MICHIGAN VETERANS' FACILITY AUTHORITY

Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2022

A Discretely Presented Component Unit of the State of Michigan

Michigan Veteran Homes at Chesterfield Township
47901 Sugarbush Road
Chesterfield Township, MI 48047

Michigan Veteran Homes D.J. Jacobetti
425 Fisher Street
Marquette, MI 49855

Michigan Veteran Homes at Grand Rapids
2950 Monroe Avenue NE
Grand Rapids, MI 49505

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INTRODUCTORY SECTION

STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN VETERAN HOMES
LANSING

ANNE ZERBE
EXECUTIVE DIRECTOR

April 19, 2023

The Honorable Gretchen Whitmer
Governor, State of Michigan,

Michigan Veterans' Facility Authority Board Members,
and
Major General Paul Rogers

Ladies and Gentlemen:

We are pleased to present the Michigan Veterans' Facility Authority annual comprehensive financial report for fiscal year 2022.

INTRODUCTION TO REPORT

The Michigan Veterans' Facility Authority (MVFA) was established by legislation under Public Act 560 of 2016 (the Michigan Veterans' Facility Authority Act) as a public body corporate within the Michigan Department of Military and Veterans Affairs (DMVA) and amended by Public Act 351 of 2020. The MVFA is administered under the supervision of the DMVA and exercises its prescribed statutory powers, duties, and functions independently as an autonomous entity within the Department. The MVFA's exercise of the powers conferred by Public Act is an essential governmental function of the State of Michigan.

Responsibility

The Department of Technology, Management and Budget (DTMB) Accounting Service Center, overseen by the leadership team of the Michigan Veteran Homes (MVH), MVFA Board of Directors, and DMVA, prepare the annual comprehensive financial report and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the information contained in the financial report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the MVFA and MVH.

Report

The report includes this letter, the MVFA's organization chart, the list of Board of Directors, the independent auditor's report on the Basic Financial Statements, Management's Discussion and Analysis (MD&A), and Basic Financial Statements.

Internal Control Structure

The leadership team of the MVH is responsible for the overall operations of the veteran homes and maintaining adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. All financial transactions of MVFA are recorded in the State's central accounting system; therefore, MVFA is responsible for maintaining the State's internal control structure.

Public Act 431 of 1984, as amended, requires each principal department to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, provide corrective action plans and time schedules for addressing such weaknesses. This reporting is required on or before May 1 of each odd-numbered year, effective as of the preceding October 1. The MVFA internal control evaluation is included with DMVA's biennial review.

Internal Auditors

The Office of Internal Audit Services (OIAS) provides internal audit services to executive branch departments and agencies. OIAS performs periodic financial, performance, and compliance audits of MVFA, as part of DMVA. In addition to periodic audits, OIAS also reviews MVFA managements' processes for establishing, monitoring, and reporting on internal controls; advises MVFA and DMVA management on internal control matters; and assists with investigations of alleged fraud and other irregularities.

Independent Auditors

The Office of the Auditor General (OAG), independent auditors, conducted an annual audit of the MVFA. The independent auditor's report on the MVFA's financial statements is included in the Financial Section of this report. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2022, are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2022, are fairly presented in accordance with GAAP and issued an unmodified opinion.

Management's Discussion and Analysis (MD&A)

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of an MD&A. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Michigan's state veteran homes system was originally established by legislation under Public Act 152 of 1885, creating the first Michigan Veterans' Facility with general supervision and oversight provided by a 7-member Board of Managers. This Act was subsequently repealed when Public Act 560 of 2016 established the MVFA, intended to provide increased autonomy and improved oversight for Michigan's state veteran homes.

The MVH, governed by the MVFA and housed within DMVA, provides quality long-term care for veterans and their eligible family members through a federal-state partnership with the United States Department of Veterans Affairs (USDVA). High-quality care for this phase of life is central to the "member for life" concept. Currently, the MVH operates 3 veteran homes located in Grand Rapids, Marquette, and Chesterfield Township.

Although the MVFA is administered under the supervision of the DMVA, it exercises its prescribed statutory powers, duties, and functions independently as an autonomous entity within the department. The MVFA's exercise of the powers conferred by Public Act is an essential governmental function of this state.

One of the primary goals in the creation of the MVFA was to oversee the modernization of the facilities and operations of MVH. The Authority has undergone significant changes in the years since Public Act 152 took effect. MVH opened two new state-of-the-art facilities in 2021 – a replacement facility in Grand Rapids and a new location in Macomb County (Chesterfield Township) – and in 2022, MVH began the process of replacing the Marquette facility.

In fiscal year 2022, MVH provided care to approximately 300 veterans and eligible dependents.

Governance & Oversight

The Authority is governed by its own Board of Directors, comprised of nine gubernatorial appointees and a designee of the Director of DMVA, who serves as a nonvoting member. The Board provides overall governing direction for the Authority. All administrative functions of the Authority, including budgeting, procurement, personnel, and management functions, are under the supervision of MVH and the Director of DMVA. A detailed description of the Authority is included in Note 1 of the Financial Section in this report.

ECONOMIC CONDITIONS AND OUTLOOK

Increased Costs for the HealthCare Industry

Although the rising cost of healthcare was a known challenge prior to the COVID-19 pandemic, the pandemic further intensified escalating operating costs within the healthcare industry, particularly with respect to labor costs. These current trends in the healthcare industry, along with current U.S. inflation rate, are a strong indicator that operational expenditures will continue to grow in the next several years.

Diversification of Federal Revenue Sources

All veteran homes, under MVFA, are certified by the Centers for Medicare and Medicaid Services (CMS) to receive federal funding to contribute towards the cost of care for Medicaid-eligible members. This federal revenue helps minimize the amount of supplemental state funding that may be required to offset anticipated increases in operating costs. In fiscal year 2021, the Michigan Veteran Homes DJ Jacobetti was the only veteran home to receive federal revenue for its certified beds. In fiscal year 2022, all three veteran homes received federal revenue for their certified beds.

MAJOR GOALS ACCOMPLISHED

Grand Rapids Facility Receives Full CMS and USDVA Certification

Construction of the replacement home in Grand Rapids was completed in fiscal year 2021, and in early fiscal year 2022, the home achieved full CMS and USDVA certification. By spring of 2022, all members living in the Grand Rapids home were moved into their private rooms in the new building.

D.J. Jacobetti Facility in Marquette Receives State Match Funding Toward Construction of Replacement Building

In July 2022, the Governor signed Public Act 166 of 2022, authorizing $34.2 million in state match funding toward the construction of a replacement of the existing facility in Marquette. The authorization of the state match for this project ensured that Michigan would be considered for federal match funding in the USDVA State Home Construction Grant Program's fiscal year 2023 grant cycle.

ACKNOWLEDGEMENTS

The preparation of this report was accomplished with the dedication and cooperation of many people. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and regulatory requirements, and as a means for determining responsible stewardship of the funds provided by both our state and federal partners to support the highest quality of care for veterans and dependents living in Michigan state veteran homes.

