GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
MICHIGAN VETERAN HOMES
LANSING

ANNE ZERBE
EXECUTIVE DIRECTOR

January 8, 2026

The Honorable Gretchen Whitmer
Governor of Michigan
PO Box 30013
Lansing MI 48909

Dear Governor Whitmer,

SUBJECT: MVH Legislative Annual Report for FY 2025

Attached please find Michigan Veteran Homes' Legislative Annual Report for FY 2025, pursuant to Public Act 560 of 2016, MCL 36.112.

The statute requires an annual report with the following components:

a) The status of development of each veterans' facility;
b) A statement whether a veterans' facility will likely be opening in the next fiscal year;
c) The census of each veterans' facility;
d) Accounting of all revenues received and expended;
e) Statistics on veterans who resided in each veterans' facility;
f) Recommendations for improvements at each veterans' facility;
g) Salaries and benefits costs of all staff positions within the authority and veterans' facilities;
h) Any other matters the board considers pertinent; and
i) A construction report on any new veterans' facilities opening in the next fiscal year.

If you have any questions regarding this report, please contact Beth Simonton-Kramer at 616.498.5357.

Sincerely,

Anne Zerbe
Executive Director, MVH

Attachment

cc: Senate Committee on Veterans and Emergency Services
Senate Appropriations Subcommittee on Military, Veterans, State Police
House Committee on Military, Veterans and Homeland Security
House Appropriations Subcommittee on Military and Veterans and State Police
State Budget Office
House Fiscal Agency
Chair, Michigan Veterans Facility Authority
Major General Paul D. Rogers, DMVA Director

Pursuant to Public Act 560 of 2016, MCL 36.112 Report; supplemental report; audits. Sec.12 (1).

(a) The status of development of any new veterans' facilities.

In FY22, the State appropriated $34.2 million (General Fund) for state match funding for a replacement facility in the Upper Peninsula. In September 2024, the USDVA State Home Construction Grant Program offered Michigan FY24 federal matching funds for the Marquette replacement project. As of December 2025, all documents required for a final grant award have been submitted to the USDVA SHCGP; drafting of the final Memorandum of Understanding by the USDVA in currently in progress. Construction began in Marquette Township in Spring 2025.

(b) A statement whether a Michigan veterans' facility will likely be opening in the next fiscal year.

MVH anticipates that the replacement MVH at DJ Jacobetti facility in Marquette Township will open as soon as late FY27.

(c) The census of each Michigan veterans' facility.

Census figures as of September 30, 2025:
- Michigan Veterans Home D. J. Jacobetti: 109 (107 skilled nursing, 2 domiciliary)
- Michigan Veterans Home at Chesterfield Township: 120
- Michigan Veterans Home at Grand Rapids: 127

(d) Accounting of all revenues received and expended.

Please see MVFA Annual Comprehensive Financial Report ending September 30, 2025, attached as Appendix A.

(e) Statistics on veterans who resided in each Michigan veterans' facility.

Please see MVFA Annual Comprehensive Financial Report ending September 30, 2025, Statistical Section, attached as Appendix A.

(f) Recommendations for improvements at each veterans' facility.

MVHCT – MVH at Chesterfield Township will continue to improve their Quality Measures through coordination and training from the Veterans Administration, implementing Performance Improvement Projects, and increasing staff training opportunities.

MVHDJJ – MVH DJ Jacobetti is eager to complete construction on the new home. Efforts in the current facility involve maintaining operations at a high-quality level of care, and creating the transition plan for the staffing and opening of the new home.

MVHGR – Now that the addition for laundry, pharmacy, and business offices was completed in 2025, MVH at Grand Rapids will begin work on the demolition of the Mann and McLeish buildings. Demolition pre-work has begun, and the actual building is expected to be demolished in Winter/Spring 2026. The resulting open areas will be used for green space and additional parking. Staffing levels remain a challenge in Grand Rapids and work continues on improving recruitment and retention.

(g) Salaries and benefits costs of all staff positions within the authority and at all veterans' facilities.

Please see Salaries and Benefits Costs of All MVH Staff Positions, FY25, attached as Appendix B.

(h) Any other matters the board considers pertinent.

MVFA – Board appointments in FY25:

- Mr. David Henry, representing members with professional knowledge, skill, or experience in long-term care, health care licensure or finance, or medicine, reappointed for a term commencing April 25, 2025.
- Mr. Shawn Turner, nominated by the Senate Majority Leader, reappointed for a term commencing May 22, 2025.
- Ms. Carla Wilson-Neil, representing the interests of one or more congressionally chartered veterans' organizations, appointed for a term commencing July 21, 2025.
- Ms. Amanda Shelast, representing members with professional knowledge, skill, or experience in long-term care, health care licensure or finance, or medicine, appointed for a term commencing October 14, 2025.

MVH – Throughout FY25, all three homes maintained a five-star rating from the Centers for Medicare and Medicaid Services (CMS). This rating considers the home's staffing levels, quality measures, and annual health inspection results, and its purpose is to help consumers make meaningful distinctions between high-performing and lower-performing nursing homes. While these ratings may fluctuate at times, MVH strives to maintain high quality care in all three homes.

In addition, each home was awarded the Bronze National Quality Award from the American Health Care Association. The Grand Rapids and Chesterfield Township homes will begin on the Silver National Quality Award during FY26. The Marquette home will postpone starting the application process until they have moved into the replacement facility.

(2) If the authority indicates that a veterans' facility will likely be opening in the next fiscal year under subsection (1)(a), then the authority shall file a supplemental report on its activities every 90 days until the veterans' facility is open and operational. The supplemental report shall be filed with the governor, each house of the legislature, and the chairperson of the appropriations subcommittee of each house of the legislature that has jurisdiction over military and veterans' affairs not later than 60 days following the 90-day period covered in the supplemental report. The supplemental report shall specify all the items described in subsection (1)(a) to (h).

MVH is planning to open a new veterans’ facility in late FY27, if construction in Marquette proceeds according to schedule. For that reason, the first of our quarterly construction reports is attached as Appendix C.

Appendix A

MICHIGAN VETERANS' FACILITY AUTHORITY

Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2025

A Discretely Presented Component Unit of the State of Michigan

MICHIGAN VETERAN HOMES

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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Letter of Transmittal
Board of Directors
Organization Chart

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN

MICHIGAN VETERAN HOMES
LANSING

ANNE ZERBE
EXECUTIVE DIRECTOR

December 23, 2025

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 2025.

INTRODUCTION TO REPORT

The Michigan Veterans' Facility Authority (MVFA or the Authority) 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 Authority 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 Authority'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 Authority and MVH.

Report

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

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 the Authority are recorded in the State's central accounting system; therefore, the Authority 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 Authority's 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 the Authority, as part of DMVA. In addition to periodic audits, OIAS also reviews Authority managements' processes for establishing, monitoring, and reporting on internal controls; advises the Authority and DMVA management on internal control matters; and assists with investigations of alleged fraud and other irregularities.

Independent Auditors

Andrews Hooper Pavlik PLC (AHP), independent auditors, conducted an annual financial audit of the Authority. The independent auditor's report on the Authority's financial statements is included in the Financial Section of this report. The purpose of AHP's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2025 are free of material misstatements. AHP concluded that the Basic Financial Statements for the fiscal year ended September 30, 2025 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 Authority, intended to provide increased autonomy and improved oversight for Michigan's state veteran homes.

The MVH, governed by the Authority 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 three veteran homes located in Grand Rapids, Marquette, and Chesterfield Township.

