Michigan State Housing Development Authority

(a component unit of the State of Michigan)

Financial Report
with Supplementary Information
June 30, 2026

Michigan State Housing Development Authority

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the years ended June 30, 2026 and 2025 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2026 and 2025 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 2 to the financial statements, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The implementation of this standard resulted in the reclassification of certain revenue and expenses within the proprietary fund statement of revenue, expenses, and changes in net position, including the presentation of noncapital subsidies and other nonoperating revenue and expenses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 26, 2026

Overview of the Financial Statements

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

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

Financial Summary

The enclosed financial statements present the Authority's net position, revenue, expenses, changes in net position, and cash flows. The following is a condensed summary of financial information as of and for the years ended June 30, 2026, 2025, and 2024:

Condensed Financial Information
(in thousands of dollars)

	2026	2025	2024
Assets			
Cash and cash equivalents	$ 920,417	$ 1,197,118	$ 576,584
Investments	988,329	727,465	700,091
Loans receivable - Net	6,832,285	5,967,944	5,179,527
Other assets	177,053	117,956	394,697
Capital assets	16,756	17,281	17,806
Total assets	8,934,840	8,027,764	6,868,705
Accumulated (Increase) Decrease in Fair Value of Hedging Derivative Instruments	(8,415)	(6,469)	(16,603)
Deferred Outflows of Resources	22,216	27,243	35,867
Total assets, hedging derivative instruments, and deferred outflows	**$ 8,948,640**	**$ 8,048,538**	**$ 6,887,969**
Liabilities			
Bonds payable	$ 6,830,667	$ 5,872,705	$ 4,846,001
Line of Credit	-	-	100,000
Hedging derivative instruments	(8,415)	(6,469)	(16,603)
Other liabilities	747,862	819,471	732,819
Total liabilities	7,570,114	6,685,707	5,662,217
Deferred Inflows of Resources	74,617	70,781	64,760
Net Position			
Net investment in capital assets	16,756	17,281	17,806
Restricted	1,126,784	1,107,249	888,571
Unrestricted	160,369	167,520	254,615
Total net position	1,303,909	1,292,050	1,160,992
Total liabilities, deferred inflows, and net position	**$ 8,948,640**	**$ 8,048,538**	**$ 6,887,969**

	2026	2025	2024
Operating Revenue			
Net investment income *	-	-	102,957
Loan interest income	349,450	283,673	-
Federal and state assistance programs revenue *	-	-	850,404
Housing and community development fund - State *	-	-	50,000
Legislative enhancement program - State *	-	-	94,250
Section 8 program administrative fees	24,677	24,821	23,409
Contract administration fees	16,614	15,934	15,170
Other income	31,044	28,441	45,913
Total operating revenues	421,785	352,869	1,182,103
Operating Expenses			
Federal and state assistance programs expenses *	-	-	849,432
Housing gap financing program - State *			47,946
Legislative enhancement program - State *			15,140
Salaries and benefits	28,806	26,841	35,777
Other general operating expenses	39,108	33,893	41,288
Other expenses	49,354	43,798	38,338
Total operating expenses	117,268	104,533	1,027,921
Operating Income	304,517	248,336	154,182
Noncapital Subsidies Revenue (Expense)			
Federal and state assistance programs revenue *	937,789	935,755	-
Housing and community development fund - State *	50,000	50,000	-
Legislative enhancement program - State *	11,839	96,875	-
Federal and state assistance programs expenses *	(941,536)	(934,768)	-
Housing and community development fund - State *	(49,551)	(14,546)	-
Housing gap financing program - State *	(27,346)	(23,882)	-
Legislative enhancement program - State *	(53,093)	(43,694)	-
Non-federal grants and subsidies expense *	(5,544)	(12,037)	-
Total noncapital subsidies revenue (expense)	(77,441)	53,703	-
Operating Income and Noncapital Subsidies	227,076	302,039	154,182
Other Nonoperating Revenue (Expense)			
Investment interest income *	54,950	45,821	-
Increase in fair value of investments * - Including change in unrealized gain of $2,913,525 in 2026 and $5,175,234 in 2025	2,914	5,175	-
Non-federal grants and subsidies expense *	-	-	(22,519)
Interest expense and debt financing costs *	(273,081)	(221,978)	-
Total other nonoperating revenue (expense)	(215,217)	(170,982)	(22,519)
Change in Net Position	**$ 11,859**	**$ 131,058**	**$ 131,663**

* Presentation of certain 2026 and 2025 amounts has changed to conform with GASB No. 103, Financial Reporting Model Improvements, see note 2 for more information.

Detailed Analysis

Total assets, hedging derivative instruments, and deferred outflows increased from $8.0 billion at June 30, 2025 to $8.9 billion at June 30, 2026. This was an increase of approximately $900.1 million, or 11.2 percent. Total assets, hedging derivative instruments, and deferred outflows increased from $6.9 billion at June 30, 2024 to $8.0 billion at June 30, 2025. This was an increase of approximately $1.2 billion, or 16.9 percent.

Net loans receivable increased from $6.0 billion at June 30, 2025 to $6.8 billion at June 30, 2026. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of $127.3 million and $754.5 million, respectively). Net loans receivable increased from $5.2 billion at June 30, 2024 to $6.0 billion at June 30, 2025. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of $194.2 million and $608.0 million, respectively).

Bonds payable were $6.8 billion at June 30, 2026 and $5.9 billion at June 30, 2025, a net increase of approximately $958.0 million. The increase in bonds outstanding for the year ended June 30, 2026 was due primarily to the issuance of $1.4 billion in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities. Bonds payable were $5.9 billion at June 30, 2025 and $4.8 billion at June 30, 2024, a net increase of approximately $1.0 billion. The increase in bonds outstanding for the year ended June 30, 2025 was due primarily to the issuance of $1.4 billion in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities.

The Authority has entered into a revolving line of credit ("RLOC") for the purpose of funding single-family mortgages and down payment assistance loans prior to the issuance of long-term debt financing. The RLOC balances grow and are paid down based on the timing of long-term debt issuances. At June 30, 2026 and June 30, 2025 there was no balance. At June 30, 2024, the Authority had a balance of $100,000,000.

Escrow funds, which are recorded in other liabilities, increased by $14.5 million from June 30, 2025 to $509.3 million at June 30, 2026 due to an increase in draws on the Mortgage Resource Fund. Escrow funds increased by $40.3 million from June 30, 2024 to $494.7 million at June 30, 2025 due to an increase in draws on the Mortgage Resource Fund.

The Authority's net position totaled $1.3 billion at June 30, 2026, equal to 14.6 percent of total assets and 17.2 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2026, $848.0 million of net position was pledged for payment against the various bond indentures. In addition, $135.6 million, $44.2 million, and $88.8 million was restricted for spending on the State of Michigan Housing and Community Development Fund program, Housing Gap Financing program, and Legislative Enhancement Program, respectively. Also at June 30, 2026, $10.2 million was restricted for other post-employment benefits. In addition to the restrictions, $291 million is designated by board resolution to the Mortgage Resource Fund.

The Authority's net position totaled $1.3 billion at June 30, 2025, equal to 16.1 percent of total assets and 19.3 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2025, $765.2 million of net position was pledged for payment against the various bond indentures. In addition, $135.5 million, $73.3 million, and $133.3 million was restricted for spending on the State of Michigan Housing and Community Development Fund program, Housing Gap Financing program, and Legislative Enhancement Program, respectively. In

addition to the restrictions, $286.9 million is designated by board resolution to the Mortgage Resource Fund.

Operations for the year ended June 30, 2026 resulted in excess revenue over expenses of $11.9 million, compared to prior year results of excess revenues over expenses of $131.1 million. Operations for the year ended June 30, 2025 resulted in excess revenue over expenses of $131.1 million, compared to prior year results of excess revenues over expenses of $131.7 million. For the years ended June 30, 2026 and June 30, 2025, $61.8 million and $146.9 million, respectively, was recognized related to state appropriations under Governmental Accounting Standard Board ("GASB") Statement No. 33, of which only a portion was expended through June 30, 2026. The remaining funds will be expended in future fiscal years.

Under GASB Statement No. 31, the Authority is required to present investments at fair market value and reflect this adjustment in the statement of revenue, expenses, and change in net position. This presentation increased revenues over expenses by approximately $2.9 million for the year ended June 30, 2026. Results for the year ended June 30, 2025 were positively impacted by an increase of approximately $5.2 million. Currently, GASB Statement No. 31 has had a cumulative negative effect of $30.7 million on the Authority's net position; however, the Authority generally intends to hold these securities to maturity.

Operating revenues increased from $352.9 million in 2025 to $421.8 million in 2026, an increase of $68.9 million. This increase was due to an increase of $65.8 million in loan interest income due to an increase in the loan portfolio. If GASB 103 were applied to 2024 balances, operating revenues would have increased from $318.1 million in 2024 to $352.9 million in 2025. This increase was due to an increase of $50.1 million in loan interest income due to an increase in the loan portfolio. Operating expenses increased from $104.5 million to $117.3 million, an increase of $12.7 million. If GASB 103 were applied to 2024 balances, operating expenses would have decreased from $115.4 million in 2024 to $104.5 million in 2025. This decrease is mainly related to decrease of $8.9 million in salaries and benefits attributed to decrease in employees related to COVID programs winding down.

Total noncapital subsidies decreased from $53.7 million of revenue in 2025 to $77.4 million of expense in 2026, a decrease of $131.4 million. This decrease relates to additional state and federal grant expenditures in 2026 but revenue was recognized in previous years. If GASB 103 were applied to 2024 balances, noncapital subsidies decreased from $82.1 million of revenue in 2024 to $53.7 of revenue in 2025. This decrease relates to additional state and federal grant expenditures in 2025 but revenue was recognized in previous years. Other nonoperating revenue (expense) went from an expense of $171.1 million in 2025 to an expense of $215.2 million in 2026. This change relates to an increase in interest expense and debt financing costs due to increase in bond portfolio. If GASB 103 were applied to 2024 balances, other nonoperating revenue (expense) went from an expense of $130.6 million in 2024 to an expense of $171.1 million in 2025. This change relates to an increase in interest expense and debt financing costs due to increase in bond portfolio.

Based on changes noted above, the change in net position increased by $11.9 million in 2026, increased by $131.1 million in 2025, and increased by $131.7 million in 2024.