We would, therefore, like to express our appreciation for the assistance given by staff, the advisors, and the many people who contributed to its preparation. We believe this report will provide stakeholders with additional information that will aid in their ability to assess the organization's overall performance and support MVHs' commitment to performance improvement and organizational transparency.

Sincerely,

Anne Zerbe, Executive Director
Michigan Veteran Homes

BOARD OF DIRECTORS

Governing Board, Michigan Veteran Homes

April 19, 2023

David Henry
Chair
Serving a four-year term, expiring on April 15, 2025

Mary Kummer Naber
Vice-Chair
Serving a four-year term, expiring on April 15, 2024

MaryAnne Shannon
Secretary
Serving a four-year term, expiring on April 15, 2026

Brad Slagle
Treasurer
Serving a four-year term, expiring on April 15, 2024

Adam Hollier
DMVA designee, serving on behalf of MG Paul D. Rogers

Larry Yachcik
Serving a four-year term, expiring on April 15, 2025

David Rutledge
Serving a four-year term, expiring on April 15, 2023

Kenneth Robbins
Serving a four-year term, expiring on April 15, 2025

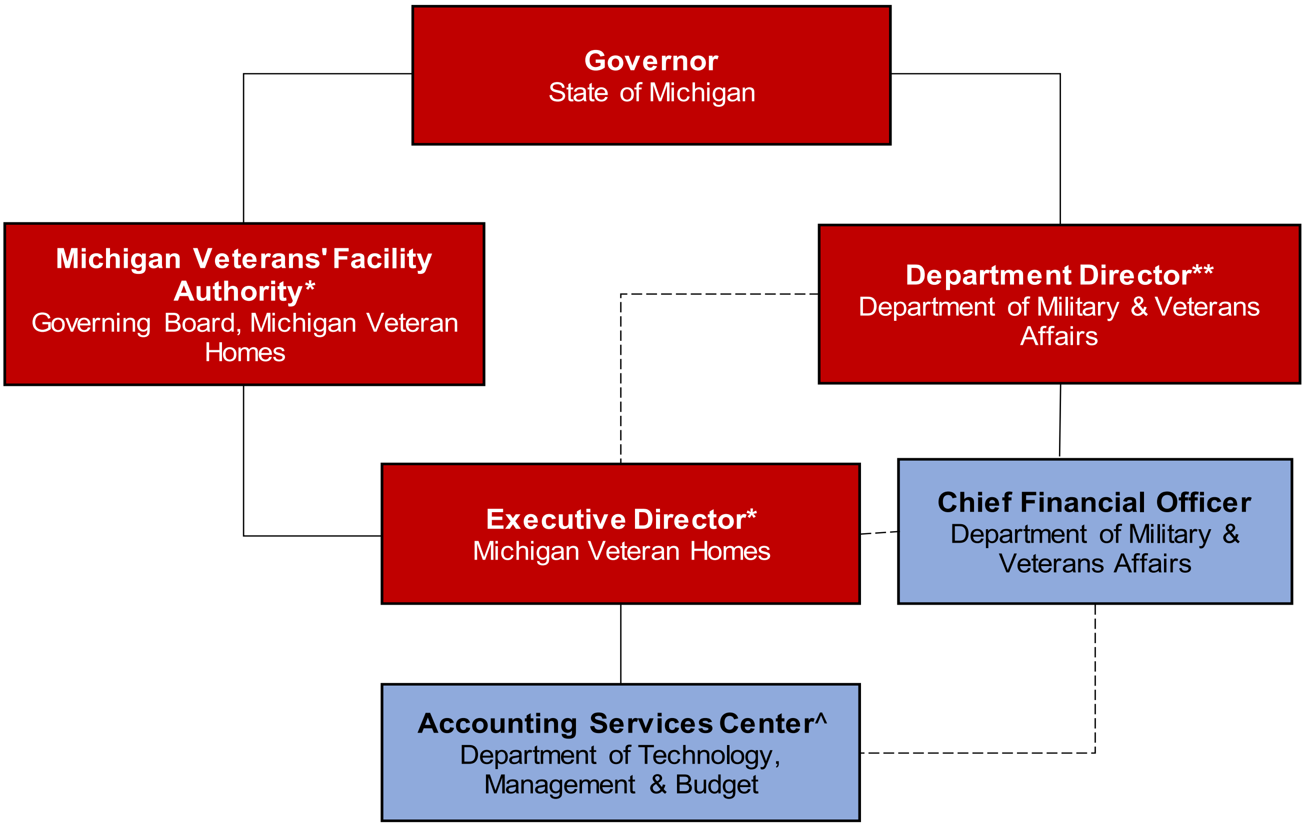
Barry Walter
Serving a four-year term, expiring on April 15, 2026

Vacant

** Serves as a nonvoting member*

ORGANIZATION CHART

As of April 19, 2023



*** Gubernatorial Appointee, Cabinet Member*
** Gubernatorial Appointee(s)*
^ Contracted Services

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FINANCIAL SECTION

Independent Auditor’s Report
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Doug A. Ringler, CPA, CIA
Auditor General

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

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

Mr. David Henry, Chair
Michigan Veterans' Facility Authority
and
Ms. Anne Zerbe, Executive Director
Michigan Veteran Homes
and
Major General Paul D. Rogers, Director
Department of Military and Veterans Affairs
3411 North Martin Luther King Jr. Boulevard
Lansing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Michigan Veterans' Facility Authority (Authority), a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Michigan Veterans' Facility Authority as of September 30, 2022 and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 10 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the fiscal year ended September 30, 2022. This resulted in the recognition of capital assets and long-term leases payable of $172 thousand. There was no effect on beginning net position.

As discussed in Note 11, the Authority corrected a prior year overstatement of expenses/expenditures. This resulted in an increase to beginning net position/fund balance of $1.5 million. The Authority also corrected its reporting of member account activities. This resulted in a decrease in revenue and expenses/expenditures recorded in the financial statements of the governmental activities and major fund of $8.4 million and an increase in the additions and deductions in the aggregate remaining funds of $6.5 million. There was no effect on net position/fund balance.

Our opinions are not modified with respect to these matters.

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB 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

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and acknowledgments sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report dated April 19, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
April 19, 2023

As management of the Michigan Veterans' Facility Authority (the Authority), we offer readers of the Michigan Veterans' Facility Authority financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2022.

FINANCIAL HIGHLIGHTS

Government-wide

- The year ended September 30, 2021 was the Authority's first year of financial reporting.
- At September 30, 2022, the liabilities and deferred inflows of resources of the Authority exceeded its assets and deferred outflows of resources. The Authority's net position was negative $28.8 million. Of this amount, the Authority's unrestricted net position was negative $34.2 million. A positive balance in unrestricted net position represents assets available to meet on-going obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The Authority also has net position restricted for other purposes which is identified in Note 8 of the notes.

