

25

FINANCIAL AUDIT REPORT

of the **MICHIGAN STRATEGIC FUND**



FISCAL YEAR ENDING
SEPTEMBER 30, 2025

(A discretely presented component unit of State of Michigan)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on the Financial Statements and Other Reporting Required by Government Auditing Standards.....	5
---	---

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis	10
Condensed Financial Information From the Statement of Net Position	10
Condensed Financial Information From the Statement of Activities	12

BASIC FINANCIAL STATEMENTS

Statement of Net Position	16
Statement of Activities	18
Governmental Fund Balance Sheet	19
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	20
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	21
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	22
Notes to the Financial Statements.....	23

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule and Budget-to-GAAP Reconciliation.....	58
Notes to Required Supplementary Information - Budgetary Reporting.....	59
Schedules of Required Supplementary Information - Pension Liability	60
Notes to Required Supplementary Information - Pension Liability.....	61
Schedules of Required Supplementary Information - SERS OPEB Liability.....	62
Notes to Required Supplementary Information - SERS OPEB Liability	63
Schedule of Required Supplementary Information - PELIB OPEB Liability	64
Notes to Required Supplementary Information - PELIB OPEB Liability	64

INDEPENDENT AUDITOR'S REPORT



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on the Financial Statements
and Other Reporting Required by *Government Auditing Standards*

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

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the financial statements of the governmental activities and each major fund of the Michigan Strategic Fund (Fund), a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2025 and the related notes to the financial statements. We were not engaged to audit the financial statements of the Fund's aggregate discretely presented component units. These financial statements collectively comprise the Fund's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

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

Unmodified Opinions on Governmental Activities and Each Major Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Michigan Strategic Fund as of September 30, 2025 and the respective changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

We were not engaged by the Fund or the Fund's discretely presented component units to separately audit the financial statements of each discretely presented component unit as part of our audit of the Fund's basic financial statements. Eight of 9 discretely presented component units did not obtain an audit from other auditors, representing 78%, 73%, and 94% of the assets, net position, and revenues, respectively, of the Fund's aggregate discretely presented component units.

Basis for Unmodified Opinions

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



OAG

Office of the Auditor General

Doug A. Ringler, CPA, CIA
Auditor General

Quentin L. Messer, Jr.
President, Michigan Strategic Fund
Chair, Michigan Strategic Fund Board of Directors
Page 2

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units

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

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

Auditor's Responsibilities for the Audit of the Governmental Activities and Each Major Fund

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.



OAG

Office of the Auditor General

Doug A. Ringler, CPA, CIA
Auditor General

Quentin L. Messer, Jr.
President, Michigan Strategic Fund
Chair, Michigan Strategic Fund Board of Directors
Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue a report dated March 10, 2026 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Doug Ringler
Auditor General
March 10, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Michigan Strategic Fund (MSF) management has prepared this discussion and analysis of the financial performance of the MSF for the period October 1, 2024, through September 30, 2025. The MSF is a discretely presented component unit of the financial reporting entity of the State of Michigan. The MSF's management is responsible for the basic financial statements, required supplementary information and this discussion.

Using the Financial Report

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

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

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

Analysis of Financial Activities

The assets and deferred outflows of resources of the MSF Primary Government exceeded its liabilities and deferred inflows of resources by \$1.8 billion as of September 30, 2025, and by \$1.6 billion as of September 30, 2024. Total net position increased by \$126.0 million during fiscal year 2025.

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

	<u>2025</u>	<u>2024</u>
Cash and equity in common cash	\$ 1,434,077,217	\$ 1,387,329,947
Amounts due from federal government	13,370,331	18,408,580
Other current assets	56,463,939	86,274,569
Total current assets	<u>\$ 1,503,911,487</u>	<u>\$ 1,492,013,096</u>
Noncurrent assets	659,788,535	623,461,401
Total assets	<u>\$ 2,163,700,022</u>	<u>\$ 2,115,474,497</u>
Deferred outflows of resources	<u>2,423,419</u>	<u>2,583,728</u>
Total assets and deferred outflows of resources	<u>\$ 2,166,123,440</u>	<u>\$ 2,118,058,225</u>
Current liabilities	\$ 135,403,222	\$ 195,625,179
Long-term liabilities	149,747,135	177,595,385
Total liabilities	<u>\$ 285,150,357</u>	<u>\$ 373,220,564</u>
Deferred inflows of resources	<u>117,885,895</u>	<u>107,721,719</u>
Total liabilities and deferred inflows of resources	<u>\$ 403,036,252</u>	<u>\$ 480,942,283</u>
Net position:		
Restricted	\$ 1,920,976,747	\$ 1,819,523,569
Unrestricted	<u>(157,889,558)</u>	<u>(182,407,627)</u>
Total net position	<u>\$ 1,763,087,189</u>	<u>\$ 1,637,115,942</u>

Cash and equity in common cash primarily consists of amounts held in cash for various bond issuances and the SSBCI programs, funds in the State of Michigan's equity in common cash, money market funds, and collateral deposits. This line item increased by a net amount of \$46.7 million during fiscal year 2025 mainly due to an increase of \$79.4 million in funding for State Small Business Credit Initiative (SSBCI) programs, partially offset by \$40.1 million in awards disbursed for those programs.

Amounts due from federal government primarily consist of receivables for federal pass-through for the Community Development Block Grants (CDBGs) to subrecipients. This line item decreased by \$5.0 million during the fiscal year. These receivables vary from year to year as they are dependent on project activity of the subrecipients, in fiscal year 2025 there was increased payments to subrecipients as compared to the prior year.

Other current assets primarily consist of loans receivable, lease receivable, tribal gaming revenue receivables, participation loans, and advances to subrecipients for American Rescue Plan Act (ARPA) programs. This line item decreased by a net amount of \$29.8 million primarily due to decreases of ARPA grant advances of \$18.6 million and participation loans of \$4.5 million. The decrease was also supported by decreases in loan receivables of \$4.8 million.

Noncurrent assets include the Capital Access Program, lease receivable, loans receivable, economic development equity programs (EDEPs), equity in component units, collateral deposits, participation loans and bonds receivable. The net increase in noncurrent assets during the fiscal year was \$36.3 million mainly due to increases of \$26.9 million in the collateral deposits, \$10.6 million in lease receivables, and \$8.4 million in participation loans in the Jobs for Michigan Investment Fund. Those increases were partially offset by decreases of \$5.4 million in EDEPs, and \$3.1 million in loans receivable.

Current liabilities primarily consist of accounts payable and other liabilities, amounts due to component units, bond and interest payables related to the limited obligation revenue bonds, and unearned ARPA federal funds. This line item decreased by a net amount of \$60.2 million during the fiscal year primarily due to a decrease of \$69.0 million in accounts payable for the Strategic Outreach and Attraction Reserve (SOAR) fund.

Long-term liabilities primarily consist of bonds payable, the reserves for the Capital Access Program, the net pension liability, and the net other post-employment benefits (OPEB) liabilities. This line item decreased by a net amount of \$27.8 million during the fiscal year primarily due to a decrease of \$26.2 million in bonds payable.

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

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation limiting how they can be used. Total restricted net position increased by \$100.7 million during fiscal year 2025 primarily due to the SOAR, SSBCI, Revitalization and Placemaking Fund, and Jobs for Michigan Investment Fund preceding activities.

Unrestricted net position represents resources that are not included in restricted net position. Total unrestricted net position increased by \$24.5 million during fiscal year 2025 primarily due to a decrease in bonds payables.

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

	2025	2024
Expenses		
Community Development Block Grants (CDBG)	\$ 42,078,610	\$ 35,071,001
Arts and Cultural Grants	12,135,084	15,927,099
Jobs for Michigan Investment Fund	196,585,666	155,357,597
Strategic Outreach and Attraction Reserve Fund	197,310,529	443,465,705
Other programs	92,609,934	38,890,154
Payments to the Michigan Economic Development Corporation (MEDC)	328,534,555	747,195,880
Other	9,375,576	9,258,739
Total program expenses	<u>\$ 878,629,952</u>	<u>\$ 1,445,166,176</u>
Program revenues		
Charges for services	\$ 2,866,133	\$ 2,228,340
Operating grants and contributions	221,081,622	78,404,559
Total program revenues	<u>\$ 223,947,755</u>	<u>\$ 80,632,899</u>
Net program expenses	<u>\$ 654,682,197</u>	<u>\$ 1,364,533,277</u>
General revenues		
Payments from the State of Michigan	\$ 662,059,980	\$ 1,126,723,933
Other	119,256,177	95,764,060
Total general revenues	<u>\$ 781,316,156</u>	<u>\$ 1,222,487,993</u>
Change in net position	<u>\$ 126,633,959</u>	<u>\$ (142,045,284)</u>
Net position – Beginning of fiscal year	<u>1,637,115,942</u>	<u>1,779,161,226</u>
Restatements	<u>(662,712)</u>	
Net position – Ending of fiscal year	<u><u>\$ 1,763,087,189</u></u>	<u><u>\$ 1,637,115,942</u></u>

CDBG is a federal pass-through grant program and grant awards are spent over several years. Expenses increased by \$7.0 million in fiscal year 2025.

Arts and Cultural expenditures are primarily for state and federal funded grant programs that encourage, initiate and facilitate an enriched artistic, cultural and creative environment in Michigan. Expenses decreased by \$3.8 million in fiscal year 2025 primarily due to a \$1.5 million increase in General Fund appropriations, offset by a decrease in ARPA funding during the year of \$5.0 million.

Jobs for Michigan Investment Fund expenses increased by \$41.2 million in fiscal year 2025 primarily due to an increase in grant expenditures (payments to subrecipients). Grant payments are milestone based and may be spent over several years.

Strategic Outreach and Attraction Reserve Fund expenses decreased by \$246.2 million. SOAR grant payments are milestone based and may be spent over several years.

Other programs increased by \$52.3 million primarily due to an increase in expenditures for ARPA programs.

Payments to MEDC primarily consist of the MSF state appropriations transferred to fund programs administered by MEDC, as well as tribal gaming revenue. This line item decreased by a net amount of \$418.7 million primarily due to a decrease in MSF state appropriations that transferred to MEDC of \$359.7 million and a decrease in appropriations for Revitalization and Placemaking of \$50.0 million.