Although the Authority 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 Authority'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 Authority was to oversee the modernization of the facilities and operations of MVH. The Authority has undergone significant changes in the years since Public Act 560 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.

Construction of the replacement facility in Marquette is funded in part by Public Act 166 of 2022, authorizing $34.2 million in state match funding toward the costs of construction. In addition, MVH has been awarded fiscal year 2024 funds from the USDVA State Home Construction Grant Program in an amount not to exceed $63.4 million. MVH acquired property in Marquette Township on February 6, 2025 and broke ground on the replacement facility on May 23, 2025.

In fiscal year 2025, MVH provided care to 481 veterans and eligible dependents. Additional demographic information of our veteran and dependent members is provided in the Statistical Section of this report.

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

Continuing Inflation in 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 and pharmaceuticals. Even post-pandemic, the healthcare industry is under persistent pressure from rising wages that are compounded by continuing workforce shortages. These trends in the healthcare industry, along with the current U.S. inflation rate, are a strong indicator that operational expenditures will continue to grow in the next several years.

Uncertainty Associated with Federal Revenue Sources

All veteran homes under the Authority 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. The homes also continue to receive funding from the U.S. Department of Veterans Affairs (USDVA). Current federal budget uncertainties may impact the revenue available to the homes from both funding sources. If federal appropriations are reduced, delayed, or redirected due to broader fiscal constraints or shifting policy priorities, the homes may experience decreased or unpredictable funding levels.

MAJOR ACCOMPLISHMENTS

MVH is proud of the high-quality care provided by each of its homes. Quality indicators include:

- All three of the homes maintained a five-star rating from the Centers for Medicare and Medicaid Services. This rating considers the home’s staffing levels, quality measures, and annual health inspection results, and its purpose is to help consumers make meaningful distinctions between high-performing and lower-performing nursing homes. While these ratings may fluctuate at times, MVH strives to maintain a high star rating in all three homes.
- All three of the homes were awarded the 2025 Bronze – Commitment to Quality Award from the American Health Care Association.
- All three of the homes ranked within the top 5% out of 422 nursing homes in Michigan, based on nursing home survey information collected by the American Health Care Association and National Center for Assisted Living.

FUTURE YEAR PERFORMANCE IMPROVEMENT OBJECTIVES

In addition to constructing a replacement facility in Marquette and maintaining high-quality ratings across the homes, MVH recognizes other important goals and areas for improvement, including:

- Maintaining the provision of high-quality skilled nursing care for our members;
- Maximizing efficient use of our electronic medical records system; and
- Continuing efforts in the recruitment and staffing of qualified healthcare personnel and ensuring MVH remains a workplace of choice in each region.

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

December 23, 2025

David Henry
Chair
Serving a four-year term, expiring on April 15, 2029

Nancy Susick
Vice-Chair
Serving a four-year term, expiring on April 15, 2027

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, 2028

Brian Love*
DMVA designee, serving on behalf of MG Paul D. Rogers

David Rutledge
Serving a four-year term, expiring on April 15, 2027

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

Carla Wilson-Neil
Serving a four-year term, expiring on April 15, 2029

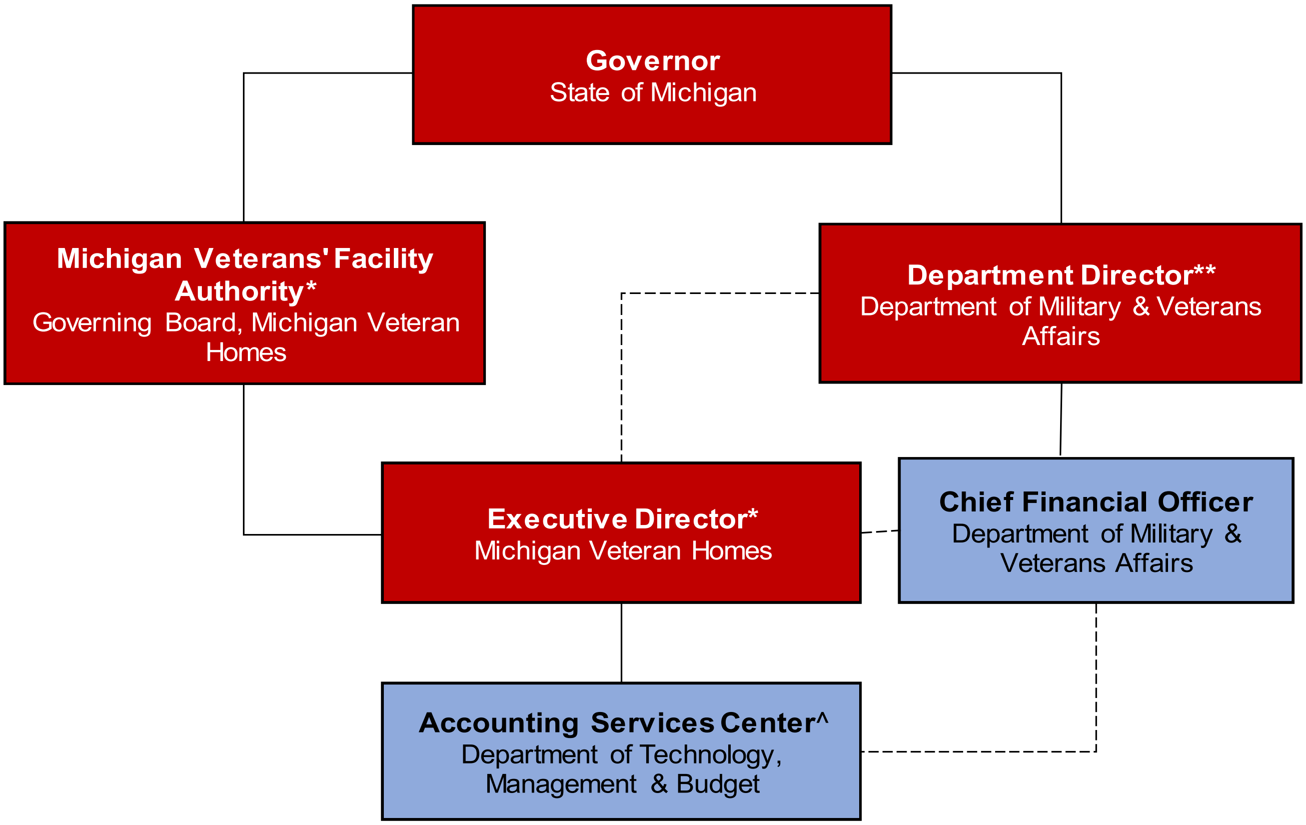
Shawn Turner
Serving a four-year term, expiring on April 15, 2029

Amanda Shelast
Serving a four-year term, expiring on April 15, 2029

** Serves as a nonvoting member*

ORGANIZATION CHART

As of December 23, 2025



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

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FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Government-wide Financial Statements
Governmental Fund Financial Statements
Fiduciary Fund Financial Statements
Notes to Financial Statements
Required Supplementary Information
Notes to Required Supplementary Information

Report of Independent Auditors

David Henry, Chair
Michigan Veterans' Facility Authority
and
Anne Zerbe, Executive Director
Michigan Veteran Homes
and
Major General Paul D. Rogers, Director
Department of Military and Veterans Affairs
and
Doug A. Ringler, CPA, CIA, Auditor General
Office of the Auditor General

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Michigan Veterans' Facility Authority, a discretely presented component unit of the State of Michigan, as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the 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, 2025, and the respective changes in financial position for the 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.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections 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 on them.