Governmental Fund

- As of the close of the fiscal year, the Authority's governmental fund reported an ending fund balance of $7.0 million. The governmental fund balance decreased $2.4 million from the prior year.
- As of the end of the fiscal year, restricted fund balance for the general fund was $4.9 million, committed fund balance was $1.9 million, assigned fund balance was $178,380, and the unassigned fund balance for the general fund was negative $110,748.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

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 the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between 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 compensated absences).

The government-wide financial statements can be found on pages 18 and 19 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The operating fund of the Authority is categorized as a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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 for governmental activities 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 information to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 20 and 22 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 25 through 46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's general fund budget and Schedule of Pension and Other Postemployment Benefit (OPEB) contributions on pages 47 through 53.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of government's financial position. The following condensed financial information was derived from the government-wide Statement of Net Position:

Michigan Veterans' Facility Authority's Net Position

	2022	2021
Current Assets	$ 13,673,665	$ 18,240,881
Capital Assets (net)	519,126	386,594
Total Assets	$ 14,192,792	$ 18,627,475
Deferred Outflows	$ 66,402,955	$ 9,767,616
Current Liabilities	$ 7,599,728	$ 10,266,155
Long-Term Liabilities	63,544,802	648,591
Total Liabilities	$ 71,144,530	$ 10,914,746
Deferred Inflows	$ 38,207,060	$ -
Net Position		
Net investment in capital Assets	$ 519,126	$ 386,594
Restricted	4,896,641	5,198,003
Unrestricted	(34,171,611)	11,895,748
Total Net Position	$ (28,755,843)	$ 17,480,345

The Authority's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $28.8 million on September 30, 2022.

The Authority reported an increase of deferred outflows of resources, long-term liabilities, and deferred inflows of resources over the prior year mostly related to pension and OPEB. See Notes 5 and 6 for additional information related to the reported liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB.

The Authority's largest portion of net position, totaling $4.9 million, represents amounts that are restricted for specific purposed or uses.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Authority's net position changed:

Michigan Veterans' Facility Authority Changes in Net Position

	2022	2021
Revenues		
Charges for services	$ 6,067,853	$ 5,409,625
Operating grants and contributions	35,583,507	32,027,319
Capital grants and contributions	21,000	-
Payments from the State of Michigan	39,653,900	43,022,596
Other	15,401	12,464
Total Revenues	$ 81,341,661	$ 80,472,004
Expenses		
Health and welfare	$ 129,028,902	$ 74,642,858
Special Item		
Transfer of equity from the State of Michigan	$ -	$ 11,651,200
Net position - Beginning of the year - restated	$ 18,931,398	$ -
Net position - End of the year	(28,755,843)	17,480,345
Change in Net Position	$ (47,687,241)	$ 17,480,345

The Authority's expenses from governmental activities exceeded revenues by $47.7 million for the fiscal year ended September 30, 2022. Revenues increased $870.0 thousand (1.1 percent) over the prior year. The increase mostly consists of an increase in federal revenues of $13.4 million as a result of the CMS certification of two veteran homes, offset by a $9.8 million decrease in private revenues and a $3.4 million decrease in payments from the State of Michigan. The $9.8 million decrease in private revenues is mostly attributed to an error in accounting for activity associated with the member related depository fund. Additional information on the error can be found in Note 11.

Expenses increased $54.4 million (72.9 percent) over the prior year. The increase is primarily due to the Authority recognizing pension and OPEB expenses of $52.4 million, see Notes 5 and 6 for additional information. In addition, operating expenses increased by $11.4 million over the prior year due to rising operating costs with respect to labor costs and inflation, offset by a $9.8 million decrease in expenses associated with the member related depository fund, mostly attributed to the error previously mentioned above.

In fiscal year 2022, there was a restatement of prior year net position due to an overstatement of expenditures, see Note 11 for additional information.

FINANCIAL ANALYSIS OF MICHIGAN VETERANS' FACILITY AUTHORITY

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the Authority's governmental fund 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. 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 fund reported ending fund balance of $7.0 million. Of this total, $4.9 million, approximately 70 percent, constitutes restricted fund balance, which is not available for spending at the government's discretion. The remainder of fund balance is related to nonspendable, committed, assigned, and unassigned fund balances.

The general fund is the main fund and only operating fund of the Authority. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately (0.1) percent of total general fund expenditures, while total fund balance represents approximately 8 percent of the same amount. Unassigned fund balance as of September 30, 2022 was negative $110,748.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS ADMINISTRATION

Capital Assets

The Authority's investment in capital assets for its governmental activities as of September 30, 2022, amounts to $519,126 (net of accumulated depreciation). Equipment purchases for the year ended September 30, 2022, totaled $93,996. Capital assets beginning balance was restated by $171,851 to recognize right to use assets. See Note 3 for additional details related to capital assets.

Long-Term Obligations

Long-term obligations consist of vendor financing obligations, claims and judgments, and compensated absences. The estimated liability for claims and judgments is $1 million. The noncurrent liability for the compensated absences at September 30, 2022 is $830,035 and the vendor financing obligations at September 30, 2022 is $61,138. See Note 4 for additional details related to long-term obligations.

ECONOMIC FACTORS

Michigan Veterans' Facility Authority's goal is to maintain and enhance the services that are provided to the veterans utilizing the most efficient and effective methods. The Authority has a conservative and financially prudent budget for fiscal year 2023 that will promote several of the Authority's activities and programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Michigan Veterans' Facility Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Michigan Veterans' Facility Authority, 3423 N. Martin Luther King Jr. Blvd., Building 30, Room 231, Lansing, MI 48906.

STATEMENT OF NET POSITION

September 30, 2022

ASSETS		
Current Assets:		
Cash (Note 2)	$	870,629
Equity in common cash (Note 2)		2,265,711
Amounts due from federal government		9,326,500
Other current assets		1,210,825
Total Current Assets	$	13,673,665
Noncurrent Assets:		
Capital Assets:		
Equipment, and other depreciable assets (Note 3)	$	1,575,732
Less accumulated depreciation (Note 3)		(1,056,605)
Total capital assets	$	519,126
Other noncurrent assets		-
Total Noncurrent Assets	$	519,126
Total Assets	$	14,192,792
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 5)	$	4,734,734
Deferred outflows related to other post employment benefits (Note 6)		61,668,221
Total Deferred Outflows of Resources	$	66,402,955
LIABILITIES		
Current Liabilities:		
Accounts payable and other liabilities	$	4,430,434
Amounts due to primary government		1,343,850
Unearned revenue		430,568
Vendor financing obligations (Note 4)		54,405
Current portion of other long-term obligations (Note 4)		1,340,472
Total Current Liabilities	$	7,599,728
Long-Term Liabilities:		
Net pension liability (Note 5)	$	27,019,499
Net OPEB liability (Note 6)		34,634,130
Vendor financing obligations (Note 4)		61,138
Noncurrent portion of other long-term obligations (Note 4)		1,830,035
Total Long-Term Liabilities	$	63,544,802
Total Liabilities	$	71,144,530
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 5)	$	11,979,085
Deferred inflows related to other post employment benefits (Note 6)		26,227,975
Total Deferred Inflows of Resources	$	38,207,060
NET POSITION		
Net investment in capital assets	$	519,126
Restricted For (Note 8):		
Other Purposes		4,896,641
Unrestricted		(34,171,611)
Total Net Position	$	(28,755,843)