Other expenses primarily consist of other interest, pension expense, OPEB expense, and miscellaneous expenses. This line item increased by a net amount of \$116,837 in fiscal year 2025.

Operating grants and contributions primarily reflect the funds received from the federal government for CDBG, ARPA and SSBCI programs. This line item increased by a net amount of \$142.7 million primarily due to an increase of \$52.3 million in ARPA funds received, \$82.4 million for SSBCI programs, and \$7.0 million for CDBG.

Payments from the State of Michigan primarily consist of transfers of the MSF appropriations from the State General Fund of \$257.7 million, reimbursements of the MSF expenditures from the 21st Century Jobs Trust Fund of \$152.1 million, and funds transferred by the Department of Labor and Economic Opportunity (LEO) from the SOAR Fund, a sub-fund of the State's General Fund, of \$247.7 million. This line item decreased by a net amount of \$464.7 million due to a decrease of \$367.3 million in appropriations for direct grants for identified industries or recipients and a decrease of \$99.3 million in revenues transferred by LEO for SOAR projects.

Other general revenues primarily consist of tribal gaming revenue, interest income, returns on EDEPs, gains or losses from component units, and revenue related to lease agreements. This line item increased by a net amount of \$23.5 million during fiscal year 2025 mainly due to increases of \$11.7 million in tribal gaming revenue and \$7.9 million in net gain from component units.

BASIC FINANCIAL STATEMENTS

MICHIGAN STRATEGIC FUND
Statement of Net Position
As of September 30, 2025

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash (Note 3)	\$ 15,995,721	\$ 2,541,840
Equity in common cash (Note 3)	1,324,520,588	
Money market funds (Note 3)	68,613,499	
SSBCI Checking Account (Note 3)	6,846,004	
Collateral Deposits (Note 4)	18,101,406	
Participation loans	5,159,395	
Amount due from federal government	13,370,331	
Amount due from component unit	24,023	
Loans receivable (Note 5)	8,619,683	
Bonds receivable (Note 5)	39,000	
Lease Receivables (Note 6)	10,135,435	
Other current assets (Note 5)	32,486,402	4,946,940
Total current assets	<u>\$ 1,503,911,487</u>	<u>\$ 7,488,780</u>
Noncurrent assets:		
Capital Access Program (Notes 3, 4, and 11)	\$ 8,705,640	\$
Collateral Deposits (Note 4)	102,574,634	
Participation loans	123,825,474	
Lease Receivables (Note 6)	98,382,676	2,519,500
Economic development equity programs	60,497,747	28,645,000
Equity in component units	91,569,874	
Loans receivable (Note 5)	151,050,519	8,625,354
Bonds receivable (Note 5)	21,862,000	
Investments		51,020,983
Capital Assets		
Land and other non-depreciable assets		5,969,116
Buildings, equipment, and other depreciable assets (net)		9,527,145
Other noncurrent assets (Note 5)	1,319,971	4,309
Total noncurrent assets	<u>\$ 659,788,535</u>	<u>\$ 106,311,407</u>
Total assets	<u>\$ 2,163,700,022</u>	<u>\$ 113,800,187</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions (Note 7)	\$ 512,892	\$
Related to other post employment benefits (Note 8)	1,910,526	
Total deferred outflows of resources	<u>\$ 2,423,419</u>	<u>\$ 0</u>
Total assets and deferred outflows of resources	<u>\$ 2,166,123,440</u>	<u>\$ 113,800,187</u>

MICHIGAN STRATEGIC FUND
Statement of Net Position, *continued*
As of September 30, 2025

	Primary Government	Component Units
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	\$ 83,817,304	\$ 171,850
Compensated absences (Note 11)	501,777	
Amounts due to component units	3,538,681	
Capital Access Program (Notes 4 and 11)	1,150,000	
Amounts due to primary government	1,033,820	
Interest payable	1,775,284	
Bonds payable (Note 9)	20,805,000	
Unearned revenue (Note 6)	22,781,356	8,100
Total current liabilities	<u>\$ 135,403,222</u>	<u>\$ 179,951</u>
Long-term liabilities:		
Bonds payable (Note 9)	\$ 136,828,558	\$
Compensated absences (Note 11)	656,511	
Capital Access Program (Notes 4 and 11)	7,555,640	
Net pension liability (Note 7)	3,477,567	
Net OPEB liability (Note 8)	1,228,860	
Loans payable		16,832,305
Total long-term liabilities	<u>\$ 149,747,135</u>	<u>\$ 16,832,305</u>
Total liabilities	<u>\$ 285,150,357</u>	<u>\$ 17,012,256</u>
DEFERRED INFLOWS OF RESOURCES		
Refunding of debt	\$ 3,631,568	\$
Deferred inflows related to leases	108,518,111	715,713
Deferred inflows related to pensions (Note 7)	860,035	
Deferred inflows related to other post employment benefits (Note 8)	4,876,181	
Total deferred inflows of resources	<u>\$ 117,885,895</u>	<u>\$ 715,713</u>
Total liabilities and deferred inflows of resources	<u>\$ 403,036,252</u>	<u>\$ 17,727,969</u>
NET POSITION		
Net investment in capital assets	\$	\$ 15,496,261
Restricted for (Note 12):		
Strategic Outreach and Attraction Reserve Fund	1,033,854,125	
Jobs for Michigan Investment Fund	649,187,025	
Other purposes	237,935,596	80,575,957
Unrestricted	<u>(157,889,558)</u>	
Total net position	<u><u>\$ 1,763,087,189</u></u>	<u><u>\$ 96,072,218</u></u>

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

MICHIGAN STRATEGIC FUND
Statement of Activities
For the Fiscal Year Ended September 30, 2025

	Primary Government	Component Units
EXPENSES (Note 1)		
Community Development Block Grants	\$ 42,078,610	\$
Arts and Cultural Grants	12,135,084	
Jobs for Michigan Investment Fund	196,585,666	
Strategic Outreach and Attraction Reserve Fund	197,310,529	
Other programs	92,609,934	
Payments to MEDC and other component units	328,534,555	
Other interest	4,649,058	
Miscellaneous	4,726,518	1,375,762
Total program expenses	<u>\$ 878,629,952</u>	<u>\$ 1,375,762</u>
PROGRAM REVENUES (Note 1)		
<u>Charges for services</u>		
Program fees	\$ 2,866,133	\$
<u>Operating grants and contributions</u>		
Federal revenues	218,594,293	
Revenues from local units	2,440,530	
Revenues from component units	46,800	
Total program revenues	<u>\$ 223,947,755</u>	<u>\$ 0</u>
Net program expense	<u>\$ 654,682,197</u>	<u>\$ 1,375,762</u>
GENERAL REVENUES (Note 1)		
<u>Payments from the State of Michigan</u>	\$ 662,059,980	\$
<u>Other</u>		
Interest earnings	28,803,889	863,667
Net increase (decrease) in fair value of investments		(1,092,165)
Net gain (loss) from component units	2,875,199	
Tribal gaming and other revenue and fees	71,278,708	
Lease revenue	10,741,681	
Miscellaneous	5,556,700	632,443
Total general revenues	<u>\$ 781,316,156</u>	<u>\$ 403,945</u>
Increase in net position	\$ 126,633,959	\$ (971,817)
Net position - Beginning of fiscal year	1,637,115,942	97,044,034
Restatements (Note 2)	<u>(662,712)</u>	
Net position - Ending of fiscal year	<u><u>\$ 1,763,087,189</u></u>	<u><u>\$ 96,072,217</u></u>

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

MICHIGAN STRATEGIC FUND
Governmental Fund Balance Sheet
As of September 30, 2025

	Major Funds				
	General Operations	Strategic Outreach and Attraction Reserve Fund	Jobs for Michigan Investment Fund	Debt Service Fund	Total
ASSETS					
Current assets:					
Cash (Note 3)	\$ 2,001,342	\$	\$	\$ 13,994,379	\$ 15,995,721
Equity in common cash (Note 3)	60,691,486	1,066,476,251	197,352,850		1,324,520,588
Money market funds (Note 3)	68,613,499				68,613,499
SSBCI Checking Account (Note 3)	6,846,004				6,846,004
Collateral Deposits (Note 4)	15,788,798		2,312,608		18,101,406
Participation loans	361,709		4,797,686		5,159,395
Amounts due from federal government	13,370,331				13,370,331
Amounts due from component unit	24,023				24,023
Loans receivable (Note 5)			8,619,683		8,619,683
Bonds receivable (Note 5)			39,000		39,000
Lease Receivables (Note 6)				10,135,435	10,135,435
Other current assets (Note 4)	28,920,321		3,566,081		32,486,402
Total current assets	<u>\$ 196,617,513</u>	<u>\$ 1,066,476,251</u>	<u>\$ 216,687,909</u>	<u>\$ 24,129,814</u>	<u>\$ 1,503,911,487</u>
Noncurrent assets:					
Capital Access Program (Notes 3, 4, and 11)	\$ 8,705,640	\$	\$	\$	\$ 8,705,640
Collateral Deposits (Note 4)	89,469,856		13,104,778		102,574,634
Participation loans	8,681,019		115,144,455		123,825,474
Lease Receivables (Note 6)				98,382,676	98,382,676
Economic development equity programs	1,837,500		58,660,247		60,497,747
Equity in component units			91,569,874		91,569,874
Loans receivable (Note 5)			151,050,519		151,050,519
Bonds receivable (Note 5)			21,862,000		21,862,000
Other noncurrent assets (Note 4)			1,319,971		1,319,971
Total noncurrent assets	<u>\$ 108,694,014</u>	<u>\$ 0</u>	<u>\$ 452,711,845</u>	<u>\$ 98,382,676</u>	<u>\$ 659,788,535</u>
Total assets	<u>\$ 305,311,528</u>	<u>\$ 1,066,476,251</u>	<u>\$ 669,399,753</u>	<u>\$ 122,512,490</u>	<u>\$ 2,163,700,022</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total assets and deferred outflows of resources	<u>\$ 305,311,528</u>	<u>\$ 1,066,476,251</u>	<u>\$ 669,399,753</u>	<u>\$ 122,512,490</u>	<u>\$ 2,163,700,022</u>
LIABILITIES					
Current liabilities:					
Accounts payable and other liabilities	\$ 31,096,189	\$ 32,622,125	\$ 19,946,974	\$ 152,016	\$ 83,817,304
Amounts due to component units	3,538,681				3,538,681
Capital Access Program (Notes 4 and 11)	1,150,000				1,150,000
Amounts due to primary government	1,020,642		13,178		1,033,820
Unearned revenue (Note 6)	21,800,048			981,308	22,781,356
Total current liabilities	<u>\$ 58,605,559</u>	<u>\$ 32,622,125</u>	<u>\$ 19,960,152</u>	<u>\$ 1,133,325</u>	<u>\$ 112,321,161</u>
Long-term liabilities:					
Capital Access Program (Notes 4 and 11)	\$ 7,555,640	\$	\$	\$	\$ 7,555,640
Total long-term liabilities	<u>\$ 7,555,640</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,555,640</u>
Total liabilities	<u>\$ 66,161,199</u>	<u>\$ 32,622,125</u>	<u>\$ 19,960,152</u>	<u>\$ 1,133,325</u>	<u>\$ 119,876,801</u>
DEFERRED INFLOWS OF RESOURCES					
Leases (Note 6)	\$	\$	\$	\$ 108,518,111	\$ 108,518,111
Unavailable revenue	16,862,978		17,163,069		34,026,048
Total deferred inflows of resources	<u>\$ 16,862,978</u>	<u>\$ 0</u>	<u>\$ 17,163,069</u>	<u>\$ 108,518,111</u>	<u>\$ 142,544,159</u>
FUND BALANCE (Note 12)					
Restricted fund balance	\$ 221,978,329	\$ 1,033,854,125	\$ 632,276,532	\$ 12,861,054	\$ 1,900,970,041
Committed fund balance	57,988				57,988
Assigned fund balance	125,930				125,930
Unassigned fund balance	125,104				125,104
Total fund balance	<u>\$ 222,287,351</u>	<u>\$ 1,033,854,125</u>	<u>\$ 632,276,532</u>	<u>\$ 12,861,054</u>	<u>\$ 1,901,279,063</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 305,311,528</u>	<u>\$ 1,066,476,251</u>	<u>\$ 669,399,753</u>	<u>\$ 122,512,490</u>	<u>\$ 2,163,700,022</u>

