
Mackinac Bridge Authority

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

Financial Report
with Supplementary Information
September 30, 2023

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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
Mackinac Bridge Authority

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Mackinac Bridge Authority (the "Authority"), a component unit of the State of Michigan, as of and for the years ended September 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 present fairly, in all material respects, the financial position of the Authority as of September 30, 2023 and 2022 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only the Authority and do not purport to, and do not present fairly, the financial position of the State of Michigan as of September 30, 2023 and 2022 or the changes in its financial position and the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.

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

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 opinion. 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.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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

December 5, 2023

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited)

This section of the Mackinac Bridge Authority's (the "Authority") annual financial report is management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2023. Please read it in conjunction with the Authority's basic financial statements and related footnotes, which follow this section.

Financial Highlights

- The Authority's total assets increased by \$7,382,308 or 3%, over the course of fiscal year 2023 operations. The increase was due primarily to an increase in earnings on MBA's current investments. Total assets decreased by \$2,774,250 or 1.1% over the course of fiscal year 2022 operations. The decrease was due primarily to a decrease in earnings on MBA's current investments.
- Total liabilities increased by \$5,191,722 or 32%, during fiscal year 2023, primarily due to GASB 68 and 75 and an increase to accounts payable for preservation projects. Total liabilities decreased by \$5,637,190 or 25.8%, during fiscal year 2022.
- Total net position increased by \$5,487,783 or 2.5%, primarily due to an increased performance of investments securities during fiscal year 2023.
- Traffic crossing the Mackinac Bridge throughout the fiscal year totaled 4,395,657 vehicles, which was 152,847 or 3.6% more vehicles than the previous fiscal year. Traffic decreased by 45,576 or 1.1% from fiscal year 2021 to fiscal year 2022.
- Gross toll revenue increased by \$45,396 or .2%, due to a 3.6% increase in traffic crossing the Mackinac Bridge over the fiscal year. Toll revenue decreased by \$566,081 or 2.3%, from fiscal year 2021 to fiscal year 2022.
- Investments increased by \$9,404,111 primarily from the deposits of securities totaling \$11,000,000 plus \$4,464,318 in interest earnings minus an unrealized loss of \$6,060,207. Investments decreased by \$5,662,822 during fiscal year 2022 due to an increase in securities of \$9,000,000 minus an unrealized loss of \$14,662,822.
- Total operating expenses increased from fiscal year 2022 to fiscal year 2023 by \$5,638,024 or 52.5%, due primarily to an increase in infrastructure preservation projects and the labor related to infrastructure preservation.
- Expenses to operate and manage the bridge increased from fiscal year 2022 to fiscal year 2023 by \$994,293, or 14.4%, due to increased salaries and benefits for Bridge Services, Maintenance, and the Finance departments. Depreciation costs increased during the fiscal year.
- Expenses to preserve and maintain the Mackinac Bridge and related infrastructure totaled \$8,474,139 in the current fiscal year, which was \$4,643,731 more than the previous year. This is primarily due to the infrastructure programs and projects being completed or initiated from previous fiscal year.

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements

The Authority's financial statements include a statement of net position and a statement of revenue, expenses, and changes in net position. These statements report the Authority's net position as of September 30, 2023 and 2022, and how they have changed since September 30, 2022 and 2021, respectively. Net position, the difference between the Authority's assets, liabilities, and changes in deferred resources for pensions and leases, is a way to measure the Authority's current investment in the Mackinac Bridge and the capital assets needed to operate and preserve it, as well as its financial resources available for planned future preservation costs. Over time, increases or decreases in the Authority's net position are an indicator of its financial ability to continue with the necessary preservation of the Bridge.

Also included is a statement of cash flows, which shows how cash was received and used throughout fiscal year 2023 and 2022 to conduct the Authority's operations.

Financial Analysis

Statement of Net Position

	Fiscal Year		
	2023	2022	2021
Assets			
Current	\$ 24,461,786	\$ 18,691,010	\$ 26,575,443
Noncurrent:			
Long-term investments	117,878,945	115,759,561	110,441,227
Lease receivable	777,178	843,984	1,176,929
Capital assets	<u>108,599,901</u>	<u>109,040,947</u>	<u>108,916,153</u>
Total assets	251,717,810	244,335,502	247,109,752
Deferred Outflows of Resources	3,708,294	3,345,122	3,941,113
Liabilities			
Current	6,693,762	4,183,026	4,311,750
Noncurrent	<u>14,708,076</u>	<u>12,027,090</u>	<u>17,535,556</u>
Total liabilities	21,401,838	16,210,116	21,847,306
Deferred Inflows of Resources	<u>6,893,962</u>	<u>9,827,987</u>	<u>7,516,917</u>
Net Position			
Net investment in capital assets	108,599,901	109,040,947	108,916,153
Unrestricted	<u>118,530,403</u>	<u>112,601,574</u>	<u>112,770,489</u>
Total net position	<u>\$ 227,130,304</u>	<u>\$ 221,642,521</u>	<u>\$ 221,686,642</u>

The Authority's net position increased by \$5,487,783 or 2.5%, from fiscal year 2022 to fiscal year 2023, going from \$221,642,521 at the beginning of the year to \$227,130,304 at fiscal year-end. This increase was the result of a 3% increase in total assets. The Authority's net position decreased by \$44,121 or .02%, from fiscal year 2021 to fiscal year 2022, going from \$221,686,642 at the beginning of the year to \$221,642,521 at fiscal year-end. This decrease was the result of a 1.1% increase in total assets and a 25.8% decrease in total liabilities.

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Management's Discussion and Analysis (Unaudited)

Total assets increased from fiscal year 2022 to fiscal year 2023 by \$7,382,308. Current assets consist primarily of cash and current investments. Current assets increased throughout the year by \$5,770,776 primarily due to an increase in the current investments of \$7,284,727. Noncurrent assets increased by \$1,611,532 primarily due to an increase in long-term investments by \$2,119,384 offset by decrease in capital assets. Net capital assets consist of land; bridge, road, and plaza area infrastructure; and depreciable buildings, vehicles, and equipment. Net capital assets decreased by \$441,046 due to capital asset investments not exceeding depreciation expense. Overall, the increase in total assets is largely due to the increase in the current value of investments account as a direct result of the current market.

Total assets decreased from fiscal year 2021 to fiscal year 2022 by \$2,774,250. Current assets consist primarily of cash and current investments. Current assets decreased throughout the year by \$7,884,433 primarily due to a decrease to the current investments of \$10,981,156. Noncurrent assets increased by \$5,110,183 primarily due to an increase in long-term investments by \$5,318,334. Capital assets consist of land; bridge, road, and plaza area infrastructure; and depreciable buildings, vehicles, and equipment. Capital assets increased by \$124,794 due to capital asset investments exceeding depreciation expense. Overall, the decrease in total assets largely related to a decrease in the current value of the Authority's investments as a direct result of a decline in the current market.

Total liabilities increased by \$5,191,722 or 32%, fiscal year 2022 to fiscal year 2023 due to increases in net pension and OPEB liabilities. Total liabilities decreased by \$5,637,190 or 25.8%, fiscal year 2021 to fiscal year 2022 due to decreases in net pension and OPEB liabilities.