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

STATEMENT OF ACTIVITIES

Fiscal Year Ended September 30, 2022

EXPENSES		
Health and welfare	$	129,028,902
Total Program Expenses	$	129,028,902
PROGRAM REVENUES		
Charges for services	$	6,067,853
Operating grants and contributions		
Federal revenues		35,108,358
Private revenues		475,150
Capital grants and contributions		21,000
Total Program Revenues	$	41,672,360
Net (Expense) Revenue and Changes in Net Position	$	(87,356,541)
GENERAL REVENUES		
Payments from the State of Michigan	$	39,653,900
Other		15,401
Total General Revenues	$	39,669,301
Change in Net Position	$	(47,687,241)
Net position - Beginning of the year - restated (Note 11)	$	18,931,398
Net position - End of the year	$	(28,755,843)

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

BALANCE SHEET

September 30, 2022

ASSETS		
Current Assets:		
Cash (Note 2)	$	870,629
Equity in common cash (Note 2)		2,265,711
Amounts due from federal agencies		9,326,500
Other current assets		1,210,825
Total Current Assets	$	13,673,665
LIABILITIES		
Current Liabilities:		
Accounts payable and other liabilities	$	4,430,434
Amounts due to primary government		1,343,850
Unearned revenue		430,568
Total Current Liabilities	$	6,204,851
DEFERRED INFLOWS OF RESOURCES	$	498,016
FUND BALANCES (Note 9)		
Nonspendable	$	86,568
Restricted		4,896,641
Committed		1,919,957
Assigned		178,380
Unassigned		(110,748)
Total Fund Balances	$	6,970,798
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	13,673,665

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

September 30, 2022

Total fund balances for governmental fund		$ 6,970,798
Amounts reported for the governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.		
Equipment, and other depreciable assets	$ 1,575,731	
Accumulated Depreciation	(1,056,605)	$ 519,126
Long-term receivables are not available to pay for current period expenditures and therefore are considered unavailable and are reported as deferred inflows of resources in the governmental fund.		$ 498,016
Deferred outflows of resources not reported in the governmental fund:		
Pension related	$ 4,734,734	
OPEB related	61,668,221	$ 66,402,955
Deferred inflows of resources not reported in the governmental fund:		
Pension related	$ (11,979,085)	
OPEB related	(26,227,975)	$ (38,207,060)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Compensated absences	$ (2,170,507)	
Net pension liability	(27,019,499)	
Net OPEB liability	(34,634,130)	
Other long-term obligations	(1,115,543)	$ (64,939,679)
Net position of governmental activities		$ (28,755,843)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Fiscal Year Ended September 30, 2022

REVENUES		
Charges for services	$	5,858,510
Operating grants and contributions		
Federal revenues		35,108,358
Private revenues		475,150
Payments from the State of Michigan - General Fund		39,653,900
Other - miscellaneous		15,401
Total Revenues	$	81,111,318
EXPENDITURES		
Michigan Veteran Homes at Chesterfield Township	$	20,303,142
Michigan Veteran Homes D.J. Jacobetti		24,341,966
Michigan Veteran Homes at Grand Rapids		35,821,695
Michigan Veteran Homes administration		3,858,890
Veterans cemetery		85,200
Veteran Homes special maintenance		129,939
Information technology services and projects		398,090
Total Expenditures	$	84,938,923
Excess of Revenues over/(under) Expenditures	$	(3,827,605)
Net change in fund balances	$	(3,827,605)
Fund Balances, Beginning of fiscal year - restated (Note 11)	$	10,798,403
Fund Balances, End of fiscal year	$	6,970,798

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Fiscal Year Ended September 30, 2022

Net change in fund balance - total governmental fund			$	(3,827,605)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.				
Capital outlay:				
Equipment, and other depreciable assets	$	93,996		
Loss on disposal of fixed assets		(148)		
Depreciation expense		(133,167)		(39,319)
Changes in deferred inflows of resources from the prior year. Revenues recognized in the Statement of Activities are reported as deferred inflows of resources in the funds when they are not yet available.				209,343
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. Some expenditures reported in the funds either increase or decrease long-term obligations reported in the Statement of Net Position.				
In the current year, the amounts related to:				
Pension costs, net	$	(38,612,159)		
OPEB costs, net		(4,613,191)		
Compensated absences		139,381		
Vendor financing obligations		56,309		
Other long-term obligations		(1,000,000)		(44,029,660)
Change in net position of governmental activities			$	(47,687,241)

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

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2022

ASSETS	
Cash (Note 2)	$ 752,861
Total Assets	$ 752,861
NET POSITION	
Restricted For:	
Individuals, organizations and other governmental units	$ 752,861

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiscal Year Ended September 30, 2022

	2022
ADDITIONS	
Contributions:	
Member income [1]	$ 8,751,644
Total Additions	$ 8,751,644
DEDUCTIONS	
Member payments/withdrawals [2]	$ 8,647,236
Total Deductions	$ 8,647,236
Change in net position	$ 104,408
Net position - Beginning of fiscal year	$ 648,453
Net position - End of fiscal year	$ 752,861

[1] Includes income collected from members.
[2] Includes all payments/withdrawals from members for personal needs.

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

NOTE 1 – DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Michigan Veterans' Facility Authority (MVFA or the Authority) was established pursuant to Michigan Public Act 560 of 2016. Prior to fiscal year 2021, the activities of the Authority were recorded in the State of Michigan's General Fund. Under the authority provided in Section 494 of Public Act 431 of 1984, beginning in fiscal year 2021, the Authority is reported separately as a discretely presented component unit in the State's Annual Comprehensive Financial Report (SOMACFR).

The Authority was created as a public body corporate and politic within the Department of Military and Veterans Affairs (the Department). The Authority is administered under the supervision of the Department but exercises its prescribed statutory powers, duties, and functions independently of the Department as an autonomous entity within the Department. The exercise by the Authority of the powers conferred by this act is an essential governmental function of the State of Michigan.

Significant Accounting Policies

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

Reporting Entity

The Authority is governed by its own Board of Directors, consisting of ten members, and oversees the Michigan Veteran Homes. The Board provides overall governing direction for the Authority. All administrative functions of the Authority, including the budgeting, procurement, personnel, and management functions, are under the direction and supervision of the Michigan Veteran Homes and the Director of the Department.