Significant Capital Asset and Long-Term Financing Activity

The Authority's only capital asset is related to the office building. See note 11 for further information. The Authority does have significant long-term financing which is discussed above within the detailed analysis. Also see note 5 for further information on bonds payable.

Currently Known Facts, Decisions, or Conditions

Michigan House Bill 5032 went into effect on April 2, 2025, allowing the Authority's maximum single-family sales price limit to change from a flat dollar amount of $224,500, which has been unchanged since 2009, to using an annually updated index calculation of 90% of the IRS's purchase price limit safe harbors for Mortgage Revenue Bonds (currently $510,939). This has had and will have a positive impact on homeownership production.

Michigan State Housing Development Authority

Statement of Net Position
(in thousands of dollars)

June 30, 2026 and 2025

	June 30	
	2026	2025
Assets, Hedging Derivative Instruments, and Deferred Outflows		
Cash and Cash Equivalents (Note 3)	$ 920,417	$ 1,197,118
Investments (Note 3)	988,329	727,465
Loans Receivable (Note 4)		
Multifamily mortgage loans	2,387,832	2,260,582
Single-family mortgage loans	4,547,979	3,793,481
Home improvement and moderate rehabilitation loans	738	913
Total	6,936,549	6,054,976
Accrued loan interest receivable	113,918	100,945
Allowance on loans receivable (Note 4)	(218,182)	(187,977)
Net loans receivable	6,832,285	5,967,944
Other Assets		
Real estate owned - Net	9,687	5,856
Net OPEB asset (Note 10)	10,213	-
Other miscellaneous receivables and other assets	157,153	112,100
Total other assets	177,053	117,956
Capital Assets - Net (Note 11)	16,756	17,281
Total assets	8,934,840	8,027,764
Accumulated Increase in Fair Value of Hedging Derivative Instruments (Note 15)	(8,415)	(6,469)
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 9)	3,565	3,972
Deferred outflows related to OPEB (Note 10)	9,513	13,017
Deferred charges on refunding - Reassigned swaps (Note 15)	9,138	10,254
Total deferred outflows of resources	22,216	27,243
Total assets, hedging derivative instruments, and deferred outflows	**$ 8,948,640**	**$ 8,048,538**
Liabilities, Deferred Inflows, and Net Position		
Liabilities		
Bonds payable (Notes 5 and 6)	$ 6,830,667	$ 5,872,705
Hedging derivative instruments (Note 15)	(8,415)	(6,469)
Accrued interest payable	40,649	33,705
Escrow funds	509,348	494,804
Unamortized mortgage interest income (Note 7)	6,975	14,333
Net pension liability (Note 9)	20,994	29,718
Net OPEB liability (Note 10)	6,506	10,293
Other liabilities	163,390	236,618
Total liabilities	7,570,114	6,685,707
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 9)	6,510	7,350
Deferred inflows related to OPEB (Note 10)	28,158	26,217
Loan origination fees	39,949	37,214
Total deferred inflows of resources	74,617	70,781
Net Position		
Net investment in capital assets	16,756	17,281
Restricted (Note 12)	1,126,784	1,107,249
Unrestricted	160,369	167,520
Total net position	1,303,909	1,292,050
Total liabilities, deferred inflows, and net position	**$ 8,948,640**	**$ 8,048,538**

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position

(in thousands of dollars)

June 30, 2026 and 2025

	Year Ended June 30	
	2026	2025
Operating Revenue		
Loan interest income	$ 349,450	$ 283,673
Section 8 program administrative fees	24,677	24,821
Contract administration fees	16,614	15,934
Other income	31,044	28,441
Total operating revenues	421,785	352,869
Operating Expenses		
Salaries and benefits	28,806	26,841
Other general operating expenses	39,108	33,893
Loan servicing and insurance costs	18,179	15,127
Provision for possible losses on loans	31,175	28,671
Total operating expenses	117,268	104,533
Operating Income	304,517	248,336
Noncapital Subsidies Revenue (Expense)		
Federal assistance programs revenue	937,789	935,755
Housing and community development fund revenue - State	50,000	50,000
Legislative enhancement program revenue - State	11,839	96,875
Federal assistance programs expense	(941,536)	(934,768)
Housing and community development fund expense- State	(49,551)	(14,546)
Housing gap financing program expense - State	(27,346)	(23,882)
Legislative enhancement program expense - State	(53,093)	(43,694)
Non-federal grants and subsidies expense	(5,544)	(12,037)
Total noncapital subsidies revenue (expense)	(77,441)	53,703
Operating Income and Noncapital Subsidies	227,076	302,039
Other Nonoperating Revenue (Expense)		
Investment interest income	54,950	45,821
Increase in fair value of investments - Including change in unrealized gain of $2,193,525 in 2026 and $5,175,234 in 2025	2,914	5,175
Interest expense and debt financing costs	(273,081)	(221,978)
Total other nonoperating revenue (expense)	(215,217)	(170,982)
Change in Net Position	11,859	131,058
Net Position - Beginning of year	1,292,050	1,160,992
Net Position - End of year	**$ 1,303,909**	**$ 1,292,050**

See notes to financial statements.

Michigan State Housing Development Authority

Statement of Cash Flows
(in thousands of dollars)

Years Ended June 30, 2026 and 2025

	Year Ended June 30	
	2026	2025
Cash Flows from Operating Activities		
Loan receipts	$ 783,928	$ 559,530
Other receipts	66,941	131,661
Loan disbursements	(1,364,895)	(1,105,222)
Payments to vendors	(76,127)	(30,740)
Payments to employees	(46,387)	(41,597)
Net cash used in operating activities	(636,540)	(486,368)
Cash Flows from Investing Activities		
Purchase of investments	(380,779)	(179,970)
Proceeds from sale and maturities of investments	130,502	167,779
Interest received on investments	54,957	45,821
Net cash provided by (used in) investing activities	(195,320)	33,630
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds - Less discounts	1,419,310	1,406,863
Principal repayments on bonds	(457,894)	(375,001)
Draws on line of credit and short term credit facility	565,000	420,000
Repayment on line of credit and short term credit facility	(565,000)	(520,000)
Other receipts including federal funds	1,000,730	1,354,712
Other disbursements including federal funds	(1,144,308)	(1,002,969)
Interest paid	(262,679)	(210,333)
Net cash provided by noncapital financing activities	555,159	1,073,272
Net Increase (Decrease) in Cash and Cash Equivalents	(276,701)	620,534
Cash and Cash Equivalents - Beginning of year	1,197,118	576,584
Cash and Cash Equivalents - End of year	**$ 920,417**	**$ 1,197,118**

See notes to financial statements.

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

Years Ended June 30, 2026 and 2025

	Year Ended June 30	
	2026	2025
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 304,517	$ 248,336
Adjustments to reconcile operating income to net cash from operating activities:		
Change in deferred items	(9,325)	(391)
Provision for possible losses on loans	31,175	28,671
Depreciation and amortization expense	5,006	4,042
Changes in assets and liabilities:		
Accrued loan interest receivable	(12,973)	(15,455)
Loans receivable	(881,572)	(801,981)
Other assets	(50,793)	9,639
Escrow funds	9,928	32,185
Other liabilities	(32,503)	8,586
Net cash used in operating activities	**$ (636,540)**	**$ (486,368)**

Noncash Financing and Investing Activities - During the years ended June 30, 2026 and 2025, the Authority foreclosed on various properties with mortgage values of approximately $29.3 million and $8.8 million, respectively.

Note 1 - Authorizing Legislation and Reporting Entity

Michigan State Housing Development Authority (MSHDA or the "Authority") was created by the Michigan Legislature under the provisions of the State Housing Development Authority Act of 1966, as amended (the "Act"). The Authority, as a special purpose entity, is a component unit of the State of Michigan and is reported as an enterprise fund in the State's Annual Comprehensive Financial Report. The Act empowers the Authority, among other things, to issue notes and bonds to finance housing for sale or rental to families with low and moderate income and to finance home improvements. The enabling legislation, along with the various bond and note resolutions adopted by the Authority, contains specific provisions pertaining to (a) the use of the proceeds from the sale of the notes and bonds, (b) the application of the revenue from mortgages, and (c) the creation of certain funds along with the accounting policies for such funds. Effective October 19, 2023, the Authority is authorized by statute to have notes and bonds outstanding up to a total of $10.0 billion.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Basis of Accounting

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

Report Presentation

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

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

Single-family Mortgage Loans Receivable

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

Note 2 - Significant Accounting Policies (Continued)

Multifamily Mortgage Loans Receivable

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

Allowance on Loans Receivable

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

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than $100,000 (except for land and land improvements at any cost and office furniture and intangible assets of more than $5,000) and an estimated useful life in excess of one year. Such assets are recorded at fair value, historical cost, or estimated historical cost if purchased or constructed. Depreciation is recorded on a straight-line basis. Refer to Note 11 for useful life.

Real Estate Owned

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

Bonds Payable

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

Line of Credit and Short-term Facility

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

Compensated Absences

Compensated absences are recognized due to leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated based on the employees' current salary level. The compensated absences included in other liabilities at June 30, 2026 and 2025 totaled $3,007,000 and $3,092,000, respectively.

Note 2 - Significant Accounting Policies (Continued)

Arbitrage Rebate

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

Loan Origination Fees

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category: the deferred inflows of resources related to the pension, deferred inflows of resources related to the other postemployment benefit costs, and loan origination fees.

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of amounts pledged for payment against the various bond indentures, spending on the State of Michigan Housing and Community Development Fund program, Housing Gap Financing program, and Legislative Enhancement Program, and other postemployment benefits. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted. When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Authority's policy generally is to first apply restricted resources.

Federal Assistance Programs

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

- Section 8 Program - The Authority receives federal financial assistance through various housing and rental programs to provide rental subsidies and tenant vouchers.

Note 2 - Significant Accounting Policies (Continued)

- COVID-19 Emergency Rental Assistance (CERA) - The Authority receives federal financial assistance through the Consolidated Appropriations Act passed in December 2020 to assist with paying rental and utility expenses during the COVID-19 pandemic. Federal payments received before eligible program expenses are incurred are deferred in other liabilities. Payments made by the Authority to subrecipients in excess of required amounts are recorded as advances within other miscellaneous receivables. The period of performance for CERA ended on September 30, 2025.
- State and Local Fiscal Recovery Funds (SLFRF) - The Authority receives federal funds under the American Rescue Plan Act Coronavirus SLFRF for a variety of housing related programs, including the Michigan Housing Opportunities Promoting Energy Efficiency program, the Missing Middle Housing program, and the Housing and Community Development Fund.