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 whether 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 have also issued our report dated December 23, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Bloomfield Hills, Michigan
December 23, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025.

FINANCIAL HIGHLIGHTS

Government-wide

- At September 30, 2025, 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 $24.8 million. Of this amount, the Authority's unrestricted net position was negative $42.5 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 $13.3 million. The governmental fund balance increased $7.3 million from the prior year.
- As of the end of the fiscal year, nonspendable fund balance for the general fund was $72,501, restricted fund balance was $11.8 million, committed fund balance was $1.4 million, and the unassigned fund balance for the general fund was negative $65,133.

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 and statistical section 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 reconciliation of the balance sheet - governmental funds to the statement of net position and the reconciliation of the statement of revenues, expenditures, and changes in fund balances – governmental funds to the statement of activities 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 45 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 and proportionate share of liability on pages 46 through 52. The statistical section can be found on pages 53 through 61.

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

		2025		2024
Current Assets	$	19,196,788	$	11,735,330
Capital Assets (net)		5,919,492		485,539
Other Noncurrent Assets		23,445		103,631
Total Assets	$	25,139,725	$	12,324,500
Deferred Outflows	$	31,462,650	$	45,015,094
Current Liabilities	$	7,376,601	$	6,844,455
Long-Term Liabilities		42,096,725		60,213,510
Total Liabilities	$	49,473,326	$	67,057,965
Deferred Inflows	$	31,976,808	$	29,246,436
Net Position				
Net Investment in Capital Assets	$	5,802,033	$	485,539
Restricted		11,836,520		4,190,768
Unrestricted		(42,486,312)		(43,641,114)
Total Net Position	$	(24,847,759)	$	(38,964,807)

The Authority's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $24.8 million on September 30, 2025.

The Authority reported an increase in total assets of $12.8 million associated with an increase of $6.3 million in equity in common cash, an increase of $1.2 million in amounts due from federal government, and an increase of $5.4 million in land and other non-depreciable assets.

Deferred Outflows decreased $13.6 million due to the Authority recognizing decreases in deferred outflows related to pensions and to other post-employment benefits.

The Authority reported a decrease in total liabilities of $17.6 million associated with decreases to the net pension liability of $11.4 million and the net OPEB liability of $8.5 million, offset by an increase of $2.2 million in the compensated absences liability. See Notes 4 and 10 for additional information related to compensated absences.

Deferred Inflows increased $2.7 million due to the Authority recognizing increases in deferred inflows related to pensions and to other post-employment benefits. 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 $11.8 million, represents amounts that are restricted for specific purposes 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

	2025	2024
Revenues		
Charges for services	$ 6,117,861	$ 6,410,010
Operating grants and contributions	53,192,278	48,009,841
Capital grants and contributions	852,464	-
Payments from the State of Michigan	52,091,727	39,170,900
Other	157,333	154,229
Total Revenues	$ 112,411,663	$ 93,744,980
Expenses		
Health and welfare	$ 96,543,559	$ 95,874,325
Net position - Beginning of the year	$ (38,964,807)	$ (36,835,462)
Restatement	(1,751,056)	-
Net position - End of the year	(24,847,759)	(38,964,807)
Change in Net Position	$ 15,868,104	$ (2,129,345)

The Authority's revenues from governmental activities exceeded expenses by $15.9 million for the fiscal year ended September 30, 2025.

Revenues increased $18.7 million (19.9 percent) over the prior year. The increase consists of an increase in federal revenues of $5.0 million, an increase in payments from the State of Michigan of $12.9 million, and $852,464 in capital grants and contributions, of which $840,000 relates to the portion of land donated with the Authority's purchase of land in Marquette Township.

Expenses increased $669,234 (0.7 percent) over the prior year. The increase is primarily due to increases in purchased health-related services and medical supplies, offset by the Authority recognizing a decrease in pension and OPEB expenses of $2.7 million, see Notes 5 and 6 for additional information.

In fiscal year 2025, there was a restatement of prior year net position due to implementation of GASB Statement No. 101, Compensated Absences. See Note 10 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 $13.3 million. Of this total, $11.8 million, approximately 89 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, 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 negative 0.1 percent of total general fund expenditures, while total fund balance represents approximately 12.7 percent of the same amount. Unassigned fund balance as of September 30, 2025 was negative $65,133.

Budgeting

The original enacted budget for fiscal year 2025 was $106.0 million. During the year, various positive supplemental appropriations and other adjustments resulted in a final enacted budget of $108.7 million. The difference between the final enacted budget of $108.7 million and actual spending and encumbrances of $104.3 million resulted from restricted revenue authorized but not spent, totaling $4.4 million. There were no line-item overexpenditures in fiscal year 2025. At fiscal year-end, excess restricted revenue of $11.8 million was carried forward into fiscal year 2026. See the Budgetary Comparison Schedule in the required supplementary information for additional information.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS ADMINISTRATION

Capital Assets

The Authority's investment in capital assets for its governmental activities as of September 30, 2025, amounts to $5,919,492 (net of accumulated depreciation). For the year ended September 30, 2025, equipment purchases totaled $77,105 and land purchases totaled $5,399,442. See Note 3 for additional details related to capital assets.

Long-Term Obligations

Long-term obligations include vendor financing obligations and compensated absences. The noncurrent liability for vendor financing obligations as of September 30, 2025 is $81,632 and compensated absences as of September 30, 2025 is $2,829,126. Compensated absences total beginning balance was restated by $1,751,056 due to a change in accounting principle, see Note 10 for additional information. 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 2026 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 information should be emailed to DMVA-MIVeteranHomes@michigan.gov or addressed to the Michigan Veterans' Facility Authority, c/o Business Office, 2950 Monroe Avenue NE, Grand Rapids, MI 49505.

STATEMENT OF NET POSITION

September 30, 2025

ASSETS		
Current Assets:		
Cash (Note 2)	$	736,502
Equity in common cash (Note 2)		9,314,561
Amounts due from federal government		8,220,075
Other current assets		925,650
Total Current Assets	$	19,196,788
Noncurrent Assets:		
Capital Assets (Note 3):		
Land and other non-depreciable assets	$	5,399,442
Equipment, and other depreciable assets		1,652,531
Less accumulated depreciation		(1,132,481)
Total capital assets	$	5,919,492
Other noncurrent assets		23,445
Total Noncurrent Assets	$	5,942,937
Total Assets	$	25,139,725
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 5)	$	5,268,661
Deferred outflows related to other post employment benefits (Note 6)		26,193,989
Total Deferred Outflows of Resources	$	31,462,650
LIABILITIES		
Current Liabilities:		
Accounts payable and other liabilities	$	5,031,297
Amounts due to primary government		465,177
Unearned revenue		23,292
Vendor financing obligations (Note 4)		35,827
Current portion of other long-term obligations (Note 4)		1,821,008
Total Current Liabilities	$	7,376,601
Long-Term Liabilities:		
Net pension liability (Note 5)	$	28,825,189
Net OPEB liability (Note 6)		10,360,778
Vendor financing obligations (Note 4)		81,632
Noncurrent portion of other long-term obligations (Note 4)		2,829,126
Total Long-Term Liabilities	$	42,096,725
Total Liabilities	$	49,473,326
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 5)	$	7,128,737
Deferred inflows related to other post employment benefits (Note 6)		24,848,071
Total Deferred Inflows of Resources	$	31,976,808
NET POSITION		
Net investment in capital assets	$	5,802,033
Restricted For (Note 8):		
Other Purposes		11,836,520
Unrestricted		(42,486,312)
Total Net Position	$	(24,847,759)