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

MICHIGAN STRATEGIC FUND
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
As of September 30, 2025

	<u>2025</u>
Total fund balance	\$ 1,901,279,063
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources are not due and payable in the current period and therefore are not reported in the governmental fund statement.	
Related to pensions	512,892
Related to other post employment benefits	1,910,526
Compensated absences, net pension and other post employment benefits obligations are not due and payable in the current period and therefore are not reported in the governmental fund statement.	
	(5,864,714)
Bonds payable and interest payable are not due and payable in the current period and therefore are not reported in the governmental fund statement.	
Bonds payable	(157,633,558)
Bond interest payable	(1,775,284)
Deferred inflows of resources are not available for the current period and therefore are not recognized as revenue in the governmental fund statement. This includes:	
Deferred gain on refunding	(3,631,568)
Tribal gaming revenue	16,862,978
Other revenues	138,888
Revenues from component units	13,114,968
Related to Pensions	(860,035)
Related to other post employment benefits	(4,876,181)
Loan interest revenue	3,909,213
Net position of governmental activities	<u>\$ 1,763,087,189</u>

MICHIGAN STRATEGIC FUND
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2025

	Major Funds				
	General Operations	Strategic Outreach and Attraction Reserve Fund	Jobs for Michigan Investment Fund	Debt Service Fund	Total
REVENUES (Note 1)					
<u>Charges for services</u>					
Program fees	\$ 2,866,133	\$	\$	\$	\$ 2,866,133
<u>Operating grants and contributions</u>					
Federal revenues	218,594,293				218,594,293
Revenues from local units	2,440,530				2,440,530
Revenues from component units	46,800				46,800
<u>Payments from the State of Michigan</u>	262,279,852	247,700,000	152,080,128		662,059,980
<u>Other</u>					
Tribal gaming and other revenue and fees	68,596,117				68,596,117
Interest earnings	10,272,825		13,267,809	5,029,711	28,570,345
Net gain (loss) from component units			3,192,596		3,192,596
Lease revenue				10,741,681	10,741,681
Miscellaneous	596,083		4,821,729		5,417,812
Total revenues	<u>\$ 565,692,632</u>	<u>\$ 247,700,000</u>	<u>\$ 173,362,262</u>	<u>\$ 15,771,392</u>	<u>\$ 1,002,526,286</u>
EXPENDITURES (Note 1)					
Other interest	\$	\$	\$	\$ 6,516,375	\$ 6,516,375
Debt service principal redemption				20,004,474	20,004,474
Community Development Block Grants	42,078,610				42,078,610
Arts and Cultural Grants	12,135,084				12,135,084
Jobs for Michigan Investment Fund			196,585,666		196,585,666
Strategic Outreach and Attraction Reserve Fund		197,310,529			197,310,529
Other programs	92,609,934				92,609,934
Payments to MEDC and other component units	328,534,555				328,534,555
Miscellaneous	5,655,821			476,018	6,131,839
Total expenditures	<u>\$ 481,014,003</u>	<u>\$ 197,310,529</u>	<u>\$ 196,585,666</u>	<u>\$ 26,996,867</u>	<u>\$ 901,907,064</u>
Excess of revenues over/(under) expenditures	<u>\$ 84,678,629</u>	<u>\$ 50,389,471</u>	<u>\$ (23,223,403)</u>	<u>\$ (11,225,475)</u>	<u>\$ 100,619,222</u>
OTHER FINANCING SOURCES (USES)					
Bond Premium of refunding bonds	\$	\$	\$	\$ 2,578,016	\$ 2,578,016
Proceeds of refunding bonds				26,540,000	26,540,000
Payment to refunding escrow agent				(28,737,478)	(28,737,478)
Transfer from General Operations Fund				11,900,000	11,900,000
Transfer to Debt Service Fund	(11,900,000)				(11,900,000)
Other financing sources (uses)	<u>\$ (11,900,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,280,538</u>	<u>\$ 380,538</u>
Net change in fund balances	\$ 72,778,629	\$ 50,389,471	\$ (23,223,403)	\$ 1,055,063	\$ 100,999,760
Fund balance - Beginning of fiscal year	149,508,722	983,464,654	655,499,936	11,805,991	1,800,279,303
Fund balance - Ending of fiscal year	<u>\$ 222,287,351</u>	<u>\$ 1,033,854,125</u>	<u>\$ 632,276,532</u>	<u>\$ 12,861,054</u>	<u>\$ 1,901,279,063</u>

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

MICHIGAN STRATEGIC FUND

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended September 30, 2025

	<u>2025</u>
Net change in fund balance	\$ 100,999,760
Amounts reported for governmental activities in the statement of activities are different because:	
Bond proceeds and bond premium provide current financial resources to the governmental fund by issuing debt which increases long-term bonded debt in the statement of net position.	(2,578,016)
Tribal gaming and other revenue and fees revenues that are not recorded in the governmental fund statement for receivables but are reported in the statement of activities.	2,682,591
Certain interest earnings are delayed and not available and are reported as deferred in the governmental fund statement but are recognized in the statement of activities.	233,544
Other interest expense for bonds payable that are due and payable in the current period and are reported as an expenditure in the governmental fund statement.	1,867,318
Debt service principal redemption that is due and payable in the current period and is reported as an expenditure in the governmental fund statement.	20,004,474
Miscellaneous revenues that are not reported in the governmental fund statement for receivables but are reported in the statement of activities.	138,888
Net gain (loss) from component units that are reported as deferred in the governmental fund statement but are recognized in the statement of activities.	(317,398)
Compensated absence, net pension obligations, and net OPEB obligations are not reported in the governmental fund statement because payments are not due and payable in the current period and do not use current financial resources.	1,405,321
Refunding debt issued is recorded in the governmental fund statement as an other financing source and as an increase in bonds payable on the statement of net position.	(26,540,000)
Payment to refunding escrow agent is recorded in the governmental fund statement as an other financing use and as a decrease in bonds payable and increase in deferred outflows of resources in the statement of net position.	<u>28,737,478</u>
Change in net position of governmental activities	<u><u>\$ 126,633,959</u></u>

Notes to the Financial Statements

Note 1 Significant Accounting Policies

The accounting policies of the Michigan Strategic Fund (MSF) conform in all material respects to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. The following is a summary of more significant policies:

a. Reporting Entity

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

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

The MSF is governed by a 13-member Board of Directors that consists of MEDC's chief executive officer, the Department of Labor and Economic Opportunity director, the Department of Transportation director, the State Treasurer, and nine members who are appointed by the Governor with the advice and consent of the Senate.

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

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

Discretely Presented Component Units

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

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

statement information is included in the discretely presented component unit column of the government-wide financial statements.

