

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

Audited Financial Statements  
and Other Supplementary Information

*Year Ended September 30, 2019  
with Report of Independent Auditors*

State Building Authority of  
the State of Michigan

Audited Financial Statements  
and Other Supplementary Information

Year Ended September 30, 2019

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## Report of Independent Auditors

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the State Building Authority (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

#### ***Other Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, on our consideration of the State Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State Building Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State Building Authority's internal control over financial reporting and compliance.

*Andrews Hooper Pavlik PLC*

Okemos, Michigan  
January 24, 2020

## Management's Discussion and Analysis

# State Building Authority of the State of Michigan Management's Discussion and Analysis

September 30, 2019

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2019. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

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

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

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

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements consist of 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a blended component unit of the State of Michigan, all the statements presented in this discussion focus on the Authority, an individual part of the government, reporting only on that one component within the State of Michigan.

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

State Building Authority of the State of Michigan  
Management's Discussion and Analysis

September 30, 2019

**Condensed Financial Information**

Fiscal year ended September 30	Governmental Activities	
	2019	2018
Total net position (deficit)	\$ (149,381,425)	\$ (133,528,860)
Total assets	\$ 3,167,631,477	\$ 3,185,270,642
Deferred outflows of resources	\$ 12,652,512	\$ 13,533,311
Short-term debt	\$ 73,580,000	\$ 46,390,000
Long-term liabilities	\$ 3,072,739,487	\$ 3,102,294,108
Total liabilities	\$ 3,321,523,010	\$ 3,325,131,532
Deferred inflows of resources	\$ 8,142,404	\$ 7,201,281
Revenues:		
Program revenues, primarily lease revenue	\$ 114,001,927	\$ 142,342,498
General revenues, entirely investment earnings	\$ 2,755,657	\$ 1,831,986
Total revenues	\$ 116,757,584	\$ 144,174,484
Expenses	\$ 132,610,149	\$ 134,581,860
Restatement of beginning of year net position for GASB 75	\$ -	\$ (773,785)
Change in net position	\$ (15,852,565)	\$ 9,592,624

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

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

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds.

State Building Authority of the State of Michigan  
Management's Discussion and Analysis

September 30, 2019

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 46 of this report.

**Financial Analysis of the Authority**

Net position of the Authority decreased (\$15,852,565) to an ending balance of \$(149,381,425). The Authority issued \$235,580,000 of revenue and refunding bonds on July 30, 2019. It is important to note, when completing its financial statements, the Authority is required to report one hundred percent of the bonds payable liability but only the present value of the leases receivable asset.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported a combined ending fund balance of \$83,882,759, a decrease of \$48,052,295 in comparison with the prior year. This amount was comprised of debt service fund balance of \$164,702,643 and a capital projects fund balance of \$(80,819,884). This deficit has been and continues to be largely the result of the Authority's use of short-term debt to finance certain project costs in advance of bonding. This results in the Authority reporting no asset but reporting one hundred percent of the short-term liability.

**Long-Term Debt Activity**

The Authority issued \$235,580,000 of revenue and refunding bonds in the current year. Information on long-term debt can be found in Note 5 of the financial statements.

State Building Authority of the State of Michigan  
Management's Discussion and Analysis

September 30, 2019

**Recent Events**

On October 3, 2019 the Authority issued \$83,975,000 of commercial paper notes at an interest rate of 1.43% per annum maturing on January 9, 2020. Also on this date, the commercial paper letter of credit was extended to October 20, 2022. On January 9, 2020, the Authority issued \$133,400,000 of commercial paper notes at an interest rate of 1.00% per annum maturing on May 21, 2020.

There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2019 through the date of this report that are expected to effect the Authority's financial position or results of operations.

## Basic Financial Statements

**State Building Authority of the State of Michigan**  
**Statement of Net Position**  
**September 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash	\$ 284
Investments	175,493,433
Accrued interest receivable	259,233
Accounts receivable	18,814
Current portion of leases receivable	84,734,574
Project costs in progress	84,077,923
Total current assets	344,584,261
<b>Noncurrent assets</b>	
Leases receivable, net of current portion	2,823,047,216
<b>Total assets</b>	3,167,631,477
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Losses on debt refunding issues	12,484,261
Deferred outflows related to pensions	42,439
Deferred outflows related to OPEB	125,812
<b>Total assets and deferred outflows of resources</b>	3,180,283,989
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and other liabilities	477,312
Due to State of Michigan	17,647,239
Accrued interest payable	58,258,972
Short-term debt	73,580,000
Current portion of long-term debt	98,820,000
Total current liabilities	248,783,523
<b>Noncurrent liabilities</b>	
Long-term debt, net of current portion	3,071,314,472
Net pension liability	616,641
Net OPEB liability	808,374
<b>Total liabilities</b>	3,321,523,010
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Gains on debt refunding issues	7,986,680
Deferred inflows related to pensions	52,683
Deferred inflows related to OPEB	103,041
<b>Total liabilities and deferred inflows of resources</b>	3,329,665,414
<b>NET POSITION</b>	
Unrestricted (deficit)	\$ (149,381,425)

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

**State Building Authority of the State of Michigan**  
**Statement of Activities**  
**Year Ended September 30, 2019**

	<u><b>Governmental Activities</b></u>
<b>Expenses</b>	
General government - administration	\$ 1,689,074
Interest on long-term debt	129,796,942
Debt issuance costs	1,124,133
Total expenses	<u>132,610,149</u>
<b>Program revenues</b>	
Charges for services:	
Lease revenue	114,001,907
Other revenue	20
Total program revenues	<u>114,001,927</u>
Net revenue	(18,608,222)
<b>General revenues</b>	
Unrestricted investment earnings	<u>2,755,657</u>
Change in net position	(15,852,565)
<b>Net Position</b>	
Beginning of year (deficit)	<u>(133,528,860)</u>
End of year (deficit)	<u><u>\$ (149,381,425)</u></u>

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

**State Building Authority of the State of Michigan**  
**Statement of Net Position and**  
**Governmental Funds Balance Sheet**  
**September 30, 2019**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	\$ -	\$ -	\$ -	\$ 284	\$ 284
Investments	164,559,845	10,933,588	175,493,433	-	175,493,433
Accrued interest receivable	229,180	30,053	259,233	-	259,233
Accounts receivable	-	-	-	18,814	18,814
Current portion of leases receivable	-	-	-	84,734,574	84,734,574
Project costs in progress	-	-	-	84,077,923	84,077,923
Total current assets	<u>164,789,025</u>	<u>10,963,641</u>	<u>175,752,666</u>	<u>168,831,595</u>	<u>344,584,261</u>
<b>Noncurrent assets</b>					
Leases receivable, net of current portion	-	-	-	2,823,047,216	2,823,047,216
<b>Total assets</b>	<u>164,789,025</u>	<u>10,963,641</u>	<u>175,752,666</u>	<u>2,991,878,811</u>	<u>3,167,631,477</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Losses on debt refunding issues	-	-	-	12,484,261	12,484,261
Deferred outflows related to pensions	-	-	-	42,439	42,439
Deferred outflows related to OPEB	-	-	-	125,812	125,812
<b>Total assets and deferred outflows of resources</b>	<u>\$ 164,789,025</u>	<u>\$ 10,963,641</u>	<u>\$ 175,752,666</u>	<u>3,004,531,323</u>	<u>3,180,283,989</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and other liabilities	\$ 86,382	\$ 377,517	\$ 463,899	13,413	477,312
Due to State of Michigan	-	17,641,554	17,641,554	5,685	17,647,239
Accrued interest payable	-	184,454	184,454	58,074,518	58,258,972
Short-term debt	-	73,580,000	73,580,000	-	73,580,000
Current portion of long-term debt	-	-	-	98,820,000	98,820,000
Total current liabilities	<u>86,382</u>	<u>91,783,525</u>	<u>91,869,907</u>	<u>156,913,616</u>	<u>248,783,523</u>
<b>Long-term liabilities</b>					
Long-term debt, net of current portion	-	-	-	3,071,314,472	3,071,314,472
Net pension liability	-	-	-	616,641	616,641
Net OPEB liability	-	-	-	808,374	808,374
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,072,739,487</u>	<u>3,072,739,487</u>
<b>Total liabilities</b>	<u>86,382</u>	<u>91,783,525</u>	<u>91,869,907</u>	<u>3,229,653,103</u>	<u>3,321,523,010</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Gains on debt refunding issues	-	-	-	7,986,680	7,986,680
Deferred inflows related to pensions	-	-	-	52,683	52,683
Deferred inflows related to OPEB	-	-	-	103,041	103,041
<b>FUND BALANCES</b>					
Restricted	164,702,643	-	164,702,643	(164,702,643)	-
Unassigned (deficit)	-	(80,819,884)	(80,819,884)	80,819,884	-
Total fund balances	<u>164,702,643</u>	<u>(80,819,884)</u>	<u>83,882,759</u>	<u>(83,882,759)</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 164,789,025</u>	<u>\$ 10,963,641</u>	<u>\$ 175,752,666</u>		
<b>NET POSITION</b>					
Unrestricted (deficit)				<u>\$ (149,381,425)</u>	<u>\$ (149,381,425)</u>

