

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

Audited Financial Statements
and Other Supplementary Information

*Year Ended September 30, 2023
with Report of Independent Auditors*

State Building Authority of
the State of Michigan

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2023

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State Building Authority of the State of Michigan (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the State Building Authority of the State of Michigan as of September 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the

basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Andrzej Koope Paulik PLC

Okemos, Michigan
December 26, 2023

Management's Discussion and Analysis

State Building Authority of the State of Michigan

Management's Discussion and Analysis

September 30, 2023

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2023. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

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

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

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

Overview of the Financial Statements

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

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

State Building Authority of the State of Michigan

Management's Discussion and Analysis

September 30, 2023

Condensed Financial Information

Fiscal year ended September 30	2023	2022
Total net position (deficit)	\$ (100,027,546)	\$ (109,877,605)
Total assets	\$ 3,332,768,468	\$ 3,382,069,373
Deferred outflows of resources	\$ 33,930,961	\$ 35,779,584
Short-term debt	\$ 54,000,000	\$ 77,000,000
Long-term liabilities	\$ 3,268,749,841	\$ 3,291,777,468
Total liabilities	\$ 3,447,367,344	\$ 3,521,763,528
Deferred inflows of resources	\$ 19,359,631	\$ 5,963,034
Revenues:		
Operating revenues	\$ 127,050,983	\$ 121,598,336
Nonoperating revenues	\$ 6,092,338	\$ 761,522
Total revenues	\$ 133,143,321	\$ 122,359,858
Expenses	\$ 123,293,262	\$ 118,308,194
Change in net position	\$ 9,850,059	\$ 4,051,664

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

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

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

The statement of cash flows shows the sources and uses of cash and cash equivalents for the Authority.

The financial statements can be found on pages 7 through 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 38 of this report.

Financial Analysis of the Authority

Net position of the Authority increased \$9,850,059 to an ending balance of (\$100,027,546). The deficit net position balance is due to expenses incurred in carrying out the primary operations of the Authority. These expenses will be reimbursed from the State of Michigan as operating revenues in future periods through rental payments from legal lease agreements.

State Building Authority of the State of Michigan

Management's Discussion and Analysis

September 30, 2023

Long-Term Debt Activity

The Authority issued \$394,830,000 of revenue and revenue refunding bonds in the current year. Information on long-term debt can be found in Note 5 of the financial statements.

Recent Events

On October 5, 2023 the Authority issued \$82,600,000 of commercial paper notes at an interest rate of 3.92% per annum maturing on January 25, 2024.

There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2023 through the date of this report that are expected to affect the Authority's financial position or results of operations.

Basic Financial Statements

State Building Authority of the State of Michigan
Statement of Net Position
September 30, 2023

ASSETS

Current assets

Cash and cash equivalents	\$	128,254,527
Accrued interest receivable		608,401
Due from other component units		60,125
Current portion of due from State of Michigan		100,552,768
Total current assets		229,475,821

Noncurrent assets

Due from State of Michigan, net of current portion		3,103,292,647
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Total assets

3,332,768,468

DEFERRED OUTFLOWS OF RESOURCES

Losses on debt refunding issues		33,498,220
Deferred outflows related to pensions		66,097
Deferred outflows related to OPEB		366,644

Total assets and deferred outflows of resources

3,366,699,429

LIABILITIES

Current liabilities

Accounts payable and other liabilities		224,095
Due to State of Michigan		47,493
Accrued interest payable		52,120,915
Short-term debt		54,000,000
Current portion of long-term debt		72,225,000
Total current liabilities		178,617,503

Long-term liabilities

Long-term debt, net of current portion		3,267,749,000
Net pension liability		588,560
Net OPEB liability		412,281

Total liabilities

3,447,367,344

DEFERRED INFLOWS OF RESOURCES

Gains on debt refunding issues		18,946,210
Deferred inflows related to pensions		5,427
Deferred inflows related to OPEB		407,994

Total liabilities and deferred inflows of resources

3,466,726,975

NET POSITION

Unrestricted (deficit)	\$	(100,027,546)
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The accompanying notes are an integral part of these financial statements.

State Building Authority of the State of Michigan
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended September 30, 2023

Operating revenues	
Operating revenues	\$ 127,050,983
Total operating revenues	127,050,983
Operating expenses	
Salaries, wages, and other administrative	1,287,186
Interest expense	120,323,770
Other operating expenses	1,682,306
Total operating expenses	123,293,262
Operating income	3,757,721
Nonoperating revenues	
Interest revenue	6,092,338
Change in net position	9,850,059
Net Position	
Beginning of year (deficit)	(109,877,605)
End of year (deficit)	\$ (100,027,546)

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

State Building Authority of the State of Michigan
Statement of Cash Flows
Year Ended September 30, 2023

Cash flows from operating activities

Payments to employees	\$ (794,617)
Other payments	(361,014)
Net cash from operating activities	(1,155,631)

Cash flows from noncapital financing activities

Proceeds from issuance of short-term debt	70,115,793
Proceeds from issuance of long-term debt	114,109,212
Principal payments on bonds	(143,583,681)
Repayments of short-term debt	(95,533,284)
Debt issuance costs paid	(716,279)
Interest paid	(125,738,283)
Net cash from noncapital financing activities	(181,346,522)

Cash flows from investing activities

Payments to State of Michigan for construction costs	(113,994,417)
Receipts from State of Michigan for rentals	223,081,827
Interest received	5,805,961
Net cash from investing activities	114,893,371

Net cash from all activities (67,608,782)

Cash and cash equivalents at beginning of year	195,863,309
Cash and cash equivalents at end of year	\$ 128,254,527

Reconciliation of operating income to net cash from operating activities

Operating income	\$ 3,757,721
Adjustments to reconcile operating income to net cash from operating activities:	
Interest expense	120,323,770
Debt issuance costs	1,682,306
Pension expense	137,668
OPEB expense	(37,055)
Deferred outflows of resources related to pension and OPEB - contributions subsequent to measurement date	(119,045)
Operating revenues	(127,050,983)
Other reconciling items	(2,254)
Net changes in assets and liabilities:	
Accounts payable and other liabilities	152,241
Net cash from operating activities	\$ (1,155,631)

Noncash noncapital financing activities

Refunding bond proceeds transferred to escrow agent	\$ 301,266,764
Payment of debt issuance costs with bond proceeds	\$ 1,001,027
Interest on short-term debt included in debt balance	\$ 2,417,491

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

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

Note 1 Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the “Authority”), a blended component unit of the State of Michigan (the “State”), as of and for the fiscal year ended September 30, 2023. The Authority is classified as an enterprise fund in the Authority’s separate financial statements. The Authority’s activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Annual Comprehensive Financial Report (SOMACFR)*. In accordance with accounting principles generally accepted in the United States of America, there are no other component units included in this financial report.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated from the primary operations of the Authority, while operating expenses are those expenses that are essential to the primary operations of the Authority. The principal operating revenues of the Authority are charges to the State of Michigan for the service of providing capital projects financing. Operating expenses for the Authority include interest expense, administrative expenses, and debt issuance costs.