- (2) Foundation Hotel Lender, LLC is a limited liability company created in 2016. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for the conversion of the former Detroit Fire Department headquarters and an adjacent building into a hotel to be known as the Foundation Hotel. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.
- (3) Plaza Midtown Investment, LLC is a limited liability company created in 2016. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for the historic renovation of a former medical office tower in the City of Detroit, Michigan, into a mixed-use development. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.
- (4) Temple Lofts, LLC is a limited liability company created in 2020. The company is a special purpose entity whose sole purpose is the renovation and expansion of what is commonly known as the Temple Building in Lansing, Michigan, resulting in a mixed-use development. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.
- (5) Michigan 21st Century Investment Fund, L.P. is a limited partnership created in 2006. The partnership was organized to acquire, hold, manage, and dispose of partnership investments with the purpose of strengthening and diversifying Michigan's economy by investing capital in Michigan companies. The MSF holds a majority equity interest in the partnership as a limited partner. Separate audited financial statements can be obtained by contacting MSF. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.
- (6) Huron River Ventures I, L.P. is a limited partnership created in 2011. The partnership was formed to acquire, hold, manage, and dispose of partnership investments in technology businesses primarily located in Michigan. The MSF holds a majority equity interest in the partnership as a limited partner. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.
- (7) Willow Run Arsenal of Democracy Landholdings, L.P. is a limited partnership created in 2016. The partnership was formed to acquire, lease, and conduct administrative oversight of the former General Motors Corporation (GM) Willow Run Powertrain Plant site and its surrounding real estate parcels toward facilitation of a national

center for connected and automated vehicle technology research, testing, product development, validation, and certification. The MSF holds a majority equity interest in the partnership as a limited partner. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

- (8) Heritage Tower Landlord, LLC is a limited liability company created in 2019. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for a mixed-use development in the City of Battle Creek, Michigan. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.
- (9) Keefer Hotel Finance, LLC is a limited liability company created in 2021. The company is a special purpose entity whose sole purpose is to provide a portion of the funding for a historic renovation project in the City of Hillsdale, Michigan. The MSF holds a majority equity interest in the company as a non-managing member. The company does not issue separate audited financial statements. The company's financial statement information is included in the discretely presented component unit column of the government-wide financial statements.

b. Financial Statement Presentation

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

The MSF's governmental fund financial statements include the MSF's General Operations Fund, Strategic Outreach and Attraction Reserve Fund, Jobs for Michigan Investment Fund (a special revenue fund), and Debt Service Fund. All of the MSF's funds are considered major funds. The MSF's four funds are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The General Operations Fund accounts for all of the activities of the MSF except those accounted for in the Strategic Outreach and Attraction Reserve Fund, Jobs for Michigan Investment Fund, and the Debt Service Fund. The Jobs for Michigan Investment Fund accounts for the equity funding, loan and grant activity provided for in Act 225, P.A. 2005. The Strategic Outreach and Attraction Reserve Fund accounts for the activity provided for in Act 137, P.A. 2021. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal and interest for limited obligation revenue bonds issued. Additional disclosures describing the bonds accounted for in the Debt Service Fund are provided in Note 9.

c. Measurement Focus and Basis of Accounting

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

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

d. Financial Data

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

- (a) Revenues: Revenues include federal revenues for Community Development Block Grants (CDBGs) from the U.S. Department of Housing and Urban Development; State appropriations from the General Fund; tribal gaming; interest earnings; fees from private activity bond (PAB) issuances; fees from Michigan Economic Growth Authority (MEGA) and Brownfield program applications; and federal revenues from the American Rescue Plan Act (ARPA), and the State Small Business Credit Initiative (SSBCI).
- (b) Expenditures: CDBG expenditures primarily consist of pass-through grants to local governmental units. Arts and Cultural Grants expenditures consist of grants to local libraries, schools and art groups. Other program expenditures include: SHPO historic preservation incentives to local communities; Coronavirus Fiscal Recovery Fund expenditures to promote equitable recovery from the COVID-19 pandemic. Payments to MEDC include tribal gaming; fees from PABs, MEGA and Brownfield; and State appropriations for programs administered by MEDC. Expenditures in each of the programs also include administrative and other miscellaneous costs.
- (c) Other Financing Sources: Other financing sources consist of amounts transferred to the Debt Service Fund to fund the payment of principal and interest for the Community Colleges Skilled Trades Equipment Program and the Facility for Rare Isotope Beams Project limited obligation revenue bonds.
- (d) Assets, Liabilities, and Net Position:
 - 1) Cash, Money Market Funds, SSBCI Checking Account, Capital Access Program: Includes cash and cash equivalents held at financial institutions outside of State Treasury.
 - 2) Equity in Common Cash: Includes deposits held at State Treasury.

- 3) Collateral Deposits: Include Collateral Support Program deposits held at financial institutions outside of State Treasury net of allowance for losses and interest receivable.
 - 4) Amounts Due From Federal Government: Includes federal revenues for grant reimbursements.
 - 5) Amounts Due From Primary Government: Includes revenues from the State of Michigan.
 - 6) Participation Loans: Include loans receivable established through the Loan Participation Program net of allowance for losses.
 - 7) Economic Development Equity Programs (EDEPs): EDEPs primary purpose is economic development and not income or profit; therefore, the cost method is the appropriate measurement basis.
 - 8) Other Current Assets: Other current assets primarily include tribal gaming revenue receivable and advances to subrecipients for ARPA programs.
 - 9) Current Liabilities: Current liabilities primarily include accounts payable established for program and administrative expenses, unearned revenue, and amounts due to MEDC.
 - 10) Long-Term Liabilities: Includes liability for Capital Access Program deposits.
 - 11) Deferred Inflows of Resources: In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. MSF General Operations Fund has deferred inflows of resources related to unavailable revenue.
- (2) MSF's Strategic Outreach and Attraction Reserve Fund primarily includes revenues from the Strategic Outreach and Attraction Reserve Fund, expenditures for grant payments to eligible businesses under the Strategic Site Readiness Program and the Critical Industries Program, and deposits held at State Treasury.
- (3) MSF's Jobs for Michigan Investment Fund primarily includes the following:
- (a) Revenues: Revenues include payments from the 21st Century Jobs Trust Fund and interest and earnings from loans and economic development equity programs.
 - (b) Expenditures: Expenditures primarily consist of grants and forgivable loans to private entities, universities and colleges and expenditures for business marketing, business and community development incentive programs and administration.

(c) Assets, Liabilities, and Net Position:

- 1) Equity in Common Cash: Includes deposits held at State Treasury.
 - 2) Collateral Deposits: Include Collateral Support Program deposits held at financial institutions outside of State Treasury net of allowance for losses and interest receivable.
 - 3) Participation Loans: Include loans receivable established through the Loan Participation Program net of allowance for losses.
 - 4) Economic Development Equity Programs (EDEPs): EDEPs primary purpose is economic development and not income or profit; therefore, the cost method is the appropriate measurement basis.
 - 5) Loans Receivable: Loans receivable are reported net of allowance for losses.
 - 6) Bonds Receivable: Bonds receivable primary purpose is economic development and not income or profit; therefore, they are not reported as investments.
 - 7) Equity in Component Units: Includes equity interest in legally separate entities in which MSF holds a majority equity interest; therefore, the equity method is the appropriate measurement basis.
 - 8) Current Liabilities: Current liabilities primarily include accounts payable established for program and administrative expenses.
 - 9) Deferred Inflows of Resources: In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. MSF Jobs for Michigan Investment Fund has deferred inflows of resources related to unavailable revenue.
- (4) MSF's Debt Service Fund primarily includes revenues from lease agreements and interest earned on the lease payments, bond proceeds and transfers of funds from the General Operations Fund, deposited in the bank for the accumulation of resources for, and the payment of, principal and interest for limited obligation revenue bonds.

e. Fund Balance Classifications

- (1) Restricted fund balance includes amounts that are restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The MSF's restricted fund balance consists of the entire fund balance in the Jobs for Michigan Investment Fund and the Strategic Outreach and Attraction Reserve Fund, fund balance for funds created through enabling legislation, the entire fund balance of the State Small Business Credit Initiative (SSBCI) program, the unspent cash reserves less amounts held for others and other liabilities for the various bond issuances, the entire fund balance in

the Debt Service Fund at year-end, and the fund balance for the SHPO tax credit administrative fees (Note 12).

- (2) Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law. The MSF's committed fund balance consists of the fund balance for grant application fees authorized to be collected through the MSF's annual appropriations act.
- (3) Assigned fund balance includes amounts that are constrained by the MSF's intent to be used for specific purposes, but are neither restricted nor committed. The MSF's assigned fund balance consists of encumbrances funded by the MSF appropriations that were not previously restricted or committed.
- (4) Unassigned fund balance is the residual classification for the General Operations Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Operations Fund.
- (5) The MSF's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the intent is to use committed resources first, then assigned. Unassigned amounts are generally used only after the other resources have been used.

Note 2 Accounting Changes and Restatements

Fiscal year 2025 beginning balance has been restated on the Government Wide Statement of Activities due to the implementation of GASB Statement 101, Compensated Absences, which requires compensated absences to be measured based on amounts expected to be paid rather than accumulated leave balances. The implementation of this statement resulted in a decrease in beginning net position of \$662,712.

Note 3 Deposits and Investments

a. Deposits

Deposits held by the MSF at September 30, 2025, were as follows:

Equity in common cash	\$ 1,324,520,588
Deposits	22,841,724
Capital Access Program	8,705,640
Collateral deposits	<u>120,676,040</u>
Total deposits	<u>\$ 1,476,743,992</u>

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

Deposits included in the MSF's bank accounts (without recognition of outstanding checks or deposits in transit) were \$154,947,153 on September 30, 2025. The majority of these balances are from the various bank accounts within the Capital Access Program, Collateral Programs, the SSBCI checking accounts and various bond issuances. Of that amount, \$137,456,544 was uninsured and uncollateralized and \$10,565,174 was insured. There were deposits of \$6,925,435 uninsured and collateralized with securities held by the pledging financial institution or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the MSF's name; therefore, these amounts were exposed to custodial credit risk. The MSF has no policy for controlling custodial credit risk.

The MSF's deposits included in the State of Michigan's equity in common cash are managed by the State Treasurer. The State Treasurer's policy requires financial institutions to secure State funds with collateral, to be organized under federal or State law and to maintain an office in Michigan. The policy also restricts deposits to a maximum of 50% of each financial institution's net worth. As of September 30, 2025, 100% of the State's common cash was either covered by federal depository insurance or collateralized with securities held in the State's name by the State's agent. Additional details on this policy are described in the *SOMACFR*.

b. Money Market Funds

The MSF invests in money market funds only. The fair value is determined by the investment custodian and provided to the MSF in monthly statements. The fair value of money market funds at September 30, 2025 was \$68,613,499.

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

- (1) Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. The MSF does not have a policy regarding interest rate risk. As of September 30, 2025, the MSF held only money market funds with a maturity of less than 1 year.
- (2) Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the MSF will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the MSF, and are held by either the counterparty or the counterparty's trust department or agent but not in the MSF's name. As of September 30, 2025, the MSF did not have any investments exposed to custodial credit risk.
- (3) Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GAAP requires disclosures of the credit quality ratings of investments in debt securities. The MSF does not have a policy for controlling credit risk. As of September 30, 2025, the MSF's money market funds were not rated.
- (4) Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. As of September 30, 2025, the MSF did not have any investments in foreign securities.