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

**State Building Authority of the State of Michigan**  
**Statement of Activities and**  
**Governmental Funds Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended September 30, 2019**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Investment income	\$ 2,308,215	\$ 447,442	\$ 2,755,657	\$ -	\$ 2,755,657
Lease revenue	224,168,427	-	224,168,427	(110,166,520)	114,001,907
Other revenue	20	-	20	-	20
<b>Total revenues</b>	<b>226,476,662</b>	<b>447,442</b>	<b>226,924,104</b>	<b>(110,166,520)</b>	<b>116,757,584</b>
<b>Expenditures / Expenses</b>					
Current - general government	1,477,920	23,043	1,500,963	188,111	1,689,074
Capital outlay	-	95,408,669	95,408,669	(95,408,669)	-
Capital outlay reimbursed to State of Michigan	-	14,878,569	14,878,569	(14,878,569)	-
Debt service:					
Principal	99,742,679	-	99,742,679	(99,742,679)	-
Interest and fiscal charges	140,504,669	1,340,649	141,845,318	(12,048,376)	129,796,942
Debt issuance costs	801,210	322,923	1,124,133	-	1,124,133
<b>Total expenditures / expenses</b>	<b>242,526,478</b>	<b>111,973,853</b>	<b>354,500,331</b>	<b>(221,890,182)</b>	<b>132,610,149</b>
Excess of revenues over (under) expenditures / expenses	(16,049,816)	(111,526,411)	(127,576,227)	111,723,662	(15,852,565)
<b>Other financing sources (uses)</b>					
Long-term debt issued	-	67,478,412	67,478,412	(67,478,412)	-
Premiums on bonds issued	-	8,339,039	8,339,039	(8,339,039)	-
Refunding debt issued	168,101,588	-	168,101,588	(168,101,588)	-
Premiums on refunding debt	20,772,064	-	20,772,064	(20,772,064)	-
Payment to refunding escrow agent	(185,167,171)	-	(185,167,171)	185,167,171	-
Transfers from other funds	1,379,395	-	1,379,395	(1,379,395)	-
Transfers to other funds	-	(1,379,395)	(1,379,395)	1,379,395	-
<b>Total other financing sources (uses)</b>	<b>5,085,876</b>	<b>74,438,056</b>	<b>79,523,932</b>	<b>(79,523,932)</b>	<b>-</b>
Excess of revenues and other sources over (under) expenditures/expenses and other uses/changes in net position	(10,963,940)	(37,088,355)	(48,052,295)	32,199,730	(15,852,565)
<b>Fund balances / Net position</b>					
Beginning of year (deficit)	175,666,583	(43,731,529)	131,935,054	(265,463,914)	(133,528,860)
End of year (deficit)	<u>\$ 164,702,643</u>	<u>\$ (80,819,884)</u>	<u>\$ 83,882,759</u>	<u>\$ (233,264,184)</u>	<u>\$ (149,381,425)</u>

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

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2019

### **Note 1 Summary of Significant Accounting Policies**

#### **Reporting Entity**

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the "Authority"), a blended component unit of the State of Michigan (the "State"), as of and for the fiscal year ended September 30, 2019. The Authority's activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. In accordance with accounting principles generally accepted in the United States of America, there are no other component units included in this financial report.

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

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2019

incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

The Authority reports two major governmental funds: a debt service fund and a capital projects fund.

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

**Investments** – Investments are stated at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool share.

**Leases Receivable** – Leases receivable represent amounts due from the State of Michigan for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

**Project Costs in Progress** – Project costs consist of capital costs incurred to date on various building projects. As the building projects are completed, the assets will be leased to the State of Michigan.

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

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2019

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

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

**Federal Arbitrage Liability** – Included in long-term debt is a provision for federal arbitrage rebate. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority had no estimated liability as of September 30, 2019.

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

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

**Lease Revenue** – Lease payments are collected from the State of Michigan to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset carrying values.

**Other Revenue** – Other revenue includes adjustments to prior year capital expenditures.

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2019

**Fund Balances** – Fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by the constitution, external resource providers, or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by formal action of the government's highest level of decision-making authority.
- d. Assigned fund balances comprise amounts that are constrained by the government's intent to use the fund balances for specific purposes, but are neither restricted nor committed.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose. The unassigned classification is also used for fund balance deficits.

The Authority has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement No. 54 applies expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources.

### **Note 2** Investments

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

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

As of September 30, 2019, the Authority had no deposits for administrative expenditures and had investments totaling \$175,493,433, which were entirely in U.S. Treasury money market accounts. The Authority's investments comply with State statutes.

# State Building Authority of the State of Michigan

## Notes to Financial Statements

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

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

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

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

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

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

### **Note 3 Leases Receivable**

The Authority's leasing operations consist of leasing of facilities and equipment for use by the State of Michigan or any of its agencies under direct financing arrangements expiring in various years through June 30, 2054.

State Building Authority of the State of Michigan

Notes to Financial Statements

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Following is a summary of the components of the Authority's net investment in direct financing leases as of September 30, 2019:

Total minimum lease payments to be received	\$ 4,779,640,565
Less – Unearned income	<u>1,871,858,775</u>
<b>Net leases receivable</b>	<b><u>\$ 2,907,781,790</u></b>
Statement of Net Position classification:	
Current portion of leases receivable	\$ 84,734,574
Leases receivable, net of current portion	<u>2,823,047,216</u>
<b>Total</b>	<b><u>\$ 2,907,781,790</u></b>

Minimum lease payments to be received from the State of Michigan as of September 30, 2019, are as follows:

2020	\$ 219,312,756
2021	219,312,756
2022	219,312,756
2023	219,312,756
2024	219,312,756
2025 through 2054	<u>3,683,076,785</u>
<b>Total</b>	<b><u>\$ 4,779,640,565</u></b>

**Note 4 Short-Term Debt - Notes Payable**

The Authority issues commercial paper notes to fund capital projects prior to bonding. The Authority does not use direct borrowings or placements for short term financing. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum stated amount of \$241,643,835, of which not more than \$225,000,000 may be drawn with respect to the payment of principal of notes, and of which not more than \$16,643,835 may be drawn with respect to the payment of up to 270 days of interest on the notes. The term of the bank letter of credit expires on October 20, 2022. The notes have a maximum interest rate of 10% per annum. Issuance costs are capitalized as part of project costs. The interest rate on commercial paper notes outstanding as of September 30, 2019 was 1.50%.

Short-term debt activity for the fiscal year ended September 30, 2019 was as follows (in thousands):

Beginning balance	\$ 46,390
Additions	89,787
Reductions	<u>(62,597)</u>
<b>Ending balance</b>	<b><u>\$ 73,580</u></b>

# State Building Authority of the State of Michigan

## Notes to Financial Statements

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### **Note 5 Long-Term Liabilities**

Each series of bonds and related lease contracts are financing transactions under which the Authority issues revenue bonds for the purpose of constructing or acquiring facilities and/or equipment for lease to the State or institutions of higher education. Each issue of bonds is secured by and payable from the rentals. Rentals may only be used for payment of the bonds to which such lease pertains and may not be used for the payment of any other issue of bonds or any other unrelated obligation of the Authority. Each such lease (prior to execution) has been approved by the State Administrative Board; by resolution of the Board of Trustees of the Authority; and, where required, by the governing body of the appropriate institution of higher education. The lease payments for all of the facilities and equipment are appropriated as an annual operating cost by the State.