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

STATEMENT OF ACTIVITIES

Fiscal Year Ended September 30, 2025

EXPENSES		
Health and welfare	$	96,543,559
Total Program Expenses	$	96,543,559
PROGRAM REVENUES		
Charges for services	$	6,117,861
Operating grants and contributions		
Federal revenues		52,357,597
Private revenues		834,681
Capital grants and contributions		852,464
Total Program Revenues	$	60,162,603
Net (Expense) Revenue and Changes in Net Position	$	(36,380,956)
GENERAL REVENUES		
Payments from the State of Michigan	$	52,091,727
Other		157,333
Total General Revenues	$	52,249,060
Change in Net Position	$	15,868,104
Net position - Beginning of the year	$	(38,964,807)
Restatement (Note 10)	$	(1,751,056)
Net position - End of the year	$	(24,847,759)

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

BALANCE SHEET

September 30, 2025

ASSETS		
Current Assets:		
Cash (Note 2)	$	736,502
Equity in common cash (Note 2)		9,314,561
Amounts due from federal agencies		8,220,075
Other current assets		925,650
Total Current Assets	$	19,196,788
Noncurrent Assets:		
Other noncurrent assets	$	23,446
Total Noncurrent Assets	$	23,446
Total Assets	$	19,220,234
LIABILITIES		
Current Liabilities:		
Accounts payable and other liabilities	$	5,031,298
Amounts due to primary government		465,177
Unearned revenue		23,292
Total Current Liabilities	$	5,519,767
DEFERRED INFLOWS OF RESOURCES	$	410,389
FUND BALANCES (Note 9)		
Nonspendable	$	72,501
Restricted		11,836,520
Committed		1,446,190
Unassigned		(65,133)
Total Fund Balances	$	13,290,078
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	19,220,234

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, 2025

Total fund balances for governmental fund			$	13,290,078
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.				
Land and other non-depreciable assets	$	5,399,442		
Equipment, and other depreciable assets		1,652,531		
Accumulated Depreciation		(1,132,481)	$	5,919,492
Receivables not available to pay for current period expenditures are considered unavailable and are reported as deferred inflows of resources in the governmental fund.			$	410,389
Deferred outflows of resources not reported in the governmental fund:				
Pension related	$	5,268,661		
OPEB related		26,193,989	$	31,462,650
Deferred inflows of resources not reported in the governmental fund:				
Pension related	$	(7,128,737)		
OPEB related		(24,848,071)	$	(31,976,808)
Liabilities not due and payable in the current period are not reported in the governmental fund.				
Compensated absences	$	(4,650,134)		
Net pension liability		(28,825,189)		
Net OPEB liability		(10,360,778)		
Vendor financing obligations		(117,459)	$	(43,953,560)
Net position of governmental activities			$	(24,847,759)

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, 2025

REVENUES		
Charges for services	$	6,148,315
Operating grants and contributions		
Federal revenues		52,357,597
Private revenues		834,681
Payments from the State of Michigan - General Fund		52,091,727
Other - miscellaneous		157,334
Total Revenues	$	111,589,654
EXPENDITURES		
Current:		
Michigan Veteran Homes at Chesterfield Township	$	32,416,476
Michigan Veteran Homes D.J. Jacobetti		24,429,511
Michigan Veteran Homes at Grand Rapids		36,500,870
Michigan Veteran Homes administration		4,587,801
Veterans cemetery		90,200
Veteran Homes special maintenance		841,966
Information technology services and projects		769,559
Capital outlay		4,710,673
Debt service:		
Vendor financing payments		37,616
Total Expenditures	$	104,384,672
Excess of Revenues over/(under) Expenditures	$	7,204,982
OTHER FINANCING SOURCES (USES)		
Vendor financing acquisitions	$	98,804
Total Other Financing Sources (Uses)	$	98,804
Net change in fund balances	$	7,303,786
Fund Balances, Beginning of fiscal year	$	5,986,292
Fund Balances, End of fiscal year	$	13,290,078

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, 2025

Net change in fund balance - total governmental fund		$ 7,303,786
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:		
Land and other non-depreciable assets	$ 5,399,442	
Equipment, and other depreciable assets	175,909	
Depreciation expense	(141,398)	5,433,953
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.		(30,455)
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	$ 5,979,145	
OPEB costs, net	(2,333,141)	
Compensated absences	(422,822)	
Vendor financing obligations	(62,362)	3,160,820
Change in net position of governmental activities		$ 15,868,104

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

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2025

ASSETS		
Cash (Note 2)	$	494,373
Total Assets	$	494,373
NET POSITION		
Restricted For:		
Individuals, organizations and other governmental units	$	494,373

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiscal Year Ended September 30, 2025

ADDITIONS		
Contributions:		
Member income [1]	$	7,135,586
Total Additions	$	7,135,586
DEDUCTIONS		
Member payments/withdrawals [2]	$	7,553,385
Total Deductions	$	7,553,385
Change in net position	$	(417,799)
Net position - Beginning of fiscal year	$	912,172
Net position - End of fiscal year	$	494,373

[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.

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.

The Authority 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 the Authority and there is a potential for the Authority to provide specific financial benefits to, or impose specific financial burdens on, the State. The financial statements of the Authority 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, excluding the fiduciary fund. Certain amounts within the financial statements and supporting schedules may not foot due to rounding.

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. Certain amounts within the financial statements and supporting schedules may not foot due to rounding.

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.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority 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:

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 vendor financing obligations, if any, are reported as other financing sources.

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with GAAP 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 2025. The legal level of budgetary control is based on the department level. MVH is housed within the DMVA and the annual Authority budget is included with DMVA's overall budget.

Cash

Cash consists of petty cash, depository and demand accounts.

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 (USDVA) and the U.S. Department of Health and Human Services.

Capital Assets

Capital assets consist of land and 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 $10,000, 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. Capital assets of the Authority are depreciated using the straight-line method over their useful lives. 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 report 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 report 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 pension and OPEB for contributions made to the respective plans, see Notes 5 and 6 for additional information. 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 within 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

Employees are permitted to accumulate earned but unused compensatory time benefits, subject to certain limitations. Paid time off, including annual leave, banked leave, compensatory time, and sick leave, are reported as liabilities in the government-wide financial statements as required by GASB. Additional details regarding compensated absences are described in the SOMACFR.

The government-wide financial statements of the Authority present the classification between the current and noncurrent portion of other long-term obligations related to compensated absences. In the governmental fund financial statements, these liabilities are accrued when they are considered “due and payable” and recorded in the fund only for separations or transfers that occur before year-end.

See Note 10 related to the implementation of a new pronouncement pertaining to compensated absences for the year ended September 30, 2025.

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 liability 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 residual 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

Deposits held by the Authority on September 30, 2025 were as follows:

	Governmental Activities	Fiduciary Fund	Reporting Entity
Deposits	$ 704,702	$ 494,373	$ 1,199,075
Equity in common cash	$ 9,314,561	$ -	$ 9,314,561
Total Deposits	$ 10,019,263	$ 494,373	$ 10,513,636

Custodial Credit Risk

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, 2025, the Authority's carrying amount for deposits was $10,513,636. The table above does not include petty cash on hand at the veteran homes of $31,800.

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 to 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, 2025 was $9,314,561.

