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FINANCIAL AUDIT REPORT

of the MICHIGAN STRATEGIC FUND

FISCAL YEAR ENDING
SEPTEMBER 30, 2022

(A discretely presented component unit of the State of Michigan)

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INDEPENDENT AUDITOR'S REPORT

OAG
Office of the Auditor General
Doug A. Ringler, CPA, CIA
Auditor General
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Independent Auditor's Report on the Financial Statements
and Other Reporting Required by *Government Auditing Standards*

Mr. Quentin L. Messer, Jr.
President, Michigan Strategic Fund
Chair, Michigan Strategic Fund Board of Directors
300 North Washington Square
Lansing, Michigan

Dear Mr. Messer:

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions
We have audited the accompanying financial statements of the governmental activities and each major fund of the Michigan Strategic Fund (Fund), a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2022 and the related notes to the financial statements. We were not engaged to audit the financial statements of the Fund's aggregate discretely presented component units. These financial statements collectively comprise the Fund's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units
We do not express an opinion on the accompanying financial statements of the aggregate discretely presented component units of the Michigan Strategic Fund. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

Unmodified Opinions on Governmental Activities and Each Major Fund
In our opinion, the accompanying 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 Michigan Strategic Fund as of September 30, 2022 and the respective changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units
We were not engaged by the Fund or the Fund's discretely presented component units to separately audit the financial statements of each discretely presented component unit as part of our audit of the Fund's basic financial statements. Eight of nine discretely presented component units did not obtain an audit from other auditors, representing 70%, 67%, and 46% of the assets, net position, and revenues, respectively, of the Fund's aggregate discretely presented component units.

Basis for Unmodified Opinions
We conducted our audit of the financial statements of the governmental activities and each major fund in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Emphasis of Matters
As discussed in Note 2 to the financial statements, the Fund:

- Adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, and as a result restated beginning net position and beginning fund balance for the Debt Service Fund for the fiscal year ended September 30, 2022.

- Restated beginning fund balance in the Jobs for Michigan Investment Fund and net position to account for a change in applying the equity method for reporting majority equity interests.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units
Our responsibility is to conduct an audit of the Fund's financial statements in accordance with GAAS and *Government Auditing Standards* and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Governmental Activities and Each Major Fund
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 management's discussion and analysis and 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 Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we will also issue a report dated February 28, 2023 on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
February 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Michigan Strategic Fund (MSF) management has prepared this discussion and analysis of the financial performance of the MSF for the period October 1, 2021, through September 30, 2022. The MSF is a discretely presented component unit of the financial reporting entity of the State of Michigan. The MSF's management is responsible for the basic financial statements, required supplementary information and this discussion.

Using the Financial Report

This financial report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accounting standards require a statement of net position; a statement of activities; a fund balance sheet; and a statement of revenues, expenditures, and changes in fund balance. The financial statements are interrelated and represent the financial status of the MSF.

This financial report includes the independent auditor's report, management's discussion and analysis, the basic financial statements and required supplementary information.

Major Changes

1. During fiscal year 2022, MSF received a $237.0 million federal award for the State Small Business Credit Initiative (SSBCI) program that was reauthorized and funded in the American Rescue Plan Act (ARPA) of which $71.2 million was received by the MSF. The funds will be used for capital access, credit support and venture capital programs designed to support the growth of Michigan's small businesses.

2. During fiscal year 2022, the Strategic Outreach and Attraction Reserve (SOAR) fund was created in Public Act 137 of 2021 under the Department of Labor and Economic Opportunity (LEO). Public Act 132 of 2021 appropriated $1.0 billion from the state general fund to be deposited in the SOAR fund, which is a subfund of the State of Michigan's General Fund. These funds can be used for two programs that were also created this fiscal year, the Critical Industry Program, created in Public Act 136 of 2021, and the Michigan Strategic Site Readiness Program, created in Public Act 134 of 2021, upon appropriation authorized by law or through the legislative transfer process. During the fiscal year, two legislative transfers were approved that transferred $766.9 million from LEO to MSF.

Analysis of Financial Activities

The assets and deferred outflows of resources of the MSF Primary Government exceeded its liabilities and deferred inflows of resources by $1.4 billion at September 30, 2022, and by $632.6 million at September 30, 2021. Total net position increased by $726.5 million during fiscal year 2022.

Condensed Financial Information of the MSF Primary Government
From the Statement of Net Position
As of September 30

	2022	2021
Cash and equity in common cash	$ 1,168,564,029	$ 278,712,330
Amounts due from federal government	13,456,828	12,183,475
Other current assets	73,029,844	78,585,241
Total current assets	$ 1,255,050,701	$ 369,481,045
Noncurrent assets	590,444,398	734,810,297
Total assets	$ 1,845,495,099	$ 1,104,291,342
Deferred outflows of resources	5,784,082	8,635,944
Total assets and deferred outflows of resources	$ 1,851,279,181	$ 1,112,927,286
Current liabilities	$ 119,080,975	$ 99,795,067
Long-term liabilities	234,188,247	375,629,266
Total liabilities	$ 353,269,222	$ 475,424,332
Deferred inflows of resources	138,956,418	4,899,906
Total liabilities and deferred inflows of resources	$ 492,225,640	$ 480,324,238
Net position:		
Restricted	$ 1,603,016,068	$ 761,455,402
Unrestricted	(243,962,526)	(128,852,354)
Total net position-restated	$ 1,359,053,541	$ 632,603,047

Cash and equity in common cash primarily consist of amounts held in cash for various bond issuances and the SSBCI programs, funds in the State of Michigan's equity in common cash, money market funds, and collateral deposits. This line item increased by a net amount of $889.9 million during fiscal year 2022 due to an increase of $818.4 million in equity in common cash primarily due to increases of $45.2 million in the Jobs for Michigan Investment Fund and $766.9 million in SOAR fund transfers from LEO and an increase of $73.0 million in cash held for SSBCI programs primarily due to receiving funds from the federal government for the reauthorized SSBCI program.

Amounts due from federal government primarily consist of receivables for federal pass-through for the Community Development Block Grants (CDBGs) to subrecipients. This line item increased by $1.3 million during fiscal year 2022. These receivables vary from year to year as they are dependent on project activity of the subrecipients.

Other current assets primarily consist of loans receivable, lease receivable, the tribal gaming revenue receivables, participation loans, and amounts due from component units. This line item decreased by a net amount of $5.6 million.

Noncurrent assets include the Capital Access Program, lease receivable, loans receivable, economic development equity programs (EDEPs), equity in component units, collateral deposits, participation loans and bonds receivable. The net decrease in noncurrent assets during fiscal year 2022 was $144.4 million due to several factors. A decrease of $119.5 million in lease receivables due to the implementation of GASB Statement

No. 87, *Leases*, which is discussed further in the notes to the financial statements. In addition, there were decreases of $14.4 million in equity in component units, $5.8 million in loan receivables, and $4.0 million in participation loans.

Current liabilities primarily consist of accounts payable and other liabilities, amounts due to component units, and bond and interest payables related to the limited obligation revenue bonds. This line item increased by a net amount of $19.3 million during fiscal year 2022 due to an increase of $24.2 million in accounts payable and other liabilities primarily due to increases of $5.5 million in the Jobs for Michigan Investment Fund and $16.5 million in the SOAR fund and due to an increase of $4.1 million in bonds payable. These increases are partially offset by a decrease of $8.4 million in unearned revenue due to no longer recording unearned capital lease interest revenue with the implementation of GASB Statement No. 87, *Leases*. Additional information on this GASB implementation is in the notes to the financial statements.

Long-term liabilities primarily consist of bonds payable, the reserves for the Capital Access Program, the net pension liability, and the net other post-employment benefits (OPEB) liabilities. This line item decreased by a net amount of $141.4 million during fiscal year 2022 due to decreases of $34.0 million in bonds payable, $10.7 million in the net pension and OPEB liabilities, and $98.2 million in unearned revenue due to no longer recording unearned capital lease interest revenue with the implementation of GASB Statement No. 87, *Leases*.

Deferred outflows/inflows of resources are related to leases, pensions, OPEB and to a refunding of the bonds for the Cadillac Place. These are discussed further in the notes to the financial statements.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation limiting how they can be used. Total restricted net position increased by $841.6 million during fiscal year 2022 primarily due to the SOAR, SSBCI, and Jobs for Michigan Investment Fund preceding activities.

Unrestricted net position represents resources that are not included in restricted net position. Total unrestricted net position decreased by $115.1 million during fiscal year 2022 primarily due to the implementation of GASB Statement No. 87, *Leases*.

Condensed Financial Information of the MSF Primary Government
From the Statement of Activities
For the Fiscal Years Ended September 30

	2022	2021
Expenses		
Community Development Block Grants (CDBG)	$ 27,431,811	$ 49,187,420
Arts and Cultural Grants	11,682,115	9,143,408
Jobs for Michigan Investment Fund	89,760,050	92,919,681
Other programs	43,106,617	103,768,286
Payments to the Michigan Economic Development Corporation (MEDC)	376,279,936	122,043,961
Other	11,990,160	19,114,105
Total program expenses	$ 560,250,688	$ 396,176,862
Program revenues		
Charges for services	$ 1,360,928	$ 1,177,411
Operating grants and contributions	127,384,850	91,646,525
Total program revenues	$ 128,745,778	$ 92,823,936
Net program expenses	$ 431,504,910	$ 303,352,926
General revenues		
Payments from the State of Michigan	$ 1,203,252,773	$ 241,692,767
Other	112,198,796	87,303,962
Total general revenues	$ 1,315,415,569	$ 328,996,730
Change in net position	$ 883,946,659	$ 25,643,804
Net position - Beginning (restated)	475,106,882	606,959,243
Net position - Ending	$ 1,359,053,541	$ 632,603,047

CDBG expenses decreased by $21.8 million in fiscal year 2022 due to decreases in disbursements made to subrecipients. CDBG is a federal pass-through grant program and grant awards are spent over several years.

Jobs for Michigan Investment Fund expenses decreased by $3.2 million in fiscal year 2022.

Other programs expenses decreased by $60.7 million primarily due to decrease spending of $78.9 million in grant programs for economic assistance and recovery related to COVID-19. This decrease is partially offset by an increase of $16.5 million in SOAR, which is new in fiscal year 2022.

Payments to MEDC primarily consist of the MSF state appropriations transferred to fund programs administered by MEDC, as well as tribal gaming and fee revenue. This line item increased by a net amount of $254.2 million during fiscal year 2022. The MSF state appropriations transfer to MEDC increased by $244.8 million mainly due to an increase for direct grants for identified industries or recipients. Tribal gaming revenues transferred to MEDC also increased by $9.5 million.