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

The 2019 Series I Revenue and Refunding bonds were issued during the fiscal year ended September 30, 2019 in the amount of \$235,580,000 with a portion used to refund the 2009 Series I and 2009 Series II bonds. The new bonds bear interest from 3.00% to 5.00% and are due in annual installments ranging from \$2,650,000 to \$22,640,000 through April 15, 2054. The amount deposited with the escrow agent is less than the net carrying amount of the refunded bonds by \$1,341,656. This amount is reflected as a deferred inflow of resources, gain on refunding issues, and is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The total debt service on the refunded bonds was \$243,641,331 and the total debt service of the refunding bonds is \$247,379,031, which, due to the intricate blending of the refunding and new money debt, is based on an allocation between refunding and new money bonds that assumes the refunding bonds will mature prior to the new money bonds. The refunding transaction resulted in an economic gain of \$17,320,102.

State Building Authority of the State of Michigan

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September 30, 2019

**Outstanding Debt**

Changes in long-term debt (excluding defeased bonds) for the fiscal year ended September 30, 2019 are as follows (in thousands):

	Date Sold	# of Projects	Original Amount Issued	Average Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Revenue Bonds Payable (in thousands)</b>									
2007 Series I	12/19/07	15	\$ 96,500	Variable	\$ 32,485	\$ -	\$ -	\$ 32,485	\$ -
2008 Series I Revenue and Refunding	11/20/08	17	192,275	6.083%	6,025	-	(6,025)	-	-
2009 Series I Refunding	08/19/09	n/a	222,080	4.884%	127,005	-	(113,655)	13,350	13,350
2009 Series II	12/10/09	10	113,480	4.989%	91,145	-	(87,590)	3,555	3,555
2011 Series IA Revenue and Refunding	07/28/11	13	409,550	5.162%	364,960	-	(7,830)	357,130	8,220
2011 Series IB Taxable Revenue Bonds	07/28/11	n/a	12,195	5.694%	9,565	-	(480)	9,085	500
2011 Series IIA Revenue and Refunding	07/28/11	6	180,700	5.227%	173,165	-	(1,360)	171,805	1,400
2011 Series IIB Refunding (variable)	07/28/11	n/a	45,790	Variable	45,290	-	(10,000)	35,290	-
2013 Series IA Revenue and Revenue Refunding	07/18/13	13	531,290	4.760%	378,465	-	(2,885)	375,580	3,035
2015 Series I Revenue and Refunding Bonds	08/31/15	15	989,340	3.859%	980,610	-	(32,055)	948,555	33,695
2016 Series I Revenue and Refunding Bonds	08/24/16	10	665,150	3.062%	640,150	-	(19,770)	620,380	16,780
2017 Series I Multi Modal Revenue Bonds	09/28/17	5	108,985	Variable	108,985	-	(2,035)	106,950	1,380
2019 Series I Revenue and Refunding Bonds	07/30/19	7	235,580	3.192%	-	235,580	-	235,580	16,905
Total revenue bonds payable			<u>\$3,802,915</u>		2,957,850	235,580	(283,685)	2,909,745	<u>\$ 98,820</u>
<b>Accrued compensated absences</b>					17	-	(1)	16	
<b>Arbitrage payable</b>					-	-	-	-	
<b>Add (deduct) deferred amounts:</b>									
For issuance discounts					(3,125)	-	220	(2,905)	
For issuance premiums					244,792	29,111	(10,625)	263,278	
<b>Total long-term debt</b>					<u>\$ 3,199,534</u>	<u>\$ 264,691</u>	<u>\$ (294,091)</u>	<u>\$3,170,134</u>	
Current portion								\$ 98,820	
Long-term portion								3,071,314	
								<u>\$ 3,170,134</u>	

State Building Authority of the State of Michigan

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The 2007 Series I Multi-Modal variable bonds, the 2011 Variable Rate Revenue Refunding Bonds, Series IIB, and the 2017 Multi-Modal Revenue Bonds, Series I currently bear interest at a weekly rate as determined through remarketing. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements that follow, estimated interest was computed using the weekly rate as of September 30, 2019 of 1.59%, 1.59%, and 1.52%, respectively. Associated annual lease rentals are fully pledged for the payment of bond principal and interest on outstanding bonds. The 2007 Series I, 2011 Series IIB, and 2017 Series I bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2042, October 15, 2043, and October 15, 2052, respectively.

The 2007 Series I, the 2011 Series IIB, and the 2017 Series I are subject to optional tender by the bond holders at a purchase price of 100% of the principal plus accrued interest to the date of purchase. Optional tenders are secured by each issue's direct-pay Letter of Credit Agreement, for the principal and interest, calculated up to the maximum interest rate of 12% for 47, 49, and 42 days, respectively. As of September 28, 2017, the Letter of Credit Agreements were extended and have a stated expiration date of December 31, 2020.

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

Redemption Provisions of Outstanding Bonds*	Issue Date	Date of First Optional Redemption	Final Maturity Date
2007 Series I	12/19/07	**	10/15/42
2011 Series IA Revenue & Refunding	7/28/11	10/15/21	10/15/45
2011 Series IB Taxable Revenue Bonds	7/28/11	10/15/21	10/15/31
2011 Series IIA Revenue & Refunding	7/28/11	10/15/21	10/15/41
2011 Series IIB Refunding (variable)	7/28/11	**	10/15/43
2013 Series I Revenue & Refunding	7/18/13	10/15/23	10/15/47
2015 Series I Revenue & Refunding	8/31/15	10/15/25	10/15/50
2016 Series I Revenue & Refunding	8/24/16	10/15/22***	10/15/51
2017 Series I Multi Modal Revenue Bond	9/28/17	**	10/15/52
2019 Series I Revenue and Refunding Bonds	7/30/19	10/15/29	4/15/54

Total revenue bond payable

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

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

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

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2019

**Debt Service Requirements**

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2020	\$ 98,820	\$ 128,936	\$ 227,756
2021	81,640	129,840	211,480
2022	85,760	125,725	211,485
2023	90,210	121,812	212,022
2024	94,285	117,757	212,042
2025-2029	552,025	514,020	1,066,045
2030-2034	685,475	360,132	1,045,607
2035-2039	578,095	208,312	786,407
2040-2044	343,965	107,475	451,440
2045-2049	214,890	45,103	259,993
2050-2054	84,580	6,932	91,512
	<u>\$ 2,909,745</u>	<u>\$ 1,866,044</u>	<u>\$ 4,775,789</u>

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

**Defeased Debt**

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

The following table summarizes the defeased bonds outstanding as of September 30, 2019 (in thousands) with the expected final payment date:

2009 Series I	\$ 100,935	October 15, 2019
2009 Series II	84,205	October 15, 2019
Total Defeased Debt	<u>\$ 185,140</u>	

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2019

### **Note 6 Net Position Deficit and Capital Projects Fund Balance**

The Authority is reporting a net position deficit balance of \$149,381,425 as of September 30, 2019. The capital projects fund is reporting a fund balance deficit of \$80,819,884 due to the issuance of commercial paper for new projects.

### **Note 7 Pension Plan**

#### **A. Plan Description**

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

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

#### **B. Benefits Provided**

##### Introduction

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

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

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

### Pension Reform of 2012

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

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

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

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

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium

# State Building Authority of the State of Michigan

## Notes to Financial Statements

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but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to a 401(k) or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

### Regular Retirement

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

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

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

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

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

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

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

# State Building Authority of the State of Michigan

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

### Deferred Retirement

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

### Non-Duty Disability Benefit

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

### Duty Disability Benefit

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

### Survivor Benefit

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

### Pension Payment Options

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

# State Building Authority of the State of Michigan

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

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

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

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

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

### Post Retirement Adjustments

One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977 and 1987. Beginning October 1, 1988, a 3% non-compounding increase, up to a maximum of \$25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8% annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative

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increases received after the implementation of the annual 3% increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987, are not eligible for the supplemental payment.

**C. Contributions**

Member Contributions

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

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 2019, the Authority's contribution rate was 21.98% of the defined benefit employee wages and 17.7% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2019 was \$42,439.