At September 30, 2025, the carrying amount of deposits subject to credit risk was $1,199,075. The deposits were reflected in the accounts of the banks at $1,197,940 with outstanding deposits of $1,135. Of the bank balance, $658,976 was insured by the Federal Deposit Insurance Corporation and $538,964 was exposed to custodial credit risk because they were uninsured and uncollateralized.

In addition, surety bonds totaling $1,215,000 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 Health and Human Services, 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 $494,373 at September 30, 2025.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ -	$ 5,399,442	$ -	$ 5,399,442
Total capital assets, not being depreciated	$ -	$ 5,399,442	$ -	$ 5,399,442
Capital assets, being depreciated:				
Equipment	$ 1,530,166	$ 77,105	$ 132,408	$ 1,474,863
Right to use leased equipment	169,778	98,804	90,914	177,668
Total capital assets, being depreciated	$ 1,699,944	$ 175,909	$ 223,322	$ 1,652,531
Less accumulated depreciation for:				
Equipment	$ 1,101,269	$ 103,735	$ 132,408	$ 1,072,596
Right to use leased equipment	113,136	37,663	90,914	59,885
Total accumulated depreciation	$ 1,214,405	$ 141,398	$ 223,322	$ 1,132,481
Total capital assets, being depreciated, net	$ 485,539	$ 34,511	$ -	$ 520,050
Capital assets, net	$ 485,539	$ 5,433,953	$ -	$ 5,919,492

Capital asset activity does not include land or buildings for the existing homes. The land and buildings, which include the Michigan Veteran Homes at Chesterfield Township, the current 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 SOMACFR.

In the year ended September 30, 2025, the Authority purchased land for $4,547,227 for the location of the replacement facility for Michigan Veteran Homes D.J. Jacobetti. The capital asset recorded of $5,399,442 includes the purchase price, ancillary charges, and the amount donated, valued at $840,000.

Depreciation expense for equipment in the current year totaled $103,735. Depreciation expense related to the right to use leased equipment totaled $37,663.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of changes in vendor financing obligations, including current portion, of the Authority for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Vendor financing obligations	$ 55,097	$ 98,804	$ 36,442	$ 117,459	$ 35,827	$ 81,632
	$ 55,097	$ 98,804	$ 36,442	$ 117,459	$ 35,827	$ 81,632

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

Year Ending September 30	Governmental Activities Principal	Interest
2026	$ 35,827	$ 3,054
2027	30,615	2,027
2028	29,032	1,109
2029	21,985	312
	$ 117,459	$ 6,502

The following is a summary of changes in compensated absences, including current portion, of the Authority for the year ended September 30, 2025:

	Beginning Balance Restated	Net Increase (Decrease)	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Compensated Absences	$ 4,227,312	$ 422,822	$ 4,650,134	$ 1,821,008	$ 2,829,126
	$ 4,227,312	$ 422,822	4,650,134	$ 1,821,008	$ 2,829,126

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 establishes 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's 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 or retirant of the Judges Retirement System appointed by the Governor
- One current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions appointed by the Governor
- One retirant member of the State Employee's Retirement System appointed by the Governor
- One member of the general public appointed by the Governor

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

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

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.

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.

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 Health and Human Services employees subject to reduction in force layoffs by reason of deinstitutionalization.

Nonduty Disability Benefit

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

Duty Disability Benefit

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

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 2025, the Authority's contribution rate was 23.74% of the defined benefit employee wages and 17.56% of the defined contribution employee wages. The Authority's required contributions to SERS for the fiscal year ending September 30, 2025, was $5,274,248.

Actuarial Assumptions

The Authority's net pension liability as of September 30, 2025, was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions at the measurement date:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.00%, net of investment expenses
Cost-of-Living Pension Adjustments	3% annual non-compounded with maximum annual increase of $300 for those eligible
Mortality Rates	PubG-2010 Male and Female Mortality Tables and PubNS-2010 Male and Female Disabled Retiree Mortality Tables, adjusted for mortality improvements. For retirees, 104% of the table rates were used for males and 115% for females. For active members and disabled retirees, 100% of the table rates were used for males and females.

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

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

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

Discount Rate

The State of Michigan Retirement Board adopted a Dedicated Gains Policy to lower the discount rate in years where the investment returns exceed the current assumption. The DTMB Director and the Board modified the dedicated gains policy to limit the reduction in the discount rate to no lower than 6.00%. A single discount rate of 6.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position is expected 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, 2025, the Authority reported a liability of $28,825,189 for its proportionate share of participating employers' net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The 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, 2023, through September 30, 2024, relative to the total required employer contributions from all the System's participating employers. At September 30, 2024, the Authority's proportion was 0.708 percent.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.00%, 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 5.00%	Current Single Discount Rate 6.00%	1% Increase 7.00%
Net pension liability	$ 41,373,319	$ 28,825,189	$ 18,076,228

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the System's Annual Comprehensive 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, 2025, the Authority recognized pension expense of negative $710,483. On September 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 7,128,737
Contributions subsequent to the measurement date	5,268,661	-
	$ 5,268,661	$ 7,128,737

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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Pension Expense
2026	$ (3,326,960)
2027	84,764
2028	(2,150,560)
2029	(1,735,981)

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 $2,365,776 in fiscal year 2025. Employees participating in the defined contribution plan vest in employer contributions at 50% after 2 years of service, 75% after 3 years of service, and 100% after 4 years of service. Forfeited employer contributions are retained with the defined contribution plan and 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 establishes 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's 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 or retirant 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 Contact 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. 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.

Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%.

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 2025, the Authority's contribution rate was 6.22% of the defined benefit employee wages and 6.22% of the defined contribution employee wages. The Authority's required contributions to the OPEB trust for fiscal year ending September 30, 2025 was $1,844,909.

Actuarial Assumptions

The Authority's net OPEB liability as of September 30, 2025, was measured as of September 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions at the measurement date:

Wage Inflation Rate	2.75%
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.20%, net of investment expenses
Health Care Cost Trend Rate	7.25% Year 1 graded to 3.50% Year 15

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

The actuarial assumptions used in the September 30, 2023 valuation were based upon the results of an experience study covering the period October 1, 2017 through September 30, 2022.

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

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

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

Discount Rate

The State of Michigan Retirement Board adopted a Dedicated Gains Policy to lower the discount rate in years where investment returns exceed the current assumption. The DTMB Director and the Board modified the dedicated gains policy to limit the reduction in the discount rate to no lower than 6.00%. A single discount rate of 6.20% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.20%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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, 2025, the Authority reported a liability of $2,436,016 for its proportionate share of participating employers' net OPEB liability. The net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2023, through September 30, 2024, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2024, the Authority's proportion was 0.718 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 6.20%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease 5.20%	Current Single Discount Rate 6.20%	1% Increase 7.20%
Authority's proportionate share of the net OPEB liability	$ 8,035,291	$ 2,436,016	$ (2,324,828)

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	$ (2,551,059)	$ 2,436,016	$ 8,106,937

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the System's Annual Comprehensive 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, 2025, the Authority recognized OPEB expense of $2,720,624. On September 30, 2025, 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	$ -	$ 19,520,052
Changes of assumptions	3,933,002	661,461
Net difference between projected and actual earnings on investments	-	2,614,113
Changes in proportion and difference between actual contributions and proportionate share of contributions	15,705,223	77,140
Contributions subsequent to the measurement date	1,842,946	-
	$ 21,481,171	$ 22,872,766

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2026. 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
2026	$ 2,418,169
2027	1,337,628
2028	(3,861,509)
2029	(2,626,118)
2030	(502,711)

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 Michigan Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the eligibility requirements. The Plan is a single-employer, state-wide, defined benefit other postemployment benefits (OPEB) plan. The State contracts with Minnesota Life Insurance Company to administer the payout of life insurance benefits. The Plan is managed by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

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

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

Contributions

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal year 2025 was $0.32 for each $1,000.00 of coverage of active payroll per pay period. The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid. The Michigan Civil Service Commission is responsible for establishing and amending funding policies.