Nine of the ten members of the Board of Directors must have professional knowledge, skill or experience in long-term care, health care licensure, finance, or medicine. The tenth member, a non-voting member, is the Director of the Department of Military and Veterans Affairs or his/her designee from within the Department.

Additional requirements for the make-up of the board are as follows:

- Three members are appointed by the Governor with the advice and consent of the Senate and represent the interests of one or more congressionally chartered veterans' organizations.
- Three members are appointed by the Governor with the advice and consent of the Senate, one of whom shall be a resident of the Upper Peninsula.
- Two members are appointed by the Governor with the advice and consent of the Senate and are a veteran.
- One member is appointed by the Governor from a list of two or more individuals selected by the Majority Leader of the Senate.
- One member is appointed by the Governor from a list of two or more individuals selected by the Speaker of the House of Representatives.

All members must have a steadfast commitment to ensuring that veterans and their families are delighted with the quality of our services and Homes and that our staff members and volunteers feel proud of the work we do.

MVFA is a discretely presented component unit of the financial reporting entity of the State of Michigan because the primary government appoints a voting majority of the governing board of MVFA and there is a potential for MVFA to provide specific financial benefits to, or impose specific financial burdens on, the State. The financial statements of MVFA are included in the SOMACFR.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, like that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes investment earnings and State appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Authority’s funds, including its fiduciary fund. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on the major governmental fund.

The Authority reports a General Fund as the operating fund. It accounts for all financial resources of the general government. The Authority also reports a Fiduciary Fund, the Custodial Fund, to account for assets held for others in a custodial capacity.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as provided by GAAP applicable to governments. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority generally considers revenues reported in the governmental fund to be available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with U.S. generally accepted accounting principles for the General Fund. Not all appropriations would lapse funds as some appropriations have legal authority to carry funds forward. No funds were lapsed in fiscal year 2022. The legal level of budgetary control is based on the department level. MVH is housed within the DMVA and the annual MVFA budget is included with DMVA's overall budget.

Cash and Cash Equivalents

Cash and cash equivalents consist of depository and demand accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Equity in Common Cash

Amounts included in the State of Michigan's equity in common cash are managed by the State Treasurer.

Due from Federal Government

Due from federal government includes amounts related to the U.S. Department of Veterans Affairs as well as Medicaid payments.

Capital Assets

Capital assets consist of equipment and are reported in the government-wide financial statements. The estimated useful lives for equipment range from three to ten years. As a general rule, the Authority defines capital assets as assets with an initial, individual cost of more than $5,000, along with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated acquisition cost on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Right-to-use assets of the Authority are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

The Authority reports deferred outflows of resources related to pensions and OPEB for contributions made to the respective plans after the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

The Authority reports deferred inflows of resources related to pension and OPEB, see Notes 5 and 6 for additional information. These amounts are deferred and recognized as an inflow of resources in the period to which they apply. The Authority also reports deferred inflows of resources in the governmental fund for the receivables from members that are unavailable and not expected to be collected past 60 days.

Accounts Payable

The Authority's accounts payable relates to services provided by vendors, employees, and other costs incurred in the fiscal year, but not yet paid as of year-end.

Unearned Revenue

Unearned revenues are reported for resources that have been received, but not yet earned.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused compensatory time benefits, subject to certain limitations. Paid time off is accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

The government-wide financial statements of MVFA present the classification between the current and noncurrent portion of other long-term obligations, related to compensated absences.

Net Pension Liability

The net pension liability is deemed to be a long-term liability and is recognized in the government-wide financial statements.

Other Post-Employment Benefits Liability

The net other post-employment benefit asset is deemed to be a long-term liability and is recognized in the government-wide financial statements.

Leases

The Authority is a lessee for a noncancelable lease of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is depreciated on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported as vendor financing obligations on the statement of net position.

Fund Balance Classifications

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications under this standard:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints, such as inventories and prepaids.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.
- Unassigned - includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories.

For the classification of fund balances, the Authority's policy considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. When expenditures are incurred for which only unrestricted resources are available, the intent is to use committed resources first, then assigned. Unassigned amounts are generally used only after the other resources have been used.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

Deposits held by the Authority on September 30, 2022, were as follows:

	Governmental Activities	Fiduciary Fund	Reporting Entity
Equity in common cash	$ 2,265,711	$ -	$ 2,265,711
Deposits	870,629	752,861	1,623,490
Total Deposits	$ 3,136,340	$ 752,861	$ 3,889,201

Custodial Credit Risk - Deposits

There is a custodial credit risk related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At September 30, 2022, the Authority's carrying amount for deposits was $3,889,201.

The Authority's deposits included in the State of Michigan's equity in common cash are managed by the State Treasurer. The State Treasurer's policy requires financial institutions to secure State funds with collateral, to be organized under federal or state law and to maintain an office in Michigan. The policy also restricts deposits in a maximum of 50% of each financial institution's net worth. Additional details on this policy are described in the SOMACFR. The carrying amount for deposits included in the State of Michigan's equity in common cash at September 30, 2022 was $2,265,711.

At September 30, 2022, the carrying amount of deposits subject to credit risk was $1,623,490. The deposits were reflected in the banks account at $1,627,247. Of the bank balance, $707,303 was insured by the Federal Deposit Insurance Corporation and $919,954 were exposed to custodial credit risk because they were uninsured and uncollateralized.

In addition, surety bonds totaling $1,015,000 were purchased to insure the resident trust funds for the benefit of the patients in compliance with Public Act 368 of 1978, as amended. Act 368 requires each nursing home licensee to provide a bond insuring the Department of Community Health, for the benefit of patients, in an amount equal to not less than 1 ¼ times the average balance of patient funds held during the previous year. The carrying amount for resident funds was $752,861 at September 30, 2022.

INVESTMENTS

The Authority invests in money market funds only. The fair value is determined by the investment custodian and provided to the Authority in monthly statements. The fair value of money market funds on September 30, 2022, was $219,963. The fair value of the money market account is included in the deposits caption above.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. As of September 30, 2022, the Authority did not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GAAP require disclosures of the credit quality ratings of investments in debt securities. The Authority does not have a policy for controlling credit risk. As of September 30, 2022, the Authority's money market funds were not rated.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. As of September 30, 2022, the Authority did not have any investments in foreign securities.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance Restated	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Equipment	$ 1,447,571	$ 93,996	$ 137,687	$ 1,403,880
Right to use leased equipment	171,851	-	-	171,851
Total capital assets, being depreciated	$ 1,619,422	$ 93,996	$ 137,687	$ 1,575,731
Less accumulated depreciation for:				
Equipment	$ 1,060,977	$ 78,767	$ 137,539	$ 1,002,205
Right to use leased equipment	-	54,400	-	54,400
Total accumulated depreciation	$ 1,060,977	$ 133,167	$ 137,539	$ 1,056,605
Capital assets, net	$ 558,445	$ (39,171)	$ 148	$ 519,126

Capital asset activity does not include buildings. The buildings, which include the Michigan Veteran Homes at Chesterfield Township, Michigan Veteran Homes D.J. Jacobetti, and Michigan Veteran Homes at Grand Rapids, are owned by the State of Michigan. Information related to the State of Michigan capital assets can be found in the State of Michigan Annual Comprehensive Financial Report.

