Michigan State Housing Development Authority

(a component unit of the State of Michigan)

Financial Report

with Supplementary Information

June 30, 2023

Contents

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Authority as of June 30, 2023 and 2022 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audits of the Financial Statements

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 audits 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 audits 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 Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 25, 2023

The Michigan State Housing Development Authority (the "Authority") provides financial and technical assistance through public and private partnerships to create and preserve decent, affordable housing for low- and moderate-income Michigan residents. The Authority was created under the terms of Act 346, Public Acts of Michigan of 1966, as amended. The Authority is authorized to issue its bonds and notes to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals.

The Authority offers a variety of programs to provide affordable housing opportunities, such as single-family lending, low-interest property improvement lending, multifamily lending, mortgage credit certificates, and pass-through obligations.

The enclosed financial statements present the Authority's net position, revenue, expenses, changes in net position, and cash flows. The following is a condensed summary of financial information as of and for the years ended June 30, 2023, 2022, and 2021:

Condensed Financial Information
(in thousands of dollars)

	2023	2022	2021
Assets			
Cash and cash equivalents	$ 783,077	$ 506,645	$ 676,256
Investments	637,010	908,434	778,501
Loans receivable - Net	4,397,839	3,747,263	3,588,127
Other assets	147,760	143,976	129,466
Capital assets	18,331	18,856	19,381
Total assets	5,984,017	5,325,174	5,191,731
Accumulated (Increase) Decrease in Fair Value of Hedging Derivative Instruments	(15,033)	(439)	46,074
Deferred Outflows of Resources	38,907	37,303	51,271
Total assets, hedging derivative instruments, and deferred outflows	**$ 6,007,891**	**$ 5,362,038**	**$ 5,289,076**
Liabilities			
Bonds payable	$ 4,367,317	$ 3,754,341	$ 3,574,794
Line of Credit	-	-	30,000
Hedging derivative instruments	(15,033)	(439)	46,074
Other liabilities	718,557	742,981	807,223
Total liabilities	5,070,841	4,496,884	4,458,091
Deferred Inflows of Resources	57,722	61,524	47,514
Net Position			
Net investment in capital assets	18,331	18,856	19,381
Restricted for bond repayment	547,526	543,237	527,154
Unrestricted	313,472	241,538	236,936
Total net position	879,329	803,631	783,471
Total liabilities, deferred inflows, and net position	**$ 6,007,891**	**$ 5,362,038**	**$ 5,289,076**

	2023	2022	2021
Operating Revenue			
Net investment income	$ 69,239	$ 35,894	$ 68,637
Federal and state assistance programs revenue	1,080,413	1,346,736	760,498
Housing and community development fund	50,000	-	-
Section 8 program administrative fees	29,144	20,161	17,980
Contract administration fees	13,773	12,380	11,246
Other income	43,137	41,844	16,864
Total revenue	1,285,706	1,457,015	875,225
Operating Expenses			
Federal and state assistance programs expenses	1,077,695	1,349,516	760,582
Housing and community development fund	-	-	-
Salaries and benefits	46,448	26,565	20,946
Other general operating expenses	43,499	32,868	28,032
Other expenses	33,693	21,147	20,032
Total expenses	1,201,335	1,430,096	829,592
Nonoperating Expenses - Grants and subsidies	8,673	6,759	9,653
Change in Net Position	**$ 75,698**	**$ 20,160**	**$ 35,980**

Financial Analysis

Total assets, hedging derivative instruments, and deferred outflows increased from $5.36 billion at June 30, 2022 to $6.0 billion at June 30, 2023. This was an increase of approximately $645.9 million, or 12.0 percent. Total assets, hedging derivative instruments, and deferred outflows increased from $5.29 billion at June 30, 2021 to $5.36 billion at June 30, 2022. This was an increase of approximately $73.0 million, or 1.4 percent.

Net loans receivable increased from $3.75 billion at June 30, 2022 to $4.40 billion at June 30, 2023. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of $202.4 million and $469.6 million, respectively).

Net loans receivable increased from $3.59 billion at June 30, 2021 to $3.75 billion at June 30, 2022. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of $48.6 million and $122.9 million, respectively).

Bonds payable increased from $3.8 billion at June 30, 2022 to $4.4 billion at June 30, 2023, a net increase of approximately $613.0 million. The increase in bonds outstanding for the year ended June 30, 2023 was due primarily to the issuance of $1.0 billion in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities. Bonds payable were $3.6 billion at June 30, 2021 and $3.8 billion at June 30, 2022, a net increase of approximately $179.5 million. The increase in bonds outstanding for the year ended June 30, 2022 was due primarily to the issuance of $837.3 million in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities.

The Authority has entered into a revolving line of credit ("RLOC") for the purpose of funding single-family mortgages and down payment assistance loans prior to the issuance of long-term debt financing. The RLOC balances grow and are paid down based on the timing of long-term debt issuances. At June 30, 2023 and 2022, the Authority had a zero balance.

Escrow funds, which are recorded in other liabilities, decreased by $14.0 million from June 30, 2022 to $451.2 million at June 30, 2023 due to an unrealized loss on investments. Escrow funds decreased by $66.6 million from June 30, 2021 to $465.2 million at June 30, 2022 due to an unrealized loss in investments.

The Authority's net position totaled $879.3 million at June 30, 2023, equal to 14.7 percent of total assets and 17.3 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2023, $547.5 million of net position was pledged for payment against the various bond indentures. In addition, $262.3 million is designated by board resolution to the Mortgage Resource Fund, with an additional $50.0 million of Housing and Community Development Funds which are unexpended.

The Authority's net position totaled $803.6 million at June 30, 2022, equal to 15.1 percent of total assets and 17.9 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2022, $543.2 million of net position was pledged for payment against the various bond indentures. In addition, $258.4 million is designated by board resolution to the Mortgage Resource Fund.

Operating Results

Operations for the year ended June 30, 2023 resulted in excess revenue over expenses of $75.7 million, compared to prior year results of excess revenues over expenses of $20.2 million. Operations for the year ended June 30, 2022 resulted in excess revenue over expenses of $20.2 million, compared to prior year results of excess revenues over expenses of $36.0 million. Under Governmental Accounting Standard Board ("GASB") Statement No. 31, the Authority is required to present investments at fair market value and reflect this adjustment in the statement of revenue, expenses, and change in net position. This presentation decreased revenues over expenses by approximately $12.7 million for the year ended June 30, 2023. Results for the year ended June 30, 2022 were negatively impacted by a decrease of approximately $33.2 million. Currently, GASB Statement No. 31 has had a cumulative negative effect of $35.8 million on the Authority's net position; however, the Authority generally intends to hold these securities to maturity.

Net investment income increased from $35.9 million in 2022 to $69.2 million in 2023, an increase of $33.3 million. This increase was due to the increase in both loan interest income and investment interest income, increases of $17.8 million and $20.3 million respectively. These increases were partially offset by an unrealized loss of $12.7 million due to the market-to-market of the investment portfolio. Net investment income decreased from $68.6 million in 2021 to $35.9 million in 2022, a decrease of $32.7 million.

Total revenue decreased from $1.46 billion for the year ended June 30, 2022 to $1.29 billion for the year ended June 30, 2023, a net decrease of $171.3 million. Total revenue decrease is primarily due to federal and state assistance program revenue. Total revenue increased from $875.2 million for the year ended June 30, 2021 to $1.46 billion for the year ended June 30, 2022, a net increase of $581.8 million. Total revenue increase is primarily due to federal and state assistance program revenue.

Total operating expenses decreased from $1.43 billion for the year ended June 30, 2022 to $1.20 billion for the year ended June 30, 2023, a net decrease of $228.8 million. Total operating expenses decreased due primarily to a decrease in the federal and state assistance program expenses. Total operating expenses increased from $829.6 million for the year ended June 30, 2021 to $1.43 billion for the year ended June 30, 2022, a net increase of $600.5 million. Total operating expenses increased due primarily to an increase in the federal and state assistance program expenses.

Economic Outlook

The United States and the State of Michigan declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. Our workforce and business operations continue at normal capacity, with most from remote locations. To minimize the impact of COVID-19 on the Authority and residents of the state of Michigan, Federal, State and Authority grants are being administered to provide support to homeowners and renters. The pandemic has not had a material financial impact on the Authority’s financial position or results of operations to this point.

Requests for Further Information

This financial report is intended to provide a general overview of the Authority’s finances and demonstrate the Authority’s accountability for the money it receives. If you have questions about this report or need additional information, please contact Authority's Finance Division at 517-335-9970. This report and other financial information are available on the Authority’s website at www.michigan.gov/mshda/.

Statement of Net Position
(in thousands of dollars)

June 30, 2023 and 2022

	June 30	
	2023	2022
Assets, Hedging Derivative Instruments, and Deferred Outflows		
Cash and Cash Equivalents (Note 3)	$ 783,077	$ 506,645
Investments (Note 3)	637,010	908,434
Loans Receivable (Note 4)		
Multifamily mortgage loans	1,861,297	1,658,911
Single-family mortgage loans	2,593,409	2,123,834
Home improvement and moderate rehabilitation loans	1,411	1,698
Total	4,456,117	3,784,443
Accrued loan interest receivable	75,870	77,702
Allowance on loans receivable (Note 4)	(134,148)	(114,882)
Net loans receivable	4,397,839	3,747,263
Other Assets		
Real estate owned - Net	4,769	4,673
Other miscellaneous receivables and other assets	142,991	139,303
Total other assets	147,760	143,976
Capital Assets - Net (Note 11)	18,331	18,856
Total assets	5,984,017	5,325,174
Accumulated Increase in Fair Value of Hedging Derivative Instruments (Note 15)	(15,033)	(439)
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 9)	3,801	3,370
Deferred outflows related to OPEB (Note 10)	19,476	10,774
Deferred charges on refunding - Reassigned swaps (Note 15)	15,630	23,159
Total deferred outflows of resources	38,907	37,303
Total assets, hedging derivative instruments, and deferred outflows	**$ 6,007,891**	**$ 5,362,038**
Liabilities, Deferred Inflows, and Net Position		
Liabilities		
Bonds payable (Notes 5 and 6)	$ 4,367,317	$ 3,754,341
Line of Credit (Notes 16)	-	-
Hedging derivative instruments (Note 15)	(15,033)	(439)
Accrued interest payable	24,131	16,331
Escrow funds	451,180	465,195
Unamortized mortgage interest income (Note 7)	11,852	10,971
Net pension liability (Note 9)	43,816	23,853
Net OPEB liability (Note 10)	32,897	30,059
Other liabilities	154,680	196,573
Total liabilities	5,070,840	4,496,883
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 9)	404	10,575
Deferred inflows related to OPEB (Note 10)	26,777	27,576
Loan origination fees	30,541	23,373
Total deferred inflows of resources	57,722	61,524
Net Position		
Net investment in capital assets	18,331	18,856
Restricted for bond repayment (Note 12)	547,526	543,237
Unrestricted	313,472	241,538
Total net position	879,329	803,631
Total liabilities, deferred inflows, and net position	**6,007,891**	**$ 5,362,038**

See notes to financial statements.