State Assistance Programs

The Authority receives various state appropriations to administer various assistance programs and initiatives in its efforts to create decent affordable housing for low- to moderate-income families.

- Housing and Community Development Fund - The Authority received State of Michigan funding to provide grants and loans for a variety of housing-related projects. These include, but are not limited to, property acquisition costs, rehabilitation costs, new construction costs, community development, and housing preservation costs.
- Gap Financing Programs - The Authority received a State of Michigan appropriation to provide a variety of gap financing loans to assist in the implementation of the statewide housing plan by reducing housing cost burdens and increasing the supply and preserving the existing supply of affordable housing.
- Legislative Enhancement Programs - The Authority received a State of Michigan appropriation to provide grants for a variety of housing-related projects. These include, but are not limited to, housing counseling services, affordable housing projects, senior living, and other community developments.

Pensions and Postemployment Benefits Other Than Pensions (OPEB)

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

Operating and Nonoperating Classification

The Authority distinguishes operating revenue and expenses from noncapital subsidies and other nonoperating revenue and expenses. Nonoperating revenue and expenses includes investment income, the change in the fair value of investments, and interest expense and debt financing costs. A subsidy represents amounts received from or provided to another party without goods or services provided or received in return. The noncapital subsidies revenue and expenses are made up of federal and nonfederal, nonrepayable grants and subsidies that the Authority receives and awards on a discretionary basis. The awards are based on the amount of available Authority funds provided from federal and nonfederal entities. All revenue and expenses not meeting the definitions of nonoperating revenue and expenses are reported as operating revenue and expenses. The Authority considers amounts to finance housing for sale or rental to families with low or moderate income and to finance home improvements to be the principal ongoing operations of the Authority.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Accounting Changes and Error Corrections

Adoption of New Accounting Pronouncement

During the current year, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The implementation of this standard established new accounting and financial reporting requirements or modified existing requirements related to management's discussion and analysis, the classification/presentation of unusual or infrequent items, and the presentation of proprietary fund operating and nonoperating activities (including subsidies).

The implementation of this standard did not result in a change to the Authority's total net position; however, the following line items have been reclassified to conform to the new presentation requirements: investment interest income, interest expense and debt financing costs, change in fair value of investments, and revenue and expenses related to federal and nonfederal grants and subsidies.

Upcoming Accounting Pronouncement

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2027.

Note 3 - Deposits and Investments

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

	2026 MSHDA		
	Cash and Cash Equivalents	Investments	Total
Deposits	$ 311,755	$ -	$ 311,755
Investments	608,662	988,329	1,596,991
Total	$ 920,417	$ 988,329	$ 1,908,746

	2025 MSHDA		
	Cash and Cash Equivalents	Investments	Total
Deposits	$ 443,599	$ -	$ 443,599
Investments	753,519	727,465	1,480,984
Total	$ 1,197,118	$ 727,465	$ 1,924,583

Note 3 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits

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

At June 30, 2026, the Authority had approximately $313,823,000 of bank deposits (checking and savings accounts), and, of that balance, approximately $2,059 was uninsured and uncollateralized. In addition, the Authority had $494,703,000 of government money market funds.

At June 30, 2025, the Authority had approximately $455,731,000 of bank deposits (checking and savings accounts), and, of that balance, approximately $2,295,000 was uninsured and uncollateralized. In addition, the Authority had $753,519,000 of government money market funds.

The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. At June 30, 2026 and 2025, $313,061,000 and $452,436,000, respectively, of deposits were collateralized with securities held by the Federal Reserve Bank or held in safekeeping for the Authority at a financial institution's trust department but not in the Authority's name.

Custodial Credit Risk of Investments

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

	Fair Value (in thousands of dollars)		
Investment Type	2026	2025	How Held
MSHDA:			
U.S. government securities	$ 392,114	$ 46,636	Counterparty's trust dept.
Mortgage-backed securities	491,384	415,382	Counterparty's trust dept.
U.S. government agency securities	211,165	257,965	Counterparty's trust dept.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

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

	2026				
Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
MSHDA:					
U.S. government securities	$ 392,114	$ 295,702	$ 27,275	$ 1,724	$ 67,413
Mortgage-backed securities	491,384	-	1,208	7,260	482,916
U.S. government agency securities	211,165	12,398	17,910	13,765	167,092
U.S. government money market funds	494,704	494,704	-	-	-

	2025				
Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
MSHDA:					
U.S. government securities	$ 46,636	$ -	$ 28,605	$ 1,619	$ 16,412
Mortgage-backed securities	415,382	2	1,387	6,627	407,366
U.S. government agency securities	257,965	-	29,685	13,847	214,433
U.S. government money market funds	753,519	753,519	-	-	-

Credit Risk

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

	2026			2025		
Investment	Fair Value	Rating	Rating Organization	Fair Value	Rating	Rating Organization
MSHDA:						
U.S. government securities	$ 392,114	AA+	S&P	$ 46,636	AA+	S&P
Mortgage-backed securities	491,384	AA+	S&P	415,382	AA+	S&P
U.S. government agency securities	211,165	AA+	S&P	257,965	AA+	S&P
U.S. government money market funds	494,704	Not rated		753,519	Not rated	

Concentration of Credit Risk

The Authority has 23 percent and 26 percent of its investment portfolio invested in the securities of government-sponsored enterprises as of June 30, 2026 and 2025, respectively. These include securities issued by the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Corporation. Excluding U.S. government securities, no other issuer represents over 5 percent of the Authority's investment portfolio.

Escrow Funds

Included in investments are funds held in trust for mortgagors with a carrying value of approximately $561,838,000 and $523,875,000 at June 30, 2026 and 2025, respectively.

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

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

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

The Authority has the following recurring fair value measurements as of June 30, 2026 and 2025:

	Investments Measured at Fair Value on a Recurring Basis at June 30, 2026			
	Level 1	Level 2	Level 3	Fair Value
Type of Investment				
U.S. government securities	$ 392,114	$ -	$ -	$ 392,114
Mortgage-backed securities	-	491,384	-	491,384
U.S. government agency securities	-	211,165	-	211,165

	Investments Measured at Fair Value on a Recurring Basis at June 30, 2025			
	Level 1	Level 2	Level 3	Fair Value
Type of Investment				
U.S. government securities	$ 46,636	$ -	$ -	$ 46,636
Mortgage-backed securities	-	415,382	-	415,382
U.S. government agency securities	-	257,965	-	257,965

The Authority also has approximately $494,704,000 and $753,519,000 of U.S. government money market funds recorded at amortized cost as of June 30, 2026 and 2025, respectively. There are no limitations or restrictions on participant withdrawals for the money market funds recorded at amortized cost.

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

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

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

Note 4 - Loans Receivable

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

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

	2026	2025
FHA insured or VA or U.S. Department of Agriculture guaranteed	$ 2,005,181	$ 1,805,592
Insured by private mortgage insurance companies	2,104,210	1,657,051
Uninsured	2,827,158	2,592,333
Total loans receivable	$ 6,936,549	$ 6,054,976

A summary of the allowance for possible loan losses is as follows (in thousands of dollars):

	2026	2025
Beginning balance	$ 187,977	$ 158,957
Provision for possible losses	31,175	28,671
(Provision) recoveries of uncollectible losses - Net	(970)	349
Ending balance	$ 218,182	$ 187,977

Note 5 - Bonds Payable

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

Note 5 - Bonds Payable (Continued)

Changes in bonds are as follows (in thousands of dollars) as of June 30, 2026 and 2025:

	2026				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Bonds:					
Revenue bonds:					
Single-family mortgage	$ 3,621,865	$ 1,037,500	$ (287,015)	$ 4,372,350	$ 99,040
Rental housing	2,096,731	362,405	(170,879)	2,288,257	113,955
Total revenue bonds	5,718,596	1,399,905	(457,894)	6,660,607	212,995
General obligation bonds - Single-family mortgage	80,000	-	-	80,000	-
Total bonds	$ 5,798,596	$ 1,399,905	$ (457,894)	$ 6,740,607	$ 212,995

	2025				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Bonds:					
Revenue bonds:					
Single-family mortgage	$ 3,012,450	$ 884,905	$ (275,490)	$ 3,621,865	$ 90,655
Rental housing	1,771,532	424,710	(99,511)	2,096,731	72,159
Total revenue bonds	4,783,982	1,309,615	(375,001)	5,718,596	162,814
General obligation bonds - Single-family mortgage	-	80,000	-	80,000	-
Total bonds	$ 4,783,982	$ 1,389,615	$ (375,001)	$ 5,798,596	$ 162,814

Note 5 - Bonds Payable (Continued)

Bonds payable at June 30, 2026 and 2025 are as follows (in thousands of dollars):