Depreciation expense for equipment in the current year totaled $78,767. Depreciation expense related to the right to use leased equipment totaled $54,400.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Authority for the year ended September 30, 2022:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Vendor financing obligations	$ 171,851	$ -	$ 56,308	$ 115,543	$ 54,405	$ 61,138
Claims and Judgments	-	1,000,000	-	1,000,000	-	1,000,000
Compensated Absences	2,309,888	-	139,381	2,170,507	1,340,472	830,035
	$ 2,481,739	$ 1,000,000	$ 195,689	$ 3,286,050	$ 1,394,877	$ 1,891,173

The annual requirements to pay the debt principal and interest outstanding for the vendor financing obligations are as follows:

Year Ending	Governmental Activities	
September 30	Principal	Interest
2023	$ 54,405	$ 305
2024	40,135	146
2025	21,003	28
	$ 115,543	$ 479

NOTE 5 – PENSION PLANS

DEFINED BENEFIT PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

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

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

Pension Reform of 2012

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

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

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

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

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

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 Public Act 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.

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.

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:

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 ORS with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

Post Retirement Adjustments

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

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 2022, the Authority's contribution rate was 23.97% of the defined benefit employee wages and 19.05% of the defined contribution employee wages. The MVFA's contribution to SERS for the fiscal year ending September 30, 2022, was $4,365,874.

Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions at the measurement date:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.70%
Cost-of-Living Pension Adjustment	3% annual non-compounded with maximum annual increase of $300 for those eligible
Mortality Rates	RP-2014 Male and Female Mortality Tables, adjusted for mortality improvements. For retirees, 93% of the table rates were used for males and 98% for females. For active members and disabled retirees, 100% of the table rates were used for males and females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return *	
Domestic Equity Pools	25.0	%	5.4	%
International Equity Pools	15.0		7.5	
Private Equity Pools	16.0		9.1	
Real Estate and Infrastructure Pools	10.0		5.4	
Fixed Income Pools	10.5		(0.7)	
Absolute Return Pools	9.0		2.6	
Real Return and Opportunistic Pools	12.5		6.1	
Short-Term Investment Pools	2.0		(1.3)	
	100.0	%		

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

Discount Rate

A discount rate of 6.70% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 6.70%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

At September 30, 2022, the Authority reported a liability of $27,019,499 for its proportionate share of participating employers' net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement period October 1, 2020, through September 30, 2021, relative to the total required employer contributions from all the System's participating employers. At September 30, 2021, the Authority's proportion was 0.665 percent.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 5.70%	Current Single Discount Rate 6.70%	1% Increase 7.70%
Net pension liability	$ 39,077,611	$ 27,019,499	$ 16,748,630

Pension Plan Fiduciary Net Position

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

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

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

For the year ended September 30, 2022, the MVFA recognized pension expense of $43,346,893. On September 30, 2022, the MVFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 11,979,085
Contributions subsequent to the measurement date	4,734,734	-
	$ 4,734,734	$ 11,979,085

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Pension Expense
2023	3,190,183
2024	2,640,735
2025	2,945,648
2026	3,202,519

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

Fair Value of Investments

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

DEFINED CONTRIBUTION PLAN

For the State Employees' Defined Contribution Retirement Plan, the Authority is required to contribute 4% of the annual payroll and to match employee contributions up to 3% of annual covered payroll. The Authority's contribution to the plan was $1,859,532 in fiscal year 2022. Employees participating in the defined contribution plan vest in employer contributions at 50% after 2 years of service, 75% after 3 years of service, and 100% after 4 years of service. Forfeited employer contributions are retained with the defined contribution plan are used toward future employer required contributions. The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions of the plans.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS

STATE EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS (SERS OPEB)

Plan Description

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

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

The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

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

Benefits Provided

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

Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental, and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings 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 Department of Technology, Management and Budget and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after

January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

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

This plan is closed to new hires.

Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles, so the contribution rates do not have to increase over time. For fiscal year 2022, the Authority's contribution rate was 17.26% of the defined benefit employee wages and 17.26% of the defined contribution employee wages. The MVFA's contribution to the OPEB trust for fiscal year ending September 30, 2022 was $5,193,464.

Actuarial Assumptions

The Authority's net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions at the measurement date:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.90%
Health Care Cost Trend Rate	7.5% Year 1 graded to 3.50% Year 15; 2.00% Year 120
Mortality Rates	RP-2014 Male and Female Employee Annuitant Mortality Tables. For active members and disabled retirees, 100% of the table rates were used for males and females and were adjusted for mortality improvements.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 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-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, 2021, are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return *	
Domestic Equity Pools	25.0	%	5.4	%
International Equity Pools	15.0		7.5	
Private Equity Pools	16.0		9.1	
Real Estate and Infrastructure Pools	10.0		5.4	
Fixed Income Pools	10.5		(0.7)	
Absolute Return Pools	9.0		2.6	
Real Return and Opportunistic Pools	12.5		6.1	
Short-Term Investment Pools	2.0		(1.3)	
	100.0	%		

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

Discount Rate

A discount rate of 6.90% was used to measure the total OPEB liability. This discount rate was based on the long term expected rate of return on OPEB plan investments of 6.90%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Net OPEB Liability

At September 30, 2022, the Authority reported a liability of $25,719,786 for its proportionate share of participating employers' net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020 and rolled forward using generally accepted advised procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2020, through September 30, 2021, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2021, the Authority’s proportion was 0.674 percent.

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

The following table presents the Authority's proportionate share of the net OPEB liability, calculated using a Single Discount Rate of 6.90%, 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:

	1% Decrease 5.90%	Current Single Discount Rate 6.90%	1% Increase 7.90%
Authority's proportionate share of the net OPEB liability	$ 32,517,741	$ 25,719,786	$ 19,989,801

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:

		1% Trend Decrease		Current Healthcare Cost Trend Rate		1% Trend Increase
Authority's proportionate share of the net OPEB liability	$	19,674,143	$	25,719,786	$	32,682,296

OPEB Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the Authority recognized OPEB expense of $7,263,802. On September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	20,277,585
Changes of assumptions		6,929,869		1,237,149
Net difference between projected and actual earnings on investments		-		3,526,411
Changes in proportion and difference between actual contributions and proportionate share of contributions		41,778,975		39,219
Contributions subsequent to the measurement date		4,214,704		-
	$	52,923,548	$	25,080,364

Amounts reported as deferred outflows of resources related to OPEB resulting from 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	OPEB Expense
2023	4,316,486
2024	4,636,380
2025	4,701,544
2026	5,621,732
2027	4,352,338

POSTEMPLOYMENT LIFE INSURANCE BENEFITS (PELIB)

Plan Description

The State of Michigan provides postemployment life insurance benefits (the Plan) to eligible individuals upon retirement from State employment. Members of the State Employees Retirement System (SERS), the State Police Retirement System (SPRS), the Judges' Retirement System (JRS), and certain members of the Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. The Plan is a single-employer, 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 accounting for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the State of Michigan Annual Comprehensive Financial Report (SOMACFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

The Plan is not a trust and has no assets.