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

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

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

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Authority's cash and cash equivalents consist of money market funds. Cash on hand at year end is comprised mostly of rental revenues received through legal leases from the State of Michigan.

Due from State of Michigan – Amounts due from the State of Michigan are comprised of construction costs the Authority has incurred for capital outlay projects that are reimbursed through rent obligations under the Authority's legal leases, net of unearned income. No allowance for uncollectible amounts has been provided. The Authority's legal leases with the State of Michigan and educational institutions do not meet the criteria under GASB to be classified as leases for financial reporting purposes.

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

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

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

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

Federal Arbitrage Liability – Included in long-term debt is a provision for federal arbitrage rebate. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority had no estimated liability as of September 30, 2023.

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

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

Note 2 **Investments**

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

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

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

As of September 30, 2023, the Authority had no deposits for administrative expenditures and had investments totaling \$128,254,527, which were entirely in U.S. Treasury money market accounts. The Authority's investments comply with State statutes.

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

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

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

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

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

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

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

Note 3 Due from State of Michigan

Following is a summary of the components of the amount due to the Authority from the State of Michigan for unreimbursed construction costs for capital outlay projects as of September 30, 2023:

Construction costs not yet financed through bonds	\$ 50,616,575
Minimum payments to be received under legal leases	4,958,788,345
Less – Unearned income	<u>(1,805,559,505)</u>

Net due from State of Michigan	<u><u>\$ 3,203,845,415</u></u>
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Statement of Net Position classification:	
Current portion of due from State of Michigan	\$ 100,552,768
Due from State of Michigan, net of current portion	<u>3,103,292,647</u>

Total	<u><u>\$ 3,203,845,415</u></u>
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Minimum rental payments to be received from the State of Michigan under legal lease arrangements as of September 30, 2023, are as follows:

2024	\$ 228,505,764
2025	228,505,764
2026	228,505,764
2027	228,505,764
2028	228,505,764
2029 through 2059	<u>3,816,259,525</u>

Total	<u><u>\$ 4,958,788,345</u></u>
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Note 4 Short-Term Debt - Notes Payable

The Authority issues commercial paper notes to fund capital projects prior to bonding. The Authority does not use direct borrowings or placements for short term financing. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum stated amount of \$241,643,835, of which not more than \$225,000,000 may be drawn with respect to the payment of principal of notes, and of which not more than \$16,643,835 may be drawn with respect to the payment of up to 270 days of interest on the notes. On August 25, 2022, the Authority executed a letter of credit with JPMorgan Chase Bank, N.A. in which letter of credit fees are based on the amount of commercial paper outstanding. On September 30, 2023, the stated amount outstanding was \$57,994,520.55 calculated as a \$54,000,000 principal amount plus \$3,994,520.55 which is 270 days' accrued interest at a maximum interest rate of 10% on a 365/366 day basis. The term of the bank letter of credit expires on August 25, 2024. The interest rate on commercial paper notes outstanding as of September 30, 2023 was 3.48%.

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

Short-term debt activity for the fiscal year ended September 30, 2023 was as follows (in thousands):

Beginning balance	\$ 77,000
Additions	72,533
Reductions	<u>(95,533)</u>
Ending balance	<u>\$ 54,000</u>

Note 5 Long-Term Liabilities

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

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

On July 13, 2023, the SBA issued the 2023 Multi-Modal Revenue Bonds, Series I. The bonds had a par amount of \$113,845,000 and financed 4 new projects. The new bonds are variable rate obligation (VRO) bonds and bear interest at the VRO rate determined each business day by the remarketing agent. The final stated maturity date is April 15, 2058.

On August 2, 2023, the SBA issued the 2023 Revenue Refunding Bonds, Series II. The bonds had a par amount of \$280,985,000 and refunded the 2013 I bond issue. The new bonds bear interest from 4.0% to 5.0% and are due in annual installments ranging from \$1,275,000 to \$26,445,000 through October 15, 2047. The amount deposited with the escrow agent is less than the net carrying amount of the refunded bonds by \$14,450,247. This amount is reflected as the deferred inflow of resources, gain on refunding issues, and is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The total debt service on the refunded bonds was \$523,140,669 and the total debt service of the refunding bonds is \$412,584,265. The refunding transaction resulted in a present value savings of \$38,463,536.

State Building Authority of the State of Michigan

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Outstanding Debt

Changes in long-term debt (excluding defeased bonds) for the fiscal year ended September 30, 2023 are as follows (in thousands):

	Date Sold	# of Projects	Original Amount Issued	Average Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable (in thousands)									
2013 Series IA Revenue and Revenue Refunding	07/18/13	13	\$ 531,290	4.760%	\$ 366,015	\$ -	\$ (366,015)	\$ -	\$ -
2015 Series I Revenue and Refunding Bonds	08/31/15	15	989,340	3.859%	832,970	-	(27,820)	805,150	17,985
2016 Series I Revenue and Refunding Bonds	08/24/16	10	665,150	3.062%	559,660	-	(10,030)	549,630	10,550
2019 Series I Revenue and Refunding Bonds	07/30/19	7	235,580	3.192%	194,190	-	-	194,190	22,640
2020 Series I Revenue and Refunding Bonds	09/17/20	10	212,170	2.302%	205,200	-	-	205,200	-
2020 Series II Refunding Bonds (Taxable)	09/17/20	n/a	556,855	2.607%	552,745	-	(21,430)	531,315	10,675
2020 Series III Revenue and Refunding Bonds	09/17/20	n/a	32,835	Variable	32,835	-	-	32,835	-
2021 Series I Revenue Bonds	07/14/21	10	206,270	2.708%	200,740	-	(7,230)	193,510	3,905
2022 Series I Revenue Bonds	08/23/22	9	146,530	4.156%	146,530	-	(7,440)	139,090	2,045
2023 Series I Revenue Bonds	07/13/23	4	113,845	Variable	-	113,845	-	113,845	-
2023 Series II Refunding Bonds	08/02/23	n/a	280,985	3.675%	-	280,985	-	280,985	4,425
Total revenue bonds payable			<u>\$ 3,970,850</u>		3,090,885	394,830	(439,965)	3,045,750	<u>\$ 72,225</u>
Accrued compensated absences					29	-	11	40	
Arbitrage payable					-	-	-	-	
Add (deduct) deferred amounts:									
For issuance discounts					(2,526)	-	87	(2,439)	
For issuance premiums					298,904	21,547	(23,828)	296,623	
Total long-term debt					<u>\$ 3,387,292</u>	<u>\$ 416,377</u>	<u>\$ (463,695)</u>	<u>\$ 3,339,974</u>	
Current portion								\$ 72,225	
Long-term portion								3,267,749	
								<u>\$ 3,339,974</u>	

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The Authority issued variable rate obligation bonds (VRO's) in 2020 and 2023. The 2020 Series III VRO bond issue refunded the 2007 Series I Multi-Modal bonds and the 2023 Series I VRO issue financed four new money construction projects. These bonds currently bear interest at a daily rate as determined by the remarketing agent. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements that follow, estimated interest was computed using the daily rate as of September 30, 2023 of 4.09%. Associated annual lease rentals are fully pledged for the payment of bond principal and interest on outstanding bonds. The bonds are subject to optional redemption by the Authority in any rate mode and have a final maturity of October 15, 2042 for the 2020 III bonds and April 15, 2058 for the 2023 I bonds.