Other expenses primarily consist of other interest, pension expense, OPEB expense, and miscellaneous expenses. This line item decreased by a net amount of $7.1 million in fiscal year 2022 primarily due to pension and OPEB expenses.

Operating grants and contributions primarily reflect the funds received from the federal government for CDBG, Coronavirus Relief Fund (CRF) programs, American Rescue Plan Act Fiscal Recovery Fund and SSBCI programs. This line item increased by a net amount of $35.7 million due to an increase of $71.2 million in SSBCI funding which was partially offset by a decrease of $36.9 million in CRF funding.

Payments from the State of Michigan primarily consist of transfers of the MSF appropriations from the State General Fund of $330.9 million, reimbursements of the MSF expenditures from the 21st Century Jobs Trust Fund of $100.8 million, and funds transferred by LEO from the SOAR Fund, a subfund of the State's General Fund, of $766.9 million. The revenue for the MSF appropriations increased by $961.6 million mainly due to an increase of $248.4 million for direct grants for identified industries or recipients which was partially offset by a decrease of $62.5 million for COVID-19 economic assistance programs; and an increase of $766.9 million for SOAR projects.

Other general revenues primarily consist of tribal gaming revenue, interest income, returns on EDEPs, gains or losses from component units, and revenue related to lease agreements. This line item increased by a net amount of $24.9 million during fiscal year 2022 due to an increase of $18.3 million in lease revenues due to the implementation of GASB Statement No. 87, *Leases*, and of $9.3 million in tribal gaming revenue.

BASIC FINANCIAL STATEMENTS

MICHIGAN STRATEGIC FUND
Statement of Net Position
As of September 30, 2022

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash (Note 3)	$ 29,808,498	$ 4,837,444
Equity in common cash (Note 3)	1,012,242,596	
Money market funds (Note 3)	16,778,676	
SSBCI checking account (Note 3)	97,187,013	
Collateral deposits (Note 4)	12,547,246	
Participation loans	6,554,048	
Amount due from federal government	13,456,828	
Amount due from component unit	385,540	
Loans receivable (Note 5)	13,982,351	
Bonds receivable (Note 5)	387,000	
Lease receivable (Note 6)	20,062,864	
Other current assets (Note 5)	31,658,040	2,974,766
Total current assets	$ 1,255,050,701	$ 7,812,210
Noncurrent assets:		
Capital Access Program (Notes 3, 4, and 11)	$ 8,051,850	$
Collateral deposits (Note 4)	47,201,553	
Participation loans	79,315,364	
Lease receivable (Note 6)	108,768,608	1,648,762
Economic development equity programs	80,812,881	28,645,000
Equity in component units	98,991,810	
Loans receivable (Note 5)	143,876,840	8,625,354
Bonds receivable (Note 5)	21,627,000	
Investments		63,521,722
Capital Assets		
Land and other non-depreciable assets		5,598,663
Buildings, equipment, and other depreciable assets		618,963
Construction in progress		5,565,657
Other noncurrent assets (Note 5)	1,798,493	360,793
Total noncurrent assets	$ 590,444,398	$ 114,584,914
Total assets	$ 1,845,495,099	$ 122,397,124
DEFERRED OUTFLOWS OF RESOURCES		
Refunding of debt	$ 709,880	$
Deferred outflows related to pensions	493,382	
Deferred outflows related to other post employment benefits	4,580,820	
Total deferred outflows of resources	$ 5,784,082	$ 0
Total assets and deferred outflows of resources	$ 1,851,279,181	$ 122,397,124

MICHIGAN STRATEGIC FUND

Statement of Net Position, *continued*

As of September 30, 2022

	Primary Government	Component Units
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	$ 54,409,830	$ 1,974,459
Compensated absences (Note 11)	620,796	
Amounts due to component units	30,051,581	
Capital Access Program (Notes 4 and 11)	250,000	
Amounts due to primary government	39,482	
Interest payable	2,927,959	1,205
Bonds payable (Note 9)	28,055,000	
Unearned revenue (Note 6)	2,726,327	
Total current liabilities	$ 119,080,975	$ 1,975,664
Long-term liabilities:		
Bonds payable (Note 9)	$ 217,780,342	$
Compensated absences (Note 11)	141,743	
Capital Access Program (Notes 4 and 11)	7,801,850	
Net pension liability (Note 7)	3,716,662	
Net OPEB liability (Note 8)	4,747,650	
Loans payable		11,443,260
Total long-term liabilities	$ 234,188,247	$ 11,443,260
Total liabilities	$ 353,269,222	$ 13,418,924
DEFERRED INFLOWS OF RESOURCES		
Refunding of debt	$ 1,453,649	$
Deferred inflows related to leases	128,831,472	
Deferred inflows related to pensions	1,647,781	
Deferred inflows related to other post employment benefits	7,023,515	
Total deferred inflows of resources	$ 138,956,418	$ 0
Total liabilities and deferred inflows of resources	$ 492,225,640	$ 13,418,924
NET POSITION		
Net investment in capital assets	$	$ 11,783,283
Restricted for:		
Other purposes	1,603,016,068	97,194,916
Unrestricted	(243,962,526)	
Total net position	$ 1,359,053,541	108,978,200

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

MICHIGAN STRATEGIC FUND
Statement of Activities
For the Fiscal Year Ended September 30, 2022

	Primary Governament	Component Units
EXPENSES (Note 1)		
Community Development Block Grants	$ 27,431,811	$
Arts and Cultural Grants	11,682,115	
Jobs for Michigan Investment Fund	89,760,050	
Other programs	43,106,617	
Payments to MEDC	376,279,936	
Other interest	9,327,032	100,684
Miscellaneous	2,663,128	13,435,051
Total program expenses	$ 560,250,688	$ 13,535,735
PROGRAM REVENUES (Note 1)		
Charges for services		
Program fees	$ 1,360,928	$
Operating grants and contributions		
Federal revenues	125,426,257	
Revenues from local units	1,958,594	
Capital grants and contributions		
Capital contributions		2,020,000
Total program revenues	$ 128,745,778	$ 2,020,000
Net program expense	$ 431,504,910	$ 11,515,735
GENERAL REVENUES (Note 1)		
Payments from the State of Michigan	$ 1,203,252,773	$
Other		
Interest earnings	13,764,850	1,029,861
Net increase (decrease) in fair value of investments		4,582,040
Net gain (loss) from component units	4,618,315	
Tribal gaming	68,752,623	
Lease revenue	18,264,226	
Miscellaneous	6,798,783	
Total general revenues	$ 1,315,451,569	$ 5,611,901
Increase in net position	$ 883,946,659	$ (5,903,834)
Net position - Beginning Restated (Note 2)	475,106,882	114,882,034
Net position - Ending	$ 1,359,053,541	$ 108,978,200

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

MICHIGAN STRATEGIC FUND
Governmental Fund Balance Sheet
As of September 30, 2022

	Major Funds			
	General Operations	Jobs for Michigan Investment Fund	Debt Service Fund	Total
ASSETS				
Current assets:				
Cash (Note 3)	$ 10,466,579	$	$ 19,341,919	$ 29,808,498
Equity in common cash (Note 3)	782,595,979	229,646,617		1,012,242,596
Money market funds (Note 3)	16,778,676			16,778,676
SSBCI checking account (Note 3)	97,187,013			97,187,013
Collateral deposits (Note 4)	9,599,506	2,947,740		12,547,246
Participation loans	346,622	6,207,426		6,554,048
Amounts due from federal government	13,456,828			13,456,828
Amounts due from component unit		385,540		385,540
Loans receivable (Note 5)		13,982,351		13,982,351
Bonds receivable (Note 5)		387,000		387,000
Lease receivables (Note 6)			20,062,864	20,062,864
Other current assets (Note 5)	29,688,584	1,969,456		31,658,040
Total current assets	$ 960,119,787	$ 255,526,130	$ 39,404,783	$ 1,255,050,701
Noncurrent assets:				
Capital Access Program (Notes 3, 4, and 11)	$ 8,051,850	$	$	$ 8,051,850
Collateral deposits (Note 4)	36,112,428	11,089,125		47,201,553
Participation loans	3,824,522	75,490,843		79,315,364
Lease receivables (Note 6)			108,768,608	108,768,608
Economic development equity programs	3,165,604	77,647,277		80,812,881
Equity in component units		98,991,810		98,991,810
Loans receivable (Note 5)		143,876,840		143,876,840
Bonds receivable (Note 5)		21,627,000		21,627,000
Other noncurrent assets (Note 5)		1,798,493		1,798,493
Total noncurrent assets	$ 51,154,403	$ 430,521,387	$ 108,768,608	$ 590,444,398
Total assets	$ 1,011,274,190	$ 686,047,517	$ 148,173,391	$ 1,845,495,099
DEFERRED OUTFLOWS OF RESOURCES	$	$	$	$
Total assets and deferred outflows of resources	$ 1,011,274,190	$ 686,047,517	$ 148,173,391	$ 1,845,495,099
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 31,986,133	$ 22,423,697	$	$ 54,409,830
Amounts due to component units	11,585,211			11,585,211
Capital Access Program (Notes 4 and 11)	250,000			250,000
Amounts due to primary government	33,411	6,071		39,482
Unearned revenue	618,128		2,108,199	2,726,327
Total current liabilities	$ 44,472,883	$ 22,429,768	$ 2,108,199	$ 69,010,850
Long-term liabilities:				
Capital Access Program (Notes 4 and 11)	$ 7,801,850	$	$	$ 7,801,850
Total long-term liabilities	$ 7,801,850	$ 0	$ 0	$ 7,801,850
Total liabilities	$ 52,274,733	$ 22,429,768	$ 2,108,199	$ 76,812,700
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to leases	$	$	$ 128,831,472	$ 128,831,472
Unavailable revenue	18,466,370	26,264,059		44,730,429
Total deferred inflows of resources	$ 18,466,370	$ 26,264,059	$ 128,831,472	$ 173,561,901
FUND BALANCE (Note 12)				
Restricted fund balance	$ 940,160,857	$ 637,353,691	$ 17,233,720	$ 1,594,748,268
Committed fund balance	54,818			54,818
Assigned fund balance	30			30
Unassigned fund balance	317,382			317,382
Total fund balance	$ 940,533,087	$ 637,353,691	$ 17,233,720	$ 1,595,120,498
Total liabilities, deferred inflows of resources, and fund balance	$ 1,011,274,190	$ 686,047,517	$ 148,173,391	$ 1,845,495,099