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

Contributions

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal year 2022 was $.28 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.

Actuarial Assumptions

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

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 type 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 benefit at the time of retirement; and b) each annual normal cost is a constant percentage of the members' year by year projected covered pay.

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

Investment Rate of Return	2.19% per year
Mortality	Healthy Life and Disabled Life Mortality, with 110 percent of the Male and Female rates used in the pension valuations for SERS plan members

Incurred but not Reported: 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 at 1.75 percent for SERS retirees.

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

Discount Rate

A discount rate of 2.19% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2021. 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. The municipal bond rate of 2.41% was used for determining the beginning total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2020.

Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2022, the Authority reported a liability of $8,914,344 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2021 based on an actuarial valuation performed as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2020, through September 30, 2021, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2021, the Authority's proportion was 0.640 percent.

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 2.19%, 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 percentage point lower or one percentage point higher:

	1% Decrease 1.19%	Current Single Discount Rate 2.19%	1% Increase 3.19%
Authority's proportionate share of the net OPEB liability	$ 10,734,677	$ 8,914,344	$ 7,512,552

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, 2022, the Authority recognized OPEB expense of $1,811,244. On September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	1,232	$	936,238
Changes of assumptions		1,053,087		211,373
Changes in proportion and difference between actual contributions and proportionate share of contributions		7,440,563		-
Contributions subsequent to the measurement date		249,791		-
	$	8,744,673	$	1,147,611

Amounts reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	OPEB Expense
2023	1,362,664
2024	1,450,999
2025	1,515,006
2026	1,475,042
2027	1,408,465

Aggregate Defined Benefit OPEB Amounts

Amounts reported for defined benefit postemployment benefits other than pensions and postemployment life insurance benefits are aggregated on the Statement of Net Position as follows:

		Total OPEB Expense		Net OPEB Liability		Deferred Outflows of Resources		Deferred Inflows of Resources
Postemployment benefits other than pensions	$	7,263,802	$	25,719,786	$	52,923,548	$	25,080,364
Postemployment life insurance benefits		1,811,244		8,914,344		8,744,673		1,147,611
	$	9,075,046	$	34,634,130	$	61,668,221	$	26,227,975

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions are imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of September 30, 2022:

RESTRICTED FOR OTHER PURPOSES		
USDVA - VHA	$	1,603,810
Member Related Depository Fund		874,386
Charitable Support Fund		2,418,445
Total Restricted Net Position	$	4,896,641

NOTE 9 – FUND BALANCE

The following are the fund balance constraints as of September 30, 2022:

FUND BALANCES		
Nonspendable	$	86,568
Restricted		
USDVA - VHA		1,603,810
Member Related Depository Fund		874,386
Charitable Support Fund		2,418,445
Committed		1,919,957
Assigned		178,380
Unassigned		(110,748)
Total Fund Balances	$	6,970,798

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2022, the Authority implemented the following new pronouncement: GASB Statement No. 87, Leases.

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring 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 the 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A restatement of beginning balances for capital assets (right to use assets) and long-term obligations (leases payable) in the amount of $171,851, respectfully, had no impact on beginning net position.

NOTE 11 –RESTATEMENT AND CORRECTION OF ACCOUNTING ERROR

Restatement of Government-Wide Net Position and Fund Balance

During fiscal year 2022, it was determined that the Authority was charged for costs in fiscal year 2021 that were not the responsibility of the Authority. These charges were reversed in the current fiscal year and resulted in the increase in government-wide net position and fund balance in the governmental fund of $1,451,052. The restatement to beginning government-wide net position is as follows:

		Governmental Activities
September 30, 2021, as previously reported	$	17,480,345
Correction of prior year expenses		1,451,052
September 30, 2021, as restated	$	18,931,397

The restatement to beginning fund balance in the governmental fund is as follows:

		General Fund
September 30, 2021, as previously reported	$	9,347,351
Correction of prior year expenditures		1,451,052
September 30, 2021, as restated	$	10,798,403

Correction of Accounting Error

During fiscal year 2022, an error was identified and corrected in accounting for activity associated with the member related depository fund. The error resulted in a decrease in revenue and expenditures recorded in the government-wide and the governmental fund financial statements and an increase in the additions and deductions in the fiduciary fund financial statements in fiscal years 2022 and 2021. In the initial year of reporting, the summary of the activity of member related depository accounts was recorded as a part of the government-wide financial statements and the governmental fund financial statements. Upon re-evaluation in the current fiscal year, it was determined that the reporting of this activity should be recorded in the fiduciary fund financial statements. As a result, during fiscal year 2022, revenues and expenditures were reduced by $8.4 million in both the government-wide and governmental fund financial statements. The fiduciary fund reported increased additions and deductions by $6.5 million with no effect on net position. The impact for fiscal year 2021 was a net zero therefore no corrections occurred impacting any restatement to beginning fund balance and fund net position.

NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during fiscal year 2023.

In June 2022, the GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Authority’s financial statements for the year ending September 30, 2024.

In June 2022, the GASB issued GASB Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority’s financial statements for the year ending September 30, 2025.

BUDGETARY COMPARISON SCHEDULE

Fiscal Year Ended September 30, 2022

Budgetary Comparison Schedule (Statutory/Budgetary Basis)	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning budgetary fund balance	$ 10,043,348	$ 10,043,348	$ 10,043,348	$ -
RESOURCES (inflows):				
Revenues and other sources:				
Charges for services	$ 14,726,700	$ 5,858,510	$ 5,858,510	$ -
Operating grants and contributions				-
Federal revenues	29,282,600	35,108,358	35,108,358	-
Private revenues	540,000	475,150	475,150	-
Payments from the State of Michigan - General Fund	36,002,500	39,653,900	39,653,900	-
Other - miscellaneous	-	15,401	15,401	-
Total revenues and other sources	$ 80,551,800	$ 81,111,318	$ 81,111,318	$ -
Total resources available	$ 90,595,148	$ 91,154,666	$ 91,154,666	$ -
CHARGES (outflows):				
Expenditures and encumbrances:				
Michigan Veteran Homes at Chesterfield Township	$ 21,714,784	$ 20,237,174	$ 20,095,224	$ 141,950
Michigan Veteran Homes D.J. Jacobetti	28,551,936	25,845,008	24,172,368	1,672,641
Michigan Veteran Homes at Grand Rapids	31,221,381	37,243,475	35,798,130	1,445,344
Michigan Veteran Homes administration	3,639,300	3,646,471	3,646,471	-
Veterans cemetery	85,200	85,200	85,200	-
Veteran Homes special maintenance	2,049,906	129,939	129,939	-
Information technology services and projects	1,405,200	398,090	398,090	-
Total charges	$ 88,667,706	$ 87,585,357	$ 84,325,422	$ 3,259,935
Ending budgetary fund balance	$ 1,927,442	$ 3,569,309	$ 6,829,244	$ 3,259,935