Both the 2020 Series III and 2023 Series I are subject to optional tender by the bond holders at a purchase price of 100% of the principal plus accrued interest to the date of purchase. In the event of optional tender by bond holders, the remarketing agent will use its best efforts to arrange for the sale of such bonds at 100% of the principal plus accrued interest to the date of sale. If for any reason any tendered VRO bonds are not successfully remarketed during a remarketing window, all tendered VRO bonds shall continue to be owned by their respective bold holders, no tendered VRO bonds shall be tendered or purchased on their respective purchase date, and the bonds shall become subject to mandatory redemption on the date thirteen months after the tender notice date.

As outlined in the Master Trust Indenture, the obligation of the Authority is absolute and unconditional to pay the principal and redemption price of and interest on the Master Indenture bonds to the due dates. Registered Owners have the right of action, which is absolute and unconditional, to enforce payment, but only from the moneys of the Authority pledged. Events of default defined under the Master Trust Indenture of the Authority include: a default in payment of principal, interest, or redemption premium; lack of performance or failure to observe any other covenant, agreement, or condition listed in or tied to the Master Trust Indenture; failure by the State in payment of rent due under pledged lease rental agreements; damage to, destruction, or failure to secure title to the Facility. In the event of a default, the Trustee may, and, upon written request of the Registered Owners, proceed to protect and enforce the rights of the Registered owners. Remedies available under the Master Trust Indenture include: suit, action, or proceeding in accordance with State law the right to compel the Authority to collect on rent owed or take over operation of any or all facilities. Neither the Trustee nor the Registered Owners have the right to accelerate payment of principal or interest on the Master Indenture Bonds.

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Notes to Financial Statements

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Redemption Provisions of Outstanding Bonds*	Issue Date	Date of First Optional Redemption	Final Maturity Date
2015 Series I Revenue & Refunding	8/31/15	10/15/25	10/15/50
2016 Series I Revenue & Refunding	8/24/16	10/15/22**	10/15/51
2019 Series I Revenue and Refunding Bonds	7/30/19	10/15/29	4/15/54
2020 Series I Revenue and Refunding Bonds	9/17/20	10/15/30	10/15/45
2020 Series II Revenue & Refunding (Taxable)	9/17/20	10/15/30	10/15/55
2020 Series III Variable Rate Obligation Bonds	9/17/20	***	10/15/42
2021 Series I Revenue Bonds	7/14/21	10/15/31	10/15/56
2022 Series I Revenue Bonds	8/23/22	10/15/32	10/15/57
2023 Series I Variable Rate Obligation Bonds	7/13/23	***	4/15/58
2023 Series II Revenue Refunding Bonds	8/2/23	10/15/33	10/15/47

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

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

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

Debt Service Requirements

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2024	\$ 72,225	\$ 120,216	\$ 192,441
2025	95,810	121,857	217,667
2026	96,960	117,890	214,850
2027	106,005	113,893	219,898
2028	108,510	108,996	217,506
2029-2033	630,345	458,588	1,088,933
2034-2038	716,315	311,521	1,027,836
2039-2043	466,965	195,837	662,802
2044-2048	359,230	118,166	477,396
2049-2053	261,010	51,682	312,692
2054-2058	132,375	11,603	143,978
	\$ 3,045,750	\$ 1,730,249	\$ 4,775,999

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Interest to maturity for the bonds may be significantly less than the amount shown in the above table because many of the bonds will be called prior to their final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing and accrued investment earnings are restricted to projects and debt service on the related bonds.

Defeased Debt

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

The following table summarizes the defeased bonds outstanding as of September 30, 2023 with the expected final payment date:

2013 Series I	\$ 343,680,000	October 15, 2023
2015 Series I	<u>20,000,000</u>	October 15, 2025
Total Defeased Debt	<u>\$ 363,680,000</u>	

Note 6 Net Position Deficit

The Authority is reporting a net position deficit balance of \$(100,027,546) as of September 30, 2023. The deficit net position balance is due to expenses incurred in carrying out the primary operations of the Authority. These expenses will be reimbursed from the State of Michigan as operating revenues in future periods through rental payments from the legal lease agreements.

Note 7 Pension Plan

A. Plan Description

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

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

B. Benefits Provided

Introduction

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

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

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

Pension Reform of 2012

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

- Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate state employment. The 4% contribution began on April 1, 2012.
- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's DC plan.

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- The 4% contribution began April 1, 2012, and continues until they switch to the DC plan or terminate employment, whichever comes first.
- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

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

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

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

Regular Retirement

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

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

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If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime – for the six-year period ending on the FAC calculation date – will be added to that initial FAC calculation to get the final FAC number.

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

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

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

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

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

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

Deferred Retirement

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

Non-Duty Disability Benefit

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

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Duty Disability Benefit

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

Survivor Benefit

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

Pension Payment Options

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

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

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

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

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

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

Post Retirement Adjustments

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

C. Contributions

Member Contributions

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

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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% of the defined benefit employee wages and 18.54% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2023 was \$66,097.

D. Actuarial Assumptions

The Authority's 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, and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 – 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.00%, net of investment expenses
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2018 valuation.

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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, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.1 %
Private equity pools	16.0	8.7 %
International equity pools	15.0	6.7 %
Fixed income pools	13.0	(0.2)%
Real estate and infrastructure pools	10.0	5.3 %
Absolute return pools	9.0	2.7 %
Real return and opportunistic pools	10.0	5.8 %
Short term investment pools	2.0	(0.5)%
Total	<u>100.0%</u>	

*Long-term rate of returns are net of administrative expenses and 2.2% inflation.

E. Discount Rate

A discount rate of 6.0% was used to measure the total pension liability for the September 30, 2021 valuation. A discount rate of 6.7% was used to measure the total pension liability for the September 30, 2020 valuation. The discount rate for the September 30, 2021 valuation was based on the long term expected rate of return on pension plan investments of 6.0%. 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.

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F. Net Pension Liability

As of September 30, 2023, the Authority reported a liability of \$588,560 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 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the State Building Authority's required pension contributions received by SERS during the measurement period October 1, 2021, through September 30, 2022, relative to the total required employer contributions from all of SERS' participating employers. As of September 30, 2022, the Authority's proportion was 0.0091%.

G. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate of 6.0% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 5.0%	Current Discount 6.0%	1% Increase 7.0%
State Building Authority's proportionate share of net pension liability	\$768,737	\$588,560	\$435,391

H. Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the Authority recognized pension expense of \$137,668. As of September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on investments	-	5,427
Differences between expected and actual experience	-	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
Authority contributions subsequent to the measurement date	66,097	-
Total	<u>\$ 66,097</u>	<u>\$ 5,427</u>

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

Year ended September 30:	Pension Expense (Credit) Amount
2024	\$ (7,437)
2025	\$ (11,618)
2026	\$ (15,139)
2027	\$ 28,767

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Note 8 Other Postemployment Benefit (OPEB) Plan – Healthcare

A. Plan Description

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

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

B. Benefits Provided

Introduction

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

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Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental, or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

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

This plan is closed to new hires.

C. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2022, the Authority's contribution rate was 14.09% of the defined benefit employee wages and 14.09% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2023 was \$50,185. Active employees are not required to contribute to SERS OPEB.

D. Actuarial Assumptions

The Authority's net OPEB liability was measured as of September 30, 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 total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75%
Investment Rate of Return	6.20%, net of investment expenses
Projected Salary Increases	2.75 – 11.75%, including wage inflation at 2.75%
Health Care Cost Trend Rate	Pre-65: 7.50% Year 1 graded to 3.50% Year 15; 3.00% Year 120 Post-65: 6.25% Year 1 graded to 3.50% Year 15; 3.00% Year 120
Mortality	RP-2014 Male and Female Annuitant Mortality Table used for retirees (scaled by 93% for males and 98% for females), active employees, and disabled retirees, with adjustments for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2018 valuation.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic equity pools	25.0%	5.1 %
Private equity pools	16.0	8.7 %
International equity pools	15.0	6.7 %
Fixed income pools	13.0	(0.2)%
Real estate and infrastructure pools	10.0	5.3 %
Absolute return pools	9.0	2.7 %
Real return and opportunistic pools	10.0	5.8 %
Short term investment pools	2.0	(0.5)%
Total	<u>100.0%</u>	

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

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (3.10)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Discount Rate

A Single Discount Rate of 6.2% was used to measure the total OPEB liability for the September 30, 2021 valuation. A discount rate of 6.9% was used to measure the total OPEB liability for the September 30, 2020 valuation. This Single Discount Rate for the September 30, 2021 valuation was based on the expected rate of return on OPEB plan investments of 6.2%. The projection of cash flows used to determine this Single Discount Rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Notes to Financial Statements

September 30, 2023

F. Net OPEB Liability

At September 30, 2023, the Authority reported a liability of \$331,938 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 October 1, 2021, through September 30, 2022, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2022, the Authority's proportion was 0.0085%.

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

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using a Single Discount Rate of 6.20%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease</u> 5.2%	<u>Current Discount</u> 6.2%	<u>1% Increase</u> 7.2%
State Building Authority's proportionate share of net OPEB liability	\$421,433	\$331,938	\$256,789

Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend</u>	<u>1% Increase</u>
State Building Authority's proportionate share of net OPEB liability	\$253,524	\$331,938	\$422,147

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H. OPEB Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the Authority recognized OPEB expense (credit) of \$(33,343). At September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 246,810
Changes of assumptions	105,005	12,208
Net difference between projected and actual earnings on investments	8,065	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	164,626	95,577
Authority contributions subsequent to the measurement date	50,185	-
Total	<u>\$ 327,881</u>	<u>\$ 354,595</u>

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

Year ended September 30:	OPEB Expense (Credit) Amount
2024	\$ (58,813)
2025	\$ (39,745)
2026	\$ (3,000)
2027	\$ 24,216
2028	\$ 443

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Notes to Financial Statements

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

A. Plan Description

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

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

The Plan is not a trust and has no assets.

B. Benefits Provided

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

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

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

C. Contributions

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rates for FY 2021 and FY 2022 were \$.28 and \$.32 respectively, for each \$1,000.00 of coverage of active payroll per pay period. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

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

D. Actuarial Valuations and Assumptions

The Authority's total OPEB liability as of September 30, 2023 was measured as of September 30, 2022 and is based on an actuarial valuation performed as of September 30, 2021. The total OPEB liability as of September 30, 2022 was measured as of September 30, 2021 and is based on an actuarial valuation performed as of September 30, 2020.

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

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

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

Investment Rate of Return (discount rate): 4.40% per year (2.19% per year as of September 30, 2022)

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

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

Spouse Benefits for Future Retirees: The liabilities for active members were loaded by 1.75% to account for potential postemployment life insurance benefits payable to spouses of future SERS retirees.

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

Opt-Out Factors: PRLIB participation data was supplied for current retirees and used without adjustment. Active Members reported with life insurance benefits were assumed to have this benefit until separation from state employment.

E. Discount Rate

A discount rate of 4.40% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2022. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets. For the September 30, 2021 measurement date, the discount rate used was 2.19%. An increase in the discount rate used affects the measurement of total OPEB liability for the Postemployment Life Insurance Benefits Plan by decreasing its total OPEB liability.

F. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2023, the Authority reported a liability of \$80,343 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, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2021, through September 30, 2022 by the total OPEB actual contributions received from all applicable employers. At September 30, 2022, the Authority's proportion was 0.0081%.

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2023

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

The following table presents the Authority's proportionate share of the total OPEB liability, calculated using a Single Discount Rate of 4.40%, as well as what the Authority's proportionate share of the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease</u> <u>3.40%</u>	<u>Current</u> <u>Discount</u> <u>4.40%</u>	<u>1% Increase</u> <u>5.40%</u>
State Building Authority's proportionate share of net OPEB liability	\$93,556	\$80,343	\$69,804

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

For the year ended September 30, 2023, the Authority recognized OPEB expense (credit) of \$(3,712). At September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 8,640
Changes of assumptions	9,441	27,407
Changes in proportion and differences between actual contributions and proportionate share of contributions	26,605	17,352
Authority contributions subsequent to the measurement date	2,717	-
Total	<u>\$ 38,763</u>	<u>\$ 53,399</u>

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September 30, 2023

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

Year ended September 30:	OPEB Expense (Credit) Amount
2024	\$ (7,605)
2025	\$ (5,668)
2026	\$ (1,340)
2027	\$ (432)
2028	\$ (2,308)

Note 10 Risk Management

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

Note 11 Upcoming Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. This standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, 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. This standard is effective for fiscal years beginning after December 15, 2023.

Note 12 Subsequent Events

On October 5, 2023, the Authority issued \$82,600,000 of commercial paper notes at an interest rate of 3.92% per annum maturing on January 25, 2024.

Required Supplementary Information

State Building Authority of the State of Michigan

Required Supplementary Information

State Employees' Retirement System – Pension

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportionate share of the net pension liability:									
As a percentage	0.0091%	0.0088%	0.0068%	0.0073%	0.0102%	0.0094%	0.0087%	0.0090%	0.0083%
Amount	\$ 589	\$ 358	\$ 456	\$ 486	\$ 617	\$ 488	\$ 462	\$ 496	\$ 425
Authority's covered payroll	\$ 318	\$ 270	\$ 166	\$ 193	\$ 274	\$ 261	\$ 239	\$ 246	\$ 223
Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	185.22%	132.59%	274.70%	251.81%	225.18%	186.97%	193.31%	201.63%	190.58%
Plan fiduciary net position as a percentage of total pension liability	66.92%	78.08%	64.07%	64.71%	67.22%	69.45%	67.48%	66.11%	68.07%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 66	\$ 62	\$ 58	\$ 42	\$ 42	\$ 65	\$ 67	\$ 62	\$ 67
Contributions in relation to the statutorily required contributions	66	62	58	42	42	65	67	62	67
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 314	\$ 318	\$ 270	\$ 166	\$ 193	\$ 263	\$ 261	\$ 239	\$ 246
Contributions as a percentage of covered payroll	21.02%	19.50%	21.48%	25.30%	21.76%	24.71%	25.67%	25.94%	27.24%

State Building Authority of the State of Michigan

Notes to Pension Required Supplementary Information

September 30, 2023

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

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

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

The actuarially determined contributions presented in the Schedule of Contributions for Pension are calculated as of September 30, four years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the fiscal year 2023 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2023

Valuation Date	September 30, 2019
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed Period
Remaining Amortization Period	15 years, as of October 1, 2021, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.75%
Projected Salary Increases	2.75% to 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.70% net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Male and Female Healthy Annuitant, Employee, and Disabled Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, 93% of the table rates were used for males and 98% for females. For active and disabled members, 100% of the table rates were used for males and females.