Statement of Changes in Net Position

	Fiscal Year		
	2023	2022	2021
Operating Revenue - Tolls, fees, and leases	\$ 23,682,957	\$ 23,637,561	\$ 24,203,642
Operating Expenses			
Operations	7,913,207	6,918,914	5,083,564
Preservation costs	8,474,139	3,830,408	8,540,193
Total expenses	16,387,346	10,749,322	13,623,757
Nonoperating Revenue (Expense)			
Grant revenue	-	1,900,000	-
Payments on advance to the State of Michigan	(250,000)	(250,000)	(250,000)
Investment (loss) income	(1,557,828)	(14,582,360)	(1,460,368)
Changes in Net Position	\$ 5,487,783	\$ (44,121)	\$ 8,869,517

Operating revenue for fiscal year 2023 of \$23,682,957, consisting of vehicle tolls, miscellaneous fees, and lease income, increased by 0.1% from the previous year. Net toll revenue increased from \$23,209,482 for fiscal year 2022 to \$23,260,964 for fiscal year 2023. Expenses to operate, manage, and preserve the bridge and associated infrastructure increased 52.5% from \$10,749,322 in fiscal year 2022 to \$16,387,346 in fiscal year 2023. Bridge operations and management, consisting of toll collection, customer services, equipment and facilities maintenance, snow removal, and finance and administration, increased by 14.4% for fiscal

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Management's Discussion and Analysis (Unaudited)

year 2023 primarily due to increases in labor costs. Preservation costs for fiscal year 2023, totaling \$8,474,139, were \$4,643,731 more than the \$3,830,408 expensed during fiscal year 2022. The increase in preservation costs is due to an increase in the infrastructure programs and projects being completed or initiated.

Operating revenue for fiscal year 2022 of \$23,637,561, consisting of vehicle tolls, miscellaneous fees, and lease income, decreased by 2.3% from the previous year. Net toll revenue decreased from \$23,779,010 for fiscal year 2021 to \$23,209,482 for fiscal year 2022. Expenses to operate, manage, and preserve the bridge and associated infrastructure decreased 21.1% from \$13,623,757 in fiscal year 2021 to \$10,749,322 in fiscal year 2022. Bridge operations and management, consisting of toll collection, customer services, equipment and facilities maintenance, snow removal, and finance and administration, decreased by 36.1% for fiscal year 2022 primarily due to decreases in labor costs. Infrastructure preservation costs for fiscal year 2022, totaling \$3,830,408 were \$4,709,785 less than the \$8,540,193 expensed during fiscal year 2021. The reasons for this difference in fiscal year preservation costs were primarily due to the infrastructure programs and projects being deferred to another fiscal year, contracted bridge painting completion, and contracted costs being under what was budgeted.

Net investment income for fiscal year 2023 increased \$13,024,532 resulting in a 19.1% rate of return on invested assets. This was \$13,024,532 more than the investment loss of \$13,121,992 reported for fiscal year 2022, which showed a negative 3.5% rate of return. Interest earnings were \$4,464,365 during fiscal year 2023 on an average investment of \$132.5 million, whereas investment earnings were \$2,640,660 during fiscal year 2022 on an average investment of \$130.7 million. In addition to interest earnings, there were unrealized loss on investments of \$6,060,207 in fiscal year 2023 due to decreases in market values of investments.

Net investment income for fiscal year 2022 decreased \$13,121,992 resulting in a negative 3.5% rate of return on invested assets. This was \$13,121,992 less than the investment gain of \$8,635,133 reported for fiscal year 2021, which showed a negative 1.1% rate of return. Interest earnings were \$2,640,660 during fiscal year 2022 on an average investment of \$130.7 million, whereas investment earnings were \$2,424,218 during fiscal year 2021 on an average investment of \$126.5 million. In addition to interest earnings, there were unrealized losses on investments of \$17,230,183, in fiscal year 2022 due to decreases in market values of investments.

Capital Asset and Debt Administration

Capital assets, consisting of the bridge and related infrastructure, land, buildings, and capital equipment, net of depreciation, decreased by \$441,046 and increased by \$124,794 on September 30, 2023 and September 30, 2022, respectively. The decrease in fiscal year 2023 was the result of \$638,973 in building improvements, new toll software, equipment, and vehicles additions that were reduced by the sale of \$405,069 in excess equipment and vehicles, and a \$674,950 net increase in accumulated depreciation. The increase in fiscal year 2022 was the result of \$975,818 in building improvements, new toll software, equipment, and vehicles minus the removal of several vehicles. These additions to depreciable capital assets were reduced by the sale of \$202,290 in excess equipment and vehicles, and a \$648,734 net increase in accumulated depreciation.

As of September 30, 2023, prepaid tolls and unearned revenue from leases were \$2,147,763 and \$131,407, respectively. The total value of vacation and sick leave balances due to employees as of September 30, 2023, was \$466,325. Compensated absences increased by \$21,968 from fiscal year 2022 to 2023. Outstanding noncurrent obligations totaled \$14,708,076 which includes amounts due to the net pension and OPEB liability of \$8,082,967 and \$6,249,335 respectively, and the portion of compensated absences not expected to be paid within the following 12 months. Prepaid tolls increased by \$145,322 primarily due to the increase in MacPass accounts.

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Management's Discussion and Analysis (Unaudited)

As of September 30, 2022, prepaid tolls and unearned revenue from leases were \$2,002,441 and \$131,407, respectively. The total value of vacation and sick leave balances due to employees as of September 30, 2022, was \$444,357. Compensated absences decreased by \$13,949 from fiscal year 2021 to 2022. Outstanding noncurrent obligations totaled \$12,027,090, which includes amounts due to the net pension and OPEB liabilities of \$4,996,663 and \$6,684,611 respectively, and the portion of compensated absences not expected to be paid within the following 12 months. Prepaid tolls increased by \$155,033 primarily due to the increase in MacPass accounts.

Modified Approach for Infrastructure

The Authority manages its bridge network using its bridge management and inspection program and accounts for it using the modified approach. The Mackinac Bridge is inspected annually by an independent engineering firm. It is the policy of the Authority to keep the structure at a condition rating of "fair" or better. The condition rating descriptions are the ones used in the latest Michigan Department of Transportation - Michigan Bridge Inspection System. For 2023, the Mackinac Bridge's condition was rated "good" as determined by inspection procedures.

Actual preservation costs included the expenditures needed to complete all priority preservation projects to keep the Mackinac Bridge at or above the established condition level.

Economic Factors

As of September 30, 2023, the Authority had no pending or threatening litigation that would have a material effect on its financial statements. During fiscal year 2023, the Authority undertook its regular and prudent assessment of the various areas of risk to its assets and operations. The Authority continued to carry appropriate insurance against tort liability and physical damage to the Authority's real and personal property, excluding the Mackinac Bridge structure, through August 5, 2009, after which the Authority began its self-insurance program to cover these risks. The Authority entered into an agreement with the Michigan Department of Transportation to provide for the self-insurance against tort liability and physical damage to the Authority's assets other than the licensed vehicles and physical damage to the Mackinac Bridge itself. The Authority maintains insurance for licensed vehicles. The Authority does not insure the bridge structure itself for physical damage.