Note 4 Nonexchange Financial Guarantees

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

Under CAP, the MSF contributes a minimum of 3% and a maximum of 7% of the total loan amount that is deposited into a special reserve fund to cover future losses that may occur on these loans. The length of time of the guarantees varies as it is only when the issuing entity stops offering this program and all loans are paid in full that any remaining funds in the reserve fund would be returned to the MSF. Due to the high-risk nature of these loans, the MSF records a liability that is limited to the amount of deposits the MSF has made to the special reserve account. As of September 30, 2025, the total amount on deposit in the reserve fund was \$8,705,640.

Under the collateral support programs, the MSF generally guarantees up to 49.9% of the total loan amount, with a total dollar limit of \$5.0 million per project. The length of time of the guarantees is based on the length of each borrowing period as determined between the lender and the borrower. On a quarterly basis, the MSF reconciles its collateral deposit balances with the lenders and collects any monies that are contractually owed back to the MSF. Based on information obtained by the MSF from the lenders regarding the likelihood of default, the MSF did recognize a loss provision of \$2,717,081 for these deposits. The MSF has separate subordinated guarantee agreements with the borrowers for the majority of its collateral deposits, that provide the MSF with the right to recover its funds in the event of default. As of September 30, 2025, collateral deposits held by other financial institutions were \$123,393,121 and outstanding guarantees were \$71,409,488. Of the outstanding guarantees, \$883,393 were encumbered and held as cash collateral by the MSF.

Under the LGP, the MSF generally guarantees up to 80% of the total loan amount with a total program dollar limit of \$34,093,750. The length of time of the guarantees is based on the length of each borrowing period as determined between the lender and the borrower. The MSF has separate agreements with the financial institutions issuing the loans which provide the MSF payment obligations and arrangements for recovery payments. As of September 30, 2025, outstanding guarantees totaled \$11,691,667.

Note 5 Loans Receivable, Bonds Receivable, and Other Assets

a. Loans Receivable

Loans receivable totaled \$159,670,202 on September 30, 2025, for the Jobs for Michigan Investment Fund. These are high-risk loans issued for the purpose of diversifying Michigan's economy and helping to create jobs in competitive edge technologies. The loans were issued to organizations that research or commercialize (transition from research to market) products, processes or services in the competitive edge technologies. These loans may be converted to EDEPs at the MSF's option with the MSF Board of Directors' approval.

The loans are for varying lengths and interest rates. Interest and loan repayments may be initially delayed for several years to provide the borrower with an opportunity to substantially complete the project. The interest receivable of \$1,684,708 consists of \$428,492 in current interest receivable and \$1,256,216 in noncurrent interest receivable reported under other current assets and other noncurrent assets. Also, interest receivable was reported as revenue

on the entity-wide financial statements but as deferred inflows of resources on the governmental fund balance sheet because the revenue was not available.

Included in the loans receivable balance are forgivable loans. Forgivable loan agreements contain language that allows a portion of the loan to be forgiven when certain milestones are met. At fiscal year-end, \$4.2 million had been disbursed for forgivable loans.

Forgivable loans receivable held by the MSF as of September 30, 2025 consisted of the following:

Loan Category	Loan Receivable
Business Attraction and Economic Gardening - forgivable	\$ 4,240,477
Less: Forgivable portion	(4,240,477)
Total: Forgivable loans (net)	<u>\$ 0</u>

Non-forgivable loans receivable held by the MSF as of September 30, 2025 consisted of the following:

Loan Category	Loan Receivable
Entrepreneurship	\$ 9,835,966
Capital Markets	7,388,370
Michigan Small Business Relief Program	7,347,811
Business Attraction and Economic Gardening	155,171,171
Total	<u>\$ 179,743,318</u>
Less: Allowance for uncollectible loans	(20,073,116)
Total: Non-forgivable loans receivable (net)	<u>\$ 159,670,202</u>
Total loans receivable (net)	<u>\$ 159,670,202</u>

The current portion of loans receivable includes those payments expected to be received during the next fiscal year.

b. Bonds Receivable

Bonds receivable totaled \$21,901,000 on September 30, 2025, for the Jobs for Michigan Investment Fund. This amount consisted of two bonds:

- (1) A non-convertible bond issued on March 13, 2020 with a maturity date of July 1, 2049. The outstanding principal amount plus interest shall be payable by the borrower beginning on July 1, 2028 and continuing annually thereafter on the same day. The interest rate of the bond is 1.16% per annum.
- (2) A non-convertible bond issued on October 28, 2020 with a maturity date of October 1, 2060. The outstanding principal amount plus interest is payable by the borrower every April 1 and October 1 beginning on October 1, 2021. The interest rate of the bond is 1.00% per annum.

c. Other Assets

Other assets included in the statement of net position consist of \$7,685,594 in advances to subrecipients for American Rescue Plan Act (ARPA) programs, \$20,262,862 in tribal gaming receivables and \$5,857,918 in other receivables.

Note 6 **Lease Receivable**

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

- If there is a specific prohibition arising out of the appropriation process of the State against using funds for those leases.
- If the legislature of the State fails to appropriate funds for the purpose of paying the rental.
- The Lessor or any subcontractor, manufacturer or supplier of the Lessor appears in the register compiled pursuant to 1980 PA 278, as amended, MCL 423.321 et seq. (Employers Engaging in Unfair Labor Practices Act).
- The Lessor or any subcontractor, manufacturer or supplier of the Lessor is found guilty of discrimination, under 1976 PA 453, as amended, MCL 37.2101 et seq. (Elliott-Larsen Civil Rights Act); or 1976 PA 220, as amended, MCL 37.1101 et seq. (Persons with Disabilities Civil Rights Act).
- The Facilities do not comply with the barrier free design requirements of 1966 PA 1, as amended, MCL 125.1351 et seq. (Utilization of Public Facilities by Physically Handicapped Act) and the Americans with Disabilities Act.
- The Facilities are taken for a public purpose by eminent domain/condemnation proceedings by a governmental unit.
- The Lessee's use of the Facilities violates local adopted ordinances or recorded deed restrictions.
- The Lessee acquires fee title to the Facilities.

During fiscal year 2025, the MSF recognized total lease related revenue of \$15,316,934 including \$10,741,681 from lease revenue and \$4,575,253 from lease interest revenue.

Note 7 Pension Plans

Defined Benefit Plan

a. Plan Description

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

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

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

The Michigan State Employees' Retirement System defined benefit pension is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Contact Center at (517) 284-4400 or 1-800-381-5111.

b. Benefits Provided

(1) 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.

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

(2) Pension Reform of 2012

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

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

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

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

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

(3) Regular Retirement

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

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest 3 years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime - for the 6-year period ending on the FAC calculation date - will be added to that initial FAC calculation to get the final FAC number.

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

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

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

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

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

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

(4) Deferred Retirement

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

(5) Non-Duty Disability Benefit

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

(6) Duty Disability Benefit

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

(7) Survivor Benefit

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

(8) Pension Payment Options

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

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

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

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

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

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

(9) Post Retirement Adjustments

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

c. Contributions

(1) Member Contributions

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

(2) Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2025, the MSF's contribution rate was 23.74% of the

defined benefit employee wages and 16.88% of the defined contribution employee wages. The MSF's contribution to the State Employees' Retirement System (SERS) for the fiscal year ending September 30, 2025, was \$512,892.

d. Actuarial Assumptions

The MSF's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023, 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	6.0%
Cost-of-Living Pension Adjustment	3% annual non-compounded with maximum annual increase of \$300 for those eligible

Mortality rates were based on PubG-2010 Male and Female Mortality Tables and PubNS-2010 Male and Female Disabled Retiree Mortality Tables, adjusted for mortality improvements. For retirees, 104% of the table rates were used for males and 115% for females. For active members and disabled retirees, 100% of the table rates were used for males and females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0%	9.0%
International Equity Pools	15.0%	6.5%
Fixed Income Pools	13.0%	2.2%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return and Opportunistic Pools	10.0%	6.9%
Short-Term Investment Pools	2.0%	1.4%
Total	100.0%	

* Long-term Rate of Returns are net of administrative expenses and 2.3% inflation

e. Discount Rate

A discount rate of 6.0% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 6.0%. 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.

f. Net Pension Liability

At September 30, 2025, the MSF reported a liability of \$3,477,567 for its proportionate share of participating employers' net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023, and rolled-forward using generally accepted actuarial procedures. The MSF's proportion of the net pension liability was based on the MSF's required pension contributions received by SERS during the measurement period October 1, 2023, through September 30, 2024, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2024, the MSF's proportion was .085%, a .014% increase from September 30, 2023.

Assumption changes are based on the adoption of the findings of an experience study for the period 2017 through 2022.

g. Pension Liability Sensitivity

The following presents the MSF'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%
Component unit proportionate share of the net pension liability	\$4,991,416	\$3,477,567	\$2,180,777

h. Pension Plan Fiduciary Net Position

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

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

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

For the year ended September 30, 2025, the MSF recognized pension expense of \$807,157. At September 30, 2025, the MSF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on investments		860,035
Changes in proportion and difference between actual contributions and Proportionate share of contributions		
Component Unit contributions subsequent to the measurement date	512,892	
Total	\$ 512,892	\$ 860,035

Amounts reported as deferred outflows of resources related to pensions resulting from the MSF's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Pension Expense Amount
2026	\$ (401,376)
2027	\$ 10,226
2028	\$ (259,451)
2029	\$ (209,434)

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

j. Fair Value of Investments

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

Defined Contribution Plan

The MSF reimburses MEDC for MEDC nonclassified employees working on the MSF programs. MEDC offers a defined contribution plan (under Section 401(a) of the Internal Revenue Code) to nonclassified employees after one year of service. MEDC also offers a deferred compensation plan (under Section 457 of the Internal Revenue Code) to nonclassified employees upon employment.