State Building Authority of the State of Michigan

Required Supplementary Information

State Employees' Retirement System – Healthcare

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

	2023	2022	2021	2020	2019	2018
Authority's proportionate share of the net OPEB liability:						
As a percentage	0.0085%	0.0081%	0.0052%	0.0062%	0.0088%	0.0085%
Amount	\$ 332	\$ 309	\$ 304	\$ 488	\$ 698	\$ 705
Authority's covered payroll	\$ 318	\$ 270	\$ 166	\$ 193	\$ 274	\$ 261
Authority's proportionate share of the net OPEB liability, as a percentage of its covered payroll	104.40%	114.44%	183.13%	252.85%	254.74%	270.11%
Plan fiduciary net position as a percentage of net OPEB liability	56.64%	57.12%	38.29%	27.88%	24.41%	19.89%

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

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

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 50	\$ 51	\$ 62	\$ 34	\$ 46	\$ 58
Contributions in relation to the statutorily required contributions	50	51	62	36	46	58
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (2)	\$ -	\$ -
Authority's covered payroll	\$ 314	\$ 318	\$ 270	\$ 166	\$ 193	\$ 263
Contributions as a percentage of covered payroll	15.92%	16.04%	22.96%	21.69%	23.83%	22.05%

State Building Authority of the State of Michigan

Notes to OPEB Required Supplementary Information

September 30, 2023

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

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

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

The actuarially determined contributions presented in the Schedule of Contributions for OPEB are calculated as of September 30, four years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the fiscal year 2023 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contributions for Fiscal Year 2023

Valuation Date	September 30, 2019
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed Period
Remaining Amortization Period	15 years, as of October 1, 2021, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.25%
Projected Salary Increases	2.75% to 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.90% net of investment expenses
Health Care Cost Trend Rate	7.50% year 1 graded to 3.50% in year 15
Mortality	RP-2014 Male and Female Healthy Annuitant, Employee, and Disabled Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, 93% of the table rates were used for males and 98% for females. For active and disabled members, 100% of the table rates were used for males and females.

State Building Authority of the State of Michigan

Required Supplementary Information

Postemployment Life Insurance Benefits

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

	2023	2022	2021	2020	2019	2018
Authority's proportionate share of the total OPEB liability:						
As a percentage	0.0081%	0.0076%	0.0054%	0.0067%	0.0089%	0.0087%
Amount	\$ 80	\$ 104	\$ 76	\$ 82	\$ 111	\$ 111
Authority's covered-employee payroll	\$ 318	\$ 270	\$ 166	\$ 193	\$ 274	\$ 261
Authority's proportionate share of the total OPEB liability, as a percentage of its covered-employee payroll	25.16%	38.52%	45.78%	42.49%	40.51%	42.53%

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

The Plan is not a trust and has no assets.

Other Supplementary Information

State Building Authority of the State of Michigan
Commercial Paper Program, Series 9
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 3,702,561	\$ 3,702,561
Accrued interest receivable	-	91,579	91,579
Total assets	\$ -	\$ 3,794,140	\$ 3,794,140
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ 69,454	\$ 69,454
Due to State of Michigan	-	20,554,109	20,554,109
Accrued interest payable	-	370,692	370,692
Short-term debt	-	54,000,000	54,000,000
Total liabilities	-	74,994,255	74,994,255
PROJECT EQUITY			
Unassigned	-	(71,200,115)	(71,200,115)
Total liabilities and project equity	\$ -	\$ 3,794,140	\$ 3,794,140
OUTSTANDING DEBT (short-term)			\$ 54,000,000

State Building Authority of the State of Michigan
Commercial Paper Program, Series 9
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ -	\$ 993,214	\$ 993,214
Rent revenue	-	-	-
Other revenue	-	31,556	31,556
Total revenues	-	1,024,770	1,024,770
Expenditures			
Current - general government	-	-	-
Capital outlay	-	94,286,868	94,286,868
Capital outlay reimbursed to State of Michigan	-	10,500	10,500
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	2,631,735	2,631,735
Total expenditures	-	96,929,103	96,929,103
Revenue over (under) expenditures	-	(95,904,333)	(95,904,333)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	87,853,079	87,853,079
Total other financing sources (uses)	-	87,853,079	87,853,079
Net change in project equity	-	(8,051,254)	(8,051,254)
Project equity (deficit)			
Beginning of year	-	(63,148,861)	(63,148,861)
End of year	\$ -	\$ (71,200,115)	\$ (71,200,115)

State Building Authority of the State of Michigan
2013 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,222,311	\$ -	\$ 1,222,311
Accrued interest receivable	5,123	-	5,123
	\$ 1,227,434	\$ -	\$ 1,227,434
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	-	-	-
PROJECT EQUITY			
Restricted	1,227,434	-	1,227,434
	\$ 1,227,434	\$ -	\$ 1,227,434
OUTSTANDING DEBT (long-term)			
			\$ -

State Building Authority of the State of Michigan
2013 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 804,781	\$ -	\$ 804,781
Rent revenue	13,859,052	-	13,859,052
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	14,663,833	-	14,663,833
Expenditures			
Current - general government	133,479	-	133,479
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	22,335,000	-	22,335,000
Interest and fiscal charges	18,081,513	-	18,081,513
	<hr/>	<hr/>	<hr/>
Total expenditures	40,549,992	-	40,549,992
Revenue over (under) expenditures	(25,886,159)	-	(25,886,159)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	951,319	-	951,319
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	951,319	-	951,319
Net change in project equity	(24,934,840)	-	(24,934,840)
Project equity			
Beginning of year	26,162,274	-	26,162,274
	<hr/>	<hr/>	<hr/>
End of year	\$ 1,227,434	\$ -	\$ 1,227,434
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

State Building Authority of the State of Michigan
2015 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 22,416,229	\$ -	\$ 22,416,229
Accrued interest receivable	91,107	-	91,107
Total assets	\$ 22,507,336	\$ -	\$ 22,507,336
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 91	\$ -	\$ 91
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	91	-	91
PROJECT EQUITY			
Restricted	22,507,245	-	22,507,245
Total liabilities and project equity	\$ 22,507,336	\$ -	\$ 22,507,336
 OUTSTANDING DEBT (long-term)			 \$ 805,150,000