	2026	2025
Single-family mortgage revenue bonds:		
2006 Series C, 2035, variable rate (Note 6)	$ 35,995	$ 39,160
2007 Series B, 2038, variable rate (Note 6)	41,895	44,770
2007 Series E and F, 2038, variable rate (Note 6)	47,435	51,835
2009 Series D, 2030, variable rate (Note 6)	11,440	14,750
2016 Series A, 2026 to 2031, 2.90% to 3.35%	10,700	14,200
2016 Series B, 2026 to 2034, 2.50% to 3.35%	65,650	84,605
2017 Series B, 2048, 3.50%	1,920	7,285
2018 Series A, 2045, 4.00%	5,480	15,340
2018 Series C, 2026 to 2049, 3.20% to 4.25%	25,990	44,250
2019 Series A, 2026 to 2049, 2.45% to 4.25%	62,080	76,365
2019 Series B & C, 2026 to 2050, 1.85% to 3.75%	153,310	168,475
2020 Series A & B, 2026 to 2050, 1.55% to 3.739%	115,970	130,690
2020 Series C & D, 2026 to 2051, 1.15% to 3.465%	151,045	165,150
2021 Series A & B, 2026 to 2052, 0.90% to 3.00%	211,280	228,025
2022 Series A, 2026 to 2053, 2.875% to 5.00%	142,115	158,395
2022 Series B & C, 2046 to 2052, variable rate (Note 6)	136,520	136,520
2022 Series D, 2026 to 2053, 3.80% to 5.50%	182,215	205,685
2022 Series E-1 & E-2, 2044 to 2045, variable rate	95,155	95,155
2023 Series A, 2026 to 2053, 3.00% to 5.50%	257,720	282,840
2023 Series B & C, 2026 to 2053, 3.65% to 6.061%	350,225	372,665
2024 Series A & B, 2026 to 2053, 3.20% to 6.00%	334,385	354,620
2024 Series C, 2054, variable rate (Note 6)	50,000	50,000
2024 Series D, E & F, 2026 to 2055, 3.05% to 6.25%	468,855	491,085
2025 Series A & B, 2026 to 2055, 3.05% to 6.25%	378,375	390,000
2025 Series C & D, 2026 to 2056, 2.55% to 6.00%	546,595	-
2026 Series A & B, 2027 to 2056, 2.75% to 6.00%	490,000	-
Total single-family mortgage revenue bonds	4,372,350	3,621,865
Single-family general obligation bonds - 2025 Series 1, 2055, variable rate (Note 6)	80,000	80,000
Rental housing revenue bonds:		
2000 Series A, 2035, variable rate (Note 6)	12,260	15,690
2002 Series A, 2037, variable rate (Note 6)	30,375	32,460
2008 Series A and D, 2037 to 2039, variable rate* (Note 6)	-	35,200
2014 Series A, 2026 to 2050, 4.05% to 4.875%	40,300	42,620
2015 Series A, 2026 to 2052, 3.40% to 4.60%	75,860	79,575
2016 Series A, 2026 to 2052, 2.35% to 3.625%	34,215	43,285
2016 Series C and D, 2040 to 2041, variable rate (Note 6)	53,905	56,115
2017 Series A, 2026 to 2053, 2.55% to 4.00%	52,760	53,950
2018 Series A & B, 2026 to 2053, 2.95% to 4.15%	128,830	146,160
2018 Series C, 2040, variable rate (Note 6)	87,840	87,840
2019 Series A-1 & A-2, 2026 to 2060, 1.00% to 3.60%	162,395	164,150
2020 Series A-1, A-2 & B, 2026 to 2063, 1.00% to 3.00%	96,297	98,546
2021 Series A & B, 2026 to 2059, 0.85% to 3.108%	258,865	263,145
2022 Series A, 2026 to 2052, 3.25% to 4.45%	81,460	132,105
2022 Series B, 2062, variable rate (Note 6)	80,000	80,000
2023 Series A & B, 2026 to 2058, 3.375% to 5.357%	305,780	341,180
2024 Series A, 2026 to 2067, 3.10% to 4.85%	424,710	424,710
2025 Series A-1 & A-2, 2027 to 2068, 2.875% to 5.50%	362,405	-
Total rental housing revenue bonds	2,288,257	2,096,731
Total bonds	$ 6,740,607	$ 5,798,596

Note 5 - Bonds Payable (Continued)

*These bonds were paid off during the 2025-2026 fiscal year.

	2026	2025
Total bonds	$ 6,740,607	$ 5,798,596
Off-market borrowings (Note 15)	9,138	10,254
Deferred charges - Bond discounts and premiums net of amortization	80,922	63,855
Total	$ 6,830,667	$ 5,872,705

The annual requirements to service debt outstanding, including both principal and interest (in thousands of dollars), are as follows. Interest on variable-rate bonds is based on the effective rate as of June 30, 2026.

Years Ending June 30	Principal - All Other Debt	Interest - All Other Debt	Total
2027	$ 212,995	$ 285,965	$ 498,960
2028	131,969	278,737	410,706
2029	186,183	274,742	460,925
2030	361,532	267,034	628,566
2031	240,398	254,296	494,694
2032-2036	888,965	1,168,455	2,057,420
2037-2041	913,290	997,020	1,910,310
2042-2046	964,158	801,986	1,766,144
2047-2051	1,260,269	549,871	1,810,140
2052-2056	1,176,047	225,855	1,401,902
2057-2061	265,062	60,748	325,810
2062-2069	139,739	23,680	163,419
Total	$ 6,740,607	$ 5,188,389	$ 11,928,996

Early Retirement of Debt

Under provisions of the Authority's bond issues, the Authority is able to retire bonds, without the payment of call premiums, prior to their maturity dates from the proceeds of loan prepayments and foreclosures and, for certain bonds, from excess program revenue and bond refundings. Bonds retired pursuant to such provisions totaled $269,085,000 and $238,645,000 during the years ended June 30, 2026 and 2025, respectively. Such bond retirements, in the aggregate, resulted in a net gain of $14,185,000 and $12,393,000 for the years ended June 30, 2026 and 2025, respectively.

Note 6 - Demand Bonds

The following table summarizes the demand bonds outstanding at June 30, 2026, which are included in the bonds payable disclosed in Note 5:

Debt Associated	Bonds Outstanding (in Thousands)	Remarketing Agent	Standby Bond Purchase Agreement Provider	Remarketing Fee (1)	Liquidity Fee	Note	Expiration Date of Agreement
Single-family Mortgage Revenue Bonds:							
2006 Series C	$ 35,995	RBC Capital Markets, LLC	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	02/05/30
2007 Series B	41,895	RBC Capital Markets, LLC	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	02/05/30
2007 Series E	36,765	RBC Capital Markets, LLC	Royal Bank of Canada	0.07%	0.26%	(4)	10/24/29
2007 Series F	10,670	RBC Capital Markets, LLC	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	02/05/30
2009 Series D	11,440	RBC Capital Markets, LLC	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	02/05/30
2022 Series B	81,280	RBC Capital Markets, LLC	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	04/21/31
2022 Series C	55,240	RBC Capital Markets, LLC	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	04/21/31
2024 Series C	50,000	Barclays Capital Inc.	Federal Home Loan Bank of Indianapolis	0.08%	0.20%	(2)	03/26/29
Rental Housing Revenue Bonds:							
2000 Series A	12,260	Barclays Bank PLC	Federal Home Loan Bank of Indianapolis	0.08%	0.20%	(2)	05/02/28
2002 Series A	30,375	BofA Securities, Inc.	Federal Home Loan Bank of Indianapolis	0.06%	0.20%	(2)	05/02/28
2016 Series C	43,235	BofA Securities, Inc.	Federal Home Loan Bank of Indianapolis	0.07%	0.25%	(2)	02/05/30
2016 Series D	10,670	BofA Securities, Inc.	Federal Home Loan Bank of Indianapolis	0.06%	0.20%	(2)	05/02/28
2018 Series C	87,840	BofA Securities, Inc.	Federal Home Loan Bank of Indianapolis	0.06%	0.20%	(2)	05/02/28
2022 Series B	80,000	BofA Securities, Inc.	Bank of America, N.A.	0.06%	0.27%	(3)	05/25/29
Single-Family General Obligation Bonds - 2025 Series 1	80,000	RBC Capital Markets, LLC	Royal Bank of Canada	0.07%	0.33%	(4)	04/29/30

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

(2) While the Federal Home Loan Bank of Indianapolis (FHLBI) is holding the bonds, they will bear interest at the Base Rate. The Base Rate is average SOFR plus 2.00 percent. Once the FHLBI becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay the FHLBI a liquidity fee per annum on outstanding bonds plus 187 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on the FHLBI is AA+/A-1+ at June 30, 2026.

(3) While Bank of America, N.A. (Bank of America) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days, then the Base Rate plus 1.00 percent for day 91 and after. The Base Rate is equal to the higher of 7 percent, Federal Funds Rate plus 2.00 percent, or the prime rate plus 1.00 percent. Once Bank of America becomes the bond holder, the bonds are subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 217 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on Bank of America, N.A. is A+/A-1 at June 30, 2026.

(4) While the Royal Bank of Canada (RBC) is holding the bonds, they will bear interest at the Bank Rate, which is the Daily Simple SOFR plus 3.00 percent, for the first 266 days. After, the rate will be the Base Rate. The Base Rate is the higher of 8.50 percent, Federal Funds Rate plus 3.50 percent, or the prime rate plus 2.50 percent. Once RBC becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay RBC a liquidity fee per annum on outstanding bonds plus 200 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on Royal Bank of Canada is AA-/A-1+ at June 30, 2026.

Note 7 - Unamortized Mortgage Interest Income

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

Note 8 - Limited Obligation Bonds

The Act, as amended, authorizes the Authority to issue limited obligation bonds to finance multifamily housing. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector entities on the underlying mortgage. In addition, no commitments beyond the collateral, the payments from the private-sector entities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by Michigan State Housing Development Authority for any of those bonds. Such bonds are not general obligations of the Authority, and the Authority has no liability for this debt. Such bonds are secured solely by revenue and property derived from or obtained in connection with the housing projects. Thus, with the exception of limited obligation bond financing fees, transactions related to these bonds are not reflected in the Authority's financial statements. At June 30, 2026 and 2025, limited obligation bonds outstanding were approximately $472,275,000 and $425,192,000, respectively.

Note 9 - Pension Plans

Plan Description

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

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

Benefits Provided

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

Note 9 - Pension Plans (Continued)

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

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

Pension Reform of 2012

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

Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of their annual compensation to the pension fund until they terminate state employment. The 4 percent contribution began on April 1, 2012.

Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's DC plan. The 4 percent contribution began on April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.

Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4 percent and, therefore, became participants in the DC plan for future service beginning on April 1, 2012. As DC plan participants, they receive a 4 percent employer contribution to their 401(k) accounts and are eligible for an additional dollar-for-dollar employer match of up to 3 percent of pay to the plan.

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

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

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

Regular Retirement

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

Note 9 - Pension Plans (Continued)

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

For members who switch to the DC plan for future service, the pension calculation FAC times 1.5 percent times years of service will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation. A member may retire and receive a monthly benefit after attaining the following:

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

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

(3) Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced by 0.5 percent for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

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

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

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

Deferred Retirement

Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after 5 years of service for state employees occupying unclassified positions in the executive and legislative branches and certain Department of Health and Human Services employees subject to reduction in force layoffs by reason of deinstitutionalization.