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position
(in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Operating Revenue		
Investment income:		
Loan interest income	$ 187,210	$ 169,381
Investment interest income	31,309	11,017
Decrease in fair value of investments - Including change in unrealized loss of $12,709 in 2023 and unrealized loss of $33,164 in 2022	(13,983)	(33,164)
Total investment income	204,536	147,234
Less interest expense and debt financing costs	135,297	111,340
Net investment income	69,239	35,894
Other revenue:		
Federal and state assistance programs	1,080,413	1,346,736
Housing and community development fund	50,000	-
Section 8 program administrative fees	29,144	20,161
Contract administration fees	13,773	12,380
Other income	43,137	41,844
Total other revenue	1,216,467	1,421,121
Total operating revenue	1,285,706	1,457,015
Operating Expenses		
Federal and state assistance programs	1,077,695	1,349,516
Housing and community development fund	-	-
Salaries and benefits	46,448	26,565
Other general operating expenses	43,499	32,868
Loan servicing and insurance costs	12,394	13,397
Provision for possible losses on loans	21,299	7,750
Total operating expenses	1,201,335	1,430,096
Operating Income - Before nonoperating expenses	84,371	26,919
Nonoperating Expenses - Grants and subsidies	(8,673)	(6,759)
Change in Net Position	75,698	20,160
Net Position - Beginning of year	803,631	783,471
Net Position - End of year	**879,329**	**$ 803,631**

See notes to financial statements.

Statement of Cash Flows
(in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Cash Flows from Operating Activities		
Loan receipts	$ 445,322	$ 689,339
Other receipts including federal funds	1,371,413	1,566,925
Loan disbursements	(935,348)	(691,096)
Payments to vendors	(93,814)	(40,847)
Payments to employees	(43,620)	(22,946)
Other disbursements including federal funds	(1,236,614)	(1,511,811)
Net cash used in operating activities	(492,661)	(10,436)
Cash Flows from Investing Activities		
Purchase of investments	(220,317)	(555,500)
Proceeds from sale and maturities of investments	462,885	330,029
Interest received on investments	28,234	5,336
Net cash provided by (used in) investing activities	270,802	(220,135)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds - Less discounts	1,001,925	837,280
Principal repayments on bonds	(382,200)	(643,950)
Draws on line of credit and short term credit facility	325,000	130,000
Repayment on line of credit and short term credit facility	(325,000)	(160,000)
Interest paid	(121,434)	(102,370)
Net cash provided by noncapital financing activities	498,291	60,960
Net Increase (Decrease) in Cash and Cash Equivalents	276,432	(169,611)
Cash and Cash Equivalents - Beginning of year	506,645	676,256
Cash and Cash Equivalents - End of year	**$ 783,077**	**$ 506,645**

See notes to financial statements.

Statement of Cash Flows (Continued)
(in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 84,371	$ 26,919
Adjustments to reconcile operating income to net cash from operating activities:		
Change in deferred items	7,929	5,061
Arbitrage rebate expense	215	(755)
Investment interest income	(29,718)	(9,296)
Decrease in unrealized gain on market value of investments	12,709	33,164
Interest expense on bonds and debt financing expense	121,543	95,013
Provision for possible losses on loans	21,299	7,750
Depreciation and amortization expense	3,058	5,314
Realized loss on sale of investments	(1,274)	-
Grants and subsidies	(8,672)	(6,759)
Changes in assets and liabilities:		
Accrued loan interest receivable	1,843	2,692
Loans receivable	(671,674)	(171,042)
Other assets	(8,350)	(20,917)
Escrow funds	4,889	(249)
Other liabilities	(30,829)	22,670
Net cash used in operating activities	**$ (492,661)**	**$ (10,436)**

Noncash Financing and Investing Activities - During the years ended June 30, 2023 and 2022, the Authority foreclosed on various properties with mortgage values of approximately $13.3 million and $4.2 million, respectively.

Statement of Net Position – Michigan Homeowner Assistance Nonprofit Housing Corporation (Discretely Presented Component Unit)

(in thousands of dollars)

June 30, 2023 and 2022

	June 30	
	2023	2022
Assets		
Cash and Cash Equivalents (Note 3)	$ -	$ 1,411
Other Assets - Prepaid and other	2	2
Total assets	**$ 2**	**$ 1,413**
Liabilities and Net Position		
Liabilities - Accounts payable	$ -	$ 144
Net Position - Unrestricted	2	1,269
Total liabilities and net position	**$ 2**	**$ 1,413**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position
Michigan Homeowner Assistance Nonprofit Housing Corporation
(Discretely Presented Component Unit)
(in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Operating Revenue - Other income	$ -	$ 1,257
Operating Expenses		
Program recoveries	-	(463)
Contracted services	-	265
Other operating expenses	1,267	271
Total operating expenses	1,267	73
Change in Net Position	(1,267)	1,184
Net Position - Beginning of year	1,269	85
Net Position - End of year	**$ 2**	**$ 1,269**

Statement of Cash Flows – Michigan Homeowner Assistance Nonprofit Housing Corporation (Discretely Presented Component Unit) (in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Cash Flows from Operating Activities		
Lien recoveries to grantees	$ -	$ 463
Payments to suppliers	-	(8,509)
Payments to contractors	-	(305)
Other (payments) receipts	(1,411)	1,257
Net Decrease in Cash and Cash Equivalents	(1,411)	(7,094)
Cash and Cash Equivalents - Beginning of year	1,411	8,505
Cash and Cash Equivalents - End of year	**$ -**	**$ 1,411**
Reconciliation of Change in Net Position to Net Cash from Operating Activities		
Change in net position	$ (1,267)	$ 1,184
Adjustments to reconcile change in net position to net cash from operating activities -		
Changes in assets and liabilities:		
Accounts payable	(144)	(136)
Unearned revenue	-	(8,142)
Net cash and cash equivalents used in operating activities	**$ (1,411)**	**$ (7,094)**

See notes to financial statements.

Note 1 - Authorizing Legislation and Reporting Entity

Michigan State Housing Development Authority (MSHDA or the "Authority") was created by the Michigan Legislature under the provisions of the State Housing Development Authority Act of 1966, as amended (the "Act"). The Authority, as a special purpose entity, is a component unit of the State of Michigan and is reported as an enterprise fund in the State's Annual Comprehensive Financial Report. The Act empowers the Authority, among other things, to issue notes and bonds to finance housing for sale or rental to families with low and moderate income and to finance home improvements. The enabling legislation, along with the various bond and note resolutions adopted by the Authority, contains specific provisions pertaining to (a) the use of the proceeds from the sale of the notes and bonds, (b) the application of the revenue from mortgages, and (c) the creation of certain funds along with the accounting policies for such funds. Effective April 2, 2020, the Authority is authorized by statute to have notes and bonds outstanding up to a total of $5.0 billion.

Component Unit

Michigan Homeowner Assistance Nonprofit Housing Corporation

The Authority formed a nonprofit entity to operate the federal Hardest Hit Program. The entity, Michigan Homeowner Assistance Nonprofit Housing Corporation (the "Nonprofit"), was created on April 7, 2010 pursuant to the provisions of Act 162, Public Acts of 1982, and was formed as a 501(c)(3) of the Internal Revenue Code. The entity provides loans and grants; facilitates community development and revitalization in the state; and provides counseling, financial literacy education, and other services to prevent, reduce, and mitigate foreclosures and stabilize home values and does not provide services to the Authority. The Authority is responsible for appointing, removing, and replacing the five members that make up the board of directors and can do so at will for any cause or without cause. The Nonprofit is considered a discretely presented component unit of Michigan State Housing Development Authority. See Note 2 regarding the Hardest Hit Program closeout. The activity during the fiscal year ended June 30, 2023 was limited for the Nonprofit. The Nonprofit may be used to manage other grant programs in the future, but there are no immediate plans to obtain new grant funding.

The discretely presented component unit is reported in separate financial statements following the Authority's financial statements to emphasize that it is legally separate from the Authority. The Nonprofit's separately issued financial statements as of June 30, 2022 can be obtained by contacting the Authority's management. The Nonprofit did not issue separate financial statements as of June 30, 2023.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Authority's financial activities.

Basis of Accounting

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Report Presentation

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities. The Authority presents all funds in a single-column presentation.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The Authority also considers the U.S. government money market funds to be cash and cash equivalents.

Investments

The Authority reports investments at fair value. The net change in the fair value of investments includes both realized and unrealized gains and losses.

Single-family Mortgage Loans Receivable

Single-family mortgage loans receivable consist of the remaining principal due from each first mortgage and down payment assistance loan outstanding. Under the Authority's single-family program, participating lending institutions originate mortgages within underwriting parameters developed and provided by the Authority. Unless a mortgage loan meets the qualifying loan-to-value ratio, it must have private primary mortgage insurance or be insured by Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA) or the United States Department of Agriculture. To date, the Authority has contracted with a subservicer to service the single-family mortgage portfolio.

Multifamily Mortgage Loans Receivable

Multifamily mortgage loans receivable consist of the remaining principal due from mortgagors of each completed development and construction advances for each development under construction under the multifamily program. Housing developments securing multifamily loans are subject to Regulatory Agreements under which the Authority has certain powers relating to rents, cash distributions, occupancy, management, and operations. Moneys representing escrow funds for reserves for the payment of property taxes, insurance, property repairs and replacements, and income in excess of allowable cash distributions are required to be deposited with the Authority. Investment income earned on the deposited funds is credited to the respective mortgagor's escrow accounts. Prepayment fees are charged if the mortgagor pays off their loan early. Prepayment fees are included in other income when incurred.

Allowance on Loans Receivable

It is the Authority's policy to provide for future losses on mortgage loans based on an evaluation of the loan portfolio, current economic conditions, and such other factors that, in the Authority's judgment, require consideration in estimating future mortgage loan losses. The allowance is maintained at a level considered by management to be adequate to provide for probable mortgage loan losses inherent in the portfolio.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than $100,000 (except for land and land improvements at any cost and office furniture and intangible assets of more than $5,000) and an estimated useful life in excess of one year. Such assets are recorded at fair value, historical cost, or estimated historical cost if purchased or constructed.

Real Estate Owned

The Authority acquires real estate through foreclosure proceedings and holds that property until it can be sold at a fair price. These properties are valued at the lower of cost or fair market value and recorded net of estimated uncollectible amounts.

Note 2 - Significant Accounting Policies (Continued)

Bonds Payable

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Line of Credit

The Authority may enter into a revolving line of credit for the purpose of funding single-family mortgages prior to the issuance of long-term debt financing. This revolving line of credit would then be paid down after closing long-term financing through bonds.

Compensated Absences

The Authority's employees accrue vacation and sick leave in varying amounts for each biweekly period worked. Employees may accumulate, subject to certain limitations, vacation and sick leave and, upon retirement, termination, or death, may be compensated for certain accumulated amounts at their then-current rates of pay. The Authority records an expense for all accumulated vacation and sick leave that the Authority would be required to pay if all employees terminated their employment. The compensated absences included in other liabilities at June 30, 2023 and 2022 totaled $3,019,000 and $2,760,000, respectively.

Arbitrage Rebate

Federal income tax rules limit the investment and loan yields that the Authority may retain for its own use from investing the proceeds from certain of its tax-exempt bond issues. The excess yields are payable to the U.S. Treasury and are recorded in other liabilities.

Loan Origination Fees

The Authority charges the mortgagor of each multifamily development a loan origination fee equal to 2 percent of the mortgage loan. These fees are amortized over the term of the loan receivable using the interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has four items that qualify for reporting in this category: the deferred outflows of resources related to the pension, deferred outflows of resources related to the other postemployment benefit costs, deferred charges on refunding - reassigned swaps, and the accumulated (increase) decrease in the fair value of hedging derivative instruments.

In addition to liabilities, the statement of net position 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. The Authority has three items that qualify for reporting in this category: the deferred inflows of resources related to the pension, deferred inflows of resources related to the other postemployment benefit costs, and loan origination fees.

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of amounts pledged for payment against the various bond indentures. All of the net position of the component unit is restricted for eligible federal program expenditures prior to the program closeout. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted. When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Authority's policy generally is to first apply restricted resources.

Federal and State Assistance Programs

The Authority administers various federal and state programs and initiatives in its efforts to create decent affordable housing for low- to moderate-income families.