**D. Actuarial Assumptions**

The Authority's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 – 11.75%, including wage inflation at 2.75%
Investment Rate of Return	7.0%
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible

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

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

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, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity pools	28.0%	5.7 %
Private equity pools	18.0	9.2 %
International equity pools	16.0	7.2 %
Fixed income pools	10.5	0.5 %
Real estate and infrastructure pools	10.0	3.9 %
Absolute return pools	15.5	5.2 %
Short term investment pools	2.0	0.0 %
Total	<u>100.0%</u>	

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

### **E. Discount Rate**

A discount rate of 7.0% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 7.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the

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

### F. Net Pension Liability

As of September 30, 2019, the Authority reported a liability of \$616,641 for its proportionate share of SERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the State Building Authority's required pension contributions received by SERS during the measurement period October 1, 2017, through September 30, 2018, relative to the total required employer contributions from all of SERS' participating employers. As of September 30, 2018, the Authority's proportion was 0.0102%.

### G. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate of 7.0% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease</b> <b>6.0%</b>	<b>Current</b> <b>Discount</b> <b>7.0%</b>	<b>1% Increase</b> <b>8.0%</b>
State Building Authority's proportionate share of net pension liability	\$806,557	\$616,641	\$454,900

### H. Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the Authority recognized pension expense of \$225,321. As of September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on investments	-	52,683
Differences between expected and actual experience	-	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
Authority contributions subsequent to the measurement date	42,439	-
Total	<u>\$ 42,439</u>	<u>\$ 52,683</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended September 30:</b>	<b>Pension Expense (Credit) Amount</b>
2020	\$ (5,850)
2021	(18,631)
2022	(19,772)
2023	(8,430)

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### **Note 8 Other Postemployment Benefit (OPEB) Plan – Healthcare**

#### **A. Plan Description**

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

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

#### **B. Benefits Provided**

##### Introduction

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

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

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

This plan is closed to new hires.

### **C. Contributions**

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2019, the Authority's contribution rate was 23.80% of the defined benefit employee wages and 23.80% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2019 was \$45,953. Active employees are not required to contribute to SERS OPEB.

### **D. Actuarial Assumptions**

The Authority's net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75%
Investment Rate of Return	7.0%
Projected Salary Increases	2.75 – 11.75%
Health Care Cost Trend Rate	8.25% Year 1 graded to 3.0% Year 10
Mortality	RP-2014 Male and Female Annuitant Mortality Table used for retirees (scaled by 93% for males and 98% for females), active employees, and disabled retirees, with adjustments for mortality improvements using projection scale MP-2017 from 2006.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2012 through September 30, 2017.

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-

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term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return *</b>
Domestic equity pools	28.0%	5.7%
Private equity pools	18.0	9.2%
International equity pools	16.0	7.2%
Fixed income pools	10.5	0.5%
Real estate and infrastructure pools	10.0	3.9%
Absolute return pools	15.5	5.2%
Short term investment pools	2.0	0.0%
Total	100.0%	

\* Long-term rates of return are net of administrative expenses and 2.3% inflation.

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Discount Rate**

A Single Discount Rate of 7.0% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.0%. 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.

**F. Net OPEB Liability**

At September 30, 2019, the Authority reported a liability of \$697,628 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB

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contributions received by SERS during the measurement period October 1, 2017, through September 30, 2018, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2018, the Authority's proportion was 0.0088%.

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

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using a Single Discount Rate of 7.00%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease</u> <u>6.0%</u>	<u>Current</u> <u>Discount 7.0%</u>	<u>1% Increase</u> <u>8.0%</u>
State Building Authority's proportionate share of net OPEB liability	\$805,643	\$697,628	\$607,032

**Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates**

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

	<u>1% Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u>	<u>1% Increase</u>
State Building Authority's proportionate share of net OPEB liability	\$601,521	\$697,628	\$809,294

**H. OPEB Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2019, the Authority recognized OPEB expense of \$55,831. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 80,131
Changes of assumptions	58,192	-
Net difference between projected and actual earnings on investments	-	9,299
Changes in proportion and differences between actual contributions and proportionate share of contributions	16,926	3,417
Authority contributions subsequent to the measurement date	45,953	-
Total	<u>\$ 121,071</u>	<u>\$ 92,847</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended September 30:</b>	<b>OPEB Expense (Credit) Amount</b>
2020	\$ (4,810)
2021	(4,810)
2022	(4,810)
2023	(3,210)
2024	(89)

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

**A. Plan Description**

The State of Michigan provides postemployment life insurance benefits (the Plan) to eligible individuals upon retirement from State employment. Members of the State

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

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

The Plan is not a trust and has no assets.

### **B. Benefits Provided**

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

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

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

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### **C. Contributions**

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rates for FY 2017 and FY 2018 were \$.24 and \$.28, respectively, for each \$1,000.00 of coverage. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

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

### **D. Actuarial Valuations and Assumptions**

The Authority's total OPEB liability as of the September 30, 2018 measurement date is based on an actuarial valuation performed as of September 30, 2017. The total OPEB liability as of the September 30, 2017 measurement date is based on an actuarial valuation performed as of September 30, 2016 and rolled-forward using general 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 members' year by year projected covered pay.

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

Wage Inflation Rate: 3.5%  
Investment Rate of Return (discount rate): 3.83% per year

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

	<u>Percent of Male Rates</u>	<u>Percent of Female Rates</u>
MSERS	115%	121%
SPRS	111%	121%
MJRS	120%	128%
MMRP	111%	121%

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

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

MSERS plan members: 3%  
SPRS Non-Hybrid plan members: 2%  
SPRS Hybrid plan members: 4%  
MJRS plan members: 1%  
Special Duty Officer members: 1%

Spouse Benefits for Current Retirees: Data regarding postemployment life insurance benefits coverage for spouses of current retirees was not available. Liabilities for retired members were loaded to account for postemployment life insurance benefits payable to the spouses of current retirees as follows:

MSERS retirees: 4%  
SPRS retirees: 3%  
MJRS retirees: 2%  
Special Duty Officer retirees: 2%

Opt-Out Factors: The data provided to the actuary for this valuation indicates that a portion of MJRS members are not members of the Plan. Approximately 52% of MJRS active members participate in the Plan. A list of current retiree members of MJRS who participate in the Plan was not available. MJRS retiree member liabilities were developed by multiplying total potential MJRS retiree liabilities by 52%.

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Compensation: For some MSERS retirees, FAC was not reported. The FAC for these members was assumed to be \$51,045 (the average of all MSERS retiree records reported with FAC).

For purposes of valuing the postemployment life insurance benefit policies for retirees, base wage at retirement was not available and was approximated by applying a factor to the reported FAC at retirement. The factor used to convert an FAC to a base wage is based on the length of the FAC period for each group. The factor used for each affected plan follows:

MSERS:	Conservation: 0.983092 (2 year FAC)
	Corrections and All Others: 0.966565 (3 year FAC)
SPRS:	Non-Hybrid: 0.983092 (2 year FAC)
	Hybrid: 0.934616 (5 year FAC)

For MSERS DC plan retirees, compensation at retirement and other information was not provided to the actuary. The postemployment life insurance benefit policies for this group were assumed to have the same average value as the policies for retirees in the MSERS DB plan.

Other: The face values of The Plan policies currently in force were requested by the actuary but were not available for use in this valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50% x compensation at retirement (compensation reported for the 2017 retirement system valuations)

Spousal benefits:	\$1,000
Individuals retired on or before July 1974:	A minimum benefit of \$1,000 and a maximum benefit of \$5,000 for an average of \$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 2017 retirement valuations were included in this valuation of the Plan.

**E. Discount Rate**

A discount rate of 3.83% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2018. 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.

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For the prior valuation, dated September 30, 2016, the discount rate used was 3.5%. An increase in the discount rate used affects the measurement of total OPEB liability for the Postemployment Life Insurance Benefits Plan by decreasing its total OPEB liability.

**F. Total OPEB Liability for Postemployment Life Insurance Benefits**

As of September 30, 2019, the Authority reported a liability of \$110,746 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2017, through September 30, 2018, by the total OPEB actual contributions received from all applicable employers. At September 30, 2018, the Authority's proportion was 0.0089%.