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Statement of Net Position

September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash (Note 5)	\$ 4,306,794	\$ 6,004,228
Investments (Note 5)	19,362,016	12,077,289
Leases receivable	576,292	344,299
Other assets	216,684	265,194
Total current assets	24,461,786	18,691,010
Noncurrent assets:		
Long-term investments (Note 5)	117,878,945	115,759,561
Capital assets: (Note 7)		
Capital assets not being depreciated	103,092,154	103,092,154
Other capital assets - Net of depreciation	5,507,747	5,948,793
Leases receivable	777,178	843,984
Total noncurrent assets	227,256,024	225,644,492
Total assets	251,717,810	244,335,502
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 11)	876,989	852,647
Deferred outflows related to OPEB (Note 12)	2,831,305	2,492,475
Total deferred outflows of resources	3,708,294	3,345,122
Liabilities		
Current liabilities:		
Accounts payable	2,666,667	999,818
Due to State of Michigan (Note 8)	1,657,374	950,819
Unearned revenue	131,407	131,407
Prepaid tolls (Note 9)	2,147,763	2,002,441
Compensated absences (Note 9)	90,551	98,541
Total current liabilities	6,693,762	4,183,026
Noncurrent liabilities:		
Net pension liability (Note 11)	8,082,967	4,996,663
Net OPEB liability (Note 12)	6,249,335	6,684,611
Compensated absences (Note 9)	375,774	345,816
Total noncurrent liabilities	14,708,076	12,027,090
Total liabilities	21,401,838	16,210,116
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 11)	74,538	2,215,269
Deferred inflows related to OPEB (Note 12)	5,210,973	5,828,462
Deferred inflows from leases	1,608,451	1,784,256
Total deferred inflows of resources	6,893,962	9,827,987
Net Position		
Net investment in capital assets	108,599,901	109,040,947
Unrestricted (Note 13)	118,530,403	112,601,574
Total net position	\$ 227,130,304	\$ 221,642,521

See notes to financial statements.

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Statement of Revenue, Expenses, and Changes in Net Position

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Tolls and fees	\$ 23,260,964	\$ 23,209,482
Lease revenue (Note 15)	412,675	416,725
Interest revenue on leases (Note 15)	9,318	11,354
Total operating revenue	<u>23,682,957</u>	<u>23,637,561</u>
Operating Expenses		
Bridge operations	3,780,580	2,946,109
Maintenance	2,313,211	2,257,848
Administration	703,656	673,385
Finance	653,705	582,801
General operations	462,055	458,771
Preservation costs	8,474,139	3,830,408
Total operating expenses	<u>16,387,346</u>	<u>10,749,322</u>
Operating Income	7,295,611	12,888,239
Nonoperating (Expense) Revenue		
Investment loss	(1,557,828)	(14,582,360)
Grant revenue	-	1,900,000
Payments on advance from State of Michigan (Note 4)	(250,000)	(250,000)
Total nonoperating expense	<u>(1,807,828)</u>	<u>(12,932,360)</u>
Change in Net Position	5,487,783	(44,121)
Net Position - Beginning of year	<u>221,642,521</u>	<u>221,686,642</u>
Net Position - End of year	<u><u>\$ 227,130,304</u></u>	<u><u>\$ 221,642,521</u></u>

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Statement of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Tolls and fees	\$ 23,406,286	\$ 23,205,950
Receipts from lessees	81,001	328,671
Payments to suppliers	(371,072)	(1,986,639)
Payments to employees	(7,680,395)	(7,747,724)
Net cash provided by operating activities	15,435,820	13,800,258
Cash Flows Provided by Noncapital Financing Activities - Grant revenue	-	1,900,000
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	-	158,565
Purchase of capital assets	(560,509)	(975,818)
Payments of preservation costs	(5,360,806)	(2,693,486)
Payments on advance from State of Michigan	(250,000)	(250,000)
Net cash used in capital and related financing activities	(6,171,315)	(3,760,739)
Cash Flows from Investing Activities		
Interest on investments	4,502,379	2,448,123
Purchases of investments	(15,464,318)	(11,367,661)
Net cash used in investing activities	(10,961,939)	(8,919,538)
Net (Decrease) Increase in Cash	(1,697,434)	3,019,981
Cash - Beginning of year	6,004,228	2,984,247
Cash - End of year	\$ 4,306,794	\$ 6,004,228
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 7,295,611	\$ 12,888,239
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,001,555	851,024
Preservation costs reported as cash flow from capital activities	5,360,806	2,693,486
Gain on sale of capital asset	-	(158,565)
Changes in assets, liabilities, and deferred inflows:		
Other assets	48,510	(61,114)
Change in lease receivables and deferred inflows	(340,992)	(99,408)
Change in net pension and OPEB liabilities and associated deferrals	(470,364)	(2,160,585)
Accounts payable	1,666,849	(552,937)
Due to State of Michigan	706,555	259,034
Prepaid tolls	145,322	155,033
Compensated absences	21,968	(13,949)
Total adjustments	8,140,209	912,019
Net cash provided by operating activities	\$ 15,435,820	\$ 13,800,258

During 2023 and 2022, there were no noncash investing, capital, and financing activities.

Note 1 - Reporting Entity

Mackinac Bridge Authority (the "Authority"), a discretely presented component unit of the State of Michigan, was created as a corporate instrumentality in 1950 under provisions of Act No. 21 of the Public Acts of Michigan. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge between the Lower Peninsula and the Upper Peninsula of Michigan. Financing for the operation and maintenance of the bridge is provided by fares and earnings on investments. The accompanying financial statements are not intended to present the financial position and results of operations of the State of Michigan or its enterprise funds.

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.

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

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.

Cash and Investments

Cash includes cash on hand and demand deposits. Investments are recorded at fair value. Investments maturing beyond one year of the fiscal year end are recorded as noncurrent assets.

Capital Assets

Capital assets with a unit cost of over \$5,000 are recorded at cost at the date of acquisition or, if donated, at acquisition value at the date of donation. The Authority's infrastructure asset (the Mackinac Bridge and related assets) is included in the financial statements at historical cost, and the Authority elected to use the modified approach. Under the modified approach, all capital expenditures, except additions and improvements, are reported as an expense in the current period in lieu of depreciating the asset. All other capital assets (excluding infrastructure) are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Depreciable Life - Years</u>
Buildings	39
Equipment and vehicles	3 - 7

Prepaid Tolls

Individuals and businesses have the ability to prepay accounts, allowing for multiple trips across the Mackinac Bridge. These accounts can subsequently be reloaded at any time. These prepaid tolls are accrued at the time the accounts are purchased or reloaded and are recognized as revenue each time the account is used to cross the bridge.

Note 2 - Significant Accounting Policies (Continued)

Leases

The Authority is a lessor for noncancelable leases of telecommunication assets and buildings. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Authority uses the Municipal GO bond rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Unearned Revenue

Unearned revenue is reported for resources that have been received but not yet earned.