State Building Authority of the State of Michigan
2015 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 668,945	\$ -	\$ 668,945
Rent revenue	44,383,140	-	44,383,140
Other revenue	-	-	-
	<u>45,052,085</u>	<u>-</u>	<u>45,052,085</u>
Expenditures			
Current - general government	196,173	-	196,173
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	27,820,000	-	27,820,000
Interest and fiscal charges	41,408,150	-	41,408,150
	<u>69,424,323</u>	<u>-</u>	<u>69,424,323</u>
Revenue over (under) expenditures	(24,372,238)	-	(24,372,238)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	24,500,000	-	24,500,000
	<u>24,500,000</u>	<u>-</u>	<u>24,500,000</u>
Net change in project equity	127,762	-	127,762
Project equity			
Beginning of year	<u>22,379,483</u>	<u>-</u>	<u>22,379,483</u>
End of year	<u>\$ 22,507,245</u>	<u>\$ -</u>	<u>\$ 22,507,245</u>

State Building Authority of the State of Michigan
2016 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 23,279,363	\$ -	\$ 23,279,363
Accrued interest receivable	94,561	-	94,561
	Total assets	\$ -	\$ 23,373,924
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	Total liabilities	-	-
PROJECT EQUITY			
Restricted	23,373,924	-	23,373,924
	Total liabilities and project equity	\$ -	\$ 23,373,924
OUTSTANDING DEBT (long-term)			\$ 549,630,000

State Building Authority of the State of Michigan
2016 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 1,060,565	\$ -	\$ 1,060,565
Rent revenue	92,967,917	-	92,967,917
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	94,028,482	-	94,028,482
Expenditures			
Current - general government	132,929	-	132,929
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	10,030,000	-	10,030,000
Interest and fiscal charges	24,343,700	-	24,343,700
	<hr/>	<hr/>	<hr/>
Total expenditures	34,506,629	-	34,506,629
Revenue over (under) expenditures	59,521,853	-	59,521,853
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(82,250,175)	-	(82,250,175)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(82,250,175)	-	(82,250,175)
Net change in project equity	(22,728,322)	-	(22,728,322)
Project equity			
Beginning of year	46,102,246	-	46,102,246
	<hr/>	<hr/>	<hr/>
End of year	\$ 23,373,924	\$ -	\$ 23,373,924
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State Building Authority of the State of Michigan
2019 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,674,769	\$ -	\$ 15,674,769
Accrued interest receivable	63,626	-	63,626
	Total assets	\$ -	\$ 15,738,395
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	Total liabilities	-	-
PROJECT EQUITY			
Restricted	15,738,395	-	15,738,395
	Total liabilities and project equity	\$ -	\$ 15,738,395
OUTSTANDING DEBT (long-term)			\$ 194,190,000

State Building Authority of the State of Michigan
2019 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 555,256	\$ -	\$ 555,256
Rent revenue	12,070,020	-	12,070,020
Other revenue	-	-	-
	<u>12,625,276</u>	<u>-</u>	<u>12,625,276</u>
Expenditures			
Current - general government	47,791	-	47,791
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	8,527,250	-	8,527,250
	<u>8,575,041</u>	<u>-</u>	<u>8,575,041</u>
Total expenditures	<u>8,575,041</u>	<u>-</u>	<u>8,575,041</u>
Revenue over (under) expenditures	4,050,235	-	4,050,235
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(1,800,000)	-	(1,800,000)
	<u>(1,800,000)</u>	<u>-</u>	<u>(1,800,000)</u>
Total other financing sources (uses)	<u>(1,800,000)</u>	<u>-</u>	<u>(1,800,000)</u>
Net change in project equity	2,250,235	-	2,250,235
Project equity			
Beginning of year	<u>13,488,160</u>	<u>-</u>	<u>13,488,160</u>
End of year	<u>\$ 15,738,395</u>	<u>\$ -</u>	<u>\$ 15,738,395</u>

State Building Authority of the State of Michigan
2020 Revenue and Revenue Refunding Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,387,750	\$ -	\$ 9,387,750
Accrued interest receivable	38,119	-	38,119
Total assets	\$ 9,425,869	\$ -	\$ 9,425,869
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Restricted	9,425,869	-	9,425,869
Total liabilities and project equity	\$ 9,425,869	\$ -	\$ 9,425,869
OUTSTANDING DEBT (long-term)			\$ 205,200,000

State Building Authority of the State of Michigan
2020 Revenue and Revenue Refunding Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 272,224	\$ -	\$ 272,224
Rent revenue	17,717,016	-	17,717,016
Other revenue	-	-	-
	<u>17,989,240</u>	<u>-</u>	<u>17,989,240</u>
Expenditures			
Current - general government	43,151	-	43,151
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	7,786,600	-	7,786,600
	<u>7,829,751</u>	<u>-</u>	<u>7,829,751</u>
Total expenditures	<u>7,829,751</u>	<u>-</u>	<u>7,829,751</u>
Revenue over (under) expenditures	10,159,489	-	10,159,489
Other financing sources (uses)			
Transfers from other funds	8	-	8
Transfers to other funds	(15,900,000)	(8)	(15,900,008)
	<u>(15,899,992)</u>	<u>(8)</u>	<u>(15,900,000)</u>
Total other financing sources (uses)	<u>(15,899,992)</u>	<u>(8)</u>	<u>(15,900,000)</u>
Net change in project equity	(5,740,503)	(8)	(5,740,511)
Project equity			
Beginning of year	<u>15,166,372</u>	<u>8</u>	<u>15,166,380</u>
End of year	<u>\$ 9,425,869</u>	<u>\$ -</u>	<u>\$ 9,425,869</u>

State Building Authority of the State of Michigan
2020 Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,427,599	\$ -	\$ 5,427,599
Accrued interest receivable	22,113	-	22,113
Total assets	\$ 5,449,712	\$ -	\$ 5,449,712
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Restricted	5,449,712	-	5,449,712
Total liabilities and project equity	\$ 5,449,712	\$ -	\$ 5,449,712
OUTSTANDING DEBT (long-term)			\$ 531,315,000

State Building Authority of the State of Michigan
2020 Revenue Refunding Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 191,836	\$ -	\$ 191,836
Rent revenue	7,833,516	-	7,833,516
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	8,025,352	-	8,025,352
Expenditures			
Current - general government	111,466	-	111,466
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	21,430,000	-	21,430,000
Interest and fiscal charges	12,761,557	-	12,761,557
	<hr/>	<hr/>	<hr/>
Total expenditures	34,303,023	-	34,303,023
Revenue over (under) expenditures	(26,277,671)	-	(26,277,671)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	25,900,000	-	25,900,000
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	25,900,000	-	25,900,000
Net change in project equity	(377,671)	-	(377,671)
Project equity			
Beginning of year	5,827,383	-	5,827,383
	<hr/>	<hr/>	<hr/>
End of year	\$ 5,449,712	\$ -	\$ 5,449,712
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