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

MICHIGAN STRATEGIC FUND

Reconciliation of the Governmental Fund Balance Sheet

to the Statement of Net Position

As of September 30, 2022

	2022
Total fund balance	$ 1,595,120,498
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources are not due and payable in the current period and therefore are not reported in the governmental fund statement.	
Refunding of debt	709,880
Related to pensions	493,382
Related to other post employment benefits	4,580,820
Compensated absences, net pension and other post employment benefis obligations are not due and payable in the current period and therefore are not reported in the governmental fund statement.	(9,226,851)
Bonds payable and interest payable are not due and payable in the current period and therefore are not reported in the governmental fund statement.	
Bonds payable	(245,835,342)
Bond interest payable	(2,927,959)
Certain amounts due to component units are not due and payable in the current period and therefore are not reported in the governmental fund statement.	(18,466,370)
Deferred inflows of resources is not available for the current period and therefore is not recognized as revenue in the governmental fund statement. This includes:	
Deferred gain on refunding	(1,453,649)
Tribal gaming revenue	18,466,370
Other revenues	1,580,276
Revenues from component units	20,857,642
Related to Pensions	(1,647,781)
Related to other post employment benefits	(7,023,515)
Loan interest revenue	3,826,142
Net position of governmental activities	$ 1,359,053,541

MICHIGAN STRATEGIC FUND

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended September 30, 2022

	Major Funds			
	General Operations	Jobs for Michigan Investment Fund	Debt Service Fund	Total
REVENUES (Note 1)				
Charges for services				
Program fees	$ 1,360,928	$	$	$ 1,360,928
Operating grants and contributions				
Federal revenues	125,426,257			125,426,257
Revenues from local units	1,958,594			1,958,594
Payments from the State of Michigan				
Payments from the State of Michigan	1,102,441,632	100,811,141		1,203,252,773
Other				
Tribal gaming	69,419,335			69,419,335
Interest earnings	781,888	4,715,028	7,274,205	12,771,121
Net gain (loss) from component units		(7,939,759)		(7,939,759)
Lease revenue			18,264,226	18,264,226
Miscellaneous	278,873	8,024,327	3	8,303,203
Total revenues	$ 1,301,667,506	$ 105,610,736	$ 25,538,433	$ 1,432,816,676
EXPENDITURES (Note 1)				
Other interest	$	$	$ 11,472,687	$ 11,472,687
Debt service principal redemption			27,626,545	27,626,545
Community Development Block Grants	27,431,811			27,431,811
Arts and Cultural Grants	11,682,115			11,682,115
Jobs for Michigan Investment Fund		89,760,050		89,760,050
Other programs	43,106,617			43,106,617
Payments to MEDC	376,946,648			376,946,648
Miscellaneous	6,522,994		599,800	7,122,794
Total expenditures	$ 465,690,184	$ 89,760,050	$ 39,699,032	$ 595,149,266
Excess of revenues over/(under) expenditures	$ 835,977,322	$ 15,850,686	$ (14,160,598)	$ 837,667,409
OTHER FINANCING SOURCES (USES)				
Refunding debt issued	$	$	$ 82,715,000	$ 82,715,000
Payment to refunding escrow agent			(82,115,256)	$ (82,115,256)
Transfer from General Operations Fund			$ 11,904,485	$ 11,904,485
Transfer to Debt Service Fund	(11,904,485)			(11,904,485)
Other financing sources (uses)	$ (11,904,485)	$ 0	$ 12,504,228	$ 599,744
Net change in fund balances	$ 824,072,837	$ 15,850,686	$ (1,656,370)	$ 838,267,153
Fund balance - Beginning Restated (Note 2)	116,460,250	621,503,004	18,890,090	756,853,345
Fund balance - Ending	$ 940,533,087	$ 637,353,690	$ 17,233,720	$ 1,595,120,498

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

MICHIGAN STRATEGIC FUND

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

For the Fiscal Year Ended September 30, 2022

	2022
Net change in fund balance	$ 838,267,153
Amounts reported for governmental activities in the statement of activities are different because:	
Tribal Gaming revenues that are reported as resources in the fund statement but were earned in prior fiscal years are not reported in the statement of activities.	(666,712)
Certain interest earnings are delayed and not available and have been deferred at the governmental fund level but are recognized in the statement of activities.	993,729
Payments to MEDC that are not due and payable in the current period are not reported as expenditures in the governmental fund statement.	666,712
Other interest expense for bonds payable that was due and payable in the current period and was reported as an expenditure in the governmental fund statement.	2,145,655
Debt service principal redemption was due and payable in the current period and was reported as an expenditure in the governmental fund statement.	27,626,545
Miscellaneous revenues were not recorded in governmental fund statement for receivables recorded in statement of activities.	(1,504,420)
Revenues from component units that are not available and have been deferred at the governmental fund level but are recognized in the statement of activities.	12,558,074
Compensated absences and net pension obligations are not reported in the governmental fund statement because payments are not due and do not use current financial resources.	4,459,667
Refunding debt issued was recorded in governmental fund statements as an other financing source, and as an increase in bonds payable on the statement of net position.	(82,715,000)
Payment to refunding escrow agent was recorded in governmental fund statements as an other financing use, and as a decrease in bonds payable and increase in deferred outflows of resources on the statement of net position.	82,115,256
Change in net position of governmental activities	$ 883,946,659

Notes to the Financial Statements

Note 1 **Significant Accounting Policies**

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

a. Reporting Entity

The MSF was created by Act 270, P.A. 1984, to help diversify the economy of the State of Michigan and to provide for economic development, primarily by assisting business enterprises in obtaining additional sources of financing. Under the provisions of this Act, the MSF succeeded to the rights, properties, obligations and duties of the Michigan Job Development Authority and the Michigan Economic Development Authority.

Executive Order No. 1999-1 further authorized the MSF to enter into an interlocal agreement with local public agencies. Under this authority, the MSF entered into an interlocal agreement and created the Michigan Economic Development Corporation (MEDC) as a new public entity in 1999 to help administer the programs transferred to the MSF. The interlocal agreement provided that any economic development programs transferred to the MSF could be transferred, along with the relevant personnel and funding, to MEDC.

The MSF is governed by an 11-member Board of Directors that consists of MEDC's chief executive officer, the Department of Labor and Economic Opportunity director, the Department of Transportation director, the State Treasurer, and seven members who are appointed by the Governor with the advice and consent of the Senate.

The MSF is a discretely presented component unit of the financial reporting entity of the State of Michigan because the primary government appoints a voting majority of the MSF Board of Directors and there is a financial burden/benefit relationship between the MSF and the State.

Executive Order No. 2019-13, effective August 2019, created the Department of Labor and Economic Opportunity (DLEO) and transferred the MSF from the Department of Talent and Economic Development. The MSF functions within DLEO's organizational structure. The executive order also transferred the State Historic Preservation Office (SHPO) from the Michigan State Housing Development Authority (MSHDA) to the MSF; however, all accounting and reporting responsibilities were transferred October 1, 2019.

Discretely Presented Component Units

These types of component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The MSF holds a majority equity interest in these discretely presented component units:

(1) Community Capital Equity, LLC is a limited liability company created in 2015. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for a mixed-use development in the City of Detroit, Michigan. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(2) Foundation Hotel Lender, LLC is a limited liability company created in 2016. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for the conversion of the former Detroit Fire Department headquarters and an adjacent building into a hotel to be known as the Foundation Hotel. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(3) Plaza Midtown Investment, LLC is a limited liability company created in 2016. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for the historic renovation of a former medical office tower in the City of Detroit, Michigan, into a mixed-use development. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(4) Temple Lofts, LLC is a limited liability company created in 2020. The company is a special purpose entity whose sole purpose is the renovation and expansion of what is commonly known as the Temple Building in Lansing, Michigan, resulting in a mixed-use development. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(5) Michigan 21st Century Investment Fund, L.P. is a limited partnership created in 2006. The partnership was organized to acquire, hold, manage, and dispose of partnership investments with the purpose of strengthening and diversifying Michigan's economy by investing capital in Michigan companies. The MSF holds a majority equity interest in the partnership as a limited partner. Separate audited financial statements can be obtained by contacting MSF. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(6) Huron River Ventures I, L.P. is a limited partnership created in 2011. The partnership was formed to acquire, hold, manage, and dispose of partnership investments in technology businesses primarily located in Michigan. The MSF holds a majority equity interest in the partnership as a limited partner. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(7) Willow Run Arsenal of Democracy Landholdings, L.P. is a limited partnership created in 2016. The partnership was formed to acquire, lease, and conduct administrative oversight of the former General Motors Corporation (GM) Willow Run Powertrain Plant site and its surrounding real estate parcels toward facilitation of a national center for connected and automated vehicle technology research, testing, product development, validation, and certification. The MSF holds a majority equity interest

in the partnership as a limited partner. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(8) Heritage Tower Landlord, LLC is a limited liability company created in 2019. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for a mixed-use development in the City of Battle Creek, Michigan. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

(9) Keefer Hotel Finance, LLC is a limited liability company created in 2021. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for a historic renovation project in the City of Hillsdale, Michigan. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

b. Financial Statement Presentation

The MSF's financial statements include the entity-wide and governmental fund financial statements. The entity-wide financial statements include the statement of net position and the statement of activities and report on the MSF primary government as a whole, and its discretely presented component units. The statement of net position presents the MSF's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources represents the MSF's net position. The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Program revenues include charges to users who directly benefit from the services, grants and contributions that are restricted to meeting the requirements of a function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

The MSF's governmental fund financial statements include the MSF's General Operations Fund, Jobs for Michigan Investment Fund (a special revenue fund), and Debt Service Fund. All of the MSF's funds are considered major funds. The MSF's three funds are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The General Operations Fund accounts for all of the activities of the MSF except those accounted for in the Jobs for Michigan Investment Fund and the Debt Service Fund. The Jobs for Michigan Investment Fund accounts for the equity funding, loan and grant activity provided for in Act 225, P.A. 2005. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal and interest for limited obligation revenue bonds issued. Additional disclosures describing the bonds accounted for in the Debt Service Fund are provided in Note 9.

The accompanying financial statements present only the MSF and its discretely presented component units. Accordingly, they do not purport to, and do not present fairly the financial

position, the changes in financial position, or, where applicable, cash flows of the State of Michigan or its component units in conformity with GAAP.

c. Measurement Focus and Basis of Accounting

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. The effect of interfund activity has been eliminated from the entity-wide financial statements.