Compensated Absences

Compensated absence costs are accrued when earned by employees.

Revenue/Expenses

Operating revenue and expenses generally result from providing services and maintaining the Mackinac Bridge. All other revenue, such as grants and expenses, are reported as nonoperating. Revenue is recognized at the time it is earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category, which are the deferred outflows of resources related to the pension and deferred outflows of resources related to other postemployment benefit costs.

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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has several items that qualify for reporting in this category, which are the deferred inflows of resources related to the pension, deferred inflows of resources related to other postemployment benefit costs, and deferred lease revenue previously described.

Note 2 - Significant Accounting Policies (Continued)

Pensions and Postemployment Benefits Other Than Pensions (OPEB)

For the purpose of measuring the net pension liability and 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Unrestricted Net Position

Net position of the Authority is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation. Unrestricted net position is the net position not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties.

Upcoming Accounting Pronouncement

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 September 30, 2025.

Note 3 - Operating Expenditures Reimbursement

Act No. 141 of the Public Acts of the State of Michigan's 1953 Regular Session provided for the annual reimbursement by the Michigan Department of Transportation for operating expenditures not to exceed \$417,000 in any one state fiscal year. Such annual reimbursements were made through December 1985, at which time all Bridge Revenue Bond principal and interest were paid.

Public Act No. 141 further provides that even though all Bridge Revenue Bonds have been paid, the Authority shall continue to charge fares until the aggregate amount of all reimbursements (advances) has been repaid to the State Trunkline Fund. A total of \$12,306,172 has been received as advances under this act, and, to date, no repayments have been made.

The Authority has not recorded a liability for these advances because the reimbursements are contingent upon future net revenue and the repayment commitment is long term and budgetary in nature.

Note 4 - Annual Debt Service Advance and Revision of Fares

Under Michigan Public Act No. 5 of 1967, Extra Session, the Michigan Legislature authorized an appropriation of \$3,500,000 to be disbursed to the Mackinac Bridge Authority in January 1969 and a similar amount during each January thereafter through January 1986 to be used in payment of principal, interest, and incidental costs of bonds issued by the Authority, while still outstanding. It was the expressed intent of the legislature that the Authority reduce fares for crossing the bridge as near as possible to \$1.50 per passenger car (from the rate of \$3.75 employed in 1968) and make proportional reductions for all other classes of vehicles. Effective January 1, 1969, the Authority approved such reduction in fares for all classes of vehicles. Effective July 1, 1995, the Authority increased the fares on trucks to restructure the proportion of fares paid by trucks in relation to those paid by passenger vehicles. Effective May 1, 2003, the Authority increased fares to assist with expenses. Effective March 1, 2008; January 1, 2010; and January 1, 2012, the Authority approved an additional increase of fares to further help assist with expenses and economic conditions. Public Act No. 5 further provides that, even though all Bridge Revenue Bonds have been paid, the Authority shall continue to charge fares until the aggregate amount of advances received has been repaid to the Michigan Transportation Fund. A total of \$63,000,000 has been received as advances under this act. The Authority paid \$250,000 in 2023 and 2022 to the State of Michigan toward this advance. The total of these advances repaid as of September 30, 2023 is \$17,806,172. The repayment amounts have been determined by the Authority's finance committee, which considers the bridge's annual needs for maintenance and operations, as well as planned future extraordinary repairs and improvements.

The Authority has not recorded a liability for these advances because the reimbursements are contingent upon future net revenue and the repayment commitment is long term and budgetary in nature. When repayments are made, they are reported as payments on advance from the State of Michigan.

Note 5 - Deposits and Investments

Cash and investments held by the Authority at September 30, 2023 and 2022 were as follows:

	2023	2022
Deposits	\$ 4,274,291	\$ 5,954,366
Investments	137,240,961	127,836,850
Cash on hand	32,503	49,862
Total deposits and investments	\$ 141,547,755	\$ 133,841,078

The Authority has designated one bank for the deposit of its funds. The investment policy in accordance with state statutes has authorized investment in bonds and securities of the United States government, prime commercial paper, bank accounts, and certificates of deposit. The Authority's deposits and investment policies are in accordance with state statutes.

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 September 30, 2023 and 2022, the Authority had bank deposits of \$4,405,006 and \$6,759,435, respectively, (checking and savings accounts). Of these amounts, \$250,000 was covered by federal depository insurance coverage, and the Authority had an additional \$2,000,000 of collateral held in the pledging bank's trust department in the Authority's name at both September 30, 2023 and 2022. The Authority believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits.

September 30, 2023 and 2022

Note 5 - Deposits and Investments (Continued)

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 other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Authority had the following investments and maturities:

Investment	2023				
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Money market	\$ 16,706,919	\$ 16,706,919	\$ -	\$ -	\$ -
Government securities	39,768,703	2,578,351	19,083,828	5,940,977	12,165,547
Mortgage-backed securities	74,702,572	4,508	108,567	1,828,373	72,761,124
Government-backed and other securities	6,062,767	72,238	109,454	5,252,467	628,608
Total	\$ 137,240,961	\$ 19,362,016	\$ 19,301,849	\$ 13,021,817	\$ 85,555,279

Investment	2022				
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Money market	\$ 11,587,325	\$ 11,587,325	\$ -	\$ -	\$ -
Government securities	37,946,122	489,964	20,954,752	6,038,594	10,462,812
Mortgage-backed securities	69,982,334	-	235,675	1,874,652	67,872,007
Government-backed and other securities	8,321,069	-	720,971	3,992,300	3,607,798
Total	\$ 127,836,850	\$ 12,077,289	\$ 21,911,398	\$ 11,905,546	\$ 81,942,617

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has an investment policy that would limit its investment choices regarding credit risk. As of year end, the credit quality ratings of debt securities are as follows:

Investment	2023		
	Fair Value	Rating	Rating Organization
Money market	\$ 16,706,919	Not rated	N/A
Government securities	36,055,852	Aaa	Moody's
Mortgage-backed securities	74,702,572	Aaa	Moody's
Government-backed and other securities	6,062,767	Aaa/Not rated	Moody's
Freddie Mac	3,712,851	Not rated	N/A

Investment	2022		
	Fair Value	Rating	Rating Organization
Money market	\$ 11,587,325	Not rated	N/A
Government securities	37,946,122	Aaa	Moody's
Mortgage-backed securities	65,726,751	Aaa	Moody's
Government-backed and other securities	8,321,069	Aaa/Not rated	Moody's
Freddie Mac	4,255,583	Not rated	N/A

Note 5 - Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment with a single issuer. The Authority has a policy limiting the dollar value of investments with a single issue. The policy requires the Authority to limit investments in securities to any single issuer to 5 percent of total investments, with the following exceptions:

U.S. Treasury	100% of total investments
Each federal agency	50% of total investments
Each repurchased agreement counterparty	25% of total investments
Each money market mutual fund	50% of total investments

The Authority had investments in the following companies that exceeded 5 percent of the Authority's total investments at September 30, 2023 and 2022:

Name of Issuer	2023	
	Amount	Percentage of Investments
GNMA (Ginnie Mae)	\$ 36,311,788	30.28
U.S. Treasury notes	36,335,937	30.30
FNMA (Fannie Mae)	9,180,309	6.72

Name of Issuer	2022	
	Amount	Percentage of Investments
GNMA (Ginnie Mae)	\$ 38,757,422	30.3
U.S. Treasury notes	34,604,297	27.1

Note 6 - 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 assets. 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. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the 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.