Nonduty Disability Benefit

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

Duty Disability Benefit

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

Note 9 - Pension Plans (Continued)

Survivor Benefit

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

Pension Payment Options

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

Regular Pension

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

100 Percent Survivor Pension

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

75 Percent Survivor Pension

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

50 Percent Survivor Pension

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

Equated Pension

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

Note 9 - Pension Plans (Continued)

Postretirement Adjustments

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

Member Contributions

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

Employer Contributions

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

For fiscal year 2026, the Authority's contribution rate ranged from 22.4 percent to 23.7 percent of the defined benefit employee wages and 15.8 percent to 17.6 percent of the defined contribution wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2026 was $4,745,000.

For fiscal year 2025, the Authority's contribution rate was 23.7 percent to 23.8 percent of the defined benefit employee wages and 17.4 percent to 17.6 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2025 was $5,487,000.

Net Pension Liability

At June 30, 2026, the Authority reported a liability of $20,993,791 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2024, which used update procedures to roll forward the estimated liability to September 30, 2025. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2024 through September 30, 2025, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2025, the Authority's proportion was 0.687 percent.

At June 30, 2025, the Authority reported a liability of $29,718,405 for its proportionate share of SERS' 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, which used update procedures to roll forward the estimated liability to September 30, 2024. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2023 through September 30, 2024, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2024, the Authority's proportion was 0.730 percent.

Note 9 - Pension Plans (Continued)

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

For the years ended June 30, 2026 and 2025, the Authority recognized pension recovery of $4,374,107 and $1,048,170, respectively. At June 30, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 6,509,838	$ -	$ 7,349,638
Authority's contributions subsequent to the measurement date	3,565,071	-	3,971,620	-
Total	$ 3,565,071	$ 6,509,838	$ 3,971,620	$ 7,349,638

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2027	$ (622,410)
2028	(2,792,612)
2029	(2,390,111)
2030	(704,705)
Total	$ (6,509,838)

Note 9 - Pension Plans (Continued)

Actuarial Assumptions

The Authority's net pension liability for the year ended June 30, 2026 was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2024 and rolled forward using generally accepted actuarial procedures. The Authority's net pension liability for the year ended June 30, 2025 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 at the measurement dates:

	September 30, 2025	September 30, 2024
Valuation date	September 30, 2024	September 30, 2023
Wage inflation rate	2.75 percent	2.75 percent
Projected salary increases	2.75 through 11.75 percent	2.75 through 11.75 percent
Investment rate of return	6.0 percent	6.0 percent
Cost of living pension adjustment	3 percent annual noncompounded with maximum annual increase of $300 for those eligible	3 percent annual noncompounded with maximum annual increase of $300 for those eligible
Mortality	PubG-2010 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2021 through 2010	PubG-2010 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2021 through 2010
Notes	The actuarial assumptions were based upon the results of an experience study for the periods from 2017 through 2022.	The actuarial assumptions were based upon the results of an experience study for the periods from 2017 through 2022.

Discount Rate

A discount rate of 6.0 percent was used to measure the total pension liability as of September 30, 2025 and 2024. This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0 percent as of September 30, 2025 and 2024. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

Note 9 - Pension Plans (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025 and 2024 are summarized in the following table:

	2025		2024	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	21.00 %	5.80 %	25.00 %	5.30 %
Private equity pools	16.00	9.30	16.00	9.00
International equity pools	14.00	5.60	15.00	6.50
Fixed-income pools	15.00	2.50	13.00	2.20
Real estate and infrastructure pools	8.00	7.00	10.00	7.10
Absolute return pools	13.00	4.40	9.00	5.20
Real return and opportunistic	9.00	7.00	10.00	6.90
Short-term investment pools	4.00	1.30	2.00	1.40
Total	100.00 %		100.00 %	

*Long-term rates of return are net of administrative expense and inflation of 2.4 and 2.3 percent as of September 30, 2025 and 2024, respectively.

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

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

	2026		
	1 Percentage Point Decrease (5.0 Percent)	Current Discount Rate (6.0 Percent)	1 Percentage Point Increase (7.0 Percent)
Authority's proportionate share of the net pension liability	$ 32,670,635	$ 20,993,791	$ 10,975,125

	2025		
	1 Percentage Point Decrease (5.0 Percent)	Current Discount Rate (6.0 Percent)	1 Percentage Point Increase (7.0 Percent)
Authority's proportionate share of the net pension liability	$ 42,655,368	$ 29,718,405	$ 18,636,362

Pension Plan Fiduciary Net Position

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

Note 9 - Pension Plans (Continued)

Defined Contribution Plan

The Authority participates in the State of Michigan's defined contribution plan system. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent. The contribution requirements of plan members and the Authority are established and may be amended by the state Legislature. The state Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority's contributions to the plan were $1,706,320 and $1,613,478 for the years ended June 30, 2026 and 2025, respectively, and are recorded in salaries and benefits expense.

Note 10 - Other Postemployment Benefit Plans

Defined Benefit OPEB Plan - Health Care

Plan Description

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

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

Benefits Provided

Benefit provisions of the other postemployment benefit plan are established by state statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental, and vision coverage after terminating employment if they meet eligibility requirements. Retirees with the premium subsidy benefit contribute 20 percent of the monthly premium amount for the health (including prescription coverage), dental, and vision coverage. Retirees with a graded premium subsidy benefit accrue credit toward insurance premiums in retirement, earning a 30 percent subsidy with 10 years of service, with an additional 3 percent subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80 percent. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011 and those hired on or after January 1, 2012 are not eligible for any subsidized health, prescription drug, dental, or vision coverage in retirement but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the State on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become participants in the Personal Healthcare Fund. This plan is closed to new hires.

Note 10 - Other Postemployment Benefit Plans (Continued)

Contributions

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

For fiscal year 2026, the Authority's contribution rate was 3.7 percent to 6.2 percent of the defined benefit employee wages and 3.7 percent to 6.2 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2026 was $1,157,000. Active employees are not required to contribute to SERS OPEB.

For fiscal year 2025, the Authority's contribution rate was 6.2 percent to 11.4 percent of the defined benefit employee wages and 6.2 percent to 11.4 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2025 was $1,914,000. Active employees are not required to contribute to SERS OPEB.

Net OPEB (Asset) Liability

At June 30, 2026, the Authority reported an asset of $10,213,081 for its proportionate share of SERS' net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2024 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB asset was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2024 through September 30, 2025, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2025, the Authority's proportion was 0.676 percent.

At June 30, 2025, the Authority reported a liability of $2,441,499 for its proportionate share of SERS' 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 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2023 through September 30, 2024, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2024, the Authority's proportion was 0.720 percent.

Note 10 - Other Postemployment Benefit Plans (Continued)

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

For the years ended June 30, 2026 and 2025, the Authority recognized OPEB recovery of $7,036,690 and $6,220,365, respectively. At June 30, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 20,830,577	$ -	$ 19,563,988
Changes in assumptions	3,463,932	292,795	3,941,855	662,950
Net difference between projected and actual earnings on OPEB plan investments	-	2,770,331	-	2,619,997
Changes in proportionate share and differences between actual contributions and proportionate share of contributions	3,301,831	1,450,563	5,185,444	1,006,165
Authority's contributions subsequent to the measurement date	805,246	-	1,403,310	-
Total	$ 7,571,009	$ 25,344,266	$ 10,530,609	$ 23,853,100

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2027	$ (4,508,921)
2028	(5,138,341)
2029	(4,568,733)
2030	(2,796,025)
2031	(1,566,483)
Total	$ (18,578,503)

Note 10 - Other Postemployment Benefit Plans (Continued)

Actuarial Assumptions

The Authority's net OPEB asset for the year ended June 30, 2026 was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2024 and rolled forward using generally accepted actuarial procedures. The Authority's net OPEB liability for the year ended June 30, 2025 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 at the measurement dates:

	September 30, 2025	September 30, 2024
Valuation date	September 30, 2024	September 30, 2023
Wage inflation rate	2.75 percent	2.75 percent
Projected salary increases	2.75 through 11.75 percent	2.75 through 11.75 percent
Investment rate of return	6.00 percent	6.2 percent
Health care cost trend rate	Pre-65: 7.75 percent in year 1 graded to 3.50 percent in year 15 Post-65: 6.50 percent in year 1 graded to 3.50 percent in year 15	Pre-65: 7.25 percent in year 1 graded to 3.50 percent in year 15 Post-65: 6.50 percent in year 1 graded to 3.50 percent in year 15
Mortality	PubG-2010 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2021 from 2010	PubG-2010 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2021 from 2010
Notes	The actuarial assumptions were based upon the results of an experience study for the period from 2017 through 2022.	The actuarial assumptions were based upon the results of an experience study for the period from 2017 through 2022.

Discount Rate

A single discount rate of 6.0 and 6.2 percent was used to measure the total OPEB liability as of September 30, 2025 and 2024, respectively. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.0 and 6.2 percent as of September 30, 2025 and 2024, respectively. The projection of cash flows used to determine this single discount rate assumed that, in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate.

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

Note 10 - Other Postemployment Benefit Plans (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of September 30, 2025 and 2024 are summarized in the following table:

	2025		2024	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	21.00 %	5.80 %	25.00 %	5.30 %
Private equity pools	16.00	9.30	16.00	9.00
International equity	14.00	5.60	15.00	6.50
Fixed-income pools	15.00	2.50	13.00	2.20
Real estate and infrastructure pools	8.00	7.00	10.00	7.10
Absolute return pools	13.00	4.40	9.00	5.20
Real return and opportunistic pools	9.00	7.00	10.00	6.90
Short-term investment pools	4.00	1.30	2.00	1.40
Total	100 %		100 %	

*Long-term rates of return are net of administrative expense and inflation of 2.4 and 2.3 percent as of September 30, 2025 and 2024, respectively.