- Section 8 Program - The Authority receives federal financial assistance through various housing and rental programs to provide rental subsidies and tenant vouchers.
- Hardest Hit Program - A component unit of the Authority, Michigan Homeowner Assistance Nonprofit Housing Corporation, administers funds under this program to prevent, reduce, and mitigate foreclosures and stabilize home values. Effective October 29, 2021, the Hardest Hit Program remitted the final payment of $8,163,000 to the United States Department of the Treasury, officially closing out the program. The intention of the Michigan Homeowner Assistance Nonprofit Housing Corporation is to remain as a dormant organization until Michigan Homeowner Assistance Nonprofit Housing Corporation concludes to manage other grant programs in the future. There are no immediate plans to obtain new grant funding.
- Eviction Diversion Program - The Authority receives federal financial assistance through funding from the Coronavirus Relief Fund (CRF) to assist with rental payments that are behind due to the COVID-19 pandemic. There was minimal activity within this program during the fiscal year ended June 30, 2023.
- COVID-19 Emergency Rental Assistance (CERA) - The Authority receives federal financial assistance through the Consolidated Appropriations Act passed in December 2020 to assist with paying rental and utility expenses during the COVID-19 pandemic. Federal payments received before eligible program expenses are incurred are deferred in other liabilities. Payments made by the Authority to subrecipients in excess of required amounts are recorded as advances within other miscellaneous receivables.
- Housing and Community Development Fund - The Authority receives both federal and State of Michigan funding to provide grants and loans for a variety of housing-related projects. These include but are not limited to property acquisition costs, rehabilitation costs, new construction costs, community development, and housing preservation costs.
- Michigan Homeowner Assistance Fund (MIHAF) - The Authority received federal funds under the American Rescue Plan Act of 2021 to mitigate hardships associated with the COVID-19 pandemic. Funds used under the MIHAF program can be used to prevent mortgage delinquencies, defaults, foreclosures, or the loss of utilities.

Note 2 - Significant Accounting Policies (Continued)

Pensions and Postemployment Benefits Other Than Pensions (OPEB)

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

Operating Revenue and Expenses

The Authority was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals. The Authority's primary operation is to borrow funds in the bond market and use those funds to make single-family and multifamily loans. Its primary operating revenue is derived from loan interest income and the investment income from proceeds of bond funds. The primary cost of the program is interest expense on bonds outstanding. Net investment income is an important measure of performance under the Authority's primary operation. Investment income, interest expense, and net investment income are shown as operating revenue in the statement of revenue, expenses, and changes in net position.

Nonoperating Expenses

The nonoperating expenses are made up of nonfederal, nonrepayable grants and subsidies that the Authority awards on a discretionary basis. The awards are based on the amount of available authority funds and are not related to the operating activities of the Authority.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for the Authority's financial statements once LIBOR goes away. As of July 1, 2023, the Authority adopted GASB Statement No. 93.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

Note 3 - Deposits and Investments

Cash, cash equivalents, and investments held by the Authority were as follows (in thousands of dollars):

	2023			
	MSHDA			Component Unit
	Cash and Cash Equivalents	Investments	Total	Cash and Cash Equivalents
Deposits	$ 77,697	$ -	$ 77,697	$ -
Investments	705,380	637,010	1,342,390	-
Total	$ 783,077	$ 637,010	$ 1,420,087	$ -

	2022			
	MSHDA			Component Unit
	Cash and Cash Equivalents	Investments	Total	Cash and Cash Equivalents
Deposits	$ 67,907	$ -	$ 67,907	$ 1,411
Investments	438,738	908,434	1,347,172	-
Total	$ 506,645	$ 908,434	$ 1,415,079	$ 1,411

The Authority has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with state statutes has authorized investment of funds held in reserve or sinking funds, or moneys not required for immediate use or disbursement in obligations of the State of Michigan or the United States government, in obligations of which the principal and interest are guaranteed by the State of Michigan or the United States government and in other obligations as may be approved by the state treasurer, bank accounts, and CDs. The Authority's deposits and investment policies are in accordance with state statutes, and any exceptions have had special approval from the state treasurer.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

At June 30, 2023, the Authority had approximately $81,320,000 of bank deposits (checking and savings accounts), and, of that balance, approximately $347,000 was uninsured and uncollateralized. In addition, the Authority had $705,380,000 of government money market funds. The component unit does not have a deposit policy for custodial credit risk. At June 30, 2023, the component unit had no bank deposits.

At June 30, 2022, the Authority had approximately $96,119,000 of bank deposits (checking and savings accounts), and, of that balance, approximately $2,370,000 was uninsured and uncollateralized. In addition, the Authority had $275,686,000 of government money market funds. The component unit does not have a deposit policy for custodial credit risk. At June 30, 2022, the component unit had approximately $1,411,000 of bank deposits (checking accounts), and, of that balance, approximately $1,161,000 was uninsured and uncollateralized.

The Authority believes that, due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. At June 30, 2023 and 2022, $79,972,000 and $92,499,000, respectively, of deposits were collateralized with securities held by the Federal Reserve Bank or held in safekeeping for the Authority at a financial institution's trust department but not in the Authority's name.

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Authority's name:

Investment Type	Fair Value (in thousands of dollars) 2023	2022	How Held
MSHDA:			
U.S. government securities	$ 55,795	$ 444,333	Counterparty's trust dept.
Mortgage-backed securities	355,014	387,626	Counterparty's trust dept.
U.S. government agency securities	220,178	201,239	Counterparty's trust dept.
U.S. government money market funds	705,380	275,696	Counterparty's trust dept.
Certificate deposits	-	33,879	Counterparty's trust dept.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows (in thousands of dollars):

Type of Investment	2023 Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
MSHDA:					
U.S. government securities	$ 55,795	$ 12,289	$ 40,396	$ 1,494	$ 1,616
Mortgage-backed securities	355,014	3	1,464	4,874	348,673
U.S. government agency securities	220,178	-	47,992	33,399	138,787
U.S. government money market funds	705,380	705,380	-	-	-

Type of Investment	2022 Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
MSHDA:					
U.S. government securities	$ 444,333	$ 388,221	$ 31,629	$ 22,756	$ 1,727
Mortgage-backed securities	387,626	9	1,660	223	385,734
U.S. government agency securities	201,239	-	111,500	17,377	72,362
U.S. government money market funds	275,686	275,686	-	-	-
Certificate deposits	33,879	33,879	-	-	-

Note 3 - Deposits and Investments (Continued)

Credit Risk

The Authority has no investment policy that would limit its investment choices except as noted in the state statute. As of year end, the credit quality ratings of debt securities are as follows (in thousands of dollars):

	2023			2022		
Investment	Fair Value	Rating	Rating Organization	Fair Value	Rating	Rating Organization
MSHDA:						
U.S. government securities	$ 55,795	AA+	S&P	$ 444,333	AA+	S&P
Mortgage-backed securities	355,014	AA+	S&P	387,626	AA+	S&P
U.S. government agency securities	220,178	AA+	S&P	201,239	AA+	S&P
U.S. government money market funds	705,380	Not rated		275,686	Not rated	
Certificate deposits	-			33,879	Not rated	

Concentration of Credit Risk

The Authority has 24 percent and 22 percent of its investment portfolio invested in the securities of government-sponsored enterprises as of June 30, 2023 and 2022, respectively. These include securities issued by the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Corporation. Excluding U.S. government securities, no other issuer represents over 5 percent of the Authority's investment portfolio.

Escrow Funds

Included in investments are funds held in trust for mortgagors with a carrying value of approximately $505,986,000 and $485,344,000 at June 30, 2023 and 2022, respectively.

Fair Value Measurements

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

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

The Authority has the following recurring fair value measurements as of June 30, 2023 and 2022:

	Investments Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Level 1	Level 2	Level 3	Fair Value
Type of Investment				
U.S. government securities	$ 55,795	$ -	$ -	$ 55,795
Mortgage-backed securities	-	355,014	-	355,014
U.S. government agency securities	-	220,178	-	220,178
U.S. government money market funds	-	705,380	-	705,380

Note 3 - Deposits and Investments (Continued)

	Investments Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Level 1	Level 2	Level 3	Fair Value
Type of Investment				
U.S. government securities	$ 444,333	$ -	$ -	$ 444,333
Mortgage-backed securities	-	387,626	-	387,626
U.S. government agency securities	-	201,239	-	201,239
U.S. government money market funds	-	275,686	-	275,686
Certificate deposits	33,879	-	-	33,879

U.S. government securities and certificate deposits classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of mortgage-backed securities, U.S. government agency securities, and U.S. government money market funds is determined primarily based on Level 2 inputs. The Authority estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The Authority also has interest rate swaps reported as liabilities on the statement of net position based on Level 2 inputs. The methodology used to determine the fair values of these swaps, as well as the fair values of investments, is shown in Note 15.

Note 4 - Loans Receivable

All loans receivable are collateralized by first liens on the real property developed or purchased with the proceeds of the loans, except for certain home improvement and moderate rehabilitation loans. Substantially all single-family loans are insured by the Federal Housing Administration or private mortgage insurance companies or are guaranteed by the Veterans Administration or the United States Department of Agriculture. Substantially all multifamily loans are uninsured.

A summary of loans receivable is as follows (in thousands of dollars):

	2023	2022
FHA insured or VA or U.S. Department of Agriculture guaranteed	$ 1,446,410	$ 1,270,399
Insured by private mortgage insurance companies	942,148	687,743
Uninsured	2,067,559	1,826,301
Total loans receivable	$ 4,456,117	$ 3,784,443

A summary of the allowance for possible loan losses is as follows:

	2023	2022
Beginning balance	$ 114,882	$ 105,657
Provision for possible losses	21,299	7,750
Write-offs of uncollectible losses - Net of recoveries	(2,033)	1,475
Ending balance	$ 134,148	$ 114,882

Note 5 - Bonds Payable

The Authority issues revenue bonds to fund loans to finance multifamily housing developments and single-family housing units for persons of low and moderate income within the state of Michigan. Such bonds constitute a direct obligation of the Authority and are not a debt of the State of Michigan. Each bond issue is secured by the pledge of all repayments to the Authority of loans issued with the proceeds of the bond issue and all income earned by the Authority relating to those bonds. The bonds are full faith and credit general obligations of the Authority. Interest on fixed-rate bonds is payable semiannually, while interest on variable-rate debt can be payable semiannually, quarterly, or monthly. All bonds are subject to a variety of redemption provisions set forth in the official statements for each of the issues. One such redemption provision is that each of the bond resolutions contains cross-default provisions that permit the acceleration of the maturity of all such bonds, as well as certain other remedies, in the event of a default by the Authority in the payment of principal or interest on any bond of the Authority.