Note 6 - Fair Value Measurements (Continued)

The Authority has the following recurring fair value measurements as of September 30, 2023:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2023
Money market	\$ 16,706,919	\$ -	\$ -	\$ 16,706,919
Government securities	39,153,790	-	-	39,153,790
Mortgage-backed securities	-	74,702,572	-	74,702,572
Government-backed and other securities	-	6,062,767	-	6,062,767
Total investments by fair value level	<u>\$ 55,860,709</u>	<u>\$ 80,765,339</u>	<u>\$ -</u>	<u>\$ 136,626,048</u>

The Authority has the following recurring fair value measurements as of September 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2022
Money market	\$ 11,587,325	\$ -	\$ -	\$ 11,587,325
Government securities	37,456,158	-	-	37,456,158
Mortgage-backed securities	-	69,982,334	-	69,982,334
Government-backed and other securities	-	8,321,069	-	8,321,069
Total investments by fair value level	<u>\$ 49,043,483</u>	<u>\$ 78,303,403</u>	<u>\$ -</u>	<u>\$ 127,346,886</u>

The tables above do not include accrued income of \$614,913 and \$489,964 as of September 30, 2023 and 2022, respectively, which is included in the investment balances on the statement of net position.

Money market and government securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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

September 30, 2023 and 2022

Note 7 - Capital Assets

Capital asset activity for the years ended September 30, 2023 and 2022 was as follows:

	Balance October 1, 2022	Reclassifications and Adjustments	Additions	Disposals and Adjustments	Balance September 30, 2023
Capital assets not being depreciated:					
Land	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Infrastructure - Bridge	102,967,154	-	-	-	102,967,154
Subtotal	103,092,154	-	-	-	103,092,154
Capital assets being depreciated:					
Buildings	6,068,785	-	-	-	6,068,785
Equipment and vehicles	8,702,243	(51,617)	638,973	(353,452)	8,936,147
Subtotal	14,771,028	(51,617)	638,973	(353,452)	15,004,932
Accumulated depreciation:					
Buildings	3,617,986	-	214,326	-	3,832,312
Equipment and vehicles	5,204,249	-	787,229	(326,605)	5,664,873
Subtotal	8,822,235	-	1,001,555	(326,605)	9,497,185
Net capital assets being depreciated	5,948,793	(51,617)	(362,582)	(26,847)	5,507,747
Net capital assets	<u>\$ 109,040,947</u>	<u>\$ (51,617)</u>	<u>\$ (362,582)</u>	<u>\$ (26,847)</u>	<u>\$ 108,599,901</u>
	Balance October 1, 2021	Reclassifications and Adjustments	Additions	Disposals and Adjustments	Balance September 30, 2022
Capital assets not being depreciated:					
Land	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Infrastructure - Bridge	102,967,154	-	-	-	102,967,154
Subtotal	103,092,154	-	-	-	103,092,154
Capital assets being depreciated:					
Buildings	5,999,744	-	69,041	-	6,068,785
Equipment and vehicles	7,997,756	-	906,777	(202,290)	8,702,243
Subtotal	13,997,500	-	975,818	(202,290)	14,771,028
Accumulated depreciation:					
Buildings	3,448,739	-	169,247	-	3,617,986
Equipment and vehicles	4,724,762	-	681,777	(202,290)	5,204,249
Subtotal	8,173,501	-	851,024	(202,290)	8,822,235
Net capital assets being depreciated	5,823,999	-	124,794	-	5,948,793
Net capital assets	<u>\$ 108,916,153</u>	<u>\$ -</u>	<u>\$ 124,794</u>	<u>\$ -</u>	<u>\$ 109,040,947</u>

September 30, 2023 and 2022

Note 7 - Capital Assets (Continued)

Depreciation expense was charged to functions as follows for the years ended September 30, 2023 and 2022:

	2023	2022
Bridge operations	\$ 375,198	\$ 369,852
Maintenance	214,326	129,331
General operations	177,716	169,247
Preservation costs	234,315	182,594
Total depreciation activities	\$ 1,001,555	\$ 851,024

Note 8 - Due to State of Michigan

The following is a summary of the amounts due to the State of Michigan for reimbursement of expenses made on behalf of the Authority:

	2023	2022
Michigan Department of Transportation	\$ 1,657,374	\$ 950,819

Note 9 - Long-term Obligations

Long-term liability activity for the years ended September 30, 2023 and 2022 was as follows:

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 444,357	\$ 21,968	\$ -	\$ 466,325	\$ 90,551
Prepaid tolls	2,002,441	145,322	-	2,147,763	2,147,763
Total	\$ 2,446,798	\$ 167,290	\$ -	\$ 2,614,088	\$ 2,238,314
	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 458,306	\$ -	\$ (13,949)	\$ 444,357	\$ 98,541
Prepaid tolls	1,847,408	155,033	-	2,002,441	2,002,441
Total	\$ 2,305,714	\$ 155,033	\$ (13,949)	\$ 2,446,798	\$ 2,100,982

The total amount of prepaid toll balances is recorded as current. The estimated portion of employee leave balances remaining relatively unchanged throughout the fiscal year is recorded as noncurrent.

Note 10 - 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. Effective August 5, 2009, the Authority entered into an agreement with the Michigan Department of Transportation to self-insure the Authority's assets and activities, with the exception of its commercial automobile policy, in accordance with Section 254.01a of the Michigan Compiled Laws. The State of Michigan provides coverage for the Authority for medical benefits. The Authority is self-insured for employee injuries (workers' compensation) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

September 30, 2023 and 2022

Note 10 - Risk Management (Continued)

The Authority estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	
	2023	2022
Estimated liability - Beginning of year	\$ 9,523	\$ 4,400
Estimated incurred claims	250,659	26,922
Claim payments	(34,415)	(21,799)
Estimated liability - End of year	<u>\$ 225,767</u>	<u>\$ 9,523</u>

Note 11 - Pension Plans

Plan Description

The Michigan State Employees' Retirement System (the "System" or SERS) 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 of whom are appointed by the governor. The board consists of two members of the State Employees' Retirement System, at least one of whom is a retiree; 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 retiree under the Military Retirement Provisions; one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director, who serve as ex officio members.

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

Benefits Provided

Introduction

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, 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 closed the plan to new entrants. All new employees become members of the defined contribution plan. The 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 11 - 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 defined benefit (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 defined contribution (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 re-employed 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 re-employed 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 re-employed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count toward vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund wherein 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 younger 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 years of credited service and is payable monthly over the member's lifetime.