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

On August 5, 1999, the MEDC Executive Committee approved an employer contribution rate of 8% of an employee's gross wages to the 401(a) retirement plan for eligible employees. Vesting of the benefits occurs over a five-year period. The MSF reimburses MEDC for an employer contribution rate of 8% of an employee's gross wages to the 401(a) retirement plan for eligible employees. During fiscal year 2008, the MEDC Executive Committee approved a 12% contribution rate for employees in senior vice president positions, and 18% for the President and Chief Executive Officer. All contributions are made on a biweekly basis. Employees cannot contribute to this plan. MEDC made \$2,178,569 in contributions to the 401(a) retirement plan during fiscal year 2025 and was reimbursed approximately \$589,126 of this amount from the MSF.

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

For the State Employees' Defined Contribution Retirement Plan, the MSF is required to make a contribution of 4% of the annual payroll and to match employee contributions up to 3% of annual covered payroll. The MSF's contribution to the plan was \$183,653 in fiscal year 2025. Employees participating in the defined contribution plan vest in employer contributions at 50% after 2 years of service, 75% after 3 years of service, and 100% after 4 years of service. Forfeited employer contributions are retained with the defined contribution plan are used toward future employer required contributions. The contribution requirements of plan members and the MSF are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plans.

Note 8 Other Postemployment Benefits

State Employees' Retirement System Other Postemployment Benefits (SERS OPEB)

a. Plan Description

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

The Michigan State Employees' Retirement System health, dental, and vision benefit is accounted for in a separate OPEB trust fund and also issues a publicly available financial report

that includes financial statements and required supplementary information. That report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Contact Center at (517) 284-4400 or 1-800-381-5111.

b. Benefits Provided

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan.

Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental, and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the Defined Benefit 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 2025, the MSF's contribution rate was 6.22% of the defined benefit employee wages and 6.22% of the defined contribution employee wages. The MSF's contribution to the OPEB trust for the fiscal year ending September 30, 2025 was \$206,567. Active employees are not required to contribute to SERS OPEB.

d. Actuarial Assumptions

The MSF's net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.2%
Health Care Cost Trend Rate	Pre-65: 7.25% Year 1 graded to 3.50% Year 15 Post-65: 6.50% Year 1 graded to 3.50% Year 15

Mortality rates were based on PubG-2010 Male and Female Mortality Table and PubNS-2010 Male and Females Disabled Retiree Mortality Tables. For active members and disabled retirees, 100% of the table rates were used for males and females and were adjusted for mortality improvements.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2017 through September 30, 2022.

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, 2024, are summarized in the following table:

<u>Asset Allocation</u>		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0%	9.0%
International Equity Pools	15.0%	6.5%
Fixed Income Pools	13.0%	2.2%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return and Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
Total	100.0%	

* Long-term rate of returns are net of administrative expenses and 2.3% inflation.

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

e. Discount Rate

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

f. Net OPEB Liability

At September 30, 2025, the MSF reported a liability of \$291,965 for its proportionate share of participating employers' net OPEB liability. The net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The MSF's proportion of the net OPEB liability was based on the MSF's required OPEB contributions received by SERS during the measurement period October 1, 2023, through September 30, 2024, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2024, the MSF's proportion was .086%.

The investment return assumption was updated beginning with the September 30, 2016 valuation to reflect reductions in capital market assumptions for the asset classes in which the System invests. The investment return assumption was most recently updated for the September 30, 2021 valuation in accordance with the Dedicated Gains Policy adopted by the Board of Trustees. For the September 30, 2022 valuation, the investment return assumption remained at 6.20% as a result of the Policy.

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

As required by GASB Statement No. 74 we have determined the sensitivity of the net OPEB liability to changes in the Single Discount Rate. The following table presents the MSF's net OPEB liability, calculated using a Single Discount Rate of 6.2%, as well as what the MSF's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 5.2%	Current Discount 6.2%	1% Increase 7.2%
Component Unit's proportionate share of the net OPEB liability	\$ 963,057	\$ 291,965	\$ (278,639)

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Component Unit's proportionate share of the net OPEB liability	\$ (305,753)	\$ 291,965	\$ 971,644

i. OPEB Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the MSF recognized OPEB expense of \$(1,069,299). At September 30, 2025, the MSF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 2,339,544
Changes of assumptions	471,384	79,278
Net difference between projected and actual earnings on investments	0	313,310
Changes in proportion and difference between actual contributions and proportionate share of contributions	914,079	1,572,057
Component Unit contributions subsequent to the measurement date	179,672	0
	<u>\$ 1,565,135</u>	<u>\$ 4,304,189</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from MSF's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2026	\$ (1,284,657)
2027	\$ (952,017)
2028	\$ (505,934)
2029	\$ (207,648)
2030	\$ 31,530
Thereafter	\$ 0

Postemployment Life Insurance Benefits (PELIB)

a. Plan Description

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

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the *State of Michigan Annual Comprehensive Financial Report (SOMACFR)*. The Fund was administratively established to account for employee insurance

benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

The Plan is not a trust and has no assets.

b. Benefits Provided

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

Eligible retirees are provided with life insurance coverage equal to 25% of the active life insurance coverage (which amount is rounded to the next higher \$100 provided the retiree retired after July 1, 1974), \$1,000 for spouse and \$1,000 for each dependent under age 23. The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$100,000 and a maximum of \$200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$50,000.

c. Contributions

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal year 2025 was \$8.32 for each \$1,000 of coverage. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

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

d. Actuarial Assumptions

The MSF's total OPEB liability as of the September 30, 2024 measurement date is based on an actuarial valuation performed as of September 30, 2023. The total OPEB liability as of the September 30, 2024 measurement date is based on an actuarial valuation performed as of September 30, 2023.

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

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

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

Wage Inflation Rate	2.75%
Investment Rate of Return (discount rate)	3.81% per year

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

	Percent of	
	Male Rates	Female Rates
MSERS	110%	110%

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

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

MSERS plan members	1.00%
--------------------	-------

Spouse Benefits for Current Retirees: Liabilities for current retired members were calculated based on the information provided in the data files. In cases where the retired member with PELIB was matched to the 2023 pension data and there was a spouse reported on the pension data file, the spouse PELIB benefit was valued. In cases where no spouse information was found in the 2023 pension data, no PELIB benefit was valued.

Child Benefits for Future Retirees: Based on the average age of the employees with dependent children on the 2023 PELIB file, no loads were applied to active member liabilities to account for potential PELIB for children of future retirees.

Child Benefits for Current Retirees: Liabilities for dependent children of current retired members were calculated based on information provided in the 2023 PELIB and pension data files. In cases where a retiree was reported on both the PELIB and pension files with a dependent child under the age of 23, the average PELIB liability per child was calculated. The average liability was then multiplied by the number of records with a dependent child to determine the total liability.

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

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

e. Discount Rate

A discount rate of 3.81% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2024. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets.

For the prior valuation, dated September 30, 2023, the discount rate used was 4.63%. A change in the discount rate used affects the measurement of total OPEB liability for the Postemployment Life Insurance Benefits Plan. A decrease in discount rate increases the total OPEB liability. An increase in discount rate decreases the total OPEB liability.

f. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2025, the MSF reported a liability of \$936,895 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was determined by an actuarial valuation as of September 30, 2023. The MSF's proportion of the total OPEB liability was determined by dividing the MSF's actual contributions to the Plan during the measurement period of October 1, 2023, through September 30, 2024, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2024, the MSF's proportion was .085%.

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

As required by GASB Statement No. 75, the following table presents the MSF's total OPEB liability, calculated using a Single Discount Rate of 3.81%, as well as what the MSF's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 2.81%	Current Discount 3.81%	1% Increase 4.81%
Component Unit's proportionate share of the Total OPEB liability	\$ 1,091,194	\$ 936,895	\$ 813,461

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, 2025, the MSF recognized OPEB expense of \$(24,108). At September 30, 2025, the MSF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 36,996
Changes of assumptions	109,380	196,532
Net difference between projected and actual earnings on investments	0	0
Changes in proportion and difference between actual contributions and proportionate share of contributions	209,116	338,464
Component Unit contributions subsequent to the measurement date	26,896	0
	<u>\$ 345,392</u>	<u>\$ 571,992</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from the MSF's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2026	\$ (108,493)
2027	\$ (167,010)
2028	\$ (60,601)
2029	\$ 35,877
2030	\$ 45,995
Thereafter	\$ 736

Note 9 Bonds Payable

The MSF's bonds payable as of September 30, 2025, consisted of the following bonds issued and outstanding:

a. Cadillac Place Series 2022 Refunding

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

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

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

b. Michigan Senate Offices Project

The MSF issued limited obligation revenue refunding bonds Series 2025 in the total amount of \$26,540,000 for the purpose of refunding a portion of the MSF Limited Obligation Revenue Series 2015A bonds. The bonds are secured by and payable from lease payments to be paid by the Michigan Senate under the lease and other revenues and funds pledged under the indenture. The lease is not a general obligation of the issuer, the lessee, or the State. Neither the full faith and credit nor the taxing power of the State are pledged to the payments coming due under the lease.

The proceeds of the bonds will be used, together with other available funds, to a) refund \$31,775,000 of the Series 2015A Bonds and b) pay certain expenses in connection with the issuance of the Series 2025 bonds.

The remaining principal of the Series 2015A serial bonds (\$900,000) has a maturity schedule starting in fiscal year 2024 and ending in fiscal year 2026 with an interest rate yield in the range of 2.57% to 2.94%. The remaining principal of the Series 2015A term bonds (\$32,350,000) has

a maturity schedule starting in fiscal year 2042 and ending in fiscal year 2048 with an interest rate yield of 4.23%. The Series 2025A bonds (\$26,540,000) have a maturity schedule starting in fiscal year 2027 and ending in fiscal year 2041, with an interest rate yield in the range of 2.27% to 4.23%.