Changes in bonds are as follows (in thousands of dollars) as of June 30, 2023 and 2022:

	2023				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Revenue bonds:					
Single-family mortgage	$ 2,060,115	$ 653,940	$ (254,355)	$ 2,459,700	$ 68,305
Rental housing	1,643,983	347,985	(133,810)	1,858,158	27,501
Total revenue bonds	$ 3,704,098	$ 1,001,925	$ (388,165)	$ 4,317,858	$ 95,806

	2022				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Revenue bonds:					
Single-family mortgage	$ 1,928,755	$ 622,235	$ (490,875)	$ 2,060,115	$ 55,235
Rental housing	1,590,977	215,045	(162,039)	1,643,983	58,350
Total revenue bonds	$ 3,519,732	$ 837,280	$ (652,914)	$ 3,704,098	$ 113,585

Note 5 - Bonds Payable (Continued)

Bonds payable at June 30, 2023 and 2022 are as follows (in thousands of dollars):

	2023	2022
Single-family Mortgage Revenue Bonds:		
2006 Series C, 2035, variable rate (Note 6)	$ 45,065	$ 47,815
2007 Series B, 2038, variable rate (Note 6)	50,720	56,860
2007 Series D, E, and F, 2038, variable rate (Note 6)	62,310	70,195
2009 Series D, 2030, variable rate (Note 6)	17,380	20,590
2015 Series A, 2023 to 2046, 2.75% to 4.00%	5,935	11,530
2016 Series A, 2023 to 2046, 2.40% to 4.00%	24,900	31,970
2016 Series B and C, 2023 to 2047, 2.00% to 3.50%	130,160	155,700
2017 Series B, 2023 to 2048, 2.10% to 3.50%	21,590	33,750
2018 Series A, 2023 to 2048, 2.50% to 4.00%	36,290	47,480
2018 Series B, 2044, variable rate #	-	50,000
2018 Series C, 2023 to 2049, 2.75% to 4.25%	83,075	103,810
2018 Series D, 2042, variable rate #	50,000	50,000
2019 Series A, 2023 to 2049, 2.05% to 4.25%	106,900	125,155
2019 Series B and C, 2023 to 2050, 1.55% to 3.75%	202,870	226,575
2020 Series A and B, 2023 to 2050, 0.85% to 3.739%	172,620	192,065
2020 Series C and D, 2023 to 2051, 0.50% to 3.565%	201,935	218,460
2021 Series A and B, 2023 to 2052, 0.35% to 3.00%	272,170	284,520
2022 Series A, 2023 to 2053, 1.95% to 5.00%	188,640	197,120
2022 Series B and C, 2046 to 2052, variable rate (Note 6)	136,520	136,520
2022 Series D, 2023 to 2053, 3.30% to 5.50%	240,600	-
2022 Series E-1 and E-2, 2044 to 2045, variable rate	95,155	-
2023 Series A, 2023 to 2053, 2.85% to 5.50%	314,865	-
Total Single-family Mortgage Revenue Bonds	2,459,700	2,060,115
Rental Housing Revenue Bonds:		
2000 Series A, 2035, variable rate (Note 6)	18,415	19,165
2002 Series A, 2037, variable rate (Note 6)	35,160	38,160
2003 Series A, 2023, variable rate #	-	1,475
2008 Series A, C, and D, 2037 to 2039, variable rate (Note 6)	43,200	57,350
2014 Series A, 2023 to 2050, 3.30% to 4.875%	45,675	47,650
2015 Series A and B, 2023 to 2052, 2.85% to 4.60%	84,215	86,660
2016 Series A and B, 2023 to 2052, 1.85% to 3.625%	69,430	87,005
2016 Series C, D, and E, 2040 to 2042, variable rate # (Note 6)	87,845	90,545
2017 Series A, 2023 to 2053, 1.90% to 4.00%	56,250	57,690
2018 Series A and B, 2023 to 2053, 2.45% to 4.15%	165,055	171,790
2018 Series C, 2040, variable rate (Note 6)	94,530	103,680
2019 Series A-1 and A-2, 2023 to 2060, 1.00% to 3.60%	167,416	201,879
2020 Series A-1, A-2 and B, 2023 to 2063, 0.50% to 3.00%	116,612	146,274
2021 Series A and B, 2023 to 2059, 0.35% to 3.108%	311,325	319,615
2022 Series A, 2024 to 2059, 2.65% to 4.45%	135,045	135,045
2022 Series B, 2062, variable rate (Note 6)	80,000	80,000
2023 Series A and B, 2025 to 2058, 3.25% to 5.357%	347,985	-
Total Rental Housing Revenue Bonds	1,858,158	1,643,983
Total revenue bonds	$ 4,317,858	$ 3,704,098

These bonds include a private-placement portion.

Note 5 - Bonds Payable (Continued)

	2023	2022
Total revenue bonds	$ 4,317,858	$ 3,704,098
Off-market borrowings (Note 15)	15,630	23,159
Deferred charges - Bond discounts and premiums net of amortization	33,829	27,084
Total	$ 4,367,317	$ 3,754,341

The annual requirements to service debt outstanding, including both principal and interest (in thousands of dollars), are as follows. Interest on variable-rate bonds is based on the effective rate as of June 30, 2023.

Years Ending June 30	Principal - All Other Debt	Principal - Private Placement	Interest - All Other Debt	Interest - Private Placement	Total
2024	$ 95,056	$ 750	$ 145,380	$ 1,850	$ 243,036
2025	151,601	790	142,451	2,605	297,447
2026	147,919	825	139,845	2,579	291,168
2027	220,480	870	135,823	2,553	359,726
2028	82,420	4,995	128,326	2,524	218,265
2029-2033	485,568	6,310	598,358	12,147	1,102,383
2034-2038	654,087	8,000	510,471	11,208	1,183,766
2039-2043	626,805	50,000	400,891	10,020	1,087,716
2044-2048	724,141	-	288,565	925	1,013,631
2049-2053	725,972	-	133,390	-	859,362
2054-2058	218,785	-	37,919	-	256,704
2059-2063	112,484	-	5,653	-	118,137
Total	$ 4,245,318	$ 72,540	$ 2,667,072	$ 46,411	$ 7,031,341

Early Retirement of Debt

Under provisions of the Authority's bond issues, the Authority is able to retire bonds, without the payment of call premiums, prior to their maturity dates from the proceeds of loan prepayments and foreclosures and, for certain bonds, from excess program revenue and bond refundings. Bonds retired pursuant to such provisions totaled $274,050,000 and $556,630,000 during the years ended June 30, 2023 and 2022, respectively. Such bond retirements, in the aggregate, resulted in a net gain of $9,686,000 and $5,478,000 for the years ended June 30, 2023 and 2022, respectively.

Note 6 - Demand Bonds

The following table summarizes the demand bonds outstanding at June 30, 2023, which are included in the bonds payable disclosed in Note 5:

Debt Associated	Bonds Outstanding (in Thousands)	Remarketing Agent	Standby Bond Purchase Agreement Provider	Remarketing Fee (1)	Liquidity Fee	Note	Expiration Date of Agreement
Single-family Mortgage Revenue Bonds:							
2006 Series C	$ 45,065	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.18%	(3)	04/25/28
2007 Series B	50,720	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.20%	(3)	06/21/27
2007 Series E	36,765	RBC Capital Markets, LLC	Royal Bank of Canada	0.07%	0.32%	(7)	10/25/24
2007 Series F	25,545	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.20%	(3)	06/21/27
2009 Series D	17,380	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.20%	(3)	06/21/27
2022 Series B	81,280	Barclays Capital Inc.	Barclays Bank PLC	0.08%	0.23%	(5)	06/22/26
2022 Series C	55,240	Barclays Capital Inc.	Barclays Bank PLC	0.08%	0.23%	(5)	06/22/26
Rental Housing Revenue Bonds:							
2000 Series A	18,415	Barclays Bank PLC	FHLBI	0.08%	0.20%	(2)	05/02/28
2002 Series A	35,160	BofA Securities, Inc.	FHLBI	0.06%	0.20%	(2)	05/02/28
2008 Series A	24,420	Barclays Bank PLC	FHLBI	0.08%	0.20%	(2)	05/02/28
2008 Series D	18,780	PNC Bank, National Association	PNC Bank, National Association	0.07%	0.24%	(6)	07/24/26
2016 Series C	49,635	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.18%	(3)	04/21/28
2016 Series D	15,670	BofA Securities, Inc.	FHLBI	0.06%	0.20%	(2)	05/02/28
2016 Series E	22,540	UBS Financial Services Inc.	UBS AG	0.05%	0.17%	(8)	09/30/24
2018 Series C	94,530	BofA Securities, Inc.	FHLBI	0.06%	0.20%	(2)	05/02/28
2022 Series B	80,000	BofA Securities, Inc.	Bank of America, N.A.	0.06%	0.23%	(4)	05/25/26

(1) Fee is per annum based on the outstanding principal amount of the bonds.

(2) While the Federal Home Loan Bank of Indianapolis (FHLBI) is holding the bonds, they will bear interest at the Base Rate. The Base Rate is average SOFR plus 2.00 percent. Once the FHLBI becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay the FHLBI a liquidity fee per annum on outstanding bonds plus 34 days of interest at 14 percent based on a 365-day year. Standard & Poor's rating on the FHLBI is AA+/A-1+ at June 30, 2023.

(3) While TD Bank, N.A. is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 365 days, then the Base Rate plus 1.00 percent for day 366 and after. The Base Rate is equal to the higher of 7 percent, Federal Funds Rate plus 2.00 percent, or the prime rate plus 1.50 percent. Once TD Bank becomes the bond holder, the bonds are subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on TD Bank, N.A. is AA-/A-1+ at June 30, 2023.

(4) While Bank of America, N.A. is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days, then the Base Rate plus 1.00 percent for day 91 and after. The Base Rate is equal to the higher of 7 percent, Federal Funds Rate plus 2.00 percent, or the prime rate plus 1.00 percent. Once Bank of America becomes the bond holder, the bonds are subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 217 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on Bank of America, N.A. is A+/A-1 at June 30, 2023.

Note 6 - Demand Bonds (Continued)

(5) While Barclays Bank PLC (Barclays) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days; the Base Rate plus 1.00 percent for day 91 through 180; and the Base Rate plus 2.00 percent after day 181. The Base Rate is the higher of 8 percent, Federal Funds Rate plus 2.50 percent, the prime rate plus 2.50 percent, or 150 percent of the yield on actively traded 30-year U.S. Treasury Bonds. Once Barclays becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Barclays a liquidity fee per annum on outstanding bonds plus 214 days of interest at 12 percent based on a 365-day year. Standard & Poor’s rating on Barclays Bank PLC is A+/A-1 at June 30, 2023.

(6) While PNC Bank, National Association (PNC) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate plus 1.00 percent for the first 90 days, and the Base Rate plus 2.00 percent thereafter. The Base Rate is the higher of 7.5 percent, Federal Funds Rate plus 3.00 percent, or the prime rate plus 1.00 percent. Once PNC becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay PNC a liquidity fee per annum on outstanding bonds plus 34 days of interest at 14 percent based on a 365-day year. Standard & Poor’s rating on PNC is A/A-1 at June 30, 2023.

(7) While Royal Bank of Canada (RBC) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days; the Base Rate plus 1.00 percent for day 91 through 180; and the Base Rate plus 2.00 percent after day 181. The Base Rate is the higher of 8 percent, Federal Funds Rate plus 2.50 percent, or the prime rate plus 2.50 percent. Once RBC becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay RBC a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent based on a 365-day year. Standard & Poor’s rating on Royal Bank of Canada is AA-/A-1+ at June 30, 2023.

(8) While UBS AG (UBS) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days; the Base Rate plus 1.00 percent for day 91 through 180; and the Base Rate plus 2.00 percent after day 181. The Base Rate is the higher of 8 percent, Federal Funds Rate plus 2.50 percent, or the prime rate plus 2.50 percent. Once UBS becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay UBS a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent based on a 365-day year. Standard & Poor’s rating on UBS AG is A-/A-2 at June 30, 2023.

Note 7 - Unamortized Mortgage Interest Income

Since 1990, the Authority has refunded a substantial amount of high-yielding multifamily bond issues with lower-yielding bonds. In conjunction with the sale of certain refunding bonds, the Authority has sold additional bonds to provide funds for new multifamily mortgage loans, generally with interest rates below the interest rates on the bonds. The Authority is deferring the interest income on mortgage loans funded by the new bonds to the extent that the total exceeds the total interest income that would have been earned if the average interest rate on such loans was equal to the average interest rate paid on the new bonds plus approximately 1.5 percent. This interest income is and will continue to be amortized to income in the future as the average rate on the outstanding mortgage loans drops to a rate that is less than 1.5 percent above the average rate on the new bonds. The average rate will decline primarily because the higher-yielding mortgage loans have average remaining lives substantially shorter than the lower-yielding mortgage loans.

