigan
2020 Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 117,753 | \$ - | \$ 117,753 |
| Accrued interest receivable | 1 | - | 1 |
| | | | |
| Total assets | \$ 117,754 | \$ - | \$ 117,754 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | | | |
| Total liabilities | - | - | - |
| PROJECT EQUITY | | | |
| Restricted | 117,754 | - | 117,754 |
| | | | |
| Total liabilities and project equity | \$ 117,754 | \$ - | \$ 117,754 |
| OUTSTANDING DEBT (long-term) | | | \$ 556,205,000 |

State Building Authority of the State of Michigan
2020 Revenue Refunding Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|-------------------|
| Revenues | | | |
| Investment income | \$ 25 | \$ - | \$ 25 |
| Lease revenue | - | - | - |
| Other revenue | 4,035 | - | 4,035 |
| | <u>4,060</u> | <u>-</u> | <u>4,060</u> |
| Total revenues | 4,060 | - | 4,060 |
| Expenditures | | | |
| Current - general government | 108,952 | - | 108,952 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | 650,000 | - | 650,000 |
| Interest and fiscal charges | 7,405,453 | - | 7,405,453 |
| Debt issuance costs | 1,745 | - | 1,745 |
| | <u>8,166,150</u> | <u>-</u> | <u>8,166,150</u> |
| Total expenditures | 8,166,150 | - | 8,166,150 |
| Revenue over (under) expenditures | (8,162,090) | - | (8,162,090) |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | 8,040,395 | - | 8,040,395 |
| | <u>8,040,395</u> | <u>-</u> | <u>8,040,395</u> |
| Total other financing sources (uses) | 8,040,395 | - | 8,040,395 |
| Net change in project equity | (121,695) | - | (121,695) |
| Project equity | | | |
| Beginning of year | <u>239,449</u> | <u>-</u> | <u>239,449</u> |
| End of year | <u>\$ 117,754</u> | <u>\$ -</u> | <u>\$ 117,754</u> |

State Building Authority of the State of Michigan
2020 Multi-Modal Revenue Refunding Bonds, Series III
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|---|--------------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 9,423,122 | \$ - | \$ 9,423,122 |
| Accrued interest receivable | 46 | - | 46 |
| | Total assets | \$ - | \$ 9,423,168 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ 16,552 | \$ - | \$ 16,552 |
| Due to State of Michigan | - | - | - |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| | Total liabilities | - | 16,552 |
| PROJECT EQUITY | | | |
| Restricted | 9,406,616 | - | 9,406,616 |
| | Total liabilities and project equity | \$ - | \$ 9,423,168 |
| OUTSTANDING DEBT (long-term) | | | \$ 32,835,000 |

State Building Authority of the State of Michigan
2020 Multi-Modal Revenue Refunding Bonds, Series III
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|--------------|
| Revenues | | | |
| Investment income | \$ 378 | \$ - | \$ 378 |
| Lease revenue | 5,155,830 | - | 5,155,830 |
| Other revenue | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 5,156,208 | - | 5,156,208 |
| Expenditures | | | |
| Current - general government | 73,813 | - | 73,813 |
| Capital outlay | - | - | - |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | 44,848 | - | 44,848 |
| Debt issuance costs | 6,475 | - | 6,475 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 125,136 | - | 125,136 |
| Revenue over (under) expenditures | 5,031,072 | - | 5,031,072 |
| Other financing sources (uses) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | 4,363,379 | - | 4,363,379 |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 4,363,379 | - | 4,363,379 |
| Net change in project equity | 9,394,451 | - | 9,394,451 |
| Project equity | | | |
| Beginning of year | 12,165 | - | 12,165 |
| | <hr/> | <hr/> | <hr/> |
| End of year | \$ 9,406,616 | \$ - | \$ 9,406,616 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

State Building Authority of the State of Michigan
2021 Revenue Bonds, Series I
Project Balance Sheet
September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|---|----------------------------|--------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Investments | \$ 3,311,233 | \$ 40,422,599 | \$ 43,733,832 |
| Accrued interest receivable | 16 | 212 | 228 |
| Total assets | \$ 3,311,249 | \$ 40,422,811 | \$ 43,734,060 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - |
| Due to State of Michigan | - | 15,699,926 | 15,699,926 |
| Accrued interest payable | - | - | - |
| Short-term debt | - | - | - |
| Total liabilities | - | 15,699,926 | 15,699,926 |
| PROJECT EQUITY | | | |
| Restricted | 3,311,249 | 24,722,885 | 28,034,134 |
| Total liabilities and project equity | \$ 3,311,249 | \$ 40,422,811 | \$ 43,734,060 |
| OUTSTANDING DEBT (long-term) | | | \$ 206,270,000 |