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

Actuarial Assumptions

The Authority's total OPEB liability as of September 30, 2025 was measured as of September 30, 2024 and is based on an actuarial valuation performed as of September 30, 2023.

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

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

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

Investment Rate of Return	3.81% per year
Mortality	Healthy Life and Disabled Life Mortality, with 110% 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 1.00 percent for SERS retirees.

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

Discount Rate

A discount rate of 3.81% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2024. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets. The discount rate used to measure the total OPEB liability as of September 30, 2023 was 4.63%.

Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2025, the Authority reported a liability of $7,924,762 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, 2024 based on an actuarial valuation performed as of September 30, 2023. 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, 2023 through September 30, 2024, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2024 the Authority's proportion was 0.718 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 3.81%, 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 2.81%	Current Single Discount Rate 3.81%	1% Increase 4.81%
Authority's proportionate share of the net OPEB liability	$ 9,229,908	$ 7,924,762	$ 6,880,695

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

For the year ended September 30, 2025, the Authority recognized OPEB expense of $1,728,417. On September 30, 2025, 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	$ -	$ 312,932
Changes of assumptions	925,196	1,662,373
Changes in proportion and difference between actual contributions	3,506,978	-
Contributions subsequent to the measurement date	280,644	-
	$ 4,712,818	$ 1,975,305

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2026. 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
2026	$ 1,274,712
2027	1,059,620
2028	(213,349)
2029	157,745
2030	175,336
Thereafter	2,805

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	$	2,720,624	$	2,436,016	$	21,481,171	$	22,872,766
Postemployment life insurance benefits		1,728,417		7,924,762		4,712,818		1,975,305
	$	4,449,041	$	10,360,778	$	26,193,989	$	24,848,071

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 SOMACFR. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past six 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, 2025:

RESTRICTED FOR OTHER PURPOSES		
Income and Assessments	$	463,335
HHS-HCFA, Title XIX, Medicaid		128,658
USDVA - VHA		6,818,966
Member Related Depository Fund		704,702
Charitable Support Fund		3,720,859
Total Restricted Net Position	$	11,836,520

NOTE 9 – FUND BALANCE

The following are the fund balance constraints as of September 30, 2025:

FUND BALANCES		
Nonspendable	$	72,501
Restricted		
Income and Assessments		463,335
HHS-HCFA, Title XIX, Medicaid		128,658
USDVA - VHA		6,818,966
Member Related Depository Fund		704,702
Charitable Support Fund		3,720,859
Committed		1,446,190
Unassigned		(65,133)
Total Fund Balances	$	13,290,078

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2025, the Authority implemented the following new pronouncement: GASB Statement No. 101, Compensated Absences.

Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, was issued in June 2022. The objective of this statement is to update the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences.

A restatement of beginning balances for the current and noncurrent portion of other long-term obligations (compensated absences) in the amount of $1,751,056 decreased beginning net position. There was no change to beginning fund balances. The restatement to beginning government-wide net position is as follows:

		Governmental Activities
September 30, 2024, as previously reported	$	(38,964,807)
Restatement - Change in Accounting Principle		(1,751,056)
September 30, 2024, as restated	$	(40,715,863)

NOTE 11 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements, which establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2026.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2026.

BUDGETARY COMPARISON SCHEDULE

Fiscal Year Ended September 30, 2025

Budgetary Comparison Schedule (Statutory/Budgetary Basis)	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning budgetary fund balance	$ 5,986,292	$ 5,986,292	$ 5,986,292	$ -
RESOURCES (inflows):				
Revenues and other sources:				
Charges for services	$ 6,580,400	$ 6,148,315	$ 6,148,315	$ -
Operating grants and contributions				-
Federal revenues	50,088,800	52,357,597	52,357,597	-
Private revenues	-	834,681	834,681	-
Payments from the State of Michigan - General Fund	47,544,500	52,091,727	52,091,727	-
Other - miscellaneous	-	157,334	157,334	-
Total revenues and other sources	$ 104,213,700	$ 111,589,654	$ 111,589,654	$ -
Total resources available	$ 110,199,992	$ 117,575,946	$ 117,575,946	$ -
CHARGES (outflows):				
Expenditures and encumbrances:				
Current:				
Michigan Veteran Homes at Chesterfield Township	$ 32,511,400	$ 32,658,865	$ 32,416,476	$ 242,389
Michigan Veteran Homes D.J. Jacobetti	25,927,700	26,481,471	24,429,511	2,051,960
Michigan Veteran Homes at Grand Rapids	38,827,500	38,696,448	36,500,870	2,195,578
Michigan Veteran Homes administration	4,622,600	4,625,692	4,587,801	37,891
Veterans cemetery	90,200	90,200	90,200	-
Veteran Homes special maintenance	2,288,156	841,966	841,966	-
Information technology services and projects	1,734,300	769,559	769,559	-
Capital Outlay	-	4,547,227	4,611,869	(64,642)
Debt Service:				
Vendor financing payments	-	-	37,616	(37,616)
Total charges	$ 106,001,856	$ 108,711,428	$ 104,285,868	$ 4,425,560
Ending budgetary fund balance	$ 4,198,136	$ 8,864,518	$ 13,290,078	$ 4,425,560

BUDGET-TO-GAAP RECONCILIATION

Fiscal Year Ended September 30, 2025

Resources (inflows):	
Actual amount (budgetary basis) of "Total resources available"	$ 117,575,946
Differences - Budget to GAAP:	
Beginning budgetary fund balance is a budgetary resource but is not a current year revenue for financial reporting purposes	(5,986,292)
Total revenues (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance	$ 111,589,654
Charges (outflows):	
Actual amount (budgetary basis) of "Total charges"	$ 104,285,868
Differences - Budget to GAAP:	
Vendor financing acquisitions are not outflows of budgetary resources but are recorded as capital outlay expenditures and other financing sources under GAAP	98,804
Total expenditures (GAAP basis) on the statement of revenues, expenditures, and changes in fund balance	$ 104,384,672

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 Authority for the Michigan Veteran Homes at Chesterfield Township, Michigan Veteran Homes D.J. Jacobetti, Michigan Veteran Homes at Grand Rapids, Michigan Veteran Homes administration, 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 2025, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis. The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2024, 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 Authority 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 as of November 30, 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 budget represents original and supplemental appropriations, carry-forwards, and approved transfers.

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 Authority 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.