Note 8 - Limited Obligation Bonds

The Act, as amended, authorizes the Authority to issue limited obligation bonds to finance multifamily housing. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector entities on the underlying mortgage. In addition, no commitments beyond the collateral, the payments from the private-sector entities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Michigan State Housing Development Authority for any of those bonds. Such bonds are not general obligations of the Authority, and the Authority has no liability for this debt. Such bonds are secured solely by revenue and property derived from or obtained in connection with the housing projects. Thus, with the exception of limited obligation bond financing fees, transactions related to these bonds are not reflected in the Authority’s financial statements. At June 30, 2023, limited obligation bonds outstanding were approximately $191,243,000. At June 30, 2022, limited obligation bonds outstanding were approximately $133,318,000.

Note 9 - Pension Plans

Plan Description

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

The Michigan State Employees' Retirement System is accounted for in a separate pension trust and issues a publicly available financial report that includes financial statements and required supplementary information. That report is available on the web at http://www.michigan.gov/ors or by calling the Office of Retirement Services (ORS) at (517) 322-5103 or (800) 381-5111.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan are established by state statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit 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, nonduty 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 (the "Public Act") closed the plan to new entrants. All new employees become members of the defined contribution (DC) 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.

Note 9 - Pension Plans (Continued)

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 percent of their annual compensation to the pension fund until they terminate state employment. The 4 percent 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 percent 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 percent contribution began on 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 percent and, therefore, became participants in the DC plan for future service beginning on April 1, 2012. As a DC plan participant, they receive a 4 percent employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3 percent of pay to the plan.

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

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

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

Regular Retirement

The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5 percent 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, the FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012 but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012 and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015 or later, then an annual average of overtime - for the six-year period ending on the FAC calculation date - will be added to that initial FAC calculation to get the final FAC number.

Note 9 - Pension Plans (Continued)

For members who switch to the DC plan for future service, the pension calculation FAC times 1.5 percent 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 the following:

(1) Age 60 with 10 or more years of credited service

(2) Age 55 with 30 or more years of credited service

(3) Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5 percent 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 the following:

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

In either case, the 3 years immediately preceding retirement must have been in a covered position.

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 5 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 layoffs by reason of deinstitutionalization.

Nonduty Disability Benefit

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

Duty Disability Benefit

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

Survivor Benefit

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

Note 9 - Pension Plans (Continued)

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 percent, 75 percent, or 50 percent 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 Percent Survivor Pension

Under this option, after the retiree's death, the beneficiary will receive 100 percent 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 Percent Survivor Pension

Under this option, after the retiree's death, the beneficiary will receive 75 percent 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 percent option previously described. If the beneficiary predeceases the retiree, the pension pops up to the regular pension amount; another beneficiary cannot be named.

50 Percent Survivor Pension

Under this option, after the retiree's death, the beneficiary will receive 50 percent 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 percent or 75 percent options previously described. If the beneficiary predeceases the retiree, the pension pops up to the regular pension amount; another beneficiary cannot be named.

Equated Pension

An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with the regular, 100 percent, 75 percent, or 50 percent options. 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 ORS with an estimate from the Social Security Administration Office. The actual amount received from Social Security may vary from the estimate.

Postretirement Adjustments

One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning on October 1, 1988, a 3 percent noncompounding 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 percent 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 percent 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.

Note 9 - Pension Plans (Continued)

Member Contributions

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

Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles, so the contribution rates do not have to increase over time.

For fiscal year 2023, the Authority's contribution rate ranged from 23.1 to 24.0 percent of the defined benefit employee wages and 18.5 to 19.1 percent of the defined contribution wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2023 was $5,002,000.

For fiscal year 2022, the Authority's contribution rate was 23.9 to 24.0 percent of the defined benefit employee wages and 18.9 to 19.1 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2022 was $4,359,000.

Net Pension Liability

At June 30, 2023, the Authority reported a liability of $43,816,396 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used updated procedures to roll forward the estimated liability to September 30, 2022. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement periods from October 1, 2021 through September 30, 2022, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2022, the Authority's proportion was 0.678 percent.

At June 30, 2022, the Authority reported a liability of $23,853,140 for its proportionate share of SERS' 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, which used updated procedures to roll forward the estimated liability to September 30, 2021. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement periods from October 1, 2020 through September 30, 2021, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2021, the Authority's proportion was 0.587 percent.

Note 9 - Pension Plans (Continued)

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

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of $14,392,441 and recovery of $812,555, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 404,058	$ -	$ 10,575,281
Authority's contributions subsequent to the measurement date	3,800,729	-	3,370,063	-
Total	$ 3,800,729	$ 404,058	$ 3,370,063	$ 10,575,281

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2024	$ (553,684)
2025	(864,894)
2026	(1,127,071)
2027	2,141,591

Note 9 - Pension Plans (Continued)

Actuarial Assumptions

The Authority's net pension liability for the year ended June 30, 2023 was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's net pension liability for the year ended June 30, 2022 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 at the measurement dates:

	September 30, 2022	September 30, 2021
Valuation date	September 30, 2021	September 30, 2020
Wage inflation rate	2.75 percent	2.75 percent
Projected salary increases	2.75 through 11.75 percent	2.75 through 11.75 percent
Investment rate of return	6.0 percent	6.7 percent
Cost of living pension adjustment	3 percent annual noncompounded with maximum annual increase of $300 for those eligible	3 percent annual noncompounded with maximum annual increase of $300 for those eligible
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006
Notes	The actuarial assumptions were based upon the results of an experience study for the periods from 2012 through 2017.	The actuarial assumptions were based upon the results of an experience study for the periods from 2012 through 2017.

Discount Rate

A discount rate of 6.0 and 6.7 percent was used to measure the total pension liability as of September 30, 2022 and 2021, respectively. This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0 and 6.7 percent as of September 30, 2022 and 2021, respectively. 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.

Note 9 - Pension Plans (Continued)

Investment Rate of Return

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, 2022 and 2021 are summarized in the following table:

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.00 %	5.10 %	25.00 %	5.40 %
Private equity pools	16.00	8.70	16.00	9.10
International equity pools	15.00	6.70	15.00	7.50
Fixed-income pools	13.00	(0.20)	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.30	10.00	5.40
Absolute return pools	9.00	2.70	9.00	2.60
Real return and opportunistic	10.00	5.80	12.50	6.10
Short-term investment pools	2.00	(0.50)	2.00	(1.30)
Total	100.00 %		100.00 %	

*Long-term rates of return are net of administrative expense and inflation of 2.2 and 2.0 percent as of September 30, 2022 and 2021, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate, 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:

	2023		
	1 Percentage Point Decrease (5.0 Percent)	Current Discount Rate (6.0 Percent)	1 Percentage Point Increase (7.0 Percent)
Authority's proportionate share of the net pension liability	$ 57,229,939	$ 43,816,396	$ 32,413,460

	2022		
	1 Percentage Point Decrease (5.7 Percent)	Current Discount Rate (6.7 Percent)	1 Percentage Point Increase (7.7 Percent)
Authority's proportionate share of the net pension liability	$ 34,498,187	$ 23,853,140	$ 14,785,892

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.

Note 9 - Pension Plans (Continued)

Defined Contribution Plan

The Authority participates in the State of Michigan's defined contribution plan system. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent. The contribution requirements of plan members and the Authority are established and may be amended by the state Legislature. The state Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority's contributions to the plan were $1,495,606 and $1,263,952 for the years ended June 30, 2023 and 2022, respectively, and are recorded in salaries and benefits expense.

Note 10 - Other Postemployment Benefit Plans

Defined Benefit OPEB Plan - Health Care

Plan Description

The Michigan State Employees' Retirement System is a single-employer, statewide, defined benefit public employee retirement plan governed by the State of Michigan 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), the attorney general, the state treasurer, the legislative auditor general, and the state personnel director. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

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

Benefits Provided

Benefit provisions of the other postemployment benefit 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 percent of the monthly premium amount for the health (including prescription coverage), dental, and vision coverage. Retirees with a graded premium subsidy benefit accrue credit toward insurance premiums in retirement, earning a 30 percent subsidy with 10 years of service, with an additional 3 percent subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80 percent. 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 participants in the Personal Healthcare Fund. This plan is closed to new hires.

Note 10 - Other Postemployment Benefit Plans (Continued)

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 2023, the Authority's contribution rate was 14.1 to 17.3 percent of the defined benefit employee wages and 14.1 to 17.3 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2023 was $3,843,000. Active employees are not required to contribute to SERS OPEB.

For fiscal year 2022, the Authority's contribution rate was 17.3 to 23.1 percent of the defined benefit employee wages and 17.3 to 23.1 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2022 was $4,075,000. Active employees are not required to contribute to SERS OPEB.

Net OPEB Liability

At June 30, 2023, the Authority reported a liability of $26,163,145 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2021 through September 30, 2022, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2022, the Authority's proportion was 0.672 percent.

At June 30, 2022, the Authority reported a liability of $22,105,170 for its proportionate share of SERS' 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 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2020 through September 30, 2021, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2021, the Authority's proportion was 0.579 percent.

Note 10 - Other Postemployment Benefit Plans (Continued)

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

For the years ended June 30, 2023 and 2022, the Authority recognized OPEB recovery of $2,366,695 and $2,995,988, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 19,453,377	$ -	$ 17,427,807
Changes in assumptions	8,276,460	962,222	5,955,957	1,063,282
Net difference between projected and actual earnings on OPEB plan investments	635,680	-	-	3,030,815
Changes in proportionate share and differences between actual contributions and proportionate share of contributions	5,521,333	2,778,458	650,133	4,270,452
Authority's contributions subsequent to the measurement date	2,792,465	-	2,928,053	-
Total	$ 17,225,938	$ 23,194,057	$ 9,534,143	$ 25,792,356

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2024	$ (4,062,735)
2025	(3,731,288)
2026	(2,338,717)
2027	1,000,866
2028	371,290

Note 10 - Other Postemployment Benefit Plans (Continued)

Actuarial Assumptions

The Authority's net OPEB liability for the year ended June 30, 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's net OPEB liability for the year ended June 30, 2022 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 at the measurement dates:

	September 30, 2022	September 30, 2021
Valuation date	September 30, 2021	September 30, 2020
Wage inflation rate	2.75 percent	2.75 percent
Projected salary increases	2.75 through 11.75 percent	2.75 through 11.75 percent
Investment rate of return	6.2 percent	6.9 percent
Health care cost trend rate	Pre-65: 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120	Pre-65: 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120
	Post-65: 6.25 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120	Post-65: 6.25 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006
Notes	The actuarial assumptions were based upon the results of an experience study for the period from 2012 through 2017.	The actuarial assumptions were based upon the results of an experience study for the period from 2012 through 2017.