During Fiscal year 2025, the MSF defeased the series 2015B bonds, transferring cash in the total of \$790,404.93 from existing resources to an escrow account to service the remaining bond principal of \$765,000 and remaining interest of \$25,404.93. The bonds defeased had an original maturity schedule ending in fiscal year 2027.

c. Community Colleges Skilled Trades Equipment Program

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

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

The serial bonds (\$40,725,000) have a maturity schedule starting in fiscal year 2016 and ending in fiscal year 2027 with an interest rate yield in the range of 0.43% to 2.92%.

d. Facility for Rare Isotope Beams Project at Michigan State University Series 2023 Refunding

The MSF issued limited obligation revenue refunding bonds Series 2023 in the total amount of \$31,675,000 for the purpose of refunding the MSF Series 2014 Limited Obligation Revenue Bonds. The bonds are secured by and payable from Security, which includes appropriated funds to be paid by the State of Michigan under the reimbursement agreement and other revenues and funds pledged under the indenture. The reimbursement agreement is not a general obligation of the issuer, or the State. Neither the full faith and credit nor the taxing power of the State are pledged to provide the appropriated funds under the reimbursement agreement.

The proceeds of the bonds will be used, together with other available funds to a) place cash with an escrow agent in a trust to be used to refund the Series 2014 bonds and b) pay certain costs associated with the issuance of the bonds.

The serial bonds (\$31,675,000) have a maturity schedule starting in fiscal year 2025 and ending in fiscal year 2029 with an interest rate yield in the range of 3.46% to 3.27%.

MSF has pledged cash in various trust accounts totaling \$13,974,937. All bonds are subject to various provisions as set forth in the official statements for each of the issues, none of which include significant events of default with finance-related consequences. MSF has no direct placement debt outstanding.

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

Fiscal Year Ending September 30	Principal	Interest	Total
2026	\$ 20,805,000	\$ 4,915,656	\$ 25,720,656
2027	20,370,000	4,703,142	25,073,142
2028	18,635,000	3,992,698	22,627,698
2029	18,860,000	3,322,439	22,182,439
2030	18,005,000	2,789,992	20,794,992
2031 - 2035	7,735,000	11,401,875	19,136,875
2036 - 2040	12,380,000	8,914,000	21,294,000
2041 - 2045	19,560,000	5,316,000	24,876,000
2046 - 2048	15,950,000	983,000	16,933,000
Total	<u>\$ 152,300,000</u>	<u>\$ 46,338,802</u>	<u>\$ 198,638,802</u>

Changes in total bonds payable for the fiscal year ended September 30, 2025, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year	Amount Due Thereafter
Bonds Payable	\$ 173,810,000	\$ 26,540,000	\$ 48,050,000	\$ 152,300,000	\$ 20,805,000	\$ 131,495,000
Unamortized Premium	\$ 4,684,546	\$ 2,578,016	\$ 1,929,004	\$ 5,333,557		
Total Bonds Payable	\$ 178,494,546	\$ 29,118,016	\$ 49,979,004	\$ 157,633,557		
Current Portion				\$ 20,805,000		
Long-Term Portion				\$ 136,828,558		

Advance Refunding

During the year, the MSF issued Limited Obligation Revenue Refunding Bonds (Michigan Senate Offices Project), Series 2025 in the amount of \$26,540,000 maturing in years 2026 to 2040. The bonds were issued for the purpose of refunding \$31,775,000 of outstanding MSF Series 2015A bonds. From the proceeds, \$28,737,478 was deposited with an escrow agent to refund Limited Obligation Revenue Bonds Series 2015A, maturing in years 2024 to 2040. As a result of this refunding, MSF's debt service decreased by \$5,184,734 over the next 16 years. This refunding resulted in an economic gain of \$3,066,110.

Note 10 Conduit Debt

The MSF and a predecessor entity (the Michigan Job Development Authority) issued industrial development revenue bonds. In addition, the MSF issued bonds under its Private Activity Bond and Taxable Bond Programs. The bonds issued are limited obligation revenue bonds payable solely from the net revenues or other funds as described in the bond indentures and are not obligations of the MSF or the State of Michigan. After the bonds are issued, all financial activities are assumed by a trustee, depository, or paying agent. Accordingly, these obligations are not reported in the MSF financial statements.

The total amount of limited obligation conduit debt outstanding at September 30, 2025 was \$2,494,475,385.

Note 11 Other Long-Term Liabilities

The following table summarizes the changes in other long-term liabilities of the MSF for the fiscal year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Access Program	\$ 9,415,054	\$ 1,147,002	\$ 1,856,416	\$ 8,705,640	\$ 1,150,000
Compensated Absences*	\$ 1,514,237	\$ 0	\$ 355,950	\$ 1,158,287	\$ 501,776
Net Pension Liability	\$ 3,993,496	\$ 0	\$ 515,929	\$ 3,477,567	\$ 0
Net OPEB Liabilities	\$ 1,856,586	\$ 0	\$ 627,726	\$ 1,228,860	\$ 0

* Beginning balance of compensated absences was restated due to the implementation of GASBS 101. Net change in balance is presented, as permitted.

a. Capital Access Program

Liabilities for the Capital Access Program consist of an obligation to reimburse financial institutions for possible future loan defaults on high-risk business loans. An asset for the same amount represents the available cash balance that can be used to reimburse the financial institutions for future loan defaults. Increases in the Capital Access Program liabilities represent fees paid by the financial institution, the MSF, and the borrower to fund the program and recoveries of defaulted loans. Reductions are payments to the financial institutions for defaulted loans. As of September 30, 2025, there were 21 financial institutions participating in the Capital Access Program.

b. Compensated Absences

Liabilities for compensated absences were included in the statement of net position, which is on the accrual basis, and not in the governmental fund balance sheet, which is on the modified accrual basis. These liabilities represent annual leave, banked leave, compensatory time, and sick leave accrued as of September 30, 2025 that is expected to be compensated through employee leave use or termination benefits. The liability is calculated using employees' accrued leave balances and employees' historical use of leave hours. The total liability amount is valued using the employees' pay rates plus the employer's share of social security and retirement contributions based on the pay rates in effect as of September 30, 2025.

c. Net Pension Liability

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

d. Net Other Postemployment Benefits Liabilities

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

Note 12 Fund Balance and Net Position**Fund Balance**

Restricted fund balance (in millions) as of September 30, 2025, consists of:

Restricted by enabling legislation:	
Jobs for Michigan Investment Fund	\$ 632.3
Michigan Film Promotion Fund	2.6
Michigan Council for the Arts Fund	0.3
Michigan Lighthouse Preservation Fund	1.1
Rural Jobs and Capital Investment Creation Program	7.5
Revitalization and Placemaking Fund	6.1
Strategic Outreach and Attraction Reserve Fund	1,033.9
State Brownfield Redevelopment Fund	7.8
Other restricted fund balance:	
SSBCI funded programs	186.9
Michigan Housing Development Grant Funds	4.7
Debt Service Fund	12.9
State Historic Preservation Office	0.8
Other Programs	4.1
Total restricted fund balance	<u>\$ 1,901.0</u>

Committed fund balance of \$57,988 represents grant application fees authorized to be collected through the MSF's annual appropriations act. Assigned fund balance of \$125,930 consists of encumbrances funded with the State General Fund and unspent grant funds. Remaining fund balance is considered unassigned.

Net Position

Restricted net position (in millions) as of September 30, 2025, consists of:

Restricted by enabling legislation:	
Jobs for Michigan Investment Fund	\$ 649.2
Strategic Outreach and Attraction Reserve Fund	1,033.9
Other Programs	25.0
Other restricted net position:	
SSBCI funded programs	186.9
Other Programs	26.1
Total restricted net position	<u>\$ 1,921.0</u>

Note 13 Transfers

Interfund transfers for the fiscal year ended September 30, 2025 consisted of \$11.9 million transferred from the MSF General Operations Fund to the MSF Debt Service Fund to move receipts restricted to debt service from the fund collecting the receipts to the debt service fund.

Note 14 Contingencies

In January 2026, the Michigan House of Representatives ("House") filed an action against numerous executive state agencies, including the MSF. The House's complaint alleges that certain FY25 line-item appropriations made part of the State budget, are not approved "work projects" under the Management and Budget Act. The House seeks a writ of mandamus compelling Defendants to transfer the unexpended or unencumbered portion of those certain line-item appropriations back to the State funds from which they were appropriated, thereby restricting their use by the Defendants.

Should the court rule in favor of the House, an outcome considered reasonably possible by management, MSF's maximum exposure is \$4.2 million of FY25 revenue that would be required to be returned to the funding sources from which it was originally appropriated.

REQUIRED SUPPLEMENTARY INFORMATION

MICHIGAN STRATEGIC FUND
 Budgetary Comparison Schedule and Budget-to-GAAP Reconciliation
 For the Fiscal Year Ended September 30, 2025

Budgetary Comparison Schedule (Statutory/Budgetary Basis)	Original Budget	Final Budget	Actual	Variance With Final Budget
Beginning budgetary fund balance	\$ 857,359,921	\$ 857,359,921	\$ 857,359,921	\$ 0
Resources (inflows):				
Revenues and other sources:				
Charges for services	\$	\$	\$ 2,866,133	\$ (2,866,133)
Operating grants and contributions	88,974,400	100,717,100	221,081,622	(120,364,522)
Payments from the State of Michigan:	673,906,280	921,606,280	662,059,980	259,546,300
Other miscellaneous (Note 3)	38,545,147	38,545,147	116,518,552	(77,973,404)
Other financing sources			380,538	(380,538)
Total revenues and other sources	\$ 801,425,827	\$1,060,868,527	\$1,002,906,824	\$ 57,961,703
Total resources available	\$1,658,785,748	\$1,918,228,448	\$1,860,266,745	\$ 57,961,703
Charges (outflows):				
Expenditures, transfers out, and encumbrances:				
Community Development Block Grants	\$	\$ 10,942,700	\$ 42,078,610	\$ (31,135,910)
Other interest			6,516,375	(6,516,375)
Debt service principal redemption			20,004,474	(20,004,474)
Jobs for Michigan Investment Fund	446,934,027	446,934,027	218,491,743	228,442,284
Strategic Outreach and Attraction Reserve Fund		247,700,000	197,310,529	50,389,471
Payments to MEDC:				
Job creation services	18,153,200	18,153,200	18,153,200	
One-time appropriations	153,335,000	153,335,000	155,983,528	(2,648,528)
Pure Michigan	16,000,000	16,000,000	16,000,000	
Michigan Defense Center	5,000,000	5,000,000	5,000,000	
Revitalization and Placemaking Program	50,000,000	50,000,000	50,000,000	
Good Jobs for Michigan			226,215	(226,215)
IDRB, MEGA, and other program fees and tribal gaming revenue (Notes 3)			83,171,612	(83,171,612)
Other programs	23,916,536	23,916,536	92,609,934	(68,693,398)
Arts and Cultural Grants	12,379,200	12,379,200	12,135,084	244,116
Miscellaneous and receivable write-off	5,011,300	5,011,300	6,131,839	(1,120,539)
Total charges	\$ 730,729,263	\$ 989,371,963	\$ 923,813,141	\$ 65,558,822
Reconciling items:				
Changes in noncurrent assets	\$ 0	\$ (13,465,198)	\$ (13,465,198)	\$ 0
Net reconciling items	\$ 0	\$ (13,465,198)	\$ (13,465,198)	\$ 0
Ending budgetary fund balance	\$ 928,056,485	\$ 915,391,287	\$ 922,988,406	\$ (7,597,119)
Resources (inflows):				
Actual amount (budgetary basis) of "Total resources available"			\$1,860,266,745	
Differences - Budget to GAAP:				
Beginning budgetary fund balance is a budgetary resource but is not a current year revenue for financial reporting purposes			(857,359,921)	
Other financing sources are inflows of budgetary resources but are not revenues for financial reporting purposes			(380,538)	
Total revenues (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance			\$1,002,526,286	
Charges (outflows):				
Actual amount (budgetary basis) of "Total charges"			\$ 923,813,141	
Differences - Budget to GAAP:				
Loans and economic development equity programs are outflows for budgetary reporting purposes but are not expenditures for financial reporting purposes			(21,906,077)	
Total expenditures (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance			\$ 901,907,064	