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

Note 11 - Pension Plans (Continued)

For members who switch to the DC plan for future service, the pension calculation of 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:

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:

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

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

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 a 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 redefine eligibility for deceased members' survivors. The new minimum duty-related death benefit has been increased to \$6,000.

Note 11 - 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 is as follows:

Regular Pension

The pension benefit is computed with no beneficiary rights. If the retiree made contributions as 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 option previously described. If the beneficiary predeceases the retiree, the pension pops up to the regular pension amount; another beneficiary cannot be named.

Equated Pension

An equated pension may be chosen by any member under age 65 except for 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 option. At age 65, the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of Social Security benefits at age 65, provided by the Social Security Administration Office. In order to calculate this benefit, members choosing this option must provide the Office of Retirement Services (ORS) with an estimate from the Social Security Administration Office. The actual amount received from Social Security may vary from the estimate.

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.

September 30, 2023 and 2022**Note 11 - Pension Plans (Continued)*****Contributions*****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 was 23.11 percent of the defined benefit employee wages and 18.54 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended September 30, 2023 was \$877,473.

For fiscal year 2022, the Authority's contribution rate was 23.97 percent of the defined benefit employee wages and 19.05 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended September 30, 2022 was \$849,014.

Net Pension Liability, Deferrals, and Pension Expense

At September 30, 2023, the Authority reported a liability of \$8,082,967 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 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 0.1251 percent.

At September 30, 2022, the Authority reported a liability of \$4,996,663 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 period from October 1, 2020 through September 30, 2021, relative to the total required employer contributions from all SERS' participating employers. At September 30, 2021, the Authority's proportion was 0.1229 percent.

For the years ended September 30, 2023 and 2022, the Authority recognized pension expense of \$1,794,163 and \$29,460, respectively.

Note 11 - Pension Plans (Continued)

At September 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 earnings on pension plan investments	\$ -	\$ 74,538	\$ -	\$ 2,215,269
Authority's contributions to the plan subsequent to the measurement date	876,989	-	852,647	-
Total	<u>\$ 876,989</u>	<u>\$ 74,538</u>	<u>\$ 852,647</u>	<u>\$ 2,215,269</u>

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

Years Ending September 30	Amount
2024	\$ (102,140)
2025	(159,550)
2026	(207,915)
2027	395,067
Total	<u>\$ (74,538)</u>

Note 11 - Pension Plans (Continued)

Actuarial Assumptions

The Authority's net pension liability for the year ended September 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 September 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 increase	2.75 through 11.75 percent	2.75 - 11.75 percent
Investment rate of return	6.0 percent	6.70 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 rates	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 covering the period from October 1, 2012 through September 30, 2017	The actuarial assumptions were based upon the results of an experience study covering the period from October 1, 2012 through September 30, 2017

Discount Rate

A discount rate of 6.0 and 6.70 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 6.70 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.

September 30, 2023 and 2022

Note 11 - Pension Plans (Continued)

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 tables:

Asset Class	2022	
	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Real return and opportunistic pools	10.00	5.80
Short-term investment pools	2.00	(0.50)

*Long-term rates of return are net of administrative expenses and 2.2 percent inflation.

Asset Class	2021	
	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Real return and opportunistic pools	12.50	6.10
Short-term investment pools	2.00	(1.30)

*Long-term rates of return are net of administrative expenses and 2.0 percent inflation.

Pension Liability Sensitivity

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:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
September 30, 2023 net pension liability	\$ 10,557,411	\$ 8,082,967	\$ 5,979,427
	1 Percentage Point Decrease (5.70%)	Current Discount Rate (6.70%)	1 Percentage Point Increase (7.70%)
September 30, 2022 net pension liability	\$ 7,226,545	\$ 4,996,663	\$ 3,097,291

Note 11 - Pension Plans (Continued)

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.

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 employers and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority's contributions to the plan were approximately \$348,983 and \$321,349 for the years ended September 30, 2023 and 2022, respectively, and are recorded in salaries and benefits expense.

Note 12 - Other Postemployment Benefit Plan

Defined Benefit OPEB Health - 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 of whom are appointed by the governor. The board consists of two members of the State Employees' Retirement System, at least one of whom is a retiree; 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 retiree under the Military Retirement Provisions; one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director, who serve as ex officio members. 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. Those 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.

Note 12 - Other Postemployment Benefit Plan (Continued)

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 health (including prescription coverage), dental, and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30 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 re-employed by the State on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund. This plan is closed to new hires.

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. Active employees are not required to contribute to SERS OPEB.

For fiscal year 2023, the Authority's contribution rate was 14.09 percent of the defined benefit employee wages and 14.09 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended September 30, 2023 was \$666,861.

For fiscal year 2022, the Authority's contribution was 17.26 percent of the defined benefit employee wages and 17.26 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended September 30, 2022 was \$760,253.

September 30, 2023 and 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The Authority's net OPEB liability for the year ended September 30, 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB 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 September 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 - 11.75 percent	2.75 - 11.75 percent
Investment rate of return	6.20 percent	6.90 percent
Health care trend rates	Pre-65: 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 at September 30, 2020 Post-65: 6.25 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 at September 30, 2020 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 at September 30, 2019	Pre-65: 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 at September 30, 2020 Post-65: 6.25 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 at September 30, 2020 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 at September 30, 2019
Mortality rates	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 covering the period from October 1, 2012 through September 30, 2017	The actuarial assumptions were based upon the results of an experience study covering the period from October 1, 2012 through September 30, 2017

September 30, 2023 and 2022

Note 12 - Other Postemployment Benefit Plan (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 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 OPEB plan's target asset allocation as of September 30, 2022 and 2021 are summarized in the following table:

Asset Class	2022		2021	
	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 pools	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 expenses and 2.2 percent and 2.0 percent inflation at September 30, 2022 and 2021, respectively.

Discount Rate

A single discount rate of 6.2 and 6.9 percent was used to measure the total OPEB liability for both 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 those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 OPEB liability.

Net OPEB Liability

At September 30, 2023, the Authority reported a liability of \$4,969,361 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 OPEB 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 0.1276 percent.

Note 12 - Other Postemployment Benefit Plan (Continued)

At September 30, 2022, the Authority reported a liability of \$4,793,387 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 OPEB 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 0.1256 percent.