Discount Rate

A single discount rate of 6.2 and 6.9 percent was used to measure the total OPEB liability as of September 30, 2022 and 2021, respectively. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.2 and 6.9 percent as of September 30, 2022 and 2021, respectively. The projection of cash flows used to determine this single discount rate assumed that, in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 10 - Other Postemployment Benefit Plans (Continued)

Investment Rate of Return

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 adding expected inflation. Best estimates of arithmetic real rates of return as of September 30, 2022 and 2021 are summarized in the following table:

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	25.00 %	5.10 %	25.00 %	5.60 %
Private equity pools	16.00	8.70	16.00	9.10
International equity	15.00	6.70	15.00	7.50
Fixed-income pools	13.00	(0.20)	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.30	10.00	5.40
Absolute return pools	9.00	2.70	9.00	2.60
Real return and opportunistic pools	10.00	5.80	12.50	6.10
Short-term investment pools	2.00	(0.50)	2.00	(1.30)
Total	100 %		100 %	

*Long-term rates of return are net of administrative expense and inflation of 2.2 and 2.0 percent as of September 30, 2022 and 2021, respectively.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate, as well as what the Authority's proportionate share of the net OPEB 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:

	2023		
	1 Percentage Point Decrease (5.2 Percent)	Current Discount Rate (6.2 Percent)	1 Percentage Point Increase (7.2 Percent)
Authority's proportionate share of the net OPEB liability	$ 33,217,063	$ 26,163,145	$ 20,239,961

	2022		
	1 Percentage Point Decrease (5.9 Percent)	Current Discount Rate (6.9 Percent)	1 Percentage Point Increase (7.9 Percent)
Authority's proportionate share of the net OPEB liability	$ 27,947,752	$ 22,105,170	$ 17,180,468

Note 10 - Other Postemployment Benefit Plans (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability of the Authority, calculated using the health care cost trend rate, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2023		
	1 Percentage Point Decrease (6.50 to 2.50 Percent)	Current Health Care Cost Trend Rate (7.50 to 3.50 Percent)	1 Percentage Point Increase (8.50 to 4.50 Percent)
Authority's proportionate share of the net OPEB liability	$ 19,982,575	$ 26,163,145	$ 33,273,370

	2022		
	1 Percentage Point Decrease (6.50 to 2.50 Percent)	Current Health Care Cost Trend Rate (7.50 to 3.50 Percent)	1 Percentage Point Increase (8.50 to 4.50 Percent)
Authority's proportionate share of the net OPEB liability	$ 16,909,172	$ 22,105,170	$ 28,089,181

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.

Postemployment Life Insurance Benefits

Plan Description

The State of Michigan provides postemployment life insurance benefits to eligible individuals upon retirement from state employment. Members of the State Employees' Retirement System, the State Police Retirement System (SPRS), and 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, statewide, defined benefit other postemployment benefit plan. The State contracts with Minnesota Life Insurance Company to administer the payout of life insurance benefits. The Plan is managed 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 (the "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.

Note 10 - Other Postemployment Benefit Plans (Continued)

Benefits Provided

The State's group policy with Minnesota Life Insurance Company includes any active employee in the category of classified state service with an appointment of at least 720 hours duration but excludes employees with noncareer appointments and those working less than 40 percent of full time; any active official or active unclassified employee of the State who has been approved for coverage by the Michigan 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, Michigan 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 percent of the active life insurance coverage (whose amount is rounded to the next higher $100 provided the retiree retired after July 1, 1974), $1,000 for spouse, and $1,000 for each dependent under age 23.

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

Contributions

The State contributes 100 percent of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal years 2023 and 2022 was $0.28 for each $1,000 of coverage of active payroll per pay period. The employee contributes 100 percent 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.

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.

Actuarial Valuations and Assumptions

The Authority's total OPEB liability for the year ended June 30, 2023 was measured as of September 30, 2022 and is based on an actuarial valuation performed as of September 30, 2021. The Authority's total OPEB liability for the year ended June 30, 2022 was measured as of September 30, 2021 and is based on an actuarial valuation performed as of September 30, 2020 and rolled forward using generally accepted actuarial procedures.

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 member's year-by-year projected covered pay.

Note 10 - Other Postemployment Benefit Plans (Continued)

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

Wage Inflation Rate

2.75 percent per year at September 30, 2022 and 2021

Investment Rate of Return (Discount Rate)

4.4 percent per year at September 30, 2022 and 2.19 percent per year at September 30, 2021

Mortality

Healthy Life and Disabled Life Mortality, with 110 percent of the rates used in the pension valuations for SERS plan members at September 30, 2022 and 2021

IBNR

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

Spouse Benefits for Future Retirees

The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees at 1.75 percent for SERS retirees at September 30, 2022 and 2021.

Spouse Benefits for Current Retirees

Liabilities for current retired members reported with a postemployment life benefit for a spouse were calculated based on the information provided in the data files at September 2022 and 2021.

Other

The face values of the plan policies currently in force were reported to the actuary beginning with the September 30, 2022 valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50 percent times compensation at retirement (compensation reported for the 2019 retirement system valuation):

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

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

Discount Rate

A discount rate of 4.40 and 2.19 percent was used to measure the ending total OPEB liability for postemployment life insurance benefits as of September 30, 2022 and 2021, respectively. 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.

Note 10 - Other Postemployment Benefit Plans (Continued)

Total OPEB Liability for Postemployment Life Insurance Benefits

As of June 30, 2023, the Authority reported a liability of $6,734,128 for its proportionate share of the State's postemployment life insurance benefits total OPEB liability. The total OPEB liability was measured as of September 30, 2022 based on an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period from October 1, 2021 through September 30, 2022 by the percentage of OPEB actual contributions received from all applicable employers. At September 30, 2022, the Authority's proportion was 0.679 percent.

As of June 30, 2022, the Authority reported a liability of $7,954,322 for its proportionate share of the State's postemployment life insurance benefits total OPEB liability. The total OPEB liability was measured as of September 30, 2021 based on an actuarial valuation as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period from October 1, 2020 through September 30, 2021 by the percentage of OPEB actual contributions received from all applicable employers. At September 30, 2021, the Authority's proportion was 0.584 percent.

Sensitivity of the Total OPEB Liability for Postemployment Life Insurance Benefits

The following presents the Authority's proportionate share of the total OPEB liability calculated using the discount rate, as well as what the proportionate share of the total OPEB 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:

	2023		
	1 Percentage Point Decrease (3.40 Percent)	Current Discount Rate (4.40 Percent)	1 Percentage Point Increase (5.40 Percent)
Authority's proportionate share of the total OPEB liability	$ 7,841,625	$ 6,734,128	$ 5,850,786

	2022		
	1 Percentage Point Decrease (1.19 Percent)	Current Discount Rate (2.19 Percent)	1 Percentage Point Increase (3.19 Percent)
Authority's proportionate share of the total OPEB liability	$ 9,560,046	$ 7,954,322	$ 6,700,018

Note 10 - Other Postemployment Benefit Plans (Continued)

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

For the years ended June 30, 2023 and 2022, the Authority recognized OPEB recovery of $134,989 and expense of $56,996, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 724,170	$ 1,123	$ 996,125
Changes of assumptions	791,294	2,452,674	957,226	192,731
Changes in proportion and differences between actual contributions and proportion share of contributions	1,144,460	405,735	45,304	594,693
Authority's contributions subsequent to the measurement date	314,784	-	235,868	-
Total	$ 2,250,538	$ 3,582,579	$ 1,239,521	$ 1,783,549

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

Years Ending	Amount
2024	$ (453,339)
2025	(346,607)
2026	(317,022)
2027	(294,859)
2028	(234,998)

Amounts reported for defined benefit postemployment benefits other than pensions and postemployment life insurance benefits are aggregated on the statement of net position as follows:

	2023		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - Health care	$ 26,163,145	$ 17,225,938	$ 23,194,057
Postemployment life insurance benefits	6,734,128	2,250,538	3,582,579
Total	$ 32,897,273	$ 19,476,476	$ 26,776,636

Note 10 - Other Postemployment Benefit Plans (Continued)

	2022		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - Health care	$ 22,105,170	$ 9,534,143	$ 25,792,356
Postemployment life insurance benefits	7,954,322	1,239,521	1,783,549
Total	$ 30,059,492	$ 10,773,664	$ 27,575,905

Defined Contribution OPEB Plan

Employees hired on or after January 1, 2012 will not be eligible for any retiree health insurance coverage but will become participants in the Personal Healthcare Fund wherein they will contribute up to 2 percent of their compensation into a 401(k) or 457 account, earning a matching 2 percent employer contribution. Also, employees will receive a credit into a health reimbursement at termination of employment if they have at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years old and $1,000 for participants who are less than 60 years old at termination.

Note 11 - Capital Assets

On May 30, 2018, the Authority purchased its office building for $21,000,000. The building has an estimated useful asset life of 40 years. Accumulated depreciation was $2,669,000 and $2,144,000 for the years ended June 30, 2023 and 2022, respectively. Depreciation expense was $525,000 for both the years ended June 30, 2023 and 2022.

Note 12 - Restricted Net Position

The components of restricted net position are as follows (in thousands of dollars):

	2023	2022
Pledged for payment of:		
All bond issues (capital reserve account)	$ 98,921	$ 100,574
Single-family Mortgage Revenue Bonds	161,493	157,370
Rental Housing Revenue Bonds	287,112	285,293
Total	$ 547,526	$ 543,237

Note 13 - Contingent Liabilities

The Authority is involved in various legal proceedings, claims, and disputes arising in the ordinary course of its financing activities with real estate developers and others. Management does not expect the amount of the ultimate liability, with respect to the disposition of these matters, will have any material adverse impact on the financial condition or results of operations of the Authority.

Note 14 - Commitments

As of June 30, 2023 and 2022, the Authority has commitments to issue multifamily mortgage loans in the amounts of $631,474,000 and $349,867,000, respectively, and single-family mortgage loans in the amounts of $71,677,000 and $87,807,000, respectively.

Note 14 - Commitments (Continued)

The Authority has committed up to approximately $1,055,000 per year for up to 30 years from the date of completion of the respective developments (subject to 3 years' advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under the Authority's multifamily program. Such developments receive funds either for the purpose of subsidizing rents so that some units can be afforded by families with incomes at 50 percent or less of median income or to subsidize operations in general. Subsidy disbursements totaled approximately $21,000 and $34,000 for the years ended June 30, 2023 and 2022, respectively.

In addition, the Authority makes available up to approximately $1,000,000 per year for up to 30 years to subsidize rents in a similar fashion for 20 percent of the units in certain other developments financed or to be financed under its multifamily mortgage lending program. Under this program, the Authority is entitled to receive a portion of any excess cash flow generated by the developments, as well as a share of the profits from the sale of the developments, and is able to reduce the rent subsidies if the interest rates being charged by the Authority on the related mortgage loans are below certain preset levels. Subsidy repayment did not exceed subsidy disbursements for the year ended June 30, 2023. Subsidy repayment of $1,649,000 exceeded subsidy disbursements for the year ended June 30, 2022.

Note 15 - Interest Rate Swaps

In connection with the issuance of various debt, the Authority has entered into interest rate swap contracts. To date, the interest rate swap contracts have all been the type where the Authority pays a fixed rate and receives a variable rate. No amount of compensation was paid or received at the time the contracts were executed. Interest rate swap agreements are important tools that the Authority utilizes to accomplish its goals. The Authority entered into the agreements in connection with the issuance of certain variable-rate debt, with the intent of creating a synthetic fixed-rate debt, at an interest rate that is lower than if fixed-rate debt were to have been issued directly. These contracts have reduced the Authority's cost of borrowing and reduced exposure to variable interest rate risk. This has allowed the Authority to finance developments, reduce single-family mortgage rates, and fund programs that otherwise would not have been feasible.