For budgetary purposes, capitalizable lease and financed purchase expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the “other financing sources” recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

State Employees' Retirement System

	2025	2024	2023	2022
Proportion of the net pension liability	0.708%	0.712%	0.697%	0.665%
Proportionate share of the net pension liability	$ 28,825,189	$ 40,237,521	$ 45,013,479	$ 27,019,499
Covered payroll	$ 28,658,030	$ 26,625,189	$ 24,476,097	$ 22,492,264
Proportionate share of the net pension liability as a percentage of its covered payroll	100.58%	151.13%	183.91%	120.13%
Plan fiduciary net position as a percentage of the total pension liability	78.16%	70.24%	66.92%	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 THE AUTHORITY'S PENSION CONTRIBUTIONS

State Employees' Retirement System

	2025	2024	2023	2022
Statutorily required contribution *	$ 5,274,248	$ 5,083,166	$ 4,936,310	$ 4,745,960
Contributions in relation to the statutorily required contribution *	$ 5,268,661	$ 5,082,593	$ 4,973,372	$ 4,734,734
Contribution deficiency (excess) *	$ 5,587	$ 573	$ (37,062)	$ 11,226
Covered payroll	$ 29,660,910	$ 28,658,030	$ 26,625,189	$ 24,476,097
Contributions as a percentage of covered payroll *	17.78%	17.74%	18.54%	19.39%

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

* During fiscal year 2025, it was discovered that the amounts reported in this schedule for statutorily required contribution and contributions in relation to the statutorily required contribution were reported incorrectly for prior fiscal years. These amounts for fiscal years 2024 and prior were changed and now reflect an amount for contribution deficiency (excess) and an updated percentage for contributions as a percentage of covered payroll.

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 the Authority's Pension Contributions is presented to show the responsibility of the employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

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

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

Valuation:

Actuarially determined contribution amounts are calculated as of September 30 each year. The September 30, 2022 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2025.

Methods and Assumptions Used to Determine Contributions for Fiscal Year 2025

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level dollar, closed period
Remaining Amortization Period	12 years, as of October 1, 2024, ending September 30, 2036
Asset Valuation Method	5-year smoothed fair value
Price Inflation	2.25%
Projected Salary Increases	2.75% to 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.00%, net of pension plan investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Combined Health 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 THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - HEALTHCARE

State Employees' Retirement System

	2025	2024	2023	2022
Proportion of the net OPEB liability	0.718%	0.720%	0.707%	0.674%
Proportionate share of the net OPEB liability	$ 2,436,016	$ 12,096,429	$ 27,508,877	$ 25,719,786
Covered payroll	$ 28,658,030	$ 26,625,189	$ 24,476,097	$ 22,492,264
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.50%	45.43%	112.39%	114.35%
Plan fiduciary net position as a percentage of the total OPEB liability	95.23%	77.36%	56.64%	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 THE AUTHORITY'S OPEB CONTRIBUTIONS - HEALTHCARE

State Employees' Retirement System – Healthcare

	2025	2024	2023	2022
Statutorily required contribution *	$ 1,844,909	$ 3,275,613	$ 3,751,489	$ 4,224,574
Contributions in relation to the statutorily required contribution *	$ 1,842,946	$ 3,275,293	$ 3,779,656	$ 4,214,704
Contribution deficiency (excess) *	$ 1,963	$ 320	$ (28,167)	$ 9,870
Covered payroll	$ 29,660,910	$ 28,658,030	$ 26,625,189	$ 24,476,097
Contributions as a percentage of covered employee payroll *	6.22%	11.43%	14.09%	17.26%

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.

* During fiscal year 2025, it was discovered that the amounts reported in this schedule for statutorily required contribution and contributions in relation to the statutorily required contribution were reported incorrectly for prior fiscal years. These amounts for fiscal years 2024 and prior were changed and now reflect an amount for contribution deficiency (excess) and an updated percentage for contributions as a percentage of covered payroll.

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

The information presented in the Schedule of the Authority's OPEB Contributions - Healthcare was used in the actuarial valuation for purposes of determining the 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, 2022 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2025.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level percent of payroll, closed period
Remaining Amortization Period	12 years, as of October 1, 2024, ending September 30, 2036
Asset Valuation Method	5-year smoothed fair value
Price Inflation	2.25%
Projected Salary Increases	2.75% to 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.20%, net of OPEB plan investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Combined Health Mortality Table, adjusted for mortality improvements using projection scale MP-2017 from 2006
Healthcare Cost Trend Rates	7.50% year 1, gradually decreasing to 3.50% year 15, 3.00% year 120
Aging Factors	Based on 2013 SOA study "Health Care Costs - From Birth to Death"

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

State Employees' Retirement System – Life Insurance

	2025	2024	2023	2022
Proportion of the total OPEB liability	0.718%	0.702%	0.684%	0.640%
Proportionate share of the total OPEB liability	$ 7,924,762	$ 6,780,836	$ 6,784,377	$ 8,914,344
Covered employee payroll	$ 25,619,764	$ 23,789,617	$ 22,127,468	$ 19,605,328
Proportionate share of the total OPEB liability as a percentage of its covered employee payroll	30.93%	28.50%	30.66%	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.

STATISTICAL SECTION

Index to Statistical Section
Net Position by Component
Changes in Net Position
Fund Balance – Governmental Fund
Changes in Fund Balance – Governmental Fund
Primary and Total Revenue Sources
Classified Employees by Location
Operating Indicators by Location
Demographic and Economic Indicators

STATISTICAL SECTION

INDEX TO STATISTICAL SECTION

This part of the Michigan Veterans' Facility Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

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These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

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OPERATING INFORMATION

These schedules contain information about the Authority's operations and resources to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

This schedule offers demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

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Sources

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the annual comprehensive financial reports or from the Authority's internal records for the relevant years.

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2021	2022	2023	2024	2025
Governmental activities:					
Net investment in capital assets	$ 386,594	$ 519,126	$ 582,286	$ 485,538	$ 5,802,033
Restricted	5,198,003	4,896,641	7,247,646	4,190,768	11,836,520
Unrestricted	11,895,748	(34,171,611)	(44,665,394)	(43,641,114)	(42,486,312)
Total governmental activities	$ 17,480,345	$ (28,755,843)	$ (36,835,462)	$ (38,964,807)	$ (24,847,759)
Reconciliation of net position:					
Beginning net position	$ -	$ 17,480,345	$ (28,755,843)	$ (36,835,462)	$ (38,964,807)
Restatement of beginning net position	-	1,451,052	-	-	(1,751,056)
Beginning net position - restated	-	18,931,398	(28,755,843)	(36,835,462)	(40,715,863)
Statement of Activities - change in net position	17,480,345	(47,687,241)	(8,079,619)	(2,129,345)	15,868,104
Ending net position	$ 17,480,345	$ (28,755,843)	$ (36,835,462)	$ (38,964,807)	$ (24,847,759)

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2022	2023	2024	2025
EXPENSES					
Governmental activities:					
Health and welfare	$ 74,642,858	$ 129,028,902	$ 107,546,728	$ 95,874,325	$ 96,543,559
Total governmental activities expenses	$ 74,642,858	$ 129,028,902	$ 107,546,728	$ 95,874,325	$ 96,543,559
PROGRAM REVENUES					
Governmental activities:					
Charges for services	$ 5,409,625	$ 6,067,853	$ 7,230,917	$ 6,410,010	$ 6,117,861
Operating grants and contributions					
Federal revenues	21,747,179	35,108,358	39,963,361	47,403,332	52,357,597
Private revenues [1]	10,280,139	475,150	589,081	606,509	834,681
Capital grants and contributions	-	21,000	11,500	-	852,464
Total governmental activities program revenues	$ 37,436,944	$ 41,672,360	$ 47,794,858	$ 54,419,851	$ 60,162,603
NET (EXPENSE) REVENUE					
Governmental activities	$ (37,205,914)	$ (87,356,541)	$ (59,751,870)	$ (41,454,474)	$ (36,380,956)
GENERAL REVENUES					
Governmental activities:					
Payments from the State of Michigan	$ 43,022,596	$ 39,653,900	$ 51,552,200	$ 39,170,900	$ 52,091,727
Other	12,464	15,401	120,051	154,229	157,333
Total governmental activities general revenues	$ 43,035,060	$ 39,669,301	$ 51,672,251	$ 39,325,129	$ 52,249,060
SPECIAL ITEM - governmental activities	$ 11,651,200	$ -	$ -	$ -	$ -
CHANGE IN NET POSITION					
Governmental activities	$ 17,480,345	$ (47,687,241)	$ (8,079,619)	$ (2,129,345)	$ 15,868,104

[1] The accounting treatment changed for the movement of cash between the Authority's fiduciary fund bank accounts in fiscal year 2022, resulting in a decrease in both private revenues and expenditures of approximately $9.8 million. See Note 11 on the Authority's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022 for more information.