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

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

	2026		
	1 Percentage Point Decrease (5.0 Percent)	Current Discount Rate (6.0 Percent)	1 Percentage Point Increase (7.0 Percent)
Authority's proportionate share of the net OPEB asset	$ (6,189,711)	$ (10,213,081)	$ (13,663,157)

	2025		
	1 Percentage Point Decrease (5.2 Percent)	Current Discount Rate (6.2 Percent)	1 Percentage Point Increase (7.2 Percent)
Authority's proportionate share of the net OPEB liability (asset)	$ 8,053,377	$ 2,441,499	$ (2,330,061)

Note 10 - Other Postemployment Benefit Plans (Continued)

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

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

	2026		
	1 Percentage Point Decrease (6.75 to 2.50 Percent)	Current Health Care Cost Trend Rate (7.75 to 3.50 Percent)	1 Percentage Point Increase (8.75 to 4.50 Percent)
Authority's proportionate share of the net OPEB asset	$ (13,798,633)	$ (10,213,081)	$ (6,187,560)

	2025		
	1 Percentage Point Decrease (6.25 to 2.50 Percent)	Current Health Care Cost Trend Rate (7.25 to 3.50 Percent)	1 Percentage Point Increase (8.25 to 4.50 Percent)
Authority's proportionate share of the net OPEB (asset) liability	$ (2,556,801)	$ 2,441,499	$ 8,125,185

OPEB Plan Fiduciary Net Position

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

Postemployment Life Insurance Benefits

Plan Description

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

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

The Plan is not a trust and has no assets.

Note 10 - Other Postemployment Benefit Plans (Continued)

Benefits Provided

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

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

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

Contributions

The State contributes 100 percent of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal years 2025 and 2024 was $0.32 for each $1,000 of coverage of active payroll per pay period. The employee contributes 100 percent of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid.

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

Actuarial Valuations and Assumptions

The Authority's total OPEB liability for the year ended June 30, 2026 was measured as of September 30, 2025 and is based on an actuarial valuation performed as of September 30, 2025. The Authority's total OPEB liability for the year ended June 30, 2025 was measured as of September 30, 2024 and is based on an actuarial valuation performed as of September 30, 2023 and rolled forward using generally accepted actuarial procedures.

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

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

Note 10 - Other Postemployment Benefit Plans (Continued)

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

Wage Inflation Rate

2.75 percent per year at September 30, 2025 and 2024

Investment Rate of Return (Discount Rate)

4.90 percent per year at September 30, 2025 and 3.81 percent per year at September 30, 2024

Mortality

Healthy Life and Disabled Life Mortality, with 110 percent of the rates used in the pension valuations for SERS plan members at September 30, 2025 and 2024.

IBNR

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

Spouse Benefits for Future Retirees

The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees 1.0 percent for SERS retirees for both September 30, 2025 and 2024.

Spouse Benefits for Current Retirees

Liabilities for current retired members reported with a postemployment life benefit for a spouse were calculated based on the information provided in the data files at September 2025 and 2024.

Other

The face values of the plan policies currently in force were reported to the actuary beginning with the September 30, 2025 valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

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

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

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

Discount Rate

A discount rate of 4.9 percent and 3.81 percent was used to measure the ending total OPEB liability for postemployment life insurance benefits as of September 30, 2025 and 2024, respectively. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the Plan has no assets.

Note 10 - Other Postemployment Benefit Plans (Continued)

Total OPEB Liability for Postemployment Life Insurance Benefits

As of June 30, 2026, the Authority reported a liability of $6,505,991 for its proportionate share of the State's postemployment life insurance benefits total OPEB liability. The total OPEB liability was measured as of September 30, 2025 based on an actuarial valuation as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period from October 1, 2024 through September 30, 2025 by the percentage of OPEB actual contributions received from all applicable employers. At September 30, 2025, the Authority's proportion was 0.667 percent.

As of June 30, 2025, the Authority reported a liability of $7,851,819 for its proportionate share of the State's postemployment life insurance benefits total OPEB liability. The total OPEB liability was measured as of September 30, 2024 based on an actuarial valuation as of September 30, 2023 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period from October 1, 2023 through September 30, 2024 by the percentage of OPEB actual contributions received from all applicable employers. At September 30, 2024, the Authority's proportion was 0.711 percent.

Sensitivity of the Total OPEB Liability for Postemployment Life Insurance Benefits

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

	2026		
	1 Percentage Point Decrease (3.90 Percent)	Current Discount Rate (4.90 Percent)	1 Percentage Point Increase (5.90 Percent)
Authority's proportionate share of the total OPEB liability	$ 7,477,931	$ 6,505,991	$ 5,720,134

	2025		
	1 Percentage Point Decrease (2.81 Percent)	Current Discount Rate (3.81 Percent)	1 Percentage Point Increase (4.81 Percent)
Authority's proportionate share of the total OPEB liability	$ 9,144,951	$ 7,851,819	$ 6,817,362

Note 10 - Other Postemployment Benefit Plans (Continued)

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

For the years ended June 30, 2026 and 2025, the Authority recognized OPEB benefit of $8,460 and expense of $196,198, respectively. At June 30, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,552	$ 156,124	$ -	$ 310,052
Changes of assumptions	599,112	1,925,145	916,680	1,647,071
Changes in proportion and differences between actual contributions and proportion share of contributions	855,632	732,225	1,234,514	406,882
Authority's contributions subsequent to the measurement date	412,004	-	335,066	-
Total	$ 1,942,300	$ 2,813,494	$ 2,486,260	$ 2,364,005

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Amount
2027	$ (376,360)
2028	(318,162)
2029	(97,819)
2030	(178,311)
2031	(243,163)
Thereafter	(69,383)
Total	$ (1,283,198)

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

	2026		
	Net OPEB Asset	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - Health care	$ (10,213,081)	$ 7,571,009	$ 25,344,266
Postemployment life insurance benefits	6,505,991	1,942,300	2,813,494
Total	$ (3,707,090)	$ 9,513,309	$ 28,157,760

Note 10 - Other Postemployment Benefit Plans (Continued)

	2025		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - Health care	$ 2,441,499	$ 10,530,609	$ 23,853,100
Postemployment life insurance benefits	7,851,819	2,486,260	2,364,055
Total	$ 10,293,318	$ 13,016,869	$ 26,217,155

The postemployment benefits other than pensions for health care as of June 30, 2026 are shown as a net OPEB asset on the statement of net position. The postemployment life insurance benefits as of June 30, 2026 are shown as a net OPEB liability on the statement of net position.

Defined Contribution OPEB Plan

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

Note 11 - Capital Assets

On May 30, 2018, the Authority purchased its office building for $21,000,000. The building has an estimated useful asset life of 40 years. Accumulated depreciation was $4,244,000 and $3,719,000 for the years ended June 30, 2026 and 2025, respectively. Depreciation expense was $525,000 for the years ended June 30, 2026 and 2025.

Note 12 - Restricted Net Position

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

	2026	2025
Restricted net position:		
Pledged for payment of all bond issues (capital reserve account)	$ 113,818	$ 109,515
Pledged for payment of single-family mortgage revenue bonds	356,789	310,240
Pledged for payment of rental housing revenue bonds	377,356	345,471
Other postemployment benefits	10,213	-
State housing gap financing program	44,168	73,279
State housing community development fund	135,595	135,454
State legislative enhancement program	88,845	133,290
Total	$ 1,126,784	$ 1,107,249

Note 13 - Contingent Liabilities

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

Note 14 - Commitments

As of June 30, 2026 and 2025, the Authority has commitments to issue multifamily mortgage loans in the amounts of approximately $399,075,000 and $384,507,000, respectively, and single-family mortgage loans in the amounts of approximately $129,593,000 and $121,185,000, respectively.

The Authority has committed up to approximately $1,055,000 per year for up to 30 years from the date of completion of the respective developments (subject to 3 years' advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under the Authority's multifamily program. Such developments receive funds either for the purpose of subsidizing rents so that some units can be afforded by families with incomes at 50 percent or less of median income or to subsidize operations in general. Subsidy disbursements totaled approximately $12,000 and $15,000 for the years ended June 30, 2026 and 2025, respectively.

In addition, the Authority makes available up to approximately $1,000,000 per year for up to 30 years to subsidize rents in a similar fashion for 20 percent of the units in certain other developments financed or to be financed under its multifamily mortgage lending program. Under this program, the Authority is entitled to receive a portion of any excess cash flow generated by the developments, as well as a share of the profits from the sale of the developments, and is able to reduce the rent subsidies if the interest rates being charged by the Authority on the related mortgage loans are below certain preset levels. Subsidy repayments did not exceed subsidy disbursements for the years ended June 30, 2026 and 2025.

Note 15 - Interest Rate Swaps

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

The Authority is issuing the June 30, 2026 and 2025 financial statements in accordance with Governmental Accounting Standards Board Statement No. 53. This standard is used to determine whether a derivative instrument will result in an effective hedge. Changes in the market value of effective hedges are recognized in the year to which they relate. Effective hedge changes do not affect investment income but are reported as deferrals in the statement of net position. Derivative instruments that are not deemed effective would be reported at fair market value and recognized as investments.

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

Note 15 - Interest Rate Swaps (Continued)

The following table summarizes the interest rate swap contracts at June 30, 2026:

Associated Debt/Swap Agreement	Effective Date	Notional Amount as of June 30, 2026	Termination Date	Rate	Fixed Rate	Optional Termination Date without Payment (9)	Market (Payment) Receipt to Terminate Swap	GASB 53 Presentation in Statement of Net Position	Type of Risk Associated with Swap Contract (4)(5)(6)(8)
Rental Housing Revenue Bonds (effective hedges):									
2002 Series A (1)	07/03/02	$ 30,375,000	04/01/37	70% of SOFR+0.08014%	4.560%	N.A.	$ (2,727,800)	$ (2,727,800)	
2016 Series C (3)(10)	03/16/06	43,235,000	10/01/40	70% of SOFR+0.10%	3.460%	(11)	95,145	4,568,833	
2016 Series D (3)(10)	07/25/06	7,045,000	04/01/41	70% of SOFR+0.10%	3.975%	10/01/26	(20,502)	821,489	
2018 Series C (3)(10)	09/22/05	38,040,000	04/01/40	70% of SOFR+0.10%	3.516%	(11)	47,896	1,639,434	
2018 Series C (3)(10)	01/23/08	41,595,000	10/01/42	70% of SOFR+0.10%	3.543%	10/01/27	88,675	2,265,645	
Subtotal		160,290,000					(2,516,586)	6,567,601	
Single-family Mortgage Revenue Bonds (effective hedges):									
2006 Series C (2)	12/01/19	24,900,000	12/01/27	SIFMA	2.703%	(11)	34,408	34,408	(7)
2007 Series E (2)	12/01/19	30,425,000	12/01/27	SIFMA	2.726%	(11)	37,024	37,024	(7)
2007 Series F (2)	12/01/08	11,485,000	12/01/38	Floating Rate	4.340%	N.A.	(983,189)	(983,189)	
2009 Series D (2)	12/01/19	12,330,000	06/01/30	SIFMA	2.746%	(11)	39,967	39,967	(7)
2022 Series B (2)(10)	10/05/17	45,000,000	12/01/32	75% of SOFR+0.05%	2.220%	12/01/29	2,248,336	2,314,203	(7)
2022 Series E-2 (2)(10)	03/28/18	50,000,000	12/01/33	70% of SOFR+0.85%	3.120%	(11)	2,104,444	405,298	(7)
Subtotal		174,140,000					3,480,990	1,847,711	
Total interest rate swaps		$ 334,430,000					$ 964,404	$ 8,415,312	

The cumulative increase in fair market value of hedging derivative instruments of $8,415,312 is a deferred outflow of resources per GASB Statement No. 53.