State Building Authority of the State of Michigan
2020 Multi-Modal Revenue Refunding Bonds, Series III
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 11,548,834	\$ -	\$ 11,548,834
Accrued interest receivable	46,852	-	46,852
Total assets	\$ 11,595,686	\$ -	\$ 11,595,686
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 16,552	\$ -	\$ 16,552
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	16,552	-	16,552
PROJECT EQUITY			
Restricted	11,579,134	-	11,579,134
Total liabilities and project equity	\$ 11,595,686	\$ -	\$ 11,595,686
OUTSTANDING DEBT (long-term)			\$ 32,835,000

State Building Authority of the State of Michigan
2020 Multi-Modal Revenue Refunding Bonds, Series III
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 385,732	\$ -	\$ 385,732
Rent revenue	6,186,996	-	6,186,996
Other revenue	-	-	-
	<u>6,572,728</u>	<u>-</u>	<u>6,572,728</u>
Expenditures			
Current - general government	73,277	-	73,277
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	974,291	-	974,291
	<u>1,047,568</u>	<u>-</u>	<u>1,047,568</u>
Total expenditures	<u>1,047,568</u>	<u>-</u>	<u>1,047,568</u>
Revenue over (under) expenditures	5,525,160	-	5,525,160
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(4,600,000)	-	(4,600,000)
	<u>(4,600,000)</u>	<u>-</u>	<u>(4,600,000)</u>
Total other financing sources (uses)	<u>(4,600,000)</u>	<u>-</u>	<u>(4,600,000)</u>
Net change in project equity	925,160	-	925,160
Project equity			
Beginning of year	<u>10,653,974</u>	<u>-</u>	<u>10,653,974</u>
End of year	<u>\$ 11,579,134</u>	<u>\$ -</u>	<u>\$ 11,579,134</u>

State Building Authority of the State of Michigan
2021 Revenue Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,914,749	\$ 5,586,779	\$ 14,501,528
Accrued interest receivable	36,199	22,661	58,860
Total assets	\$ 8,950,948	\$ 5,609,440	\$ 14,560,388
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	-	-	-
PROJECT EQUITY			
Restricted	8,950,948	5,609,440	14,560,388
Total liabilities and project equity	\$ 8,950,948	\$ 5,609,440	\$ 14,560,388
OUTSTANDING DEBT (long-term)			\$ 193,510,000

State Building Authority of the State of Michigan
2021 Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 244,676	\$ 230,320	\$ 474,996
Rent revenue	15,528,012	-	15,528,012
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	15,772,688	230,320	16,003,008
Expenditures			
Current - general government	41,982	-	41,982
Capital outlay	-	35,060	35,060
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,230,000	-	7,230,000
Interest and fiscal charges	6,906,188	-	6,906,188
	<hr/>	<hr/>	<hr/>
Total expenditures	14,178,170	35,060	14,213,230
Revenue over (under) expenditures	1,594,518	195,260	1,789,778
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
Net change in project equity	1,594,518	195,260	1,789,778
Project equity			
Beginning of year	7,356,430	5,414,180	12,770,610
	<hr/>	<hr/>	<hr/>
End of year	\$ 8,950,948	\$ 5,609,440	\$ 14,560,388
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State Building Authority of the State of Michigan
2022 Revenue Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,732,419	\$ 479,074	\$ 5,211,493
Accrued interest receivable	19,224	8,937	28,161
Total assets	\$ 4,751,643	\$ 488,011	\$ 5,239,654
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 91	\$ -	\$ 91
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
Total liabilities	91	-	91
PROJECT EQUITY			
Restricted	4,751,552	488,011	5,239,563
Total liabilities and project equity	\$ 4,751,643	\$ 488,011	\$ 5,239,654
 OUTSTANDING DEBT (long-term)			\$ 139,090,000

State Building Authority of the State of Michigan
2022 Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 120,541	\$ 346,300	\$ 466,841
Rent revenue	10,772,016	-	10,772,016
Other revenue	-	-	-
	<u>10,892,557</u>	<u>346,300</u>	<u>11,238,857</u>
Expenditures			
Current - general government	29,132	-	29,132
Capital outlay	-	10,367,557	10,367,557
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,440,000	-	7,440,000
Interest and fiscal charges	4,407,414	-	4,407,414
	<u>11,876,546</u>	<u>10,367,557</u>	<u>22,244,103</u>
Revenue over (under) expenditures	(983,989)	(10,021,257)	(11,005,246)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	4,600,000	4,571,729	9,171,729
	<u>4,600,000</u>	<u>4,571,729</u>	<u>9,171,729</u>
Net change in project equity	3,616,011	(5,449,528)	(1,833,517)
Project equity			
Beginning of year	<u>1,135,541</u>	<u>5,937,539</u>	<u>7,073,080</u>
End of year	<u>\$ 4,751,552</u>	<u>\$ 488,011</u>	<u>\$ 5,239,563</u>

State Building Authority of the State of Michigan
2023 Multi-Modal Revenue Bonds, Series I
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,220,808	\$ 13,283,309	\$ 14,504,117
Accrued interest receivable	4,972	56,938	61,910
	Total assets	\$ 13,340,247	\$ 14,566,027
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 69,904	\$ 775	\$ 70,679
Due to State of Michigan	-	7,163,970	7,163,970
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	Total liabilities	7,164,745	7,234,649
PROJECT EQUITY			
Restricted	1,155,876	6,175,502	7,331,378
	Total liabilities and project equity	\$ 13,340,247	\$ 14,566,027
OUTSTANDING DEBT (long-term)			\$ 113,845,000

State Building Authority of the State of Michigan
2023 Multi-Modal Revenue Bonds, Series I
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 8,627	\$ 197,636	\$ 206,263
Rent revenue	1,764,142	-	1,764,142
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	1,772,769	197,636	1,970,405
Expenditures			
Current - general government	75,271	-	75,271
Capital outlay	-	14,958,850	14,958,850
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	541,622	-	541,622
Debt issuance costs	-	483,476	483,476
	<hr/>	<hr/>	<hr/>
Total expenditures	616,893	15,442,326	16,059,219
Revenue over (under) expenditures	1,155,876	(15,244,690)	(14,088,814)
Other financing sources (uses)			
Long-term debt issued	-	113,845,000	113,845,000
Premiums on bonds issued	-	-	-
Refunding debt issued	-	-	-
Premiums on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	(92,424,808)	(92,424,808)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	21,420,192	21,420,192
Net change in project equity	1,155,876	6,175,502	7,331,378
Project equity			
Beginning of year	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 1,155,876</u>	<u>\$ 6,175,502</u>	<u>\$ 7,331,378</u>

State Building Authority of the State of Michigan
2023 Revenue Refunding Bonds, Series II
Project Balance Sheet
September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
ASSETS			
Current assets			
Investments	\$ 1,377,973	\$ -	\$ 1,377,973
Accrued interest receivable	5,295	-	5,295
	Total assets	\$ -	\$ 1,383,268
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 53,500	\$ -	\$ 53,500
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	Total liabilities	-	53,500
PROJECT EQUITY			
Restricted	1,329,768	-	1,329,768
	Total liabilities and project equity	\$ -	\$ 1,383,268
OUTSTANDING DEBT (long-term)			\$ 280,985,000

State Building Authority of the State of Michigan
2023 Revenue Refunding Bonds, Series II
Schedule of Project Revenue, Expenditures
and Changes in Project Equity
Year Ended September 30, 2023