The governmental fund financial statements are presented, using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable. Transfers (interfund activity) represent flows of assets (such as cash) without equivalent flows of assets in return or a requirement for repayments. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources.

d. Financial Data

(1) MSF's General Operations Fund includes the following:

(a) Revenues: Revenues include federal revenues for Community Development Block Grants (CDBGs) from the U.S. Department of Housing and Urban Development; State appropriations from the General Fund; revenues from the Strategic Outreach and Attraction Reserve Fund that were transferred from LEO; tribal gaming; interest earnings; fees from private activity bond (PAB) issuances; fees from Michigan Economic Growth Authority (MEGA) and Brownfield program applications; and federal revenues from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the American Rescue Plan Act (ARPA), and the State Small Business Credit Initiative (SSBCI).

(b) Expenditures: CDBG expenditures primarily consist of pass-through grants to local governmental units. Arts and Cultural Grants expenditures consist of grants to local libraries, schools and art groups. Other program expenditures include: SHPO historic preservation incentives to local communities; Coronavirus Fiscal Recovery Fund expenditures to promote equitable recovery from the COVID-19 pandemic; and Michigan Strategic Site Readiness Program grants to eligible applicants for creating investment-ready sites to attract and promote investment in Michigan. Payments to MEDC include tribal gaming; fees from PABs, MEGA and Brownfield; and State appropriations for programs administered by MEDC. Expenditures in each of the programs also include administrative and other miscellaneous costs.

(c) Other Financing Sources: Other financing sources consist of amounts transferred to the Debt Service Fund to fund the payment of principal and interest for the Community Colleges Skilled Trades Equipment Program and the Facility for Rare Isotope Beams Project limited obligation revenue bonds.

(d) Assets, Liabilities, and Net Position:

1) Cash, Money Market Funds, SSBCI Checking Account, Capital Access Program: Includes cash and cash equivalents held at financial institutions outside of State Treasury.

2) Equity in Common Cash: Includes deposits held at State Treasury.

3) Collateral Deposits: Collateral deposits are reported net of allowance for losses and interest receivable.

4) Amounts Due From Federal Government: Includes federal revenues for grant reimbursements.

5) Participation Loans: Participation Loans are reported net of allowance for losses.

6) Economic Development Equity Programs (EDEPs): EDEPs primary purpose is economic development and not income or profit; therefore, the cost method is the appropriate measurement basis.

7) Other Current Assets: Other current assets primarily include tribal gaming revenue receivable.

8) Current Liabilities: Current liabilities primarily include accounts payable established for program and administrative expenses, unearned revenue, and amounts due to MEDC.

9) Long-Term Liabilities: Includes liability for Capital Access Program deposits.

10) Deferred Inflows of Resources: In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. MSF General Operations Fund has deferred inflows of resources related to unavailable revenue.

(2) MSF's Jobs for Michigan Investment Fund primarily includes the following:

(a) Revenues: Revenues include payments from the 21st Century Jobs Trust Fund and interest and earnings from loans and economic development equity programs.

(b) Expenditures: Expenditures primarily consist of grants and forgivable loans to private entities, universities and colleges and expenditures for business marketing, business and community development incentive programs and administration.

(c) Assets, Liabilities, and Net Position:

1) Equity in Common Cash: Includes deposits held at State Treasury.

2) Collateral Deposits: Collateral deposits are reported net of allowance for losses and interest receivable.

3) Amounts Due From Component Units: Includes revenues from discretely presented component units.

4) Participation Loans: Participation Loans are reported net of allowance for losses.

5) Economic Development Equity Programs (EDEPs): EDEPs primary purpose is economic development and not income or profit; therefore, the cost method is the appropriate measurement basis.

6) Loans Receivable: Loans receivable are reported net of allowance for losses.

7) Bonds Receivable: Bonds receivable primary purpose is economic development and not income or profit; therefore, they are not reported as investments.

8) Equity in Component Units: Includes equity interest in legally separate entities in which MSF holds a majority equity interest; therefore, the equity method is the appropriate measurement basis.

9) Current Liabilities: Current liabilities primarily include accounts payable established for program and administrative expenses.

10) Deferred Inflows of Resources: In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. MSF Jobs for Michigan Investment Fund has deferred inflows of resources related to unavailable revenue.

MSF's Debt Service Fund primarily includes revenues from lease agreements and interest earned on the lease payments, bond proceeds and transfers of funds from the General Operations Fund, deposited in the bank for the accumulation of resources for, and the payment of, principal and interest for limited obligation revenue bonds.

e. Fund Balance Classifications

(1) Restricted fund balance includes amounts that are restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The MSF's restricted fund balance consists of the entire fund balance in the Jobs for Michigan Investment Fund, fund

balance for funds created through enabling legislation, the entire fund balance of the State Small Business Credit Initiative (SSBCI) program, the unspent cash reserves less amounts held for others and other liabilities for the various bond issuances, the entire fund balance in the Debt Service Fund at year-end, and the fund balance for the SHPO tax credit administrative fees (Note 12).

(2) Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law. The MSF's committed fund balance consists of the fund balance for grant application fees authorized to be collected through the MSF's annual appropriations act.

(3) Assigned fund balance includes amounts that are constrained by the MSF's intent to be used for specific purposes, but are neither restricted nor committed. The MSF's assigned fund balance consists of encumbrances funded by the MSF appropriations that were not previously restricted or committed.

(4) Unassigned fund balance is the residual classification for the General Operations Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Operations Fund.

(5) The MSF's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the intent is to use committed resources first, then assigned. Unassigned amounts are generally used only after the other resources have been used.

Note 2 Accounting Changes and Restatements

a. Accounting Changes

During fiscal year 2022, MSF implemented the following accounting changes:

(1) During fiscal year 2022, MSF implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 provides guidance on reporting a government's leases as either a lessee or lessor. This statement requires government lessors to recognize a lease receivable measured at the present value of lease payments expected to be received during the lease term and deferred inflows of resources measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. As a result of implementing this statement, MSF restated its beginning fund balance in its Debt Service Fund and beginning net position by ($147,095,698).

(2) Decreased beginning fund balance in its Jobs for Michigan Investment Fund by $8,751,963 and decreased beginning net position by $7,876,010 due to a change in the application of the equity method for reporting majority equity interests in discretely presented component units.

b. Restatements

During fiscal year 2022, MSF also decreased beginning net position by $2,524,457 to account for a prior period adjustment.

Note 3 Deposits and Investments

a. Deposits

Deposits held by the MSF at September 30, 2022, were as follows:

Equity in common cash	$1,012,242,595
Deposits	126,995,510
Capital Access Program	8,051,850
Collateral deposits	59,748,799
Total deposits	$1,207,038,755

(1) Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the MSF deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the MSF's name.

Deposits included in the MSF's bank accounts (without recognition of outstanding checks or deposits in transit) were $194,803,760 on September 30, 2022. The majority of these balances are from the various bank accounts within the Capital Access Program, Collateral Programs, the SSBCI checking accounts and various bond issuances. Of that amount, $86,585,226 was uninsured and uncollateralized and $8,752,298 was insured. There were deposits of $99,466,236 uninsured and collateralized with securities held by the pledging financial institution or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the MSF's name; therefore, these amounts were exposed to custodial credit risk. The MSF has no policy for controlling custodial credit risk.

The MSF's deposits included in the State of Michigan's equity in common cash are managed by the State Treasurer. The State Treasurer's policy requires financial institutions to secure State funds with collateral, to be organized under federal or State law and to maintain an office in Michigan. The policy also restricts deposits in a maximum of 50% of each financial institution's net worth. As of September 30, 2022, 100% of the State's common cash was either covered by federal depository insurance or collateralized with securities held in the State's name by the State's agent. Additional details on this policy are described in the *SOMACFR*.

b. Money Market Funds

The MSF invests in money market funds only. The fair value is determined by the investment custodian and provided to the MSF in monthly statements. The fair value of money market funds at September 30, 2022 was $16,778,676.

Governmental accounting standards require disclosures for investments for interest rate risk, custodial credit risk, credit risk, foreign currency risk, and concentration of credit risk:

(1) Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. The MSF does not have a policy regarding interest rate risk. As of September 30, 2022, the MSF held only money market funds with a maturity of less than 1 year.

(2) Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the MSF will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the MSF, and are held by either the counterparty or the counterparty's trust department or agent but not in the MSF's name. As of September 30, 2022, the MSF did not have any investments exposed to custodial credit risk.

(3) Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GAAP requires disclosures of the credit quality ratings of investments in debt securities. The MSF does not have a policy for controlling credit risk. As of September 30, 2022, the MSF's money market funds were not rated.

(4) Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. As of September 30, 2022, the MSF did not have any investments in foreign securities.

Note 4 Nonexchange Financial Guarantees

The MSF extends nonexchange financial guarantees through its Capital Access Program (CAP), collateral deposit programs and the Loan Guarantee Program (LGP). The MSF Board of Directors has the legal authority to approve the program creation and guidelines and to delegate authority for the administration of the programs. The MSF has a contractual relationship with the issuing financial entities that are issuing the obligations under all programs.

Under CAP, the MSF contributes a minimum of 3% and a maximum of 7% of the total loan amount that is deposited into a special reserve fund to cover future losses that may occur on these loans. The length of time of the guarantees varies as it is only when the issuing entity stops offering this program and all loans are paid in full that any remaining funds in the reserve fund would be returned to the MSF. Due to the high risk nature of these loans, the MSF records a liability that is limited to the amount of deposits the MSF has made to the special reserve account. As of September 30, 2022, the total amount on deposit in the reserve fund was $8,051,850.

Under the collateral deposit programs, the MSF generally guarantees up to 49.9% of the total loan amount, with a total dollar limit of $5.0 million per project. The length of time of the guarantees is based on the length of each borrowing period as determined between the lender and the borrower. On a quarterly basis, the MSF reconciles its collateral deposit balances with the lenders and collects any monies that are contractually owed back to the MSF. Based on information obtained by the MSF from the lenders regarding the likelihood of default, the MSF did not recognize a loss provision for these deposits. The MSF has separate subordinated guarantee agreements with the borrowers for the majority of its collateral deposits, which provide the MSF with the right

to recover its funds in the event of default. As of September 30, 2022, collateral deposits were $59,748,801, which include outstanding guarantees of $53,895,070.