The Authority is issuing the June 30, 2023 and 2022 financial statements in accordance with Governmental Accounting Standards Board Statement No. 53. This standard is used to determine whether a derivative instrument will result in an effective hedge. Changes in the market value of effective hedges are recognized in the year to which they relate. Effective hedge changes do not affect investment income but are reported as deferrals in the statement of net position. Derivative instruments that are not deemed effective would be reported at fair market value and recognized as investments. Various swaps were amended during the year to replace LIBOR as the variable rate, as allowed by GASB 93, as amended.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Note 15 - Interest Rate Swaps (Continued)

The following table summarizes the interest rate swap contracts at June 30, 2023:

Associated Debt/Swap Agreement	Effective Date	Notional Amount as of June 30, 2023	Termination Date	Rate	Fixed Rate	Optional Termination Date without Payment (9)	Market (Payment) Receipt to Terminate Swap	GASB 53 Presentation in Statement of Net Position	Type of Risk Associated with Swap Contract (4)(5)(6)(8)
Rental Housing Revenue Bonds (effective hedges):									
2002 Series A (1)	07/03/02	$ 36,345,000	04/01/37	70% of 1 M LIBOR	4.560%	N.A.	$ (4,567,319)	$ (4,567,319)	
2008 Series D (3)(10)	11/18/04	17,410,000	10/01/39	70% of SOFR+0.10%	3.500%	10/01/24	163,399	283,656	
2016 Series C (3)(10)	03/16/06	49,635,000	10/01/40	70% of SOFR+0.10%	3.460%	04/01/26	136,920	5,590,704	
2016 Series D (3)(10)	07/25/06	7,810,000	04/01/41	70% of SOFR+0.10%	3.975%	10/01/26	(157,586)	940,115	
2016 Series E (3)(10)	07/02/07	22,540,000	04/01/42	70% of SOFR+0.10%	3.323%	04/01/27	38,816	2,938,435	
2018 Series C (3)(10)	09/22/05	42,490,000	04/01/40	70% of SOFR+0.10%	3.516%	10/01/25	205,355	2,188,334	
2018 Series C (3)(10)	01/23/08	45,025,000	10/01/42	70% of SOFR+0.10%	3.543%	10/01/27	(499,113)	2,317,657	
Subtotal		221,255,000					(4,679,528)	9,691,582	
Single-family Mortgage Revenue Bonds (effective hedges):									
2006 Series C (2)	12/01/19	31,175,000	12/01/27	SIFMA	2.703%	12/01/24	789,491	789,491	(7)
2007 Series E (2)	12/01/19	35,235,000	12/01/27	SIFMA	2.726%	12/01/24	912,104	912,104	(7)
2007 Series F (2)	12/01/08	13,340,000	12/01/38	Floating Rate	4.340%	N.A.	(1,499,738)	(1,499,738)	
2009 Series D (2)	12/01/19	16,445,000	06/01/30	SIFMA	2.746%	12/01/24	418,406	418,406	(7)
2018 Series D (2)	12/01/18	50,000,000	12/01/38	70% of 1 M LIBOR+0.85%	3.696%	12/01/24	2,139,720	2,139,720	
2022 Series B (2)(10)	10/05/17	45,000,000	12/01/32	75% of SOFR+0.05%	2.220%	12/01/29	2,579,844	2,702,344	(7)
2022 Series E-2 (2)(10)	03/28/18	50,000,000	12/01/33	70% of SOFR+0.85%	3.120%	12/01/25	2,148,867	(120,431)	(7)
Subtotal		241,195,000					7,488,694	5,341,896	
Total interest rate swaps		$ 462,450,000					$ 2,809,166	$ 15,033,478	

The cumulative increase in fair market value of hedging derivative instruments of $15,033,478 is a deferred outflow of resources per GASB Statement No. 53.

(1) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP). GSMMDP is currently rated AA- stable outlook by S&P and Aa2 by Moody's as of June 30, 2023.

(2) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Barclays Bank PLC. Barclays is currently rated A+ outlook by S&P and A1 stable by Moody's as of June 30, 2023.

(3) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Bank of America, N.A., which has a rating of A+ by S&P and Aa1 by Moody's as of June 30, 2023.

(4) Termination risk is the risk that the swap could be terminated by the counterparty due to any of several events, which may include an authority or counterparty default by either party, and default events defined in the Authority's bond indentures. All contracts have this risk.

(5) Basis risk refers to a mismatch between the interest rate received from the swap contract and the interest actually paid on the Authority's debt. All contracts have this risk.

(6) Tax event risk is the risk that a change in the marginal income tax rates or a change in the tax code impacts the trading value of tax-exempt bonds. All contracts have this risk.

(7) Rollover risk is the risk that the swap contract is not coterminous with the related debt.

Note 15 - Interest Rate Swaps (Continued)

(8) Amortization risk is the risk that there is a mismatch or potential mismatch between the Authority's bonds and the notional amount of the swap outstanding. This mismatch could expose the Authority to variable interest rates if the swap amortizes quicker than the bonds or subject the Authority to a payment to the counterparty to terminate a portion of the swap contract early if the bonds are redeemed more quickly than anticipated. All contracts have this risk.

(9) The Authority has the option to terminate the contract in whole or in part without payment after the stated date.

(10) These interest rate swap agreements have either been reassigned from their original bond issue as part of an economic refunding or have been executed at terms that do not reflect current market terms. GASB Statement No. 53 has termed these off-market swaps to be in-substance hybrids. Essentially, the swaps have two components as follows:

a. On-market component - This is the component of the swap that requires a calculation on the effectiveness and to be valued at the market on an annual basis. In the case of the Authority, these swaps' on-market components have been determined to be effective based on the calculation and are included in interest rate swaps in the table.

b. Off-market component - This is the component of the swap that, at the time of the reassignment, is determined to be off-market and takes on the characteristics of a fixed contract. Therefore, at the time of reassignment, this component needs to be valued based on the rate differential, which compares the market rates to the original swap rates. This component is then considered a fixed contract and should be amortized over the life of the new debt and added to the deferred charges. See table below summarizing this component.

Note 15 - Interest Rate Swaps (Continued)

Further, total unamortized off-market borrowings as of June 30, 2023 are $15,630,107, as noted in the table below:

	Off-market Borrowing Rate	On-market Borrowing Rate	Unamortized Off-market Borrowing Balance
Rental Housing Revenue Bonds:			
2008 Series D	0.404%	3.301%	$ 297,414
2016 Series C	2.143%	1.371%	7,091,359
2016 Series D	2.609%	1.387%	1,455,622
2016 Series E	2.122%	1.256%	3,524,689
2018 Series C	1.085%	2.429%	2,860,539
2018 Series C	1.079%	2.485%	3,528,013
Single-family Mortgage Revenue Bonds:			
2022 Series B	0.133%	3.129%	(306,067)
2022 Series E-2	0.841%	4.192%	(2,821,462)
Total			$ 15,630,107

A comparative summary of the changes resulting from GASB Statement No. 53 is as follows:

	Changes in Fair Value		Fair Value at June 30		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges 2023:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	$ 14,594,927	Hedging derivative instruments	$ 15,033,478	$ 462,450,000
Off-market borrowings	Deferred charges on refunding	38,788,860	Off-market borrowings	(15,630,107)	-
Cash flow hedges 2022:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	46,512,167	Hedging derivative instruments	438,551	512,905,000
Off-market borrowings	Deferred charges on refunding	12,307,338	Off-market borrowings	(23,158,753)	-

Note 16 - Line of Credit and Short-term Facility

The Authority issues debt to fund single-family loans. At times it may be advantageous for the Authority to originate these loans with its own liquidity or a revolving line of credit prior to the closing of the long-term bond financing. For this reason, the Authority may enter into revolving credit facilities. Typically, the facilities will be paid down to a zero outstanding balance when bonds are sold.

On March 16, 2021, the Authority entered into a revolving credit agreement with US Bank. The agreement allows the Authority to borrow up to $100 million for the purpose of purchasing single-family mortgages and down payment assistance loans. On March 13, 2023, the revolving credit agreement with US Bank was extended to September 10, 2024.

The activity that occurred on the revolving line of credit as of June 30, 2023 and 2022 is as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
June 30, 2023	$ -	$ 200,000,000	$ (200,000,000)	$ -
June 30, 2022	30,000,000	130,000,000	(160,000,000)	-

Subsequent to year end, on July 11, 2023 and July 25, 2023, the Authority drew down $40 million and $60 million, respectively. On September 27, 2023, the Authority closed the Single-Family Mortgage Revenue Bonds, 2023 Series B and C, and proceeds from this issuance repaid the full $100 million.

Note 16 - Line of Credit and Short-term Facility (Continued)

On February 22, 2023, the Authority entered into a short-term loan agreement with Barclays Bank PLC. This was a $150 million short-term borrowing that expires at the time of repayment. The Authority drew $100,000,000 on February 22, 2023. On March 22, 2023, the agreement was reduced to $125 million. The Authority drew $25,000,000 on March 31, 2023. On April 26, 2023, the Authority made a repayment in the amount of $125,000,000. The term loan agreement expired on May 31, 2023 and was not renewed.

Note 17 - Risk Management

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

Note 18 - Subsequent Events

On September 27, 2023, the Authority issued the Single-family Mortgage Revenue Bonds Series B and C in the amount of $392,925,000.

Also, see Note 16 related to subsequent drawdowns and repayments on the revolving line of credit.

Effective July 1, 2023, the Authority elected to utilize the International Swaps and Derivatives Associations, Inc’s (ISDA) 2020 LIBOR Fallbacks Protocol to convert the last three remaining swaps from LIBOR to equivalents index plus increment determined by ISDA. For 2002 RHRB Series A swap, the Authority will receive 70 percent of SOFR plus 8.014 basis points. For 2007 SFMRB Series F swap, the Authority will either receive SOFR plus 11.448 basis points if the sum is less than 3.5 percent, or if not, the Authority will receive 68 percent of SOFR plus 7.785 basis points. For 2018 SFMRB Series D swap, the Authority will receive 70 percent multiplied by SOFR plus 8.014 basis points plus 85 basis points.

Required Supplementary Information

Required Supplementary Information
Schedule of the Authority's Proportionate Share of Net Pension Liability
State Employees' Retirement System

Last Nine Fiscal Years
Years Ended June 30
(in Thousands of Dollars)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.67800 %	0.58700 %	0.58100 %	0.63700 %	0.64800 %	0.66600 %	0.70000 %	0.70700 %	0.68500 %
Authority's proportionate share of the net pension liability	$ 43,816	$ 23,853	$ 39,168	$ 42,492	$ 39,183	$ 34,606	$ 37,029	$ 38,909	$ 35,279
Authority's covered payroll	$ 23,222	$ 19,097	$ 18,974	$ 19,591	$ 19,662	$ 20,269	$ 20,894	$ 20,749	$ 20,741
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	188.68 %	124.90 %	206.43 %	216.90 %	199.28 %	170.73 %	177.22 %	187.52 %	170.09 %
Plan fiduciary net position as a percentage of total pension liability	66.92 %	78.08 %	64.07 %	64.71 %	67.22 %	69.45 %	67.48 %	66.11 %	68.07 %

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

See note to required supplementary information.

Required Supplementary Information
Schedule of the Authority's Pension Contributions
State Employees' Retirement System

Last Nine Fiscal Years
Years Ended June 30
(in Thousands of Dollars)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 5,002	$ 4,359	$ 3,713	$ 3,463	$ 4,139	$ 4,252	$ 4,823	$ 5,030	$ 5,161
Contributions in relation to the statutorily required contribution	5,002	4,359	3,713	3,463	4,139	4,252	4,823	5,030	5,161
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 25,980	$ 21,345	$ 19,597	$ 18,924	$ 19,535	$ 19,652	$ 20,580	$ 20,749	$ 20,741
Contributions as a Percentage of Covered Payroll	19.25 %	20.42 %	18.95 %	18.30 %	21.19 %	21.64 %	23.44 %	24.24 %	24.88 %

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

Notes to Schedule of the Authority's Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of September 30 each year. The September 30, 2019 valuation determined the contribution rate for the State of Michigan's fiscal year ended September 30, 2022.