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

The following table presents the Authority's proportionate share of the total OPEB liability, calculated using a Single Discount Rate of 3.83%, as well as what the Authority's proportionate share of the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease</u> <u>2.83%</u>	<u>Current</u> <u>Discount</u> <u>3.83%</u>	<u>1% Increase</u> <u>4.83%</u>
State Building Authority's proportionate share of net OPEB liability	\$129,486	\$110,746	\$95,776

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

For the year ended September 30, 2019, the Authority recognized OPEB expense of \$4,566. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 76	\$ 562
Changes of assumptions	-	9,632
Changes in proportion and differences between actual contributions and proportionate share of contributions	1,835	-
Authority contributions subsequent to the measurement date	2,830	-
Total	<u>\$ 4,741</u>	<u>\$ 10,194</u>

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2019

Amounts reported as deferred as outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	<u>OPEB Expense (Credit) Amount</u>
2020	\$ (1,954)
2021	(1,954)
2022	(1,954)
2023	(1,797)
2024	(624)

**Note 10 Adjustments**

Following is an explanation of the adjustments between the governmental funds balance sheet and the statement of net position, which reconciles fund balances to net position:

<b>Fund Balances</b>	\$ 83,882,759
<b>Adjustments:</b>	
Leases receivable are not current financial resources and therefore are not reported in the governmental funds	2,907,781,790
Accrued payroll liabilities are paid by the State and not reported in the governmental funds until after reimbursement	19,098
Cash deficiency in the administrative fund reclassified from cash to accounts receivable to recognize and offset revenue in the new fiscal year	(18,814)
Cash deficiency in the administrative fund reclassified from cash to accounts receivable	18,814
Project costs financed by short-term borrowings are temporarily capitalized for net position until lease agreements are executed	84,077,923
Pension and OPEB related assets are not reported in the governmental funds (and are reported as deferred outflow of resources)	168,251

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2019

**Adjustments (continued):**

Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds (2,909,745,000)

Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized for net position (and added to bonds payable) (263,278,275)

Discounts on bonds are reported as other financing uses in the governmental funds, whereas they are capitalized and amortized for net position (and netted against bonds payable) 2,904,635

Gains on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and reported as deferred inflows of resources) (7,986,680)

Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position (and reported as deferred outflows of resources) 12,484,261

Accrued compensated absences and arbitrage payable are not recorded by governmental funds (15,832)

Accrued interest payable on bonds is not recorded by governmental funds (58,074,518)

Pension and OPEB related liabilities are not reported in the governmental funds (and are reported as a noncurrent liability or in deferred inflows of resources) (1,580,739)

Accrued payroll liabilities are paid by the State and not reported in the governmental funds until after reimbursement (19,098)

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**Net position** \$ (149,381,425)

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2019

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net position:

<b>Net change in fund balances</b>	\$ (48,052,295)
<b>Adjustments:</b>	
Amounts received for lease payments include both principal and interest for purposes of governmental funds. For the statement of activities, the principal portions are eliminated with that portion of the receipts that pertain to interest being recognized as lease revenues.	(110,166,520)
Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for net position	99,742,679
Construction costs are recorded as expenditures in the funds, but increase leases receivable or project costs in progress for net position	110,287,238
The issuance of bonds provides current financial resources and bond discounts and premiums are a use or source of current financial resources, respectively. These transactions do not affect net position and therefore are eliminated:	
Bond and refunding proceeds	(235,580,000)
Premiums on bonds	(29,111,103)
Payment to refunding escrow agent	187,945,398
Portion of escrow payments applicable to accrued interest	(2,778,227)
Accrued interest expense and the amortization of discounts, premiums, and gain and loss on refunding are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of net position:	
Accrued interest expense	4,621,855
Amortization of premiums on bonds	7,978,696
Amortization of discounts on bonds	(220,564)
Amortization of gain on refunding	505,447
Amortization of loss on refunding	(837,058)
Pension and OPEB liability and expenditures are not recorded by governmental funds but are reported for purposes of determining net position	(189,758)
Prepaid travel for airfare purchased prior to travel date	(542)
Estimated liability for accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining net position	2,189
<b>Change in net position</b>	<b><u>\$ (15,852,565)</u></b>

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2019

### **Note 11 Risk Management**

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

### **Note 12 Adoption of New Standard**

As of September 30, 2019, the Authority applied GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

### **Note 13 Upcoming Accounting Pronouncements**

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The primary objective of this statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2021. The Authority has determined that this statement does not apply to component unit reporting entities.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The primary objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2021. The Authority is currently evaluating the impact of this statement on the financial statements.

State Building Authority of the State of Michigan

Notes to Financial Statements

September 30, 2019

**Note 14 Subsequent Events**

On October 3, 2019, the Authority issued \$83,975,000 of commercial paper notes at an interest rate of 1.43% per annum maturing on January 9, 2020. Also on this date, the commercial paper letter of credit was extended to October 20, 2022. On January 9, 2020, the Authority issued \$133,400,000 of commercial paper notes at an interest rate of 1.00% per annum maturing on May 21, 2020.

## Required Supplementary Information

State Building Authority of the State of Michigan

Required Supplementary Information

State Employees' Retirement System – Pension

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

	2019	2018	2017	2016	2015
Authority's proportionate share of the net pension liability:					
As a percentage	0.0102%	0.0094%	0.0087%	0.0090%	0.0083%
Amount	\$ 617	\$ 488	\$ 462	\$ 496	\$ 425
Authority's covered payroll	\$ 274	\$ 261	\$ 239	\$ 246	\$ 223
Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	225.18%	186.97%	193.31%	201.63%	190.58%
Plan fiduciary net position as a percentage of total pension liability	67.22%	69.45%	67.48%	66.11%	68.07%

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

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

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 42	\$ 65	\$ 67	\$ 62	\$ 67
Contributions in relation to the statutorily required contributions	42	65	67	62	67
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 193	\$ 263	\$ 261	\$ 239	\$ 246
Contributions as a percentage of covered payroll	21.76%	24.71%	25.67%	25.94%	27.24%

# State Building Authority of the State of Michigan

## Notes to Pension Required Supplementary Information

September 30, 2019

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

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

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

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

### **Valuation:**

Actuarially determined contribution amounts are calculated as of September 30, each year, which is 1 day prior to the beginning of the fiscal year in which contributions are reported.

### **Methods and Assumptions Used to Determine Contribution for Fiscal Year 2019**

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	19 years
Asset Valuation Method	5-Year Smoothed Fair Value
Inflation	2.50%
Salary Increases	3.50% to 12.50%, including wage inflation at 3.50%
Investment Rate of Return	7.50% net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Health Life Mortality Table, adjusted for mortality improvements up to 2015 using projection scale BB. For retirees, 100% of the table rates were used for males and females. For active members, 50% of the table rates were used for males and females.

State Building Authority of the State of Michigan

Required Supplementary Information

State Employees' Retirement System – Healthcare

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

	<b>2019</b>	<b>2018</b>
Authority's proportionate share of the net OPEB liability:		
As a percentage	0.0088%	0.0085%
Amount	\$ 698	\$ 705
Authority's covered payroll	\$ 274	\$ 261
Authority's proportionate share of the net OPEB liability, as a percentage of its covered payroll	254.74%	270.11%
Plan fiduciary net position as a percentage of net OPEB liability	24.41%	19.89%

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

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

	<b>2019</b>	<b>2018</b>
Statutorily required contribution	\$ 46	\$ 58
Contributions in relation to the statutorily required contributions	46	58
Contribution deficiency	\$ -	\$ -
Authority's covered payroll	\$ 193	\$ 263
Contributions as a percentage of covered payroll	23.83%	22.05%

State Building Authority of the State of Michigan

Notes to OPEB Required Supplementary Information

September 30, 2019

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

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

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

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

**Valuation:**

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

**Methods and Assumptions Used to Determine Contributions for Fiscal Year 2019**

Actuarial Cost Method	Entry-Age, Normal
Amortization Method	Level-Percent of Payroll, Closed
Remaining Amortization Period	19 years
Asset Valuation Method	Fair Value of Assets
Salary Increases	3.50% to 12.50%, including wage inflation at 3.50%
Investment Rate of Return	7.50% net of investment and administrative expenses
Health Care Cost Trend Rate	9.0% Year 1 Graded to 3.50% Year 10
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100% of the table rates were used for male and females. For active members, 50% of the table rates were used for males and females.