(1) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP). GSMMDP is currently rated AA-stable outlook by S&P and Aa2 by Moody's as of June 30, 2026.

(2) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Barclays Bank PLC (Barclays). Barclays is currently rated A+ stable outlook by S&P and A1 stable by Moody's as of June 30, 2026.

(3) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Bank of America, N.A., which has a rating of A+ stable by S&P and Aa2 stable by Moody's as of June 30, 2026.

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

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

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

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

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

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

Note 15 - Interest Rate Swaps (Continued)

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

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

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

(11) These interest rate swaps may be terminated at the discretion of the Authority at any time, as the initial optional termination date has passed.

Further, total unamortized off-market borrowings as of June 30, 2026 are $9,138,150, as noted in the table below:

	Off-market Borrowing Rate	On-market Borrowing Rate	Unamortized Off-market Borrowing Balance
Rental Housing Revenue Bonds:			
2016 Series C	2.143%	1.371%	$ 5,339,277
2016 Series D	2.588%	1.387%	1,142,051
2018 Series C	1.085%	2.429%	2,220,360
2018 Series C	1.058%	2.485%	2,933,598
Single-family Mortgage Revenue Bonds:			
2022 Series B	0.133%	3.129%	(246,911)
2022 Series E-2	0.841%	3.351%	(2,250,225)
Total			$ 9,138,150

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

	Changes in Fair Value		Fair Value at June 30		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges 2026:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	$ 1,946,130	Hedging derivative instruments	$ 8,415,312	$ 334,430,000
Off-market borrowings	Deferred charges on refunding	1,115,667	Off-market borrowings	(9,138,150)	-
Cash flow hedges 2025:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	(10,134,193)	Hedging derivative instruments	6,469,182	364,265,000
Off-market borrowings	Deferred charges on refunding	4,184,106	Off-market borrowings	(10,253,817)	-

Note 16 - Line of Credit and Short-term Facility

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

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

On March 16, 2021, the Authority entered into a revolving credit agreement with U.S. Bank. The agreement allows the Authority to borrow up to $100 million for the purpose of purchasing single-family mortgages and down payment assistance loans. On March 13, 2023, the revolving credit agreement with U.S. Bank was extended to September 10, 2024. On September 6, 2024, the revolving credit agreement with U.S. Bank was extended to March 6, 2026, and the maximum borrowing amount was increased to $200 million. On March 6, 2026, the revolving credit agreement with U.S. Bank was extended to September 3, 2027.

On September 18, 2025, the Authority entered into an agreement for a short-term credit facility with the Royal Bank of Canada for $85 million. This agreement matured on October 23, 2025.

On February 19, 2026, the Authority authorized the execution of one or more nonrevolving loan agreements with the Royal Bank of Canada in an amount not to exceed $175 million. The last maturity date of any loan entered into shall not be later than March 31, 2027.

The activity that occurred on the revolving line of credit, short-term credit facility, and nonrevolving loan agreement as of June 30, 2026 and 2025 is as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
June 30, 2026	$ -	$ 565,000,000	$ (565,000,000)	$ -
June 30, 2025	100,000,000	420,000,000	(520,000,000)	-

Subsequent to year end, the Authority had the following additional draws and repayments on its revolving credit agreement with U.S. Bank:

	Beginning Balance	New Draws	New Repayments	Total
July 21, 2026	$ -	$ 100,000,000	$ -	$ 100,000,000
August 18, 2026	-	100,000,000	-	100,000,000
October 20, 2026	-	-	(200,000,000)	(200,000,000)
October 23, 2026	-	100,000,000	-	100,000,000
Total	$ -	$ 300,000,000	$ (200,000,000)	$ 100,000,000

On September 22, 2026, the Authority drew down $120 million on the nonrevolving loan agreement with the Royal Bank of Canada.

Note 17 - Risk Management

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

Note 18 - Subsequent Events

On October 20, 2026, the Authority issued the Single-family Mortgage Revenue Bonds 2026 Series C in the amount of $235,000,000.

Also, see Note 16 related to subsequent drawdowns and repayments on the revolving line of credit and the additional short-term facility agreement drawdowns and repayments.

Required Supplementary Information

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

Last Ten Fiscal Years
Years Ended June 30
(In Thousands of Dollars)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the net pension liability	0.68700 %	0.73000 %	0.73900 %	0.67800 %	0.58700 %	0.58100 %	0.63700 %	0.64800 %	0.66600 %	0.70000 %
Authority's proportionate share of the net pension liability	$ 20,994	$ 29,718	$ 41,786	$ 43,816	$ 23,853	$ 39,168	$ 42,492	$ 39,183	$ 34,606	$ 37,029
Authority's covered payroll	$ 28,187	$ 28,478	$ 27,036	$ 23,222	$ 19,097	$ 18,974	$ 19,591	$ 19,662	$ 20,269	$ 20,894
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	74.48 %	104.35 %	154.56 %	188.68 %	124.90 %	206.43 %	216.90 %	199.28 %	170.73 %	177.22 %
Plan fiduciary net position as a percentage of total pension liability	83.20 %	78.16 %	70.24 %	66.92 %	78.08 %	64.07 %	64.71 %	67.22 %	69.45 %	67.48 %

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

See note to required supplementary information.

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

Last Ten Fiscal Years

Years Ended June 30
(In Thousands of Dollars)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 4,745	$ 5,487	$ 5,040	$ 5,002	$ 4,359	$ 3,713	$ 3,463	$ 4,139	$ 4,252	$ 4,823
Contributions in relation to the statutorily required contribution	4,745	5,487	5,040	5,002	4,359	3,713	3,463	4,139	4,252	4,823
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 28,030	$ 28,694	$ 28,645	$ 25,980	$ 21,345	$ 19,597	$ 18,924	$ 19,535	$ 19,652	$ 20,580
Contributions as a Percentage of Covered Payroll	16.93 %	19.12 %	17.59 %	19.25 %	20.42 %	18.95 %	18.30 %	21.19 %	21.64 %	23.44 %

Notes to Schedule of the Authority's Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of September 30 each year. The September 30, 2022 valuation determined the contribution rate for the State of Michigan fiscal year ended September 30, 2025.

Methods and assumptions used to determine contribution rates for State of Michigan fiscal year ended September 30, 2025:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	12 years, as of October 1, 2024, ending on September 30, 2036
Asset valuation method	5-year smoothed market
Inflation	2.25 percent
Salary increase	2.75 percent to 11.75 percent, including wage inflation at 2.75 percent
Investment rate of return	6 percent, net of investment and administrative expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Tables, scaled by 100 percent for males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006

See note to required supplementary information.

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB (asset) liability	0.68000 %	0.72000 %	0.73300 %	0.67200 %	0.57900 %	0.56900 %	0.63000 %	0.64300 %	0.66500 %
Authority's proportionate share of the net OPEB (asset) liability	$ (10,213)	$ 2,441	$ 12,318	$ 26,163	$ 22,105	$ 33,218	$ 49,588	$ 51,038	$ 54,803
Authority's covered payroll	$ 28,187	$ 28,478	$ 27,036	$ 23,222	$ 19,097	$ 18,974	$ 19,591	$ 19,662	$ 20,269
Authority's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(36.23)%	8.57 %	45.56 %	112.66 %	115.75 %	175.07 %	253.12 %	259.58 %	270.38 %
Plan fiduciary net position as a percentage of total OPEB liability	126.14 %	95.23 %	77.36 %	56.64 %	57.12 %	38.29 %	27.88 %	24.41 %	20.00 %

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

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 1,157	$ 1,914	$ 3,704	$ 3,843	$ 4,075	$ 4,270	$ 4,522	$ 4,436	$ 4,301
Contributions in relation to the actuarially determined contribution	1,157	1,914	3,704	3,843	4,075	4,270	4,522	4,436	4,301
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Authority's Covered Payroll	$ 28,030	$ 28,694	$ 28,645	$ 25,980	$ 21,345	$ 19,597	$ 18,924	$ 19,535	$ 19,652
Contributions as a Percentage of Covered Payroll	4.13 %	6.67 %	12.93 %	14.79 %	19.09 %	21.79 %	23.90 %	22.71 %	21.89 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of September 30 each year. The September 30, 2022 valuation determined the contribution rate for the State of Michigan fiscal year ended September 30, 2025.

Methods and assumptions used to determine contribution rates for State of Michigan fiscal year ended September 30, 2025:

Actuarial cost method	Entry age, normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	12 years, as of October 1, 2024, ending on September 30, 2036
Asset valuation method	5-year smoothed
Inflation	2.25 percent
Health care cost trend rates	7.50 percent in year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120
Salary increase	2.75 percent to 11.75 percent, including wage inflation at 2.75 percent
Investment rate of return	6.2 percent, net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Tables. scaled by 100 percent and adjusted for mortality improvements using projection scale MP-2017 from 2026

See note to required supplementary information.

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Authority's proportion of the total OPEB liability	0.66700 %	0.71100 %	0.74200 %	0.67900 %	0.58400 %	0.58000 %	0.62700 %	0.64600 %	0.65900 %
Authority's proportionate share of the total OPEB liability	$ 6,506	$ 7,852	$ 7,166	$ 6,734	$ 7,954	$ 8,156	$ 7,674	$ 8,066	$ 8,426
Authority's covered-employee payroll	$ 28,026	$ 26,158	$ 27,144	$ 24,615	$ 20,557	$ 18,213	$ 19,009	$ 19,274	$ 19,374
Authority's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	23.21 %	30.02 %	26.40 %	27.36 %	38.69 %	44.78 %	40.37 %	41.85 %	43.49 %

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

The Plan is not a trust and has no assets.