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 proportionate share of the net OPEB liability would be if 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%)	Current Discount Rate (6.2%)	1 Percentage Point Increase (7.2%)
Authority's proportionate share of the net OPEB liability	\$ 6,309,164	\$ 4,969,361	\$ 3,844,326

	2022		
	1 Percentage Point Decrease (5.9%)	Current Discount Rate (6.9%)	1 Percentage Point Increase (7.9%)
Authority's proportionate share of the net OPEB liability	\$ 6,060,319	\$ 4,793,387	\$ 3,725,492

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

	2023		
	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Authority's proportionate share of the net OPEB liability	\$ 3,795,439	\$ 4,969,361	\$ 6,319,859

	2022		
	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Authority's proportionate share of the net OPEB liability	\$ 3,666,663	\$ 4,793,387	\$ 6,090,987

September 30, 2023 and 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

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

For the years ended September 30, 2023 and 2022, the Authority recognized OPEB expense (recovery) of \$608,750 and \$(587,686), respectively. At September 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,694,925
Net difference between projected and actual earnings on investments	120,739	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	209,454	605,531
Changes in assumptions	1,572,010	182,762
Authority's contributions subsequent to the measurement date	685,582	-
Total	<u>\$ 2,587,785</u>	<u>\$ 4,483,218</u>
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,779,126
Net difference between projected and actual earnings on investments	-	657,216
Changes in proportion and differences between actual contributions and proportionate share of contributions	114,303	864,518
Changes in assumptions	1,291,517	230,567
Authority's contributions subsequent to the measurement date	763,537	-
Total	<u>\$ 2,169,357</u>	<u>\$ 5,531,427</u>

Amounts reported as deferred outflows of resources and deferred inflows 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 September 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	Amount
2024	\$ (963,122)
2025	(940,660)
2026	(661,867)
2027	3,006
2028	(18,372)
Total	<u>\$ (2,581,015)</u>

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.

Note 12 - Other Postemployment Benefit Plan (Continued)

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), 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 benefits plan. The State contracts with Minnesota Life to administer the payout of life insurance benefits. The Plan is administered by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (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.

Benefits Provided

The State's group policy with Minnesota Life includes any active employee in the category of classified state service with an appointment of at least 720 hours duration but excluding employees with 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 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, Michigan clerk's office.

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

The active life insurance amount is either (a) two times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$100,000 and a maximum of \$200,000 or (b) one times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$50,000.

Contributions

The State contributes 100 percent of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal years 2022 and 2021 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. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

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

Note 12 - Other Postemployment Benefit Plan (Continued)

Actuarial Valuations and Assumptions

The Authority's total OPEB liability for the year ended September 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 September 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.

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

Wage inflation rate	2.75 percent at September 30, 2022 and 2021
Investment rate of return (discount rate)	4.4 percent at September 30, 2022 and 2.19 percent 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 valuations):

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

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

Note 12 - Other Postemployment Benefit Plan (Continued)

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.

Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2023, the Authority reported a liability of \$1,279,974 for its proportionate share of the State's postemployment life insurance benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2022 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, 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 0.1290 percent.

As of September 30, 2022, the Authority reported a liability of \$1,891,224 for its proportionate share of the State's postemployment life insurance benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 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 0.1388 percent.

Sensitivity of the Total OPEB Liability for Postemployment Life Insurance

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate, as well as what the 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 (3.40%)	Current Discount Rate (4.40%)	1 Percentage Point Increase (5.40%)
Authority's proportionate share of the net OPEB liability	\$ 1,490,479	\$ 1,279,974	\$ 1,112,075
	2022		
	1 Percentage Point Decrease (1.19%)	Current Discount Rate (2.19%)	1 Percentage Point Increase (3.19%)
Authority's proportionate share of the net OPEB liability	\$ 2,280,135	\$ 1,891,224	\$ 1,593,000

September 30, 2023 and 2022

Note 12 - Other Postemployment Benefit Plan (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 September 30, 2022 and 2021, the Authority recognized OPEB (recovery) expense of \$(50,538) and \$63,657, respectively. At September 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 137,645
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,219	123,924
Changes of assumptions	150,403	466,186
Authority's contributions subsequent to the measurement date	68,898	-
Total	<u>\$ 243,520</u>	<u>\$ 727,755</u>

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 267	\$ 236,839
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,666	14,372
Changes of assumptions	227,591	45,824
Authority's contributions subsequent to the measurement date	58,594	-
Total	<u>\$ 323,118</u>	<u>\$ 297,035</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 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 September 30	OPEB Expense Amount
2024	\$ (112,778)
2025	(105,679)
2026	(110,499)
2027	(120,093)
2028	(104,084)
Total	<u>\$ (553,133)</u>

September 30, 2023 and 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

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	\$ 4,969,361	\$ 2,587,785	\$ 4,483,218
Postemployment life insurance benefits	1,279,974	243,520	727,755
Total	<u>\$ 6,249,335</u>	<u>\$ 2,831,305</u>	<u>\$ 5,210,973</u>
	2022		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions	\$ 4,793,387	\$ 2,169,357	\$ 5,531,427
Postemployment life insurance benefits	1,891,224	323,118	297,035
Total	<u>\$ 6,684,611</u>	<u>\$ 2,492,475</u>	<u>\$ 5,828,462</u>

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, the employee will receive a credit into a health reimbursement at termination of employment if he or she has at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Note 13 - Unrestricted Net Position

The Authority, through board action, has designated the use of a portion of unrestricted net position as follows:

	2023	2022
Designated for repairs, maintenance, and preservation of infrastructure	\$ 117,030,403	\$ 111,101,574
Designated for self-insurance	1,000,000	1,000,000
Undesignated	500,000	500,000
Total	<u>\$ 118,530,403</u>	<u>\$ 112,601,574</u>

Note 14 - Commitments

As of September 30, 2023, the Authority has outstanding commitments on contracts to complete bridge resurfacing, cleaning and maintenance of the bridge, and consulting projects in the amount of approximately \$3,840,799.

As of September 30, 2022, the Authority has outstanding commitments on contracts to complete painting, bridge resurfacing, cleaning and maintenance of the bridge, and consulting projects in the amount of approximately \$2,010,279.

Note 15 - Leases

The Authority leases certain assets to various third parties. The assets leased include telecommunication assets and buildings. Payments are generally fixed monthly.

During the years ended September 30, 2023 and 2022, the Authority recognized the following related to its lessor agreements:

	<u>2023</u>		<u>2022</u>
Lease revenue	\$ 412,675	\$	416,725
Interest income related to its leases	9,318		11,354

Required Supplementary Information

Required Supplementary Information
Modified Approach for Reporting Infrastructure Assets

September 30, 2023

The condition of the Mackinac Bridge is determined by using inspection procedures in accordance with the latest American Association of State Highway Transportation Officials Manual for Condition Evaluation of Bridges (including amendments and interim specifications), and the Federal Highway Administration - Bridge Inspector's Training Manual. The Mackinac Bridge Authority manages its bridge using its bridge management and inspection program and accounts for it using the modified approach. The Mackinac Bridge is inspected annually by an independent engineering firm.

It is the policy of the Mackinac Bridge Authority to keep the structure at an overall condition of "fair" or better. The condition rating descriptions are the ones used in the latest Michigan Department of Transportation - Michigan Bridge Inspection System.

Rating descriptions are as follows:

- 9 Excellent
- 8 Very good
- 7 Good
- 6 Satisfactory
- 5 Fair
- 4 Poor
- 3 Serious
- 2 Critical
- 1 Imminent failure
- 0 Failure

The condition rating for fiscal years 2023, 2022, and 2021 was "good" as determined by inspection procedures. The condition rating for fiscal year 2020 was "good to fair", for fiscal year 2019 was "good", for fiscal year 2018 was "good to fair" and for fiscal years 2017, 2016, and 2015 was "good" as determined by inspection procedures. The most recent condition assessment shows that the condition of the Mackinac Bridge is in accordance with the Mackinac Bridge Authority's policy.