State Building Authority of the State of Michigan
2021 Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2021

| | Debt Service Activities | Capital Projects Activities | Total |
|--|----------------------------|--------------------------------|----------------------|
| Revenues | | | |
| Investment income | \$ 26 | \$ 703 | \$ 729 |
| Lease revenue | 3,311,223 | - | 3,311,223 |
| Other revenue | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 3,311,249 | 703 | 3,311,952 |
| Expenditures | | | |
| Current - general government | - | 150,000 | 150,000 |
| Capital outlay | - | 53,523,878 | 53,523,878 |
| Capital outlay reimbursed to State of Michigan | - | - | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | - | - | - |
| Debt issuance costs | - | 1,297,607 | 1,297,607 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | - | 54,971,485 | 54,971,485 |
| Revenue over (under) expenditures | 3,311,249 | (54,970,782) | (51,659,533) |
| Other financing sources (uses) | | | |
| Long-term debt issued | - | 206,270,000 | 206,270,000 |
| Premiums on bonds issued | - | 23,298,960 | 23,298,960 |
| Transfers from other funds | - | - | - |
| Transfers to other funds | - | (149,875,293) | (149,875,293) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | - | 79,693,667 | 79,693,667 |
| Net change in project equity | 3,311,249 | 24,722,885 | 28,034,134 |
| Project equity | | | |
| Beginning of year | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| End of year | <u>\$ 3,311,249</u> | <u>\$ 24,722,885</u> | <u>\$ 28,034,134</u> |

State Building Authority of the State of Michigan
Schedule of Bonds Payable at Par
Including Mandatory Redemption Provisions

September 30, 2021
(in Thousands)

| Year Ending September 30 | 2021 I Revenue Bonds | 2020 III* Refunding VRO Bonds | 2020 II Refunding Bonds | 2020 I Revenue & Refund Bonds | 2019 I Revenue & Refunding Bonds | 2016 I Revenue & Refunding Bonds |
|-------------------------------------|---------------------------------|--|------------------------------------|--|---|---|
| 2022 | \$ 5,530 | \$ - | \$ 3,460 | \$ - | \$ 9,685 | \$ 26,315 |
| 2023 | 7,230 | - | 21,430 | - | - | 10,030 |
| 2024 | 3,905 | - | 10,675 | - | 22,640 | 10,550 |
| 2025 | 7,590 | 70 | 18,810 | - | 15,910 | 11,090 |
| 2026 | 3,605 | 6,000 | 24,625 | - | 11,410 | 11,660 |
| 2027 | 3,315 | 3,645 | 16,330 | 2,050 | 4,465 | 12,255 |
| 2028 | - | 1,060 | - | 36,670 | 2,650 | - |
| 2029 | - | 1,145 | - | 9,135 | - | 12,560 |
| 2030 | - | 1,220 | - | 13,560 | - | 14,390 |
| 2031 | - | 625 | - | 20,115 | - | 36,880 |
| 2032 | - | 1,290 | 18,320 | - | - | 32,280 |
| 2033 | - | 1,365 | 13,755 | - | - | 48,990 |
| 2034 | - | 1,450 | 26,230 | - | - | 49,365 |
| 2035 | - | 1,540 | 58,030 | - | 5,945 | 54,745 |
| 2036 | - | 4,425 | 42,435 | - | 21,850 | 73,685 |
| 2037 | - | 6,000 | 32,300 | - | - | 54,910 |
| 2038 | 3,275 | 3,000 | 42,125 | - | - | 25,990 |
| 2039 | 6,740 | - | 44,235 | - | - | 34,405 |
| 2040 | 7,010 | - | 81,825 | - | - | 5,050 |
| 2041 | 7,295 | - | 38,100 | 21,210 | - | 4,470 |
| 2042 | 7,585 | - | - | 33,825 | - | - |
| 2043 | 7,895 | - | - | 31,300 | - | 4,580 |
| 2044 | 8,210 | - | - | 18,225 | 8,905 | 4,810 |
| 2045 | 8,545 | - | - | 14,705 | 8,870 | 5,045 |
| 2046 | 8,890 | - | 2,750 | 4,405 | 10,365 | 5,300 |
| 2047 | 9,255 | - | 5,630 | - | 11,130 | 5,565 |
| 2048 | 9,550 | - | 5,800 | - | 10,885 | 5,845 |
| 2049 | 9,845 | - | 5,975 | - | 11,680 | 6,135 |
| 2050 | 10,145 | - | 6,150 | - | 12,155 | 6,445 |
| 2051 | 10,445 | - | 6,340 | - | 12,150 | 6,765 |
| 2052 | 10,770 | - | 6,525 | - | 9,430 | 5,865 |
| 2053 | 11,095 | - | 6,730 | - | 8,495 | - |
| 2054 | 11,425 | - | 6,940 | - | 5,255 | - |
| 2055 | 11,765 | - | 8,530 | - | - | - |
| 2056 | 13,030 | - | 2,150 | - | - | - |
| 2057 | 2,325 | - | - | - | - | - |
| Total | \$ 206,270 | \$ 32,835 | \$ 556,205 | \$ 205,200 | \$ 203,875 | \$ 585,975 |