Pension and OPEB Information

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

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

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

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

Significant Change in Assumptions

The discount rate and investment rate of return used in the September 30, 2024 actuarial valuation related to pension did not change from prior valuation. The discount rate and investment rate of return used in the September 30, 2024 actuarial valuation related to OPEB - health insurance decreased by 0.2 percentage points. The discount rate and investment rate of return used in the September 30, 2024 actuarial valuation related to OPEB - life insurance increased by 1.09 percentage points.

The discount rate and investment rate of return used in the September 30, 2023 actuarial valuation related to pension did not change from prior valuation. The discount rate and investment rate of return used in the September 30, 2023 actuarial valuation related to OPEB - life insurance decreased by 0.82 percentage points.

The discount rate and investment rate of return used in the September 30, 2022 actuarial valuation related to pension and OPEB did not change from prior valuation.

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

Supplementary Information

Michigan State Housing Development Authority

Statement of Net Position Information
(in thousands of dollars)

June 30, 2026

	Activities								
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Obligation Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Federal and State Funds	Other	Combined
Assets, Hedging Derivative Instruments, and Deferred Outflows									
Cash and Investments									
Cash and cash equivalents	194,222	358,102	9	26,711	1,637	37,994	301,742	-	920,417
Investments	144,450	203,666	-	3,039	112,181	524,990	3	-	988,329
Total cash and Investments	338,672	561,768	9	29,750	113,818	562,984	301,745	-	1,908,746
Loans Receivable									
Multifamily mortgage loans:									
Construction in progress	-	759,737	-	28,931	-	-	-	34,342	823,010
Completed construction	-	1,325,531	-	61,081	-	-	189	178,021	1,564,822
Single-family mortgage loans	4,528,253	-	-	7,849	-	-	11,877	-	4,547,979
Home improvement and moderate rehabilitation loans	-	-	-	738	-	-	-	-	738
Total	4,528,253	2,085,268	-	98,599	-	-	12,066	212,363	6,936,549
Accrued loan interest receivable	26,389	47,076	-	10,753	-	-	451	29,249	113,918
Allowance on loans receivable	(143,593)	(37,711)	-	(3,814)	-	-	(4,940)	(28,124)	(218,182)
Net loans receivable	4,411,049	2,094,633	-	105,538	-	-	7,577	213,488	6,832,285
Other Assets									
Real estate owned - net	8,911	125	-	651	-	-	-	-	9,687
Other	80,867	1,549	-	11,061	-	-	63,676	-	157,153
Interfund accounts	(22,631)	50,310	(1,837)	(53,933)	-	28,858	8,331	(9,099)	-
Net OPEB asset	-	-	-	10,213	-	-	-	-	10,213
Total other assets	67,147	51,984	(1,837)	(32,008)	-	28,858	72,007	(9,099)	177,052
Capital Assets, net	-	-	-	16,756	-	-	-	-	16,756
Total assets	4,816,868	2,708,385	(1,828)	120,036	113,818	591,842	381,329	204,389	8,934,839
Accumulated Increase in Fair Value of Hedging Derivative Instruments	(1,848)	(6,567)	-	-	-	-	-	-	(8,415)
Deferred Outflows of Resources									
Deferred outflows related to pensions	-	-	-	3,565	-	-	-	-	3,565
Deferred outflows related to OPEB	-	-	-	9,513	-	-	-	-	9,513
Deferred charges on refunding - Reassigned swaps	(2,497)	11,635	-	-	-	-	-	-	9,138
Total deferred outflows of resources	(2,497)	11,635	-	13,078	-	-	-	-	22,216
Total assets, hedging derivative instruments, and deferred outflows	**$ 4,812,523**	**$ 2,713,453**	**$ (1,828)**	**$ 133,114**	**$ 113,818**	**$ 591,842**	**381,329**	**204,389**	**8,948,640**

Michigan State Housing Development Authority

Statement of Net Position Information (continued)

(in thousands of dollars)

June 30, 2026

	Activities								
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Obligation Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Federal and State Funds	Other	Combined
Liabilities, Deferred Inflows, and Net Position									
Liabilities									
Bonds payable and line of credit	$ 4,437,683	$ 2,313,452	$ 79,532	$ -	$ -	$ -	$ -	$ -	$ 6,830,667
Hedging derivative instruments	(1,848)	(6,567)	-	-	-	-	-	-	(8,415)
Accrued interest payable	18,971	21,433	245	-	-	-	-	-	40,649
Escrow funds	-	(971)	-	230	-	591,842	4,867	(86,620)	509,348
Unamortized mortgage interest income		6,975	-	-	-	-	-	-	6,975
Net OPEB liability	-	-	-	6,506	-	-	-	-	6,506
Net pension liability	-	-	-	20,994	-	-	-	-	20,994
Other liabilities	926	1,775	-	52,953	-	-	107,736	-	163,390
Total liabilities	4,455,732	2,336,097	79,777	80,683	-	591,842	112,603	(86,620)	7,570,114
Deferred Inflow of Resources									
Deferred inflows related to pensions	-	-	-	6,510	-	-	-	-	6,510
Deferred inflows related to OPEB	-	-	-	28,158	-	-	-	-	28,158
Loan origination fees	-	-	-	39,949	-	-	-	-	39,949
Total deferred inflows of resources	-	-	-	74,617	-	-	-	-	74,617
Net Position	356,791	377,356	(81,605)	(22,186)	113,818	-	268,726	291,009	1,303,909
Total liabilities, deferred inflows, and net position	**$ 4,812,523**	**$ 2,713,453**	**$ (1,828)**	**$ 133,114**	**$ 113,818**	**$ 591,842**	**381,329**	**$ 204,389**	**$ 8,948,640**

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position Information

(in thousands of dollars)

Year Ended June 30, 2026

	Activities								
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Obligation Bonds	General Operating	Capital Reserve	Mortgage Escrow & Reserve Funds	Federal and State Funds	Other	Combined
Operating Revenue									
Loan interest income	$ 222,323	$ 112,922	$ -	$ 7,908	$ -	$ -	$ 288	$ 6,009	$ 349,450
Section 8 program administrative fees	-	-	-	24,677	-	-	-	-	24,677
Contract administration fees	-	-	-	16,614	-	-	-	-	16,614
Other income	-	3,089	-	22,601	-	-	(2,834)	8,188	31,044
Total operating revenues	222,323	116,011	-	71,800	-	-	(2,546)	14,197	421,785
Operating Expenses									
Salaries and benefits	-	-	-	28,806	-	-	-	-	28,806
Other general operating expenses	-	-	-	39,108	-	-	-	-	39,108
Loan servicing and insurance costs	4,481	-	-	13,698	-	-	-	-	18,179
Provision for possible losses on loans	24,172	7,493	-	(1,880)	-	-	2,391	(1,001)	31,175
Total operating expenses	28,653	7,493	-	79,732	-	-	2,391	(1,001)	117,268
Operating Income	193,670	108,518	-	(7,932)	-	-	(4,937)	15,198	304,517
Noncapital Subsidies Revenue (Expense)									
Federal and state assistance programs	-	-	-	-	-	-	937,789	-	937,789
Housing and community development fund - state	-	-	-	-	-	-	50,000	-	50,000
Housing gap financing program -state	-	-	-	-	-	-	-	-	-
Legislative enhancement program -state	-	-	-	-	-	-	11,839	-	11,839
Federal and state assistance programs	-	-	-	(1,216)	-	-	(940,321)	-	(941,536)
Housing and community development fund - state	-	-	-	-	-	-	(49,551)	-	(49,551)
Housing gap financing program -state	-	-	-	-	-	-	(27,346)	-	(27,346)
Legislative enhancement program -state	-	-	-	-	-	-	(53,093)	-	(53,093)
Non-federal grants and subsidies expense	-	-	-	(1,045)	-	-	-	(4,499)	(5,544)
Total noncapital subsidies revenue (expense)	-	-	-	(2,260)	-	-	(70,682)	(4,499)	(77,441)
Operating Income and Noncapital Subsidies	193,670	108,518	-	(10,192)	-	-	(75,619)	10,699	227,076
Nonoperating Revenue (Expense)									
Investment interest income	17,732	26,120	4	3,135	4,029	-	1,112	2,818	54,950
Increase (decrease) in fair value of investments - Including change in unrealized gains (losses)	1,397	1,243	-	-	274	-	-	-	2,914
Interest expense and debt financing costs	(170,550)	(93,996)	(3,586)	(4,949)	-			-	(273,081)
Total nonoperating revenue (expense)	(151,421)	(66,633)	(3,582)	(1,814)	4,303	-	1,112	2,818	(215,217)
Change in Net Position	42,250	41,885	(3,582)	(12,006)	4,303	-	(74,508)	13,517	11,859
Net Position - Beginning of year	310,240	345,471	(80,033)	(19,450)	109,515	-	343,234	283,073	1,292,050
Transfers to Other Funds for Payment of Operating Fund Expenses	-	(10,000)	-	10,000	-	-	-	-	-
Funding to Provide Additional Cash Flow and Payment of Bond Issuance Costs	4,301	-	2,010	(730)	-	-	-	(5,581)	-
Net Position - End of year	**$ 356,791**	**$ 377,356**	**$ (81,605)**	**$ (22,186)**	**$ 113,818**	**$ -**	**$ 268,726**	**$ 291,009**	**$ 1,303,909**

Michigan State Housing Development Authority

Schedule of Net Investment Income
(in thousands of dollars)

Years Ended June 30, 2026 and 2025

	2026	2025
Investment income:		
Loan interest income	$ 349,450	$ 283,673
Investment interest income	54,950	45,821
Increase in fair value of investments - Including change in unrealized gain of $2,193,525 in 2026 and $5,175,234 in 2025	2,914	5,175
Total investment income	407,314	334,669
Less interest expense and debt financing costs	273,081	221,978
Net investment income	134,233	112,691

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Michigan State Housing Development Authority (the "Authority") as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 26, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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

Plante & Moran, PLLC

October 26, 2026