Under the LGP, the MSF generally guarantees up to 80% of the total loan amount with a total program dollar limit of $5,050,000. The length of time of the guarantees is based on the length of each borrowing period as determined between the lender and the borrower. The MSF has separate agreements with the financial institutions issuing the loans which provide the MSF payment obligations and arrangements for recovery payments. As of September 30, 2022, outstanding guarantees totaled $5,050,000.

Note 5 Loans Receivable, Bonds Receivable, and Other Assets

a. Loans Receivable

Loans receivable totaled $157,859,191 on September 30, 2022, for the Jobs for Michigan Investment Fund. These are high-risk loans issued for the purpose of diversifying Michigan's economy and helping to create jobs in competitive edge technologies. The loans were issued to organizations that research or commercialize (transition from research to market) products, processes or services in the competitive edge technologies. These loans may be converted to EDEPs at the MSF's option with the MSF Board of Directors' approval.

The loans are for varying lengths and interest rates. Interest and loan repayments may be initially delayed for several years to provide the borrower with an opportunity to substantially complete the project. The interest receivable of $1,586,489 consists of $377,843 in current interest receivable and $1,208,646 in noncurrent interest receivable reported under other current assets and other noncurrent assets. Also, interest receivable was reported as revenue on the entity-wide financial statements but as deferred inflows of resources on the governmental fund balance sheet because the revenue was not available.

Included in the loans receivable balance are forgivable loans. Forgivable loan agreements contain language that allows a portion of the loan to be forgiven when certain milestones are met. At fiscal year-end, $6.3 million had been disbursed for forgivable loans.

Forgivable loans receivable held by the MSF as of September 30, 2022 consisted of the following:

Loan Category	Loan Receivable
Business Attraction and Community Revitalization - forgivable	$ 6,098,016
Capital Conduit Program - forgivable	218,138
Less: Forgivable portion	(5,218,138)
Total: Forgivable loans (net)	$ 1,098,016

Non-forgivable loans receivable held by the MSF as of September 30, 2022 consisted of the following:

Loan Category	Loan Receivable
Michigan Community Capital	$ 22,177,000
Competitive Edge Technologies	12,759,253
Capital Conduit Program	2,210,546
Business Attraction and Community Revitalization	102,956,423
Other Loans	21,828,238
Total	$ 161,931,460
Less: Allowance for uncollectible loans	(5,170,285)
Total: Non-forgivable loans receivable (net)	$ 156,761,175
Total loans receivable (net)	$ 157,859,191

b. Bonds Receivable

Bonds receivable totaled $22,014,000 on September 30, 2022, for the Jobs for Michigan Investment Fund. This amount consisted of two bonds:

(1) A non-convertible bond issued on March 13, 2020 with a maturity date of July 1, 2049. The outstanding principal amount plus interest shall be payable by the borrower beginning on July 1, 2023 and continuing annually thereafter on the same day. The interest rate of the bond is 1.16% per annum.

(2) A non-convertible bond issued on October 28, 2020 with a maturity date of October 1, 2060. The outstanding principal amount plus interest is payable by the borrower every April 1 and October 1 beginning on October 1, 2021. The interest rate of the bond is 1.00% per annum.

The interest receivable as of September 30, 2022 was $601,229 and is reported under other current assets. This interest receivable was recorded as revenue on the entity-wide financial statements and $591,159 was recorded as deferred inflows of resources on the governmental fund balance sheet because the revenue was not available.

Note 6 **Lease Receivable**

As described in Note 9, the MSF issued limited obligation revenue bonds to acquire ownership in the Anderson House Office Building, the Cadillac Place Building, and a condominium unit in the Capital View Building. The MSF's capital lease agreements with the Michigan House of Representatives (Anderson House Office Building), the Department of Technology, Management, and Budget (DTMB) (Cadillac Place building), and the Michigan Senate (Capital View Building) contained lease maturity dates of October 15, 2023, February 1, 2030, and October 15, 2047, respectively. At the end of the leases, the House of Representatives, DTMB and the Senate may purchase the buildings/condominium unit for nominal amounts. The lease payments are paid to a trustee and are being used to pay the interest and retire bonds issued to purchase the buildings/condominium unit. The lease payments are contingent upon annual appropriation by the State of Michigan, and neither the full faith and credit nor the taxing power of the State are

pledged to the payments coming due under the leases. Terms and conditions of options by the lessee to terminate the leases include the following:

- If there is a specific prohibition arising out of the appropriation process of the State against using funds for those leases.

- If the legislature of the State fails to appropriate funds for the purpose of paying the rental.

- The Lessor or any subcontractor, manufacturer or supplier of the Lessor appears in the register compiled pursuant to 1980 PA 278, as amended, MCL 423.321 et seq. (Employers Engaging in Unfair Labor Practices Act).

- The Lessor or any subcontractor, manufacturer or supplier of the Lessor is found guilty of discrimination, under 1976 PA 453, as amended, MCL 37.2101 et seq. (Elliott-Larsen Civil Rights Act); or 1976 PA 220, as amended, MCL 37.1101 et seq. (Persons with Disabilities Civil Rights Act).

- The Facilities do not comply with the barrier free design requirements of 1966 PA 1, as amended, MCL 125.1351 et seq. (Utilization of Public Facilities by Physically Handicapped Act) and the Americans with Disabilities Act.

- The Facilities are taken for a public purpose by eminent domain/condemnation proceedings by a governmental unit.

- The Lessee's use of the Facilities violates local adopted ordinances or recorded deed restrictions.

- The Lessee acquires fee title to the Facilities.

During fiscal year 2022, the MSF recognized total lease related revenue of $25,476,604 including $18,264,226 from lease revenue and $7,212,378 from lease interest revenue.

Note 7 Pension Plans

Defined Benefit Plan

a. Plan Description

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

- The Attorney General
- The State Treasurer
- The Legislative Auditor General
- The State Personnel Director

- One member or retirant of the State Employees' Retirement system appointed by the Governor
- One member of the Judges Retirement System appointed by the Governor
- One current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions appointed by the Governor
- One retirant member of the State Employee's Retirement System appointed by the Governor
- One member of the general public appointed by the Governor

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

The Michigan State Employees' Retirement System defined benefit pension 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

(1) Introduction

Benefit provisions of the defined benefit pension plan are established by State statue, 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.

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.

Public Act 185 of 2010 established a pension supplement. Members who retired under the retirement incentive of the legislation agreed to forfeit accumulated leave balances, excluding banked leave time; in exchange they receive a pension supplement for 60 months to their retirement allowance payments equal to 1/60 of the amount forfeited from funds, beginning January 1, 2011.

(2) Pension Reform of 2012

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

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

(3) 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 3 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 6-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.

(4) Deferred Retirement

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

(5) Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a 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.

(6) Duty Disability Benefit

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

(7) Survivor Benefit

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

(8) Pension Payment Options

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

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

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

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

50% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% 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 DTMB's 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.

(9) 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

(1) 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.

(2) 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 2022, the MSF's contribution rate was 23.97% of the defined benefit employee wages and 18.55% of the defined contribution employee wages. The MSF's contribution to the State Employees' Retirement System (SERS) for the fiscal year ending September 30, 2022, was $493,382.

d. Actuarial Assumptions

The MSF's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, 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	6.7%
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded with Maximum Annual Increase of $300 for those eligible

Mortality rates were based on RP-2014 Male and Female Mortality Tables, adjusted for mortality improvements. For retirees, 93% of the table rates were used for males and 98% for females. For active members and disabled retirees, 100% of the table rates were used for males and females.

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, 2021, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4 %
International Equity Pools	15.0%	7.5 %
Private Equity Pools	16.0%	9.1 %
Real Estate and Infrastructure Pools	10.0%	5.4 %
Fixed Income Pools	10.5%	(0.7) %
Absolute Return Pools	9.0%	2.6 %
Real Return and Opportunistic Pools	12.5%	6.1 %
Short-Term Investment Pools	2.0%	(1.3) %
Total	100.0%	

* Long-term Rate of Returns are net of administrative expenses and 2.0% inflation

e. Discount Rate

A discount rate of 6.7% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 6.7%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments

was applied to all periods of projected benefit payments to determine the total pension liability.

f. Net Pension Liability

At September 30, 2022, the MSF reported a liability of $3,716,662 for its proportionate share of participating employers' net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, and rolled-forward using generally accepted actuarial procedures. The MSF's proportion of the net pension liability was based on the MSF's required pension contributions received by SERS during the measurement period October 1, 2020, through September 30, 2021, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2021, the MSF's proportion was .091%, a .049% decrease from September 30, 2020.

Assumption changes are based on the adoption of the findings of an experience study for the period 2012 through 2017.

g. Pension Liability Sensitivity

The following presents the MSF'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%
Component unit proportionate share of the net pension liability	$5,375,313	$3,716,662	$2,303,854

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.

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

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of SERS and additions to/deductions from SERS's fiduciary net position have been determined on the accrual basis as they are reported by SERS. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the benefit terms.

For the year ended September 30, 2022, the MSF recognized pension expense of $3,443,843. At September 30, 2022, the MSF 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
Differences between expected and actual experience	$	$
Changes of assumptions		
Net difference between projected and actual earnings on investments		1,647,781
Changes in proportion and difference between actual contributions and Proportionate share of contributions		
Component Unit contributions subsequent to the measurement date	493,382	
Total	$493,382	$1,647,781

Amounts reported as deferred outflows of resources related to pensions resulting from the MSF's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Pension Expense Amount
2023	$ (438,825)
2024	$ (363,246)
2025	$ (405,188)
2026	$ (440,522)

Currently, deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense do not extend beyond the four years identified in the table above.

j. Fair Value of Investments

Plan Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to the independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at fair value.

Defined Contribution Plan

The MSF reimburses MEDC for MEDC nonclassified employees working on the MSF programs. MEDC offers a defined contribution plan (under Section 401(a) of the Internal Revenue Code) to nonclassified employees after one year of service. MEDC also offers a deferred compensation plan

(under Section 457 of the Internal Revenue Code) to nonclassified employees upon employment. Both plans are administered by Alerus Retirement Solutions, a third party administrator, and the employees manage their own investments. Other than making contributions to the 401(a) retirement plan, neither MEDC nor the MSF have any other pension benefit obligation liability.