See accompanying notes to required supplementary information.

Notes to Required Supplementary Information - Budgetary Reporting

Note 1 **Statutory Budgetary Presentation**

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

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

The budgetary comparison schedule presents both the original and final appropriated budgets for fiscal year 2025, as well as the actual resource inflows, outflows and fund balance stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into annual appropriations acts, as amended, for fiscal years 2006 through 2025 and include encumbrances and multi-year projects' budgetary carry-forwards from the prior year.

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

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

The Michigan Legislature passed a series of public acts in 2005 related to securitizing a portion of the tobacco securitization settlement funds and depositing those funds in the 21st Century Jobs Trust Fund. The MSF Act (Act 270, P.A. 1984) was also amended in 2005 to offer programs and provide funding in the form of loans, equities and grants for competitive edge technology and to diversify the economy. From the inception during fiscal year 2006 through fiscal year 2025, the Legislature has appropriated \$1,638.5 million from tobacco securitization settlement funds. The funds are retained in the 21st Century Jobs Trust Fund at the Department of Treasury and are reimbursed to the MSF as the disbursements are made. In addition to this, starting in fiscal year 2012, funds appropriated from the State General Fund (\$989.6 million) for the MSF's Business Attraction and Economic Gardening programs were transferred to the 21st Century Jobs Trust Fund pursuant to Act 252, P.A. 2011.

The MSF has received a work project authorization for all 21st Century Jobs Trust Fund-related appropriations and is thus permitted to spend unspent appropriations over multiple years. The original budget amounts for appropriation year 2006 through appropriation year 2022 reflect carry-forward of unspent appropriation from these years.

Total charges for fiscal year 2025 were \$218.5 million, of which \$21.9 million was disbursed for economic development equity programs (EDEPs) and loans. EDEPs and loans are not expenditures for financial reporting purposes and are thus listed as a budget-to-GAAP reconciling item.

The MSF received revenue of \$152.1 million from the 21st Century Jobs Trust Fund for fiscal year 2025.

Note 3 **Tribal Gaming**

The other miscellaneous revenues in the actual column include tribal gaming revenue of \$68.6 million. The payments to MEDC expenditures include a portion of the tribal gaming revenue transferred to MEDC according to the interlocal agreement.

Schedules of Required Supplementary Information - Pension Liability

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

	MSF's Proportion of the Net Pension Liability	MSF's Proportionate Share of the Net Pension Liability	MSF's Covered Payroll	MSF's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	.453%	\$ 24,908,398	\$ 1,917,480	1,299.02%	66.11%
2017	.067%	\$ 3,526,301	\$ 3,018,012	116.84%	67.48%
2018	.076%	\$ 3,948,136	\$ 2,550,330	154.81%	69.45%
2019	.105%	\$ 6,359,819	\$ 3,178,248	200.10%	67.22%
2020	.101%	\$ 6,701,705	\$ 4,404,719	152.15%	64.71%
2021	.140%	\$ 9,427,691	\$ 2,635,974	357.65%	64.07%
2022	.091%	\$ 3,716,662	\$ 2,636,004	140.99%	78.08%
2023	.073%	\$ 4,696,705	\$ 2,493,236	188.38%	66.92%
2024	.071%	\$ 3,993,496	\$ 2,564,433	155.73%	70.24%
2025	.085%	\$ 3,477,567	\$ 3,280,290	106.01%	78.16%

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

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

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	MSF's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 464,846	\$ 464,846	\$ 0	\$ 1,917,480	24.24%
2017	\$ 705,105	\$ 705,105	\$ 0	\$ 3,018,012	23.36%
2018	\$ 547,468	\$ 547,468	\$ 0	\$ 2,550,330	21.47%
2019	\$ 582,641	\$ 582,641	\$ 0	\$ 3,178,248	18.33%
2020	\$ 866,426	\$ 866,426	\$ 0	\$ 4,404,719	19.67%
2021	\$ 520,380	\$ 520,380	\$ 0	\$ 2,635,974	19.74%
2022	\$ 495,193	\$ 493,382	\$ 1,811	\$ 2,493,236	19.79%
2023	\$ 477,145	\$ 481,692	\$ (4,547)	\$ 2,564,433	18.78%
2024	\$ 586,320	\$ 585,943	\$ 377	\$ 3,280,290	17.86%
2025	\$ 513,702	\$ 512,892	\$ 810	\$ 2,893,206	17.73%

Notes to Required Supplementary Information - Pension Liability

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

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

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

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

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, 2022.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	5-year Smoothed Fair value
Inflation	2.25%
Salary increases	2.75% - 11.75%, including wage inflation at 2.75%
Investment rate of return	6.0% net of investment and administrative expenses
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Tables adjusted for mortality improvements using projection scale MP-2017 from 2006, scaled by: 93% and 98% for male and female healthy retirees; 100% for male and female active members and disabled retirees.

Schedules of Required Supplementary Information - SERS OPEB Liability

Schedule of the MSF's Proportionate Share of Net OPEB Liability

State Employees' Retirement System

Last 10 years*

	MSF's Proportion of the Net OPEB Liability	MSF's Proportionate Share of the Net OPEB Liability	MSF's Covered Payroll	MSF's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	.075%	\$ 6,202,686	\$ 2,550,330	243.21%	19.89%
2019	.104%	\$ 8,282,006	\$ 3,178,248	260.58%	24.41%
2020	.100%	\$ 7,705,931	\$ 4,404,719	174.95%	27.88%
2021	.135%	\$ 7,868,690	\$ 2,635,974	298.51%	38.29%
2022	.091%	\$ 3,466,225	\$ 2,636,004	139.03%	57.12%
2023	.072%	\$ 2,802,167	\$ 2,493,236	112.39%	56.64%
2024	.070%	\$ 1,169,244	\$ 2,564,433	45.59%	77.36%
2025	.086%	\$ 291,965	\$ 3,280,290	8.90%	95.23%

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

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

Schedule of the MSF's Contributions for OPEB

State Employees' Retirement System

Last 10 Fiscal Years*

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	MSF's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 564,468	\$ 564,468	\$ 0	\$ 2,550,330	22.13%
2019	\$ 723,644	\$ 723,644	\$ 0	\$ 3,178,248	22.77%
2020	\$ 945,857	\$ 945,857	\$ 0	\$ 4,404,719	21.47%
2021	\$ 605,503	\$ 605,503	\$ 0	\$ 2,635,974	22.97%
2022	\$ 430,332	\$ 428,748	\$ 1,584	\$ 2,493,236	17.20%
2023	\$ 362,620	\$ 366,076	\$ (3,456)	\$ 2,564,433	14.28%
2024	\$ 374,937	\$ 374,694	\$ 243	\$ 3,280,290	11.42%
2025	\$ 179,957	\$ 179,672	\$ 285	\$ 2,893,206	6.21%

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

Notes to Required Supplementary Information - SERS OPEB Liability

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

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

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

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

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, 2022.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025:

Actuarial cost method	Entry-Age
Amortization method	Level-Percent of Payroll, closed
Remaining amortization period	12 Years
Asset valuation method	5-Year smoothed market value
Salary increases	2.75%
Investment rate of return	6.20% Per Year
Health care cost trend rate	
Pre-65 Medical/Prescription Premiums	7.5% Year 1 Graded to 3.5% Year 15; 3.0% year 120
Post-65 Medical/Prescription Premiums	6.25% Year 1 Graded to 3.5% Year 15; 3.0% year 120
Dental/Vision Premiums	3.5% each year; 3.0% year 120
Mortality	RP-2014 Male Employee (pre-retirement) and Female Employee (pre-retirement) Mortality Table scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Schedules of Required Supplementary Information - PELIB OPEB Liability

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

	MSF's Proportion of the Total OPEB Liability	MSF's Proportionate Share of the Total OPEB Liability	MSF's Covered Employee Payroll	MSF's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Employee Payroll
2018	.073%	\$ 929,637	\$ 2,514,707	36.97%
2019	.097%	\$ 1,207,092	\$ 3,094,554	39.01%
2020	.095%	\$ 1,166,115	\$ 3,275,769	35.60%
2021	.134%	\$ 1,890,906	\$ 2,980,848	63.44%
2022	.092%	\$ 1,281,425	\$ 2,980,848	42.99%
2023	.073%	\$ 722,775	\$ 2,439,828	29.62%
2024	.071%	\$ 687,342	\$ 2,500,024	27.49%
2025	.085%	\$ 936,895	\$ 3,166,763	29.59%

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

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

Notes to Required Supplementary Information - PELIB OPEB Liability

The Plan is not a trust and has no assets.