State Building Authority of the State of Michigan

Required Supplementary Information

Postemployment Life Insurance Benefits

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

	<b>2019</b>	<b>2018</b>
Authority's proportionate share of the total OPEB liability:		
As a percentage	0.0089%	0.0087%
Amount	\$ 111	\$ 111
Authority's covered-employee payroll	\$ 274	\$ 261
Authority's proportionate share of the total OPEB liability, as a percentage of its covered-employee payroll	40.51%	42.53%

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

The Plan is not a trust and has no assets.

## Other Supplementary Information

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 7**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ -	\$ 5,446,529	\$ 5,446,529
Accrued interest receivable	-	17,528	17,528
<b>Total assets</b>	\$ -	\$ 5,464,057	\$ 5,464,057
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ 363,597	\$ 363,597
Due to State of Michigan	-	14,482,763	14,482,763
Accrued interest payable	-	184,454	184,454
Short-term debt	-	73,580,000	73,580,000
<b>Total liabilities</b>	-	88,610,814	88,610,814
<b>PROJECT EQUITY</b>			
Unassigned	-	(83,146,757)	(83,146,757)
<b>Total liabilities and project equity</b>	\$ -	\$ 5,464,057	\$ 5,464,057
<b>OUTSTANDING DEBT (short-term)</b>			\$ 73,580,000

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 7**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ 378,447	\$ 378,447
Lease revenue	-	-	-
Other revenue	-	-	-
	-	378,447	378,447
<b>Expenditures</b>			
Current - general government	-	-	-
Capital outlay	-	83,379,904	83,379,904
Capital outlay reimbursed to State of Michigan	-	14,878,569	14,878,569
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	1,340,649	1,340,649
	-	99,599,122	99,599,122
Revenue over (under) expenditures	-	(99,220,675)	(99,220,675)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	-	62,596,980	62,596,980
	-	62,596,980	62,596,980
Net change in project equity	-	(36,623,695)	(36,623,695)
<b>Project equity (deficit)</b>			
Beginning of year	-	(46,523,062)	(46,523,062)
End of year	\$ -	\$ (83,146,757)	\$ (83,146,757)

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 2,366,410	\$ -	\$ 2,366,410
Accrued interest receivable	3,670	-	3,670
<b>Total assets</b>	<b>\$ 2,370,080</b>	<b>\$ -</b>	<b>\$ 2,370,080</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 11,654	\$ -	\$ 11,654
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	11,654	-	11,654
<b>PROJECT EQUITY</b>			
Restricted	2,358,426	-	2,358,426
<b>Total liabilities and project equity</b>	<b>\$ 2,370,080</b>	<b>\$ -</b>	<b>\$ 2,370,080</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 32,485,000</b>

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 40,619	\$ -	\$ 40,619
Lease revenue	6,228,666	-	6,228,666
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	6,269,285	-	6,269,285
<b>Expenditures</b>			
Current - general government	151,126	-	151,126
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	519,537	-	519,537
	<hr/>	<hr/>	<hr/>
Total expenditures	670,663	-	670,663
Revenue over (under) expenditures	5,598,622	-	5,598,622
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(3,830,000)	-	(3,830,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(3,830,000)	-	(3,830,000)
Net change in project equity	1,768,622	-	1,768,622
<b>Project equity</b>			
Beginning of year	589,804	-	589,804
	<hr/>	<hr/>	<hr/>
End of year	\$ 2,358,426	\$ -	\$ 2,358,426
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2008 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ -	\$ -	\$ -
Accrued interest receivable	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	-	-	-
<b>Total liabilities and project equity</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**OUTSTANDING DEBT (long-term)** -

**State Building Authority of the State of Michigan**  
**2008 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 11,958	\$ -	\$ 11,958
Lease revenue	1,150,832	-	1,150,832
Other revenue	-	-	-
	<u>1,162,790</u>	<u>-</u>	<u>1,162,790</u>
<b>Expenditures</b>			
Current - general government		-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	6,025,000	-	6,025,000
Interest and fiscal charges	174,775	-	174,775
	<u>6,199,775</u>	<u>-</u>	<u>6,199,775</u>
Total expenditures	<u>6,199,775</u>	<u>-</u>	<u>6,199,775</u>
Revenue over (under) expenditures	(5,036,985)	-	(5,036,985)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(3,903,418)	-	(3,903,418)
	<u>(3,903,418)</u>	<u>-</u>	<u>(3,903,418)</u>
Total other financing sources (uses)	<u>(3,903,418)</u>	<u>-</u>	<u>(3,903,418)</u>
Net change in project equity	(8,940,403)	-	(8,940,403)
<b>Project equity</b>			
Beginning of year	<u>8,940,403</u>	<u>-</u>	<u>8,940,403</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 18,455,955	\$ -	\$ 18,455,955
Accrued interest receivable	23,319	-	23,319
<b>Total assets</b>	<b>\$ 18,479,274</b>	<b>\$ -</b>	<b>\$ 18,479,274</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	18,479,274	-	18,479,274
<b>Total liabilities and project equity</b>	<b>\$ 18,479,274</b>	<b>\$ -</b>	<b>\$ 18,479,274</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 13,350,000</b>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 189,069	\$ -	\$ 189,069
Lease revenue	2,627,500	-	2,627,500
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	2,816,569	-	2,816,569
<b>Expenditures</b>			
Current - general government	13,385	-	13,385
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	12,720,000	-	12,720,000
Interest and fiscal charges	6,239,995	-	6,239,995
	<hr/>	<hr/>	<hr/>
Total expenditures	18,973,380	-	18,973,380
Revenue over (under) expenditures	(16,156,811)	-	(16,156,811)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	13,806,328	-	13,806,328
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	13,806,328	-	13,806,328
Net change in project equity	(2,350,483)	-	(2,350,483)
<b>Project equity</b>			
Beginning of year	20,829,757	-	20,829,757
	<hr/>	<hr/>	<hr/>
End of year	\$ 18,479,274	\$ -	\$ 18,479,274
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 5,464,396	\$ -	\$ 5,464,396
Accrued interest receivable	8,013	-	8,013
<b>Total assets</b>	<b>\$ 5,472,409</b>	<b>\$ -</b>	<b>\$ 5,472,409</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	5,472,409	-	5,472,409
<b>Total liabilities and project equity</b>	<b>\$ 5,472,409</b>	<b>\$ -</b>	<b>\$ 5,472,409</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 3,555,000</b>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 88,081	\$ -	\$ 88,081
Lease revenue	6,653,016	-	6,653,016
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	6,741,097	-	6,741,097
<b>Expenditures</b>			
Current - general government	9,207	-	9,207
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	3,385,000	-	3,385,000
Interest and fiscal charges	4,485,688	-	4,485,688
	<hr/>	<hr/>	<hr/>
Total expenditures	7,879,895	-	7,879,895
Revenue over (under) expenditures	(1,138,798)	-	(1,138,798)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(870,000)	-	(870,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(870,000)	-	(870,000)
Net change in project equity	(2,008,798)	-	(2,008,798)
<b>Project equity</b>			
Beginning of year	7,481,207	-	7,481,207
	<hr/>	<hr/>	<hr/>
End of year	\$ 5,472,409	\$ -	\$ 5,472,409
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2011 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 21,797,456	\$ -	\$ 21,797,456
Accrued interest receivable	26,807	-	26,807
<b>Total assets</b>	<b>\$ 21,824,263</b>	<b>\$ -</b>	<b>\$ 21,824,263</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 2,197	\$ -	\$ 2,197
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	2,197	-	2,197
<b>PROJECT EQUITY</b>			
Restricted	21,822,066	-	21,822,066
<b>Total liabilities and project equity</b>	<b>\$ 21,824,263</b>	<b>\$ -</b>	<b>\$ 21,824,263</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 366,215,000</b>