On August 5, 1999, the MEDC Executive Committee approved an employer contribution rate of 8% of an employee's gross wages to the 401(a) retirement plan for eligible employees. Vesting of the benefits occurs over a five-year period. The MSF reimburses MEDC for an employer contribution rate of 8% of an employee's gross wages to the 401(a) retirement plan for eligible employees. During fiscal year 2008, the MEDC Executive Committee approved a 12% contribution rate for employees in senior vice president positions, and 18% for the President and Chief Executive Officer. All contributions are made on a biweekly basis. Employees cannot contribute to this plan. MEDC made $1,468,511 in contributions to the 401(a) retirement plan during fiscal year 2022 and was reimbursed approximately $337,226 of this amount from the MSF.

Neither MEDC nor the MSF make any contributions to the 457 deferred compensation plan. Only employees make contributions to this plan.

For the State Employees' Defined Contribution Retirement Plan, the MSF is required to make a contribution of 4% of the annual payroll and to match employee contributions up to 3% of annual covered payroll. The MSF's contribution to the plan was $180,009 in fiscal year 2022. Employees participating in the defined contribution plan vest in employer contributions at 50% after 2 years of service, 75% after 3 years of service, and 100% after 4 years of service. Forfeited employer contributions are retained with the defined contribution plan are used toward future employer required contributions. The contribution requirements of plan members and the MSF are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plans.

Note 8 Other Postemployment Benefits

State Employees Retirement System Other Postemployment Benefits (SERS OPEB)

a. Plan Description

The Michigan State Employees Retirement System (System) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2016 established the State of Michigan Retirement Board. The board consists of nine members - five appointed by the Governor, which consist of two members of the State Employees' Retirement System at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director, who serves as an ex-officio member. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System health, dental, and vision benefit 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

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

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

This plan is closed to new hires.

c. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2021, the MSF's contribution rate was 17.26% of the defined benefit employee wages and 17.26% of the defined contribution employee wages. The MSF's contribution to the OPEB trust for the fiscal year ending September 30, 2022 was $455,360. Active employees are not required to contribute to SERS OPEB.

d. Actuarial Assumptions

The MSF's net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, 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%
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.9%
Health Care Cost Trend Rate	Pre-65: 7.50% Year 1 graded to 3.50% Year 15; 3.00% Year 120 Post-65: 6.25% Year 1 graded to 3.50% Year 15; 3.00% Year 120

Mortality rates were based on RP-2014 Male and Female Employee Annuitant Mortality Tables. For active members and disabled retirees, 100% of the table rates were used for males and females and were adjusted for mortality improvements.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2012 through September 30, 2017.

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, 2021, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
International Equity Pools	15.0 %	7.5 %
Private Equity Pools	16.0 %	9.1 %
Real Estate and Infrastructure Pools	10.0 %	5.4 %
Fixed Income Pools	10.5 %	(0.7) %
Absolute Return Pools	9.0 %	2.6 %
Real Return and Opportunistic Pools	12.5 %	6.1 %
Short Term Investment Pools	2.0 %	(1.3) %
Total	100.0%	

* Long-term Rate of Returns are net of administrative expenses and 2.0% inflation.

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 26.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

e. Discount Rate

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

f. Net OPEB Liability

At September 30, 2022, the MSF reported a liability of $3,466,225 for its proportionate share of participating employers' net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The MSF's proportion of the net OPEB liability was based on the MSF's required OPEB contributions received by SERS during the measurement period October 1, 2020, through September 30, 2021, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2021, the MSF's proportion was .091%.

The investment return assumption was updated beginning with the September 30, 2016 valuation to reflect reductions in capital market assumptions for the asset classes in which the System invests. The investment return assumption was updated again for the September 30, 2018 valuation in accordance with the Dedicated Gains Policy adopted by the Board of Trustees. The investment return assumption was reduced from 6.9% to 6.2% for the September 30, 2021 valuation.

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

As required by GASB Statement No. 74 we have determined the sensitivity of the net OPEB liability to changes in the Single Discount Rate. The following table presents the MSF's net OPEB liability, calculated using a Single Discount Rate of 6.9%, as well as what the MSF's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 5.9%	Current Discount 6.9%	1% Increase 7.9%
Component Unit's proportionate share of the net OPEB liability	$ 4,382,378	$ 3,466,225	$2,694,002

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

As required by GASB Statement No. 74, we have determined the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following table presents the MSF's net OPEB liability, calculated using the assumed trend rates as well as what the MSF's net OPEB

liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Component Unit's proportionate share of the net OPEB liability	$ 2,651,461	$ 3,466,225	$ 4,404,555

i. 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.

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

For the year ended September 30, 2022, the MSF recognized OPEB expense of $16,683. At September 30, 2022, the MSF 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
Differences between expected and actual experience	$	$ 2,732,786
Changes of assumptions	933,930	166,729
Net difference between projected and actual earnings on investments		475,250
Changes in proportion and difference between actual contributions and proportionate share of contributions	2,586,448	2,981,772
Component Unit contributions subsequent to the measurement date	428,748	
	$3,949,126	$ 6,356,537

Amounts reported as deferred outflows of resources related to OPEB resulting from MSF's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2023	$ (380,413)
2024	$ (553,710)
2025	$ (715,026)
2026	$ (770,121)
2027	$ (416,889)
Thereafter	$ 0

Postemployment Life Insurance Benefits (PELIB)

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

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the *State of Michigan 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. 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 $100,000 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 rate for fiscal year 2022 was $.28 for each $1,000 of coverage. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

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 Assumptions

The MSF's total OPEB liability as of the September 30, 2021 measurement date is based on an actuarial valuation performed as of September 30, 2021. The total OPEB liability as of the September 30, 2021 measurement date is based on an actuarial valuation performed as of September 30, 2021.

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

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

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

Wage Inflation Rate	2.75%
Investment Rate of Return (discount rate)	2.19% per year

Mortality: Healthy Life and Disabled Life Mortality (Percentages of the Male and Female rates used in the pension valuations):

	Percent of	
	Male Rates	Female Rates
MSERS	110%	110%

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

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

MSERS plan members	1.75%

Spouse Benefits for Current Retirees: Liabilities for current retired members reported with a PELIB benefit for a spouse were calculated based on the information provided in the data files. In cases where spouse birth date was not available, the spouse was assumed to be 3 years younger than the male retiree and 3 years older than the female retiree.

Child Benefits for Future retirees: The following loads were applied to active member liabilities to account for potential PELIB for children of future retirees:

MSERS	1.0%

Child Benefits for Current Retirees: Liabilities for current retired members of SERS reported with a PELIB benefit for a child were based upon the average PELIB liability for the child records reported on the data file for these groups.

Opt Out Assumption: PELIB participation data was supplied for all current retirees and used without adjustment. Active members reported with life insurance benefits were assumed to have this benefit until separation from State employment.

Face Value of PELIB Policies: The face value of the PELIB policies currently in force were reported to the actuary beginning with the September 30, 2021 valuation of the Program.

e. Discount Rate

A discount rate of 2.19% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2021. 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 prior valuation, dated September 30, 2020, the discount rate used was 2.41%. A decrease in the discount rate used affects the measurement of total OPEB liability for the Postemployment Life Insurance Benefits Plan by increasing its total OPEB liability.

f. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2022, the MSF reported a liability of $1,281,425 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was determined by an actuarial valuation as of September 30, 2021. The MSF's proportion of the total OPEB liability was determined by dividing the MSF's actual contributions to the Plan during the measurement period of October 1, 2020, through September 30, 2021, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2021, the MSF's proportion was .092%.

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

As required by GASB Statement No. 75, the following table presents the MSF's total OPEB liability, calculated using a Single Discount Rate of 2.19%, as well as what the MSF's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 1.19%	Current Discount 2.19%	1% Increase 3.19%
Component Unit's proportionate share of the Total OPEB liability	1,543,095	1,281,425	$ 1,079,919

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, 2022, the MSF recognized OPEB expense of $88,645. At September 30, 2022, the MSF 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
Differences between expected and actual experience	$ 177	$ 134,583
Changes of assumptions	151,380	30,385
Net difference between projected and actual earnings on investments		
Changes in proportion and difference between actual contributions and proportionate share of contributions	453,525	502,010
Component Unit contributions subsequent to the measurement date	26,612	
	$ 631,694	$ 666,978

Amounts reported as deferred outflows of resources related to OPEB resulting from the MSF's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2023	$ 32,149
2024	$ 37,868
2025	$ 44
2026	$ (36,447)
2027	$ (95,510)
Thereafter	$ 0

Note 9 **Bonds Payable**

The MSF's bonds payable as of September 30, 2022, consisted of the following bonds issued and outstanding:

a. Michigan House of Representatives, Anderson House Office Building Series 2016 Refunding

During fiscal year 2017, the MSF issued limited obligation revenue refunding bonds Series 2016 in the total amount of $48,345,000 for the purpose of defeasing certain maturities of the 2008 bonds and refunding the remaining maturities on the optional redemption date of October 15, 2018. The bonds are secured by and payable from lease payments to be paid by the Michigan House of Representatives under the lease and other revenues and funds pledged under the indenture. The lease is not a general obligation of the issuer or the State. Neither the full faith and credit nor the taxing power of the State are pledged to the payments coming due under the lease.

The proceeds of the bonds were used, to a) place cash with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt and b) pay costs of issuing and insuring the bonds.

The scheduled payments of principal and interest on the bonds when due are guaranteed under the financial guarantee insurance policy issued concurrently with the delivery of the bonds by Assured Guaranty Corp. The bonds ($48,345,000) have a maturity schedule starting in fiscal year 2018 and ending in fiscal year 2024 with an interest rate yield in the range of 0.805% to 2.522%.

b. Cadillac Place Series 2022 Refunding

The MSF issued limited obligation revenue bonds Series 2022 in the total amount of $82,715,000 for the purpose of refunding the MSF Series 2011 Limited Obligation Revenue Bonds. The bonds are secured by and payable from lease payments to be paid by DTMB under the lease and other revenues and funds pledged under the indenture. The lease is not a general obligation of the issuer or of the State. Neither the full faith and credit nor the taxing power of the State are pledged to the payments coming due under the lease.

The proceeds of the bonds were used, together with other available funds, to a) place cash with an escrow agent in a trust to be used to refund the Series 2011 bonds and b) pay costs of issuing the bonds.

The bonds ($82,715,000) have a maturity schedule starting in fiscal year 2023 and ending in fiscal year 2030 with an interest rate yield in the range of 1.520% to 2.856%.

c. Michigan Senate Offices Project

The MSF issued limited obligation revenue bonds Series 2015A and Series 2015B in the total amount of $68,465,000 of which $20,020,000 are serial bonds and $48,445,000 are term bonds, to finance the project, which includes the costs of acquiring a certain condominium unit in the Capital View Building located at 201 Townsend Street, Lansing, Michigan. The bonds are secured by and payable from lease payments to be paid by the Michigan Senate under the lease and other revenues and funds pledged under the indenture. The lease is not a general obligation of the issuer, the lessee, or the State. Neither the full faith and credit nor the taxing power of the State are pledged to the payments coming due under the lease.