	Debt Service Activities	Capital Projects Activities	Total
Revenues			
Investment income	\$ 11,685	\$ -	\$ 11,685
Lease revenue	-	-	-
Other revenue	-	-	-
Total revenues	11,685	-	11,685
Expenditures			
Current - general government	48,500	-	48,500
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	42,127,919	-	42,127,919
Interest and fiscal charges	5,170,762	-	5,170,762
Debt issuance costs	1,198,830	-	1,198,830
Total expenditures	48,546,011	-	48,546,011
Revenue over (under) expenditures	(48,534,326)	-	(48,534,326)
Other financing sources (uses)			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Refunding debt issued	280,985,000	-	280,985,000
Premiums on refunding debt	21,547,002	-	21,547,002
Payment to refunding escrow agent	(301,266,764)	-	(301,266,764)
Transfers from other funds	-	-	-
Transfers to other funds	48,598,856	-	48,598,856
Total other financing sources (uses)	49,864,094	-	49,864,094
Net change in project equity	1,329,768	-	1,329,768
Project equity			
Beginning of year	-	-	-
End of year	\$ 1,329,768	\$ -	\$ 1,329,768

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

September 30, 2023
(in Thousands)

Year Ending September 30	2023 II Revenue Refunding Bonds	2023 I** Revenue Bonds	2022 I Revenue Bonds	2021 I Revenue Bonds	2020 III* Refunding VRO Bonds	2020 II Refunding Bonds
2024	\$ 4,425	\$ -	\$ 2,045	\$ 3,905	\$ -	\$ 10,675
2025	23,505	-	-	7,590	-	18,810
2026	25,675	110	-	3,605	-	24,625
2027	26,445	5,685	-	3,315	-	16,330
2028	19,690	8,740	-	-	-	-
2029	26,030	-	-	-	3,925	-
2030	22,330	3,935	-	-	-	-
2031	1,275	-	-	-	4,010	-
2032	5,490	65	-	-	-	18,320
2033	4,385	-	-	-	1,485	13,755
2034	2,105	-	-	-	4,035	26,230
2035	4,790	3,920	-	-	-	58,030
2036	6,220	4,030	-	-	3,930	42,435
2037	9,695	4,005	2,000	-	-	32,300
2038	9,515	-	4,180	3,275	-	42,125
2039	5,585	785	1,510	6,740	2,950	44,235
2040	6,010	-	3,870	7,010	2,135	81,825
2041	4,295	-	4,920	7,295	3,505	38,100
2042	4,775	-	5,165	7,585	3,450	-
2043	12,385	905	5,430	7,895	3,410	-
2044	9,375	4,370	5,710	8,210	-	-
2045	8,675	5,615	5,995	8,545	-	-
2046	12,505	4,830	6,295	8,890	-	2,750
2047	13,285	5,025	6,610	9,255	-	5,630
2048	12,520	5,230	6,955	9,550	-	5,800
2049	-	4,395	7,245	9,845	-	5,975
2050	-	4,655	7,535	10,145	-	6,150
2051	-	4,940	7,840	10,445	-	6,340
2052	-	5,235	8,155	10,770	-	6,525
2053	-	5,560	8,485	11,095	-	6,730
2054	-	5,890	8,915	11,425	-	6,940
2055	-	6,255	9,385	11,765	-	8,530
2056	-	6,635	9,895	13,030	-	2,150
2057	-	7,035	8,895	2,325	-	-
2058	-	5,995	2,055	-	-	-
Total	\$ 280,985	\$ 113,845	\$ 139,090	\$ 193,510	\$ 32,835	\$ 531,315

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

**2023 I bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of April 15, 2058.

2020 I	2019 I	2016 I	2015 I	Total
Revenue & Refund Bonds	Revenue & Refunding Bonds	Revenue & Refunding Bonds	Revenue & Refunding Bonds	
\$ -	\$ 22,640	\$ 10,550	\$ 17,985	\$ 72,225
-	15,910	11,090	18,905	95,810
-	11,410	11,660	19,875	96,960
2,050	4,465	12,255	35,460	106,005
36,670	2,650	-	40,760	108,510
9,135	-	12,560	62,345	113,995
13,560	-	14,390	65,570	119,785
20,115	-	36,880	63,730	126,010
-	-	32,280	75,995	132,150
-	-	48,990	69,790	138,405
-	-	49,365	62,810	144,545
-	5,945	54,745	22,665	150,095
-	21,850	73,685	-	152,150
-	-	54,910	42,275	145,185
-	-	25,990	39,255	124,340
-	-	34,405	17,585	113,795
-	-	5,050	6,450	112,350
21,210	-	4,470	6,530	90,325
33,825	-	-	19,440	74,240
31,300	-	4,580	10,350	76,255
18,225	8,905	4,810	16,540	76,145
14,705	8,870	5,045	15,850	73,300
4,405	10,365	5,300	17,060	72,400
-	11,130	5,565	11,925	68,425
-	10,885	5,845	12,175	68,960
-	11,680	6,135	15,805	61,080
-	12,155	6,445	13,055	60,140
-	12,150	6,765	4,965	53,445
-	9,430	5,865	-	45,980
-	8,495	-	-	40,365
-	5,255	-	-	38,425
-	-	-	-	35,935
-	-	-	-	31,710
-	-	-	-	18,255
-	-	-	-	8,050
\$ 205,200	\$ 194,190	\$ 549,630	\$ 805,150	\$ 3,045,750

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Building Authority of the State of Michigan (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. As described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

Finding 2023-001

Criteria: The Authority is required to prepare its basic financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). An effective internal control system over the financial reporting process provides reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition: During the audit of the Authority's financial statements and crosswalk, we identified misstatements which necessitated the proposal of audit adjustments.

Cause: The Authority did not have an adequate process in place to ensure an effective review was conducted of the financial statements and crosswalk to verify the balances were correct and properly supported in all instances.

Effect: Deferred inflows of resources related to gains on debt refunding issues and interest expense were understated by approximately \$14.5 million. The financial statements were not in agreement with the schedule which supports the ending balance of deferred inflows of resources related to gains on debt refunding issues. In the Authority's debt service fund, which is presented as part of the Authority's State of Michigan Crosswalk, debt service – principal was overstated by approximately \$42 million and payment to refunding escrow agent was understated by approximately \$42 million. This misclassification did not have an impact on fund balance of the debt service fund or on the Authority's net position.

Recommendation: We recommend management strengthen procedures related to review of the financial statements to ensure the financial statements are in agreement with supporting subsidiary ledgers or other supporting documentation and presented in accordance with the requirements of U.S. GAAP.

Views of Responsible Officials and Planned Corrective Actions: Treasury agrees that management review procedures should be improved to help ensure the accuracy of SBA's financial statement information. Treasury will implement additional review procedures and explore the ability to automate the creation of the financial statements within the accounting software system currently used by the Authority.

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*.

State Building Authority's Response to Finding

The Authority's response to the finding in our audit is described above. The authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Andrews Hooper Paulik PLC

Okemos, Michigan
December 26, 2023