**State Building Authority of the State of Michigan**  
**2011 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 196,162	\$ -	\$ 196,162
Lease revenue	12,647,512	-	12,647,512
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	12,843,674	-	12,843,674
<b>Expenditures</b>			
Current - general government	72,853	-	72,853
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	8,310,000	-	8,310,000
Interest and fiscal charges	19,347,421	-	19,347,421
	<hr/>	<hr/>	<hr/>
Total expenditures	27,730,274	-	27,730,274
Revenue over (under) expenditures	(14,886,600)	-	(14,886,600)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	15,124,995	-	15,124,995
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	15,124,995	-	15,124,995
Net change in project equity	238,395	-	238,395
<b>Project equity</b>			
Beginning of year	21,583,671	-	21,583,671
	<hr/>	<hr/>	<hr/>
End of year	\$ 21,822,066	\$ -	\$ 21,822,066
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2011 Revenue and Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 6,187,621	\$ -	\$ 6,187,621
Accrued interest receivable	7,966	-	7,966
<b>Total assets</b>	<b>\$ 6,195,587</b>	<b>\$ -</b>	<b>\$ 6,195,587</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 14,012	\$ -	\$ 14,012
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	14,012	-	14,012
<b>PROJECT EQUITY</b>			
Restricted	6,181,575	-	6,181,575
<b>Total liabilities and project equity</b>	<b>\$ 6,195,587</b>	<b>\$ -</b>	<b>\$ 6,195,587</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 207,095,000</b>

**State Building Authority of the State of Michigan**  
**2011 Revenue and Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 74,669	\$ -	\$ 74,669
Lease revenue	8,762,004	-	8,762,004
Other revenue	-	-	-
<b>Total revenues</b>	<b>8,836,673</b>	<b>-</b>	<b>8,836,673</b>
<b>Expenditures</b>			
Current - general government	200,559	-	200,559
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
<b>Debt service:</b>			
Principal	11,360,000	-	11,360,000
Interest and fiscal charges	9,447,126	-	9,447,126
<b>Total expenditures</b>	<b>21,007,685</b>	<b>-</b>	<b>21,007,685</b>
Revenue over (under) expenditures	(12,171,012)	-	(12,171,012)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	1,620,000	-	1,620,000
<b>Total other financing sources (uses)</b>	<b>1,620,000</b>	<b>-</b>	<b>1,620,000</b>
Net change in project equity	(10,551,012)	-	(10,551,012)
<b>Project equity</b>			
Beginning of year	16,732,587	-	16,732,587
End of year	\$ 6,181,575	\$ -	\$ 6,181,575

**State Building Authority of the State of Michigan**  
**2013 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 32,251,219	\$ -	\$ 32,251,219
Accrued interest receivable	42,900	-	42,900
	<b>\$ 32,294,119</b>	<b>\$ -</b>	<b>\$ 32,294,119</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 2,514	\$ -	\$ 2,514
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<b>2,514</b>	<b>-</b>	<b>2,514</b>
<b>PROJECT EQUITY</b>			
Restricted	32,291,605	-	32,291,605
	<b>\$ 32,294,119</b>	<b>\$ -</b>	<b>\$ 32,294,119</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 375,580,000</b>

**State Building Authority of the State of Michigan**  
**2013 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 474,283	\$ -	\$ 474,283
Lease revenue	13,896,552	-	13,896,552
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	14,370,835	-	14,370,835
<b>Expenditures</b>			
Current - general government	83,289	-	83,289
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	2,885,000	-	2,885,000
Interest and fiscal charges	19,190,263	-	19,190,263
	<hr/>	<hr/>	<hr/>
Total expenditures	22,158,552	-	22,158,552
Revenue over (under) expenditures	(7,787,717)	-	(7,787,717)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	8,214,999	-	8,214,999
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	8,214,999	-	8,214,999
Net change in project equity	427,282	-	427,282
<b>Project equity</b>			
Beginning of year	<hr/> 31,864,323	<hr/> -	<hr/> 31,864,323
End of year	<hr/> <hr/> \$ 32,291,605	<hr/> <hr/> \$ -	<hr/> <hr/> \$ 32,291,605

**State Building Authority of the State of Michigan**  
**2015 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 25,928,851	\$ -	\$ 25,928,851
Accrued interest receivable	35,161	-	35,161
	<b>Total assets</b>	<b>\$ -</b>	<b>\$ 25,964,012</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 5,584	\$ -	\$ 5,584
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<b>Total liabilities</b>	<b>-</b>	<b>5,584</b>
<b>PROJECT EQUITY</b>			
Restricted	25,958,428	-	25,958,428
	<b>Total liabilities and project equity</b>	<b>\$ -</b>	<b>\$ 25,964,012</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 948,555,000</b>

**State Building Authority of the State of Michigan**  
**2015 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 353,402	\$ 16	\$ 353,418
Lease revenue	51,764,148	-	51,764,148
Other revenue	10	-	10
	<hr/>	<hr/>	<hr/>
Total revenues	52,117,560	16	52,117,576
<b>Expenditures</b>			
Current - general government	153,643	-	153,643
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	32,055,000	-	32,055,000
Interest and fiscal charges	48,790,150	-	48,790,150
	<hr/>	<hr/>	<hr/>
Total expenditures	80,998,793	-	80,998,793
Revenue over (under) expenditures	(28,881,233)	16	(28,881,217)
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	27,690,162	(1,099)	27,689,063
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	27,690,162	(1,099)	27,689,063
Net change in project equity	(1,191,071)	(1,083)	(1,192,154)
<b>Project equity</b>			
Beginning of year	27,149,499	1,083	27,150,582
	<hr/>	<hr/>	<hr/>
End of year	\$ 25,958,428	\$ -	\$ 25,958,428
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan  
2016 Revenue and Revenue Refunding Bonds, Series I  
Project Balance Sheet  
September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 36,016,349	\$ -	\$ 36,016,349
Accrued interest receivable	61,806	-	61,806
<b>Total assets</b>	<b>\$ 36,078,155</b>	<b>\$ -</b>	<b>\$ 36,078,155</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 3,746	\$ -	\$ 3,746
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	3,746	-	3,746
<b>PROJECT EQUITY</b>			
Restricted	36,074,409	-	36,074,409
<b>Total liabilities and project equity</b>	<b>\$ 36,078,155</b>	<b>\$ -</b>	<b>\$ 36,078,155</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 620,380,000</b>

**State Building Authority of the State of Michigan**  
**2016 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 780,457	\$ 9	\$ 780,466
Lease revenue	111,085,506	-	111,085,506
Other revenue	10		10
	<u>111,865,973</u>	<u>9</u>	<u>111,865,982</u>
Total revenues	111,865,973	9	111,865,982
<b>Expenditures</b>			
Current - general government	123,722	-	123,722
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	19,770,000	-	19,770,000
Interest and fiscal charges	27,873,950	-	27,873,950
	<u>47,767,672</u>	<u>-</u>	<u>47,767,672</u>
Total expenditures	47,767,672	-	47,767,672
Revenue over (under) expenditures	64,098,301	9	64,098,310
<b>Other financing sources (uses)</b>			
Transfers from other funds			-
Transfers to other funds	(65,523,034)	(613)	(65,523,647)
	<u>(65,523,034)</u>	<u>(613)</u>	<u>(65,523,647)</u>
Total other financing sources (uses)	(65,523,034)	(613)	(65,523,647)
Net change in project equity	(1,424,733)	(604)	(1,425,337)
<b>Project equity</b>			
Beginning of year	<u>37,499,142</u>	<u>604</u>	<u>37,499,746</u>
End of year	<u>\$ 36,074,409</u>	<u>\$ -</u>	<u>\$ 36,074,409</u>

**State Building Authority of the State of Michigan**  
**2017 Multi-Modal Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 2,482,257	\$ -	\$ 2,482,257
Accrued interest receivable	6,037	-	6,037
<b>Total assets</b>	<b>\$ 2,488,294</b>	<b>\$ -</b>	<b>\$ 2,488,294</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 11,269	\$ -	\$ 11,269
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	11,269	-	11,269
<b>PROJECT EQUITY</b>			
Restricted	2,477,025	-	2,477,025
<b>Total liabilities and project equity</b>	<b>\$ 2,488,294</b>	<b>\$ -</b>	<b>\$ 2,488,294</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 106,950,000</b>