Comparison of Needed-to-actual Maintenance/Preservation

The amounts reported as needed maintenance/preservation costs are based on projects expected to be completed during the fiscal year, which included priority preservation costs, as well as other non-priority preservation costs. The differences between the amounts needed (budgeted) and actual expenses are due to contractor variances in planned progress with painting projects and other preservation projects identified in the Authority's 20-year business plan, in addition to certain planned projects being incomplete or deferred and salaries and wages being under plan.

	2023	2022	2021	2020	2019
Needed	\$8,283,713	\$ 8,173,713	\$11,282,084	\$11,904,704	\$10,946,314
Actual	\$8,474,139	\$ 3,830,408	\$ 8,540,193	\$ 5,448,745	\$ 7,539,258

Actual infrastructure maintenance and preservation costs were adequate to perform the needed priority maintenance and/or preservation projects to keep the Mackinac Bridge at or above the established condition level.

Mackinac Bridge Authority

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

	Last Nine Plan Years								
	Plan Years Ended September 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.12510 %	0.12290 %	0.11900 %	0.13500 %	0.14000 %	0.14000 %	0.13000 %	0.13000 %	0.12000 %
Authority's proportionate share of the net pension liability	\$ 8,082,967	\$ 4,996,663	\$ 8,004,533	\$ 8,984,874	\$ 8,187,194	\$ 7,080,730	\$ 7,046,740	\$ 6,901,557	\$ 6,389,681
Authority's covered payroll	\$ 4,423,737	\$ 4,630,058	\$ 4,098,903	\$ 4,420,073	\$ 4,383,764	\$ 4,285,616	\$ 4,110,767	\$ 3,957,563	\$ 3,957,563
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	182.72 %	107.92 %	172.88 %	219.20 %	185.23 %	161.52 %	164.43 %	167.89 %	161.45 %
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 %	68.10 %

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.

Mackinac Bridge Authority

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

	Last Nine Fiscal Years									
	Years Ended September 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Statutorily required contribution	\$ 877,473	\$ 849,014	\$ 803,479	\$ 733,621	\$ 794,706	\$ 886,781	\$ 965,299	\$ 951,610	\$ 968,606	
Contributions in relation to the statutorily required contribution	877,473	849,014	803,479	733,621	794,706	886,781	965,299	951,610	968,606	
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 4,708,373	\$ 4,423,737	\$ 4,630,058	\$ 4,098,903	\$ 4,420,073	\$ 4,383,764	\$ 4,285,616	\$ 4,110,767	\$ 3,957,563	
Contributions as a Percentage of Covered Payroll	18.64 %	19.19 %	17.35 %	17.90 %	17.98 %	20.23 %	22.52 %	23.15 %	24.47 %	

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.

Mackinac Bridge Authority

Note to Pension Required Supplementary Information Schedules

September 30, 2023 and 2022

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

The schedule of contributions is presented to show the responsibility of the Authority in meeting the actuarial requirements to maintain the System on a sound financial basis.

The schedule of the proportionate share of the net pension liability and schedule of contributions are schedules that are required in implementing GASB Statement No. 68. The schedule of the proportionate share of the net pension liability represents, in actuarial terms, the accrued liability less the market value of assets. The schedule of contributions is a comparison of the Authority's contributions to the actuarially determined contributions.

The information presented in the schedule of contributions was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows:

Valuation - Actuarially determined contribution amounts are calculated as of September 30 each year.

Methods and assumptions used to determine the contribution for fiscal year 2023:

Actuarial cost method	Entry age, normal
Amortization method	Level percentage of payroll, 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 pension 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 for males and females and adjusted for morality improvements using projection scale MP-2017 from 2006

Mackinac Bridge Authority

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

	Last Six Plan Years Years Ended September 30					
	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.12760 %	0.12560 %	0.12400 %	0.13900 %	0.14055 %	0.14025 %
Authority's proportionate share of the net OPEB liability	\$ 4,969,361	\$ 4,793,387	\$ 7,235,300	\$ 10,942,382	\$ 11,153,097	\$ 11,565,225
Authority's covered payroll	\$ 4,423,737	\$ 4,630,058	\$ 4,098,903	\$ 4,420,073	\$ 4,383,764	\$ 4,285,616
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	112.33 %	103.53 %	156.27 %	266.96 %	254.72 %	263.82 %
Plan fiduciary net position as a percentage of total OPEB liability	56.64 %	57.12 %	38.29 %	27.88 %	24.41 %	19.89 %

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

Mackinac Bridge Authority

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

	Last Six Fiscal Years					
	Years Ended September 30					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 666,861	\$ 760,253	\$ 963,220	\$ 870,337	\$ 1,047,616	\$ 973,801
Contributions in relation to the statutorily required contribution	<u>666,861</u>	<u>760,253</u>	<u>963,220</u>	<u>870,337</u>	<u>1,047,616</u>	<u>973,801</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 4,708,373	\$ 4,423,737	\$ 4,630,058	\$ 4,098,903	\$ 4,420,073	\$ 4,383,764
Contributions as a Percentage of Covered Payroll	14.16 %	17.19 %	20.80 %	21.23 %	23.70 %	22.21 %

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.

Required Supplementary Information
Note to OPEB Required Supplementary Information Schedules

September 30, 2023 and 2022

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

The schedule of contributions for OPEB is presented to show the responsibility of the employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The schedule of the proportionate share of the net OPEB liability and schedule of contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The schedule of contributions is a comparison of the employer's contributions to the actuarially determined contributions.

The information presented in the schedule of contributions was used in the actuarial valuation for the purpose of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the OPEB plan is as follows:

Valuation - Actuarially determined contribution amounts are calculated as of September 30 each year.

Methods and assumptions used to determine the contribution for fiscal year 2023:

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
Salary increases	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 and administrative expenses
Health care cost trend rate	7.50 percent in year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120
Retirement age	Experience-based table of rates that are specific to the type of eligibility
Mortality	RP-2014 Annuitant Mortality Tables for male/female scaled 93 percent to 100 percent and adjusted for mortality improvements using projection scale MP-2017 from 2006

Mackinac Bridge Authority

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.12903 %	0.13880 %	0.13700 %	0.13730 %	0.13900 %	0.13560 %
Authority's proportionate share of the net OPEB liability	\$ 1,279,974	\$ 1,891,224	\$ 1,925,812	\$ 1,683,315	\$ 1,737,167	\$ 1,734,447
Authority's covered-employee payroll	\$ 4,423,737	\$ 4,630,058	\$ 4,098,903	\$ 4,420,073	\$ 4,383,764	\$ 4,383,764
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	28.93 %	40.85 %	41.59 %	40.23 %	39.30 %	39.57 %

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.

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 Members; and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Mackinac Bridge 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 basic financial statements of Mackinac Bridge Authority (the "Authority") as of and for the year ended September 30, 2023 and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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 Members; and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Mackinac Bridge Authority

Purpose of This Report

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

Plante & Moran, PLLC

December 5, 2023