The proceeds of the bonds will be used, together with other available funds, to a) finance the project, which includes the costs of acquiring a certain condominium unit in the Capital View Building; the installation, renovation, repair, furnishing, and equipping of the unit; and payment of relocation costs; b) pay capitalized interest on the bonds; c) fund a debt service reserve for the bonds; and d) pay certain expenses in connection with the issuance of the bonds.

The Series A serial bonds ($16,580,000) has a maturity schedule starting in fiscal year 2024 and ending in fiscal year 2036 with an interest rate yield in the range of 2.57% to 3.61%. The Series A term bonds ($48,445,000) has a maturity schedule starting in fiscal year 2037 and ending in fiscal year 2048 with an interest rate yield in the range of 3.73% to 4.23%. The Series B serial bonds ($3,440,000) has a maturity schedule starting in fiscal year 2019 and ending in fiscal year 2027 with an interest rate yield in the range of 2.105% to 3.813%.

d. Community Colleges Skilled Trades Equipment Program

The MSF issued limited obligation revenue bonds Series 2015 in the total amount of $40,725,000 to provide funds to finance reimbursement grants awarded to eligible community colleges under the Community Colleges Skilled Trades Equipment Program (CCSTEP). The bonds are secured by and payable from Security, which includes appropriated funds to be paid by the State of Michigan under the reimbursement agreement and other revenues and funds pledged under the indenture. The reimbursement agreement is not a general obligation of the issuer, or the State. Neither the full faith and credit nor the taxing power of the State are pledged to provide the appropriated funds under the reimbursement agreement.

The proceeds of the bonds will be used, together with other available funds, to a) provide funds to finance reimbursement grants awarded to eligible community colleges under CCSTEP, and b) pay certain costs associated with the issuance of the bonds.

The serial bonds ($40,725,000) have a maturity schedule starting in fiscal year 2016 and ending in fiscal year 2027 with an interest rate yield in the range of .43% to 2.92%.

e. Facility for Rare Isotope Beams Project at Michigan State University

The MSF issued limited obligation revenue bonds Series 2014 in the total amount of $82,685,000 to provide a grant to fund the community share portion of the Facility for Rare Isotope Beams on the campus of Michigan State University. The bonds are secured by and payable from Security, which includes appropriated funds to be paid by the State of Michigan under the reimbursement agreement and other revenues and funds pledged under the indenture. The reimbursement agreement is not a general obligation of the issuer, or the State. Neither the full faith and credit nor the taxing power of the State are pledged to provide the appropriated funds under the reimbursement agreement.

The proceeds of the bonds will be used, together with other available funds to a) provide a grant to fund the community share portion of the Facility for Rare Isotope Beams, which is a new national user facility for nuclear science to be constructed on the campus of Michigan State University, and b) pay certain costs associated with the issuance of the bonds.

The serial bonds ($82,685,000) have a maturity schedule starting in fiscal year 2015 and ending in fiscal year 2031 with an interest rate yield in the range of .18% to 4.13%.

MSF has pledged cash in various trust accounts totaling $27,098,599. All bonds are subject to various provisions as set forth in the official statements for each of the issues, none of which include significant events of default with finance-related consequences.

The following table summarizes debt service requirements for all outstanding bonds:

Fiscal Year Ending September 30	Principal	Interest	Total
2023	$ 28,055,000	$ 8,703,476	$ 36,758,476
2024	24,290,000	7,665,476	31,955,476
2025	15,070,000	6,913,196	21,983,196
2026	20,820,000	6,221,799	27,041,799
2027	20,485,000	5,457,895	25,942,895
2028-2032	71,245,000	17,582,054	88,827,054
2033-2037	10,915,000	11,461,144	22,376,144
2038-2042	16,655,000	7,948,631	24,603,631
2043-2047	23,560,000	3,601,800	27,161,800
2048	5,645,000	112,900	5,757,900
Total	$236,740,000	$ 75,668,371	$ 312,408,371

Changes in total bonds payable for the fiscal year ended September 30, 2022, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year	Amount Due Thereafter
Bonds Payable	$263,380,000	$ 82,715,000	$109,355,000	$236,740,000	$ 28,055,000	$208,685,000
Unamortized Premium	$ 12,293,271		$ 3,197,929	$ 9,095,342		
Total Bonds Payable	$275,673,272	$ 82,715,000	$112,552,929	$245,835,343		
Current Portion				$ 28,055,000		
Long-Term Portion				$217,780,342		

Advance Refunding

During the year, the MSF issued Limited Obligation Revenue Refunding Bonds Series 2022 in the amount of $82,715,000 maturing in years 2022 to 2030. The bonds were issued for the purpose of refunding the MSF Series 2011 Limited Obligation Revenue Bonds. From the proceeds, $82,115,256 was deposited with an escrow agent to refund Limited Obligation Revenue Bonds Series 2011, maturing in years 2022 to 2031. As a result of this refunding, MSF's debt service decreased by $13,116,359 over the next nine years. This refunding resulted in an economic gain of $10,255,766.

Note 10 **Conduit Debt**

The MSF and a predecessor entity (the Michigan Job Development Authority) issued industrial development revenue bonds. In addition, the MSF issued bonds under its PAB and Taxable Bond Programs. The bonds issued are payable solely from the net revenues or other funds as described in the bond indentures and are not obligations of the MSF or the State of Michigan. After the bonds are issued, all financial activities are assumed by a trustee, depository, or paying agent. Accordingly, these obligations are not reported in the MSF financial statements. Information regarding the status of such bond issues must be obtained from the trustee or depository for bonds, the industrial or commercial enterprise benefited by the bonds, or some other knowledgeable source.

The total amount of PABs issued by the MSF and its predecessor entity for the period January 1, 1979, through September 30, 2022, was $12,448,513,912. The amount of tax-exempt bonds issued during fiscal year 2022 was $5,525,000. The amount of unrecorded taxable bonds issued by the MSF under the Taxable Bond Program for fiscal year 2022 was $0.

Note 11 **Other Long-Term Liabilities**

The following table summarizes the changes in other long-term liabilities of the MSF for the fiscal year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Access Program	$ 6,645,662	$ 1,422,223	$ 16,036	$ 8,051,850	$ 250,000
Compensated Absences	$ 767,543	$ 240,335	$ 245,338	$ 762,539	$ 620,796
Net Pension Liability	$ 9,427,691	$ 0	$ 5,711,029	$ 3,716,662	$ 0
Net OPEB Liabilities	$ 9,759,596	$ 0	$ 5,011,946	$ 4,747,650	$ 0

a. Capital Access Program

Liabilities for the Capital Access Program consist of an obligation to reimburse financial institutions for possible future loan defaults on high-risk business loans. An asset for the same amount represents the available cash balance that can be used to reimburse the financial institutions for future loan defaults. Increases in the Capital Access Program liabilities represent fees paid by the financial institution, the MSF, and the borrower to fund the program and recoveries of defaulted loans. Reductions are payments to the financial institutions for defaulted loans. As of September 30, 2022, there were 28 financial institutions participating in the Capital Access Program.

b. Compensated Absences

Liabilities for compensated absences were included in the statement of net position, which is on the accrual basis, and not in the governmental fund balance sheet, which is on the modified accrual basis. These liabilities represent unused sick, banked, and annual leave accrued, which will be paid when the employees terminate employment by the applicable funds that account for the salaries and wages of the related employees. The liability is calculated using 100% of the employees' applicable annual, banked leave, sick and vacation time plus the Employer's share of social security and retirement contributions based on the pay rates in effect as of September 30, 2022.

c. Net Pension Liability

Liabilities for the net pension liability were included in the statement of net position, which is on the accrual basis, and not in the governmental fund balance sheet, which is on the modified accrual basis. Additional disclosures describing the net pension liability are provided in Note 7.

d. Net Other Postemployment Benefits Liabilities

Liabilities for the net other postemployment benefits (OPEB) liabilities were included in the statement of net position, which is on the accrual basis, and not in the governmental fund balance sheet, which is on the modified accrual basis. Additional disclosures describing the net OPEB liabilities are provided in Note 8.

Note 12 **Fund Balance**

Restricted fund balance (in millions) as of September 30, 2022, consists of:

Restricted by enabling legislation:	
Jobs for Michigan Investment Fund	$637.4
Michigan Film Promotion Fund	2.3
Michigan Council for the Arts Fund	0.3
Michigan Lighthouse Preservation Fund	1.2
Rural Jobs and Capital Investment Creation Program	6.5
Strategic Outreach and Attraction Reserve Fund	750.3
Brownfield Redevelopment Fund	1.8
Other restricted fund balance:	
SSBCI funded programs	150.2
Michigan Housing Development Grant Funds	17.3
Facility for Rare Isotope Beams Project	7.6
Debt Service Fund	17.2
State Historic Preservation Office	1.8
Other Programs	0.8
Total restricted fund balance	$1,594.7

Committed fund balance of $54,818 represents grant application fees authorized to be collected through the MSF's annual appropriations act. Assigned fund balance of $30 consists of encumbrances funded with the State General Fund and unspent grant funds. Remaining fund balance is considered unassigned.

Note 13 **Transfers**

Interfund transfers for the fiscal year ended September 30, 2022 consisted of $11.90 million transferred from the MSF General Operations Fund to the MSF Debt Service Fund to move receipts restricted to debt service from the fund collecting the receipts to the debt service fund.