**State Building Authority of the State of Michigan**  
**2017 Multi-Modal Revenue Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 85,483	\$ 40,406	\$ 125,889
Lease revenue	8,435,016	-	8,435,016
Other revenue	-	-	-
Total revenues	8,520,499	40,406	8,560,905
<b>Expenditures</b>			
Current - general government	668,809		668,809
Capital outlay	-	1,452,569	1,452,569
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	2,035,000	-	2,035,000
Interest and fiscal charges	1,657,538	-	1,657,538
Total expenditures	4,361,347	1,452,569	5,813,916
Revenue over (under) expenditures	4,159,152	(1,412,163)	2,746,989
<b>Other financing sources (uses)</b>			
Transfers from other funds	1,377,683	-	1,377,683
Transfers to other funds	(6,056,000)	(1,377,683)	(7,433,683)
Total other financing sources (uses)	(4,678,317)	(1,377,683)	(6,056,000)
Net change in project equity	(519,165)	(2,789,846)	(3,309,011)
<b>Project equity</b>			
Beginning of year	2,996,190	2,789,846	5,786,036
End of year	\$ 2,477,025	\$ -	\$ 2,477,025

**State Building Authority of the State of Michigan**  
**2019 Revenue and Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2019**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 13,609,331	\$ 5,487,059	\$ 19,096,390
Accrued interest receivable	13,501	12,525	26,026
<b>Total assets</b>	<b>\$ 13,622,832</b>	<b>\$ 5,499,584</b>	<b>\$ 19,122,416</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 35,406	\$ 13,920	\$ 49,326
Due to State of Michigan	-	3,158,791	3,158,791
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	35,406	3,172,711	3,208,117
<b>PROJECT EQUITY</b>			
Restricted	13,587,426	2,326,873	15,914,299
<b>Total liabilities and project equity</b>	<b>\$ 13,622,832</b>	<b>\$ 5,499,584</b>	<b>\$ 19,122,416</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 235,580,000</b>

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

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 14,032	\$ 28,564	\$ 42,596
Lease revenue	917,675	-	917,675
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	931,707	28,564	960,271
<b>Expenditures</b>			
Current - general government	1,327	23,043	24,370
Capital outlay	-	10,576,196	10,576,196
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,197,679	-	1,197,679
Interest and fiscal charges	2,778,226	-	2,778,226
Debt issuance costs	801,210	322,923	1,124,133
	<hr/>	<hr/>	<hr/>
Total expenditures	4,778,442	10,922,162	15,700,604
Revenue over (under) expenditures	(3,846,735)	(10,893,598)	(14,740,333)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	67,478,412	67,478,412
Premiums on bonds issued	-	8,339,039	8,339,039
Refunding debt issued	168,101,588	-	168,101,588
Premiums on refunding debt	20,772,064	-	20,772,064
Payment to refunding escrow agents	(185,167,171)	-	(185,167,171)
Transfers from other funds	1,712	-	1,712
Transfers to other funds	13,725,968	(62,596,980)	(48,871,012)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	17,434,161	13,220,471	30,654,632
Net change in project equity	13,587,426	2,326,873	15,914,299
<b>Project equity</b>			
Beginning of year	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 13,587,426</u>	<u>\$ 2,326,873</u>	<u>\$ 15,914,299</u>

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

**September 30, 2019**  
(in Thousands)

<b>Year Ending September 30</b>	<b>2019 I Revenue &amp; Refunding Bonds</b>	<b>2017 I* Multi-Modal Bonds</b>	<b>2016 I Revenue &amp; Refunding Bonds</b>	<b>2015 I Revenue &amp; Refunding Bonds</b>	<b>2013 IA Refunding Bonds</b>	<b>2011 IIB* Refunding Bonds</b>
2020	\$ 16,905	\$ 1,380	\$ 16,780	\$ 33,695	\$ 3,035	\$ -
2021	14,800	-	17,625	35,425	3,185	-
2022	9,685	7,400	26,315	26,465	3,345	-
2023	-	14,395	10,030	27,820	22,335	-
2024	22,640	6,060	10,550	17,985	23,450	-
2025	15,910	-	11,090	18,905	24,625	-
2026	11,410	-	11,660	19,875	25,855	-
2027	4,465	-	12,255	35,460	27,145	-
2028	2,650	-	-	40,760	28,505	-
2029	-	-	12,560	62,345	29,930	-
2030	-	-	14,390	68,555	26,205	-
2031	-	-	36,880	72,640	5,185	-
2032	-	-	32,280	84,100	5,440	-
2033	-	8,865	48,990	69,790	5,715	-
2034	-	7,515	49,365	62,810	5,970	-
2035	5,945	-	54,745	22,665	6,120	-
2036	21,850	2,740	73,685	-	6,420	-
2037	-	18,600	54,910	42,275	6,760	-
2038	-	8,515	25,990	39,255	7,125	14,180
2039	-	-	34,405	17,585	7,550	100
2040	-	-	5,050	6,450	7,945	15,070
2041	-	8,180	4,470	6,530	8,365	1,780
2042	-	8,670	-	19,440	8,805	1,070
2043	-	14,630	4,580	10,350	16,370	3,090
2044	8,905	-	4,810	16,540	9,850	-
2045	8,870	-	5,045	15,850	10,395	-
2046	10,365	-	5,300	17,060	12,955	-
2047	11,130	-	5,565	11,925	13,830	-
2048	10,885	-	5,845	12,175	13,165	-
2049	11,680	-	6,135	15,805	-	-
2050	12,155	-	6,445	13,055	-	-
2051	12,150	-	6,765	4,965	-	-
2052	9,430	-	5,865	-	-	-
2053	8,495	-	-	-	-	-
2054	5,255	-	-	-	-	-
<b>Total</b>	<b>\$ 235,580</b>	<b>\$ 106,950</b>	<b>\$ 620,380</b>	<b>\$ 948,555</b>	<b>\$ 375,580</b>	<b>\$ 35,290</b>

\*2007 I, 2011 IIB, and 2017 I bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2042, October 15, 2043, and October 15, 2052, respectively.

2011 IIA		2011 IB		2011 IA		2009 II		2009 I		2007 I*		Total	
Refunding Bonds		Taxable Bonds		Refunding Bonds		Revenue Bonds		Refunding Bonds		Multi-Modal Bonds			
\$	1,400	\$	500	\$	8,220	\$	3,555	\$	13,350	\$	-	\$	98,820
	1,455		520		8,630						-		81,640
	1,510		540		10,500		-		-		-		85,760
	1,570		565		10,825		-		-		2,670		90,210
	1,640		600		11,360		-		-		-		94,285
	12,685		640		11,925		-		-		4,000		99,780
	13,320		680		12,510		-		-		-		95,310
	13,990		720		22,435		-		-		-		116,470
	14,690		765		16,700		-		-		-		104,070
	15,425		810		15,325		-		-		-		136,395
	210		860		17,210		-		-		240		127,670
	65		915		18,025		-		-		425		134,135
	65		970		16,135		-		-		2,075		141,065
	65		-		10,240		-		-		-		143,665
	1,740		-		11,395		-		-		145		138,940
	17,575		-		13,465		-		-		-		120,515
	15,600		-		5,525		-		-		-		125,820
	23,990		-		5,780		-		-		-		152,315
	-		-		65		-		-		3,145		98,275
	14,200		-		70		-		-		7,260		81,170
	-		-		40,220		-		-		7,705		82,440
	14,200		-		44,150		-		-		-		87,675
	6,410		-		20,330		-		-		-		64,725
	-		-		-		-		-		4,820		53,840
	-		-		15,180		-		-		-		55,285
	-		-		9,240		-		-		-		49,400
	-		-		1,670		-		-		-		47,350
	-		-		-		-		-		-		42,450
	-		-		-		-		-		-		42,070
	-		-		-		-		-		-		33,620
	-		-		-		-		-		-		31,655
	-		-		-		-		-		-		23,880
	-		-		-		-		-		-		15,295
	-		-		-		-		-		-		8,495
	-		-		-		-		-		-		5,255
<b>\$</b>	<b>171,805</b>	<b>\$</b>	<b>9,085</b>	<b>\$</b>	<b>357,130</b>	<b>\$</b>	<b>3,555</b>	<b>\$</b>	<b>13,350</b>	<b>\$</b>	<b>32,485</b>	<b>\$</b>	<b>2,909,745</b>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the State Building Authority (Authority), a blended component unit of the State of Michigan, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 24, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

## **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 determination of financial statement amounts. 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*.

## **Purpose of this Report**

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

*Andrews Hooper Pavlik PLC*

Okemos, Michigan  
January 24, 2020