BUDGET-TO-GAAP RECONCILIATION

Fiscal Year Ended September 30, 2022

Resources (inflows):	
Actual amount (budgetary basis) of "Total resources available"	$ 91,154,666
Differences - Budget to GAAP:	
Beginning budgetary fund balance is a budgetary resource but is not a current year revenue for financial reporting purposes	(10,043,348)
Total revenues (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance	$ 81,111,318
Charges (outflows):	
Actual amount (budgetary basis) of "Total charges"	$ 84,325,422
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the the year supplies are received for financial reporting purposes	613,500
Total expenditures (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance	$ 84,938,923

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Statutory/Budgetary Presentation

The various programs within funds utilize several different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most "operating" funds.

The State of Michigan provides annual legislative appropriations to the MVFA for the Michigan Veteran Homes at Chesterfield Township, Michigan Veteran Homes D.J. Jacobetti, Michigan Veteran Homes at Grand Rapids, Michigan Veteran Homes administrations, Veterans cemetery, Veteran Homes special maintenance, and Information technology services and projects.

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

Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the Authority presents both the original and final appropriated budgets for fiscal year 2022, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2021, and include multi-year projects budgetary carryforwards from the prior fiscal year.

The budgetary fund balance represents total fund balance and prior year encumbrances. Prior year encumbrances are considered uses of spending authority in the year the MVFA incurs an obligation and are also removed.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column; therefore, updated revenue estimates available for appropriations, rather than the amounts shown in the original budget, are reported. The November 30 date is used because Public Act 431 of 1984, as amended, permits budget adjustments by the Legislature through 60 days after year-end.

The final appropriations budget represents original and supplemental appropriations and carry-forwards.

The timing differences result from unspent authorizations for multi-year projects, such as capital outlay and work projects, and from restricted revenues that had not been appropriated for expenditure in the current year. Such authorization balances remaining at year-end are removed from the final budget column to provide an "annualized" budget.

Positive "variances" reflect restricted revenues that were appropriated and available for expenditure in the current year and unused general purpose spending authority (lapses); negative "variances" reflect budgetary overdrafts.

Statutory/Budgetary Reconciliation

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance.

For budgetary reporting purposes, expenditures and transfers out in the "Actual" column include recorded encumbrances because they are considered uses of spending authority in the year the MVFA incurs an obligation. Therefore, the "Original" and "Final Budget" columns do not include encumbrance authorization balances carried over from the prior fiscal year. In the GAAP basis statements, expenditures do not include encumbrances. The effect of this difference is reflected as a reconciling item on the Budgetary Comparison Schedule.

SCHEDULE OF MVFA'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

State Employees' Retirement System

		2022
Proportion of the net pension liability		0.665%
Proportionate share of the net pension liability	$	27,019,499
Covered payroll	$	22,492,264
Proportionate share of the net pension liability as a percentage of its covered payroll		120.13%
Plan fiduciary net position as a percentage of the total pension liability		78.08%

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

This schedule is built prospectively upon implementation of GASB Statement No. 68 and will show 10 years of data once it becomes available.

SCHEDULE OF MVFA'S PENSION CONTRIBUTIONS

State Employees' Retirement System

		2022
Statutorily required contribution	$	4,365,874
Contributions in relation to the statutorily required contribution	$	4,365,874
Contribution deficiency (excess)	$	0
Covered payroll	$	24,476,097
Contributions as a percentage of covered payroll		17.84%

This schedule is built prospectively upon implementation of GASB Statement No. 68 and will show 10 years of data once it becomes available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

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

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

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions is a comparison of the Authority's contribution to the actuality 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. The September 30, 2019 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2022.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2022

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	15 years, closed ending September 30, 2026
Asset Valuation Method	5-year smoothed value
Inflation	2.25%
Salary Increases	2.75% to 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.70%, net of pension plan investment expenses
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Combined Healthy Mortality Table, adjusted for mortality improvements using projection scale MP-2017 from 2006. For active members, 100% of the table rates were used for males and females

SCHEDULE OF MVFA'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - HEALTHCARE

State Employees' Retirement System

	2022
Proportion of the net OPEB liability	0.674%
Proportionate share of the net OPEB liability	$ 25,719,786
Covered payroll	$ 22,492,264
Proportionate share of the net OPEB liability as a percentage of its covered payroll	114.35%
Plan fiduciary net position as a percentage of the total OPEB liability	57.12%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years which information is available.

SCHEDULE OF MVFA'S OPEB CONTRIBUTIONS - HEALTHCARE

State Employees' Retirement System – Healthcare

	2022
Statutorily required contribution	$ 5,193,464
Contributions in relation to the statutorily required contribution	$ 5,193,464
Contribution deficiency (excess)	$ 0
Covered payroll	$ 24,476,097
Contributions as a percentage of covered employee payroll	21.22%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB LIABILITY

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

The Schedule of Contributions 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 Authority’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. The September 30, 2019 valuation determined the contribution rate for the State of Michigan’s fiscal year ending September 30, 2022.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2022

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level-Percent of Payroll, Closed
Remaining Amortization Period	15 years, closed ending September 30, 2036
Asset Valuation Method	5-year smoothed value
Inflation	2.25%
Salary Increases	2.75% to 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.90%, net of OPEB plan investment expenses
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Combined Healthy Mortality Table, adjusted for mortality improvements using projection scale MP-2017 from 2006.
Health Care Trend Rates	7.50% in year 1, gradually decreasing to 3.50% in year 15
Aging Factors	Based on the 2013 SOA "Health Care Costs-From Birth to Death"

SCHEDULE OF MVFA'S PROPORTIONATE SHARE OF THE LIFE INSURANCE OPEB LIABILITY

State Employees' Retirement System – Life Insurance

		2022
Proportion of the total OPEB liability		0.640%
Proportionate share of the total OPEB liability	$	8,914,344
Covered employee payroll	$	19,605,328
Proportionate share of the total OPEB liability as a percentage of its covered employe payroll		45.47%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The Plan is not a trust and has no assets.

ACKNOWLEDGMENTS

ACKNOWLEDGMENTS

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Management:

Jacqueline Huhn, Director
Kayla Knoper, Manager

Accountants:

Samantha Schrauben

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This report may be viewed online at: https://www.michigan.gov/mvh/about/legislation.