*2020 III bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2042.

| | 2015 I | 2013 IA | 2011 IIA | 2011 IB | 2011 IA | |
|------------------------------|-------------------|-----------------|---------------|------------------|-----------------|------------------|
| Revenue & Refunding Bonds | Refunding Bonds | Refunding Bonds | Taxable Bonds | Refunding Bonds | Refunding Bonds | Total |
| \$ 26,465 | \$ 3,345 | \$ 590 | \$ 540 | \$ 10,500 | \$ | 86,430 |
| 27,820 | 22,335 | - | - | - | - | 88,845 |
| 17,985 | 23,450 | - | - | - | - | 89,205 |
| 18,905 | 24,625 | - | - | - | - | 97,000 |
| 19,875 | 25,855 | - | - | - | - | 103,030 |
| 35,460 | 27,145 | - | - | - | - | 104,665 |
| 40,760 | 28,505 | - | - | - | - | 109,645 |
| 62,345 | 29,930 | - | - | - | - | 115,115 |
| 65,570 | 26,205 | - | - | - | - | 120,945 |
| 63,730 | 5,185 | - | - | - | - | 126,535 |
| 75,995 | 5,440 | - | - | - | - | 133,325 |
| 69,790 | 5,715 | - | - | - | - | 139,615 |
| 62,810 | 5,970 | - | - | - | - | 145,825 |
| 22,665 | 6,120 | - | - | - | - | 149,045 |
| - | 6,420 | - | - | - | - | 148,815 |
| 42,275 | 6,760 | - | - | - | - | 142,245 |
| 39,255 | 7,125 | - | - | - | - | 120,770 |
| 17,585 | 7,550 | - | - | - | - | 110,515 |
| 6,450 | 7,945 | - | - | - | - | 108,280 |
| 6,530 | 8,365 | - | - | - | - | 85,970 |
| 19,440 | 8,805 | - | - | - | - | 69,655 |
| 10,350 | 16,370 | - | - | - | - | 70,495 |
| 16,540 | 9,850 | - | - | - | - | 66,540 |
| 15,850 | 10,395 | - | - | - | - | 63,410 |
| 17,060 | 12,955 | - | - | - | - | 61,725 |
| 11,925 | 13,830 | - | - | - | - | 57,335 |
| 12,175 | 13,165 | - | - | - | - | 57,420 |
| 15,805 | - | - | - | - | - | 49,440 |
| 13,055 | - | - | - | - | - | 47,950 |
| 4,965 | - | - | - | - | - | 40,665 |
| - | - | - | - | - | - | 32,590 |
| - | - | - | - | - | - | 26,320 |
| - | - | - | - | - | - | 23,620 |
| - | - | - | - | - | - | 20,295 |
| - | - | - | - | - | - | 15,180 |
| - | - | - | - | - | - | 2,325 |
| <u>\$ 859,435</u> | <u>\$ 369,360</u> | <u>\$ 590</u> | <u>\$ 540</u> | <u>\$ 10,500</u> | <u>\$</u> | <u>3,030,785</u> |

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

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

Board of Trustees, State Building Authority
Mr. Doug A. Ringler, CPA, CIA, Auditor General, Office of the Auditor General

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the State Building Authority (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 28, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Andrews Hooper Paulik PLC

Okemos, Michigan
February 28, 2022