Methods and assumptions used to determine contribution rates for State of Michigan fiscal year ended September 30, 2022:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years, as of October 1, 2021, ending on September 30, 2036
Asset valuation method	5-year smoothed market
Inflation	2.25 percent
Salary increase	2.75 percent to 11.75 percent, including wage inflation at 2.75 percent
Investment rate of return	6.7 percent, net of investment and administrative expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Tables, scaled by 100 percent for males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
State Employees' Retirement System - Health Care

Last Six Fiscal Years
Years Ended June 30
(in Thousands of Dollars)

	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.67200 %	0.57900 %	0.56900 %	0.63000 %	0.64300 %	0.66500 %
Authority's proportionate share of the net OPEB liability	$ 26,163	$ 22,105	$ 33,218	$ 49,588	$ 51,038	$ 54,803
Authority's covered payroll	$ 23,222	$ 19,097	$ 18,974	$ 19,591	$ 19,662	$ 20,269
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	112.66 %	115.75 %	175.07 %	253.12 %	259.58 %	270.38 %
Plan fiduciary net position as a percentage of total OPEB liability	56.64 %	57.12 %	38.29 %	27.88 %	24.41 %	20.00 %

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

See note to required supplementary information.

Required Supplementary Information
Schedule of the Authority's OPEB Contributions
State Employees' Retirement System - Health Care

Last Six Fiscal Years
Years Ended June 30
(in Thousands of Dollars)

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 3,843	$ 4,075	$ 4,270	$ 4,522	$ 4,436	$ 4,301
Contributions in relation to the actuarially determined contribution	3,843	4,075	4,270	4,522	4,436	4,301
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 25,980	$ 21,345	$ 19,597	$ 18,924	$ 19,535	$ 19,652
Contributions as a Percentage of Covered Payroll	14.79 %	19.09 %	21.79 %	23.90 %	22.71 %	21.89 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of September 30 each year. The September 30, 2019 valuation determined the contribution rate for the State of Michigan's fiscal year ended September 30, 2022.

Methods and assumptions used to determine contribution rates for State of Michigan fiscal year ended September 30, 2022:

Actuarial cost method	Entry age, normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	15 years, as of October 1, 2021, closed ending on September 30, 2036
Asset valuation method	5-year smoothed
Inflation	2.25 percent
Health care cost trend rates	7.50 percent in year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120
Salary increase	2.75 percent to 11.75 percent, including wage inflation at 2.75 percent
Investment rate of return	6.90 percent, net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Tables, scaled by 100 percent and adjusted for mortality improvements using projection scale MP-2017 from 2006

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Total OPEB Liability
Postemployment Life Insurance Benefit

Last Six Fiscal Years
Years Ended June 30
(in Thousands of Dollars)

	2023	2022	2021	2020	2019	2018
Authority's proportion of the total OPEB liability	0.67900 %	0.58400 %	0.58000 %	0.62700 %	0.64600 %	0.65900 %
Authority's proportionate share of the total OPEB liability	$ 6,734	$ 7,954	$ 8,156	$ 7,674	$ 8,066	$ 8,426
Authority's covered-employee payroll	$ 24,615	$ 20,557	$ 18,213	$ 19,009	$ 19,274	$ 19,374
Authority's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	27.36 %	38.69 %	44.78 %	40.37 %	41.85 %	43.49 %

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

The Plan is not a trust and has no assets.

Pension and OPEB Information

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 schedules of the Authority's contributions are presented to show the responsibility of the employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The schedules of the Authority's proportionate share of the net pension and OPEB liabilities and schedules of the Authority's contributions are schedules that are required in implementing GASB Statement Nos. 68 and 75. The schedules of the proportionate share of the net pension and OPEB liabilities represent, in actuarial terms, the accrued liability less the market value of assets. The schedules of the Authority's contributions are comparisons of the employer's contributions to the actuarially determined contributions.

The information presented in the schedules of the Authority's contributions was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates.

Significant Change in Assumptions

The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation related to pension and OPEB decreased by 0.70 percentage points.

Other Supplementary Information

Statement of Net Position Information
(in thousands of dollars)

June 30, 2023

	Activities						
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Other	Combined
Assets, Hedging Derivative Instruments, and Deferred Outflows							
Cash and Investments							
Cash and cash equivalents	$ 69,776	$ 551,835	$ 8,338	$ 1,717	$ 70,794	$ 80,617	$ 783,077
Investments	69,029	29,958	137	97,204	440,675	7	637,010
Total cash and Investments	138,805	581,793	8,475	98,921	511,469	80,624	1,420,087
Loans Receivable							
Multifamily mortgage loans:							
Construction in progress	-	535,037	16,195	-	-	-	551,232
Completed construction	-	1,096,040	49,823	-	-	160,383	1,306,246
Housing development loans	-	-	-	-	-	3,819	3,819
Single-family mortgage loans	2,567,439	-	25,970	-	-	-	2,593,409
Home improvement and moderate rehabilitation loans	-	-	1,411	-	-	-	1,411
Total	2,567,439	1,631,077	93,399	-	-	164,202	4,456,117
Accrued loan interest receivable	11,778	36,168	8,153			19,771	75,870
Allowance on loans receivable	(81,386)	(25,619)	(5,085)			(22,058)	(134,148)
Net loans receivable	2,497,831	1,641,626	96,467	-	-	161,915	4,397,839
Capital Assets, net			18,331				18,331
Other Assets							
Real estate owned - net	3,822	901	46	-	-	-	4,769
Other	43,430	1,758	14,235	-	-	83,568	142,991
Interfund accounts	(22,630)	(49,562)	14,851	-	45,736	11,605	0
Total other assets	24,622	(46,903)	29,132	-	45,736	95,173	147,760
Total assets	2,661,258	2,176,516	134,074	98,921	557,205	337,712	5,984,017
Accumulated Increase in Fair Value of Hedging Derivative Instruments	(5,342)	(9,691)	-	-	-	-	(15,033)
Deferred Outflows of Resources							
Deferred outflows related to pensions	-	-	3,801	-	-	-	3,801
Deferred outflows related to OPEB	-	-	19,476	-	-	-	19,476
Deferred charges on refunding - Reassigned swaps	(3,128)	18,758		-	-	-	15,630
Total deferred outflows of resources	(3,128)	18,758	23,277	-	-	-	38,907
Total assets, hedging derivative instruments, and deferred outflows	**$ 2,652,788**	**$ 2,185,583**	**$ 175,682**	**$ 98,921**	**$ 557,205**	**$ 337,712**	**$ 6,007,891**

Statement of Net Position Information (continued)
(in thousands of dollars)

June 30, 2023

	Activities						
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Other	Combined
Liabilities, Deferred Inflows, and Net Position							
Liabilities							
Bonds payable and line of credit	$ 2,487,710	$ 1,879,607	$ -	$ -	$ -	$ -	$ 4,367,317
Hedging derivative instruments	(5,342)	(9,691)	-	-	-	-	(15,033)
Accrued interest payable	8,747	15,384	-	-	-	-	24,131
Escrow funds	-	1,284	405	-	557,205	(107,714)	451,180
Unamortized mortgage interest income	-	11,852	-	-	-	-	11,852
Net pension liability	-	-	43,816	-	-	-	43,816
Net OPEB liability	-	-	32,897	-	-	-	32,897
Other liabilities	180	35	21,369	-	-	133,096	154,680
Total liabilities	2,491,295	1,898,471	98,487	-	557,205	25,382	5,070,840
Deferred Inflow of Resources							
Deferred inflows related to pensions	-	-	404	-	-	-	404
Deferred inflows related to OPEB	-	-	26,777	-	-	-	26,777
Loan origination fees	-	-	30,541	-	-	-	30,541
Total deferred inflows of resources	-	-	57,722	-	-	-	57,722
Net Position	161,493	287,112	19,473	98,921	-	312,330	879,329
Total liabilities, deferred inflows, and net position	**$ 2,652,788**	**$ 2,185,583**	**$ 175,682**	**$ 98,921**	**$ 557,205**	**$ 337,712**	**$ 6,007,891**

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position Information
(in thousands of dollars)

June 30, 2023

	Activities					
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Other	Combined
Operating Revenue						
Investment income:						
Loan interest income	$ 97,362	$ 77,661	$ 6,415		$ 5,772	$ 187,210
Investment interest income	7,643	16,288	835	2,267	4,276	31,309
Decrease in fair value of investments - Including change in unrealized gains	(8,044)	(2,019)	-	(3,920)	-	(13,983)
Total investment income	96,961	91,930	7,250	(1,653)	10,048	204,536
Less interest expense and debt financing costs	73,660	57,988	3,649	-	-	135,297
Net investment income	23,301	33,942	3,601	(1,653)	10,048	69,239
Other revenue:						
Federal and state assistance programs	-	-	-	-	1,080,413	1,080,413
Housing Community Development Fund	-	-	-	-	50,000	50,000
Section 8 program administrative fees	-	-	29,144	-	-	29,144
Contract administration fees	-	-	13,773	-	-	13,773
Other income	-	2,324	26,840	-	13,973	43,137
Total operating revenue	23,301	36,266	73,358	(1,653)	1,154,434	1,285,706
Operating Expenses (Revenue)						
Federal and state assistance programs	-	-	-	-	1,077,695	1,077,695
Housing Community Development Fund	-	-	-	-	-	-
Salaries and benefits	-	-	46,448	-	-	46,448
Other general operating expenses	-	-	43,499	-	-	43,499
Loan servicing and insurance costs	2,520	-	9,874	-	-	12,394
Provision for possible losses on loans	17,180	4,447	296	-	(624)	21,299
Total operating expenses (revenue)	19,700	4,447	100,117	-	1,077,071	1,201,335
Operating Income (Loss) - Before nonoperating expenses	3,601	31,819	(26,759)	(1,653)	77,363	84,371
Nonoperating Expenses - Grants and subsidies	-	-	(743)	-	(7,930)	(8,673)
Change in Net Position	3,601	31,819	(27,502)	(1,653)	69,433	75,698
Net Position - Beginning of year	157,370	285,293	2,026	100,574	258,368	803,631
Transfers to Other Funds for Payment of Operating Fund Expenses	-	(30,000)	30,000	-	-	-
Funding to Provide Additional Cash Flow and				-		
Payment of Bond Issuance Costs	522	-	14,949	-	(15,471)	-
Net Position - End of year	**$ 161,493**	**$ 287,112**	**$ 19,473**	**$ 98,921**	**$ 312,330**	**$ 879,329**

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

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

The Authority's Response to the Finding

*Government Auditing Standard*s require the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

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

Plante & Moran, PLLC

October 25, 2023

Schedule of Findings

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	**Finding Type** - Significant deficiency

Criteria - Effective reconciliation procedures over federal grants should be in place in order to properly reflect activity for the COVID-19 Emergency Rental Assistance (ERA) program in accordance with Generally Accepted Accounting Principals (GAAP).

Condition - During fiscal year 2023, MSHDA did not perform procedures to determine the amount of expenditures incurred by the subrecipients but not yet reimbursed by MSHDA through June 30, 2023 or to reconcile expenditures reported in the general ledger to ERA program reporting to the U.S. Department of the Treasury.

Context - As a result, the federal expenditures and associated federal revenue and payables were understated and unearned revenue was overstated in the amount of $21.4 million reported in the general ledger at June 30, 2023.

Cause - MSHDA did not have effective processes in place to accurately identify and record expenditures incurred by the subrecipients but not yet reimbursed by MSHDA at year end for the ERA program.

Effect - The federal expenditures, federal revenue, unearned revenue, and payables on the June 30, 2023 financial statements were misstated in the original accounting records provided for audit and were adjusted by $21.4 million at June 30, 2023 in order to be reported in accordance with GAAP.

Recommendation - We recommend MSHDA enhance its internal control over the reconciliation of ERA program grant activity to ensure the financial statements accurately reflect expenditures incurred and revenue earned as of the fiscal year end.

Views of Responsible Officials and Planned Corrective Actions - The Authority agrees with this finding. The Authority's finance team will work with the program area during its year-end closing process to obtain subrecipient accounting records. This information will be used to reconcile discrepancies and more accurately reflect programmatic expenditures.