REQUIRED SUPPLEMENTARY INFORMATION

MICHIGAN STRATEGIC FUND
Budgetary Comparison Schedule and Budget-to-GAAP Reconciliation
For the Fiscal Year Ended September 30, 2022

Budgetary Comparison Schedule (Statutory/Budgetary Basis)	Original Budget	Final Budget	Actual	Variance With Final Budget
Beginning budgetary fund balance	$ (133,116,690)	$ (133,116,690)	$ (133,116,690)	$ 0
Resources (inflows):				
Revenues and other sources:				
Charges for services	$	$	$ 1,360,928	$ (1,360,928)
Operating grants and contributions	193,968,300	356,528,515	127,384,850	229,143,665
Payments from the State of Michigan:	678,845,119	1,529,696,119	1,203,252,773	326,443,346
Other miscellaneous (Note 3)	26,659,524	26,659,524	108,757,884	(82,098,360)
Other financing sources			599,744	(599,744)
Total revenues and other sources	$ 899,472,943	$ 1,912,884,158	$ 1,441,356,179	$ 471,527,979
Total resources available	$ 766,356,252	$ 1,779,767,467	$ 1,308,239,488	$ 471,527,979
Charges (outflows):				
Expenditures, transfers out, and encumbrances:				
Community Development Block Grants	$ 62,000,000	$ 62,000,000	$ 27,431,811	$ 34,568,189
Other interest			11,472,687	(11,472,687)
Debt service principal redemption			27,626,545	(27,626,545)
Jobs for Michigan Investment Fund	417,940,143	417,940,143	126,289,574	291,650,569
Payments to MEDC:				
Job creation services	17,214,245	17,214,245	17,214,245	
Michigan enhancement grants	281,863,200	281,863,200	279,712,200	2,151,000
Entrepreneurship eco-system	15,650,000			
Pure Michigan	10,000,000	10,000,000	10,000,000	
IDRB, MEGA, and other program fees and tribal gaming revenue (Note 3)			70,020,203	(70,020,203)
Other programs	125,210,654	907,418,054	43,106,617	864,311,437
Arts and Cultural Grants	11,000,000	11,000,000	11,682,115	(682,115)
Miscellaneous and receivable write-off	4,870,000	5,220,000	7,122,794	(1,902,794)
Total charges	$ 945,748,242	$ 1,712,655,642	$ 631,678,790	$ 1,080,976,852
Reconciling items:				
Changes in noncurrent assets	$	$ 16,023,706	$ 16,023,706	$
Net reconciling items	$ 0	$ 16,023,706	$ 16,023,706	$ 0
Ending budgetary fund balance	$ (179,391,989)	$ 83,135,531	$ 692,584,404	$ (609,448,873)
Resources (inflows):				
Actual amount (budgetary basis) of "Total resources available"			$ 1,308,239,488	
Differences - Budget to GAAP:				
Beginning budgetary fund balance is a budgetary resource but is not a current year revenue for financial reporting purposes			133,116,690	
Other financing sources are inflows of budgetary resources but are not revenues for financial reporting purposes			(599,744)	
Total revenues (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance			$ 1,440,756,435	
Charges (outflows):				
Actual amount (budgetary basis) of "Total charges"			$ 631,678,790	
Differences - Budget to GAAP:				
Loans and economic development equity programs are outflows for budgetary reporting purposes but are not expenditures for financial reporting purposes			(36,529,524)	
Total expenditures (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance			$ 595,149,267	

See accompanying notes to required supplementary information.

Notes to Required Supplementary Information - Budgetary Reporting

Note 1 **Statutory Budgetary Presentation**

The State of Michigan provides annual legislative appropriations to the MSF for the CDBG Program, the Jobs for Michigan Investment Fund, Arts and Cultural Grants, and other State programs. The MEDC administers the other State programs. The MSF transfers the funding for the State programs to MEDC as required by an interlocal agreement between the MSF and MEDC.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue.

The budgetary comparison schedule presents both the original and final appropriated budgets for fiscal year 2022, as well as the actual resource inflows, outflows and fund balance stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into annual appropriations acts, as amended, for fiscal years 2006 through 2022 and include encumbrances and multi-year projects' budgetary carry-forwards from the prior year.

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

Note 2 **21st Century Jobs Trust Fund and Jobs for Michigan Investment Fund**

The Michigan Legislature passed a series of public acts in 2005 related to securitizing a portion of the tobacco securitization settlement funds and depositing those funds in the 21st Century Jobs Trust Fund. The MSF Act (Act 270, P.A. 1984) was also amended in 2005 to offer programs and provide funding in the form of loans, equities and grants for competitive edge technology and to diversify the economy. From the inception during fiscal year 2006 through fiscal year 2022, the Legislature has appropriated $1,413.5 million from tobacco securitization settlement funds. The funds are retained in the 21st Century Jobs Trust Fund at the Department of Treasury and are reimbursed to the MSF as the disbursements are made. In addition to this, starting in fiscal year 2012, funds appropriated from the State General Fund ($867.6 million) for the MSF's Business Attraction and Economic Gardening programs were transferred to the 21st Century Jobs Trust Fund pursuant to Act 252, P.A. 2011.

The MSF has received a work project authorization for all 21st Century Jobs Trust Fund-related appropriations and is thus permitted to spend unspent appropriations over multiple years. The original budget amounts for appropriation year 2006 through appropriation year 2021 reflect carry-forward of unspent appropriation from these years.

Total charges for fiscal year 2022 were $126.3 million, of which $36.5 million was disbursed for economic development equity programs (EDEPs) and loans. EDEPs and loans are not expenditures for financial reporting purposes and are thus listed as a budget-to-GAAP reconciling item.

The MSF received revenue of $100.8 million from the 21st Century Jobs Trust Fund for fiscal year 2022.

Note 3 **Tribal Gaming**

The other miscellaneous revenues in the actual column include tribal gaming revenue of $53.9 million. The payments to MEDC expenditures include a portion of the tribal gaming revenue transferred to MEDC according to the interlocal agreement.

Schedules of Required Supplementary Information - Pension Liability

Schedule of the MSF's Proportionate Share of Net Pension Liability
State Employees' Retirement System
Last 10 years*

	MSF's Proportion of the Net Pension Liability	MSF's Proportionate Share of the Net Pension Liability	MSF's Covered Payroll	MSF's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	.483%	$ 24,835,567	$ 12,767,302	194.52%	68.07%
2016	.453%	$ 24,908,398	$ 1,917,480	1,299.02%	66.11%
2017	.067%	$ 3,526,301	$ 3,018,012	116.84%	67.48%
2018	.076%	$ 3,948,136	$ 2,550,330	154.81%	69.45%
2019	.105%	$ 6,359,819	$ 3,178,248	200.10%	67.22%
2020	.101%	$ 6,701,705	$ 4,404,719	152.15%	64.71%
2021	.140%	$ 9,427,691	$ 2,635,974	357.65%	64.07%
2022	.091%	$ 3,716,662	$ 2,636,004	140.99%	78.08%

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

* This schedule will be expanded to include 10 years as information becomes available.

Schedule of MSF's Contributions
State Employees' Retirement Plan
Last 10 Fiscal Years*

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	MSF's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 3,211,137	$ 3,211,137	$ 0	$12,767,302	25.15%
2016	$ 464,846	$ 464,846	$ 0	$1,917,480	24.24%
2017	$ 705,105	$ 705,105	$ 0	$3,018,012	23.36%
2018	$ 547,468	$ 547,468	$ 0	$2,550,330	21.47%
2019	$ 582,641	$ 582,641	$ 0	$3,178,248	18.33%
2020	$ 866,426	$ 866,426	$ 0	$ 4,404,719	19.67%
2021	$ 520,380	$ 520,380	$ 0	$2,635,974	19.74%
2022	$ 495,193	$ 493,382	$ 1,811	$2,493,236	19.79%

* This schedule will be expanded to include 10 years as information becomes available.

Notes to Required Supplementary Information - Pension Liability

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

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

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

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

Valuation:
Actuarially determined contribution amounts are calculated as of September 30, 2019.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2022:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5-year Smoothed Fair value
Inflation	2.25%
Salary increases	2.75% - 11.75%, including wage inflation at 2.75%
Investment rate of return	6.7% net of investment and administrative expenses
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Tables adjusted for mortality improvements using projection scale MP-2017 from 2006, scaled by: 93% and 98% for male and female healthy retirees; 100% for male and female disabled and active retirees.

Schedules of Required Supplementary Information - SERS OPEB Liability

Schedule of the MSF's Proportionate Share of Net OPEB Liability
State Employees' Retirement System
Last 10 years*

	MSF's Proportion of the Net OPEB Liability	MSF's Proportionate Share of the Net OPEB Liability	MSF's Covered Payroll	MSF's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	.075%	$ 6,202,686	$ 2,550,330	243.21%	19.89%
2019	.104%	$ 8,282,006	$ 3,178,248	260.58%	24.41%
2020	.100%	$ 7,705,931	$ 4,404,719	174.95%	27.88%
2021	.135%	$ 7,868,690	$ 2,635,974	298.51%	38.29%
2022	.091%	$ 3,466,225	$ 2,636,004	139.03%	57.12%

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

* This schedule will be expanded to include 10 years as information becomes available.

Schedule of the MSF's Contributions for OPEB
State Employees' Retirement Plan
Last 10 Fiscal Years*

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	MSF's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 564,468	$ 564,468	$ 0	$2,550,330	22.13%
2019	$ 723,644	$ 723,644	$ 0	$3,178,248	22.77%
2020	$ 945,857	$ 945,857	$ 0	$4,404,719	21.47%
2021	$ 605,503	$ 605,503	$ 0	$2,635,974	22.97%
2022	$ 430,332	$ 428,748	$ 1,584	$2,493,236	17.20%

* This schedule will be expanded to include 10 years as information becomes available.

Notes to Required Supplementary Information - SERS OPEB Liability

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

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

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

Valuation:
Actuarially determined contribution amounts are calculated as of September 30, 2021.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2022:

Actuarial cost method	Entry-Age
Amortization method	Level-Percent of Payroll, closed
Remaining amortization period	13 Years
Asset valuation method	5-Year smoothed market value
Salary increases	2.75%
Investment rate of return	6.2% Per Year
Health care cost trend rate	7.5% Year 1 Graded to 3.5% Year 15; 3.0% year 120
Mortality	RP-2014 Male Employee (pre-retirement) and Female Employee (pre-retirement) Mortality Table scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Schedules of Required Supplementary Information - PELIB OPEB Liability

Schedule of the MSF's Proportionate Share of Total OPEB Liability
Postemployment Life Insurance Benefit
Last 10 years*

	MSF's Proportion of the Total OPEB Liability	MSF's Proportionate Share of the Total OPEB Liability	MSF's Covered Employee Payroll	MSF's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Employee Payroll
2018	.073%	$ 929,637	$ 2,514,707	36.97%
2019	.097%	$ 1,207,092	$ 3,094,554	37.98%
2020	.095%	$ 1,166,115	$ 3,275,769	35.60%
2021	.134%	$ 1,890,906	$ 2,980,848	63.44%
2022	.092%	$ 1,281,425	$ 2,980,848	42.98%

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

* This schedule will be expanded to include 10 years as information becomes available.

Notes to Required Supplementary Information - PELIB OPEB Liability

The Plan is not a trust and has no assets.

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