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

FUND BALANCE – GOVERNMENTAL FUND

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2021	2022	2023	2024	2025
General Fund:					
Nonspendable	$ 53,696	$ 86,568	$ 104,515	$ 81,312	$ 72,501
Restricted	5,198,003	4,896,641	7,247,646	4,190,768	11,836,520
Committed	2,327,690	1,919,957	1,720,559	1,788,156	1,446,190
Assigned	755,055	178,380	7,076	-	-
Unassigned	1,012,908	(110,748)	(14,596,361)	(73,944)	(65,133)
Total general fund	$ 9,347,351	$ 6,970,798	$ (5,516,566)	$ 5,986,292	$ 13,290,078
Reconciliation of governmental fund balances:					
Beginning fund balances	$ -	$ 9,347,351	$ 6,970,798	$ (5,516,566)	$ 5,986,292
Restatement of beginning fund balances	-	1,451,052	-	-	-
Beginning fund balances - restated	-	10,798,403	6,970,798	(5,516,566)	5,986,292
Change in fund balance	(2,077,090)	(3,827,605)	(12,487,364)	11,502,858	7,303,786
Change in accounting entity	11,424,441	-	-	-	-
Ending fund balances	$ 9,347,351	$ 6,970,798	$ (5,516,566)	$ 5,986,292	$ 13,290,078

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2021	2022	2023	2024	2025
REVENUES					
Charges for services	$ 5,120,953	$ 5,858,510	$ 7,239,968	$ 6,458,130	$ 6,148,315
Operating grants and contributions	32,027,319	35,583,507	40,552,441	48,009,841	53,192,278
Payments from the State of Michigan - General Fund	43,022,596	39,653,900	37,052,200	53,670,900	52,091,727
Other - miscellaneous	12,464	15,401	120,051	154,229	157,334
Total Revenues	$ 80,183,332	$ 81,111,318	$ 84,964,661	$ 108,293,101	$ 111,589,654
EXPENDITURES					
Current:					
Michigan Veteran Homes at Chesterfield Township	$ 7,728,347	$ 20,303,142	$ 30,583,737	$ 31,358,953	$ 32,416,476
Michigan Veteran Homes D.J. Jacobetti	29,317,294	24,341,966	23,778,172	24,822,563	24,429,511
Michigan Veteran Homes at Grand Rapids	42,173,667	35,821,695	37,040,350	35,578,067	36,500,870
Michigan Veteran Homes administration	2,802,349	3,858,890	4,380,167	3,577,906	4,587,801
Veterans cemetery	85,200	85,200	85,200	84,800	90,200
Veteran Homes special maintenance	153,565	129,939	699,408	414,063	841,966
Information technology services and projects	-	398,090	884,990	879,424	769,559
Capital outlay	-	-	-	48,242	4,710,673
Debt Service:					
Vendor financing payments	-	-	-	49,020	37,616
Total Expenditures	$ 82,260,421	$ 84,938,923	$ 97,452,025	$ 96,813,039	$ 104,384,672
Excess of Revenues over (under) Expenditures	$ (2,077,090)	$ (3,827,605)	$ (12,487,364)	$ 11,480,062	$ 7,204,982
OTHER FINANCING SOURCES (USES)					
Vendor financing acquisitions	$ -	$ -	$ -	$ 22,796	$ 98,804
Total Other Financing Sources (Uses)	$ -	$ -	$ -	$ 22,796	$ 98,804
Special Item	$ 11,424,441	$ -	$ -	$ -	$ -
Net change in fund balances	$ 9,347,351	$ (3,827,605)	$ (12,487,364)	$ 11,502,858	$ 7,303,786

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

PRIMARY AND TOTAL REVENUE SOURCES
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2022	2023	2024	2025
REVENUES					
Federal revenues					
Department of Health and Human Services	$ 4,220,328	$ 8,777,574	$ 9,546,516	$ 9,282,161	$ 8,438,680
Department of Veterans Affairs	17,526,852	26,330,783	30,352,157	38,121,172	43,918,917
Other federal revenues	-	-	64,687	-	-
Total federal revenues	$ 21,747,179	$ 35,108,358	$ 39,963,361	$ 47,403,332	$ 52,357,597
Payments from the State of Michigan	$ 43,022,596	$ 39,653,900	$ 51,552,200	$ 39,170,900	$ 52,091,727
Other revenues					
Charges for services	$ 5,409,625	$ 6,067,853	$ 7,230,917	$ 6,410,010	$ 6,117,861
Private revenues [1]	10,280,139	475,150	589,081	606,509	834,681
Capital grants and contributions	-	21,000	11,500	-	852,464
Other	12,464	15,401	120,051	154,229	157,333
Total other revenues	$ 15,702,229	$ 6,579,403	$ 7,951,549	$ 7,170,748	$ 7,962,339
Total revenues	$ 80,472,004	$ 81,341,661	$ 99,467,109	$ 93,744,980	$ 112,411,663

[1] The accounting treatment changed for the movement of cash between the Authority's fiduciary fund bank accounts in fiscal year 2022, resulting in a decrease in both private revenues and expenditures of approximately $9.8 million. See Note 11 on the Authority's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022 for more information.

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

CLASSIFIED EMPLOYEES BY LOCATION
Last Ten Fiscal Years

	2021	2022	2023	2024	2025
Employees of Michigan Veteran Homes at:					
Chesterfield Township *	44	70	94	88	90
D.J. Jacobetti	152	149	141	141	146
Grand Rapids	154	136	133	135	135
Total employees	350	355	368	364	371
Michigan Veteran Homes Administration	5	7	8	8	8
Total full-time equivalent employees	355	362	376	372	379

* Michigan Veteran Homes at Chesterfield Township opened May of 2021.

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

OPERATING INDICATORS BY LOCATION
Last Ten Fiscal Years

	2021	2022	2023	2024	2025
Members served [1]					
Chesterfield Township *	37	83	155	154	160
D.J. Jacobetti	155	155	147	150	161
Grand Rapids	187	132	147	151	160
Total members served	379	370	449	455	481
Average daily census [2]					
Chesterfield Township *	8	52	96	121	124
D.J. Jacobetti	121	108	109	104	106
Grand Rapids	147	125	120	121	122
Total average daily census	276	285	325	346	352

[1] Represents each distinct individual served.
[2] Calculated by dividing total days of care by number of days in a year.
* Michigan Veteran Homes at Chesterfield Township opened May of 2021.

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Fiscal Years

	2021	2022	2023	2024	2025
Service Era of War					
World War II (12/7/1941-12/31/1946)	35	33	25	14	11
Cold War (1945-1991)	43	24	26	21	-
Korean Conflict (10/7/1950-10/20/1954)	58	54	56	50	43
Vietnam Era (2/28/1961-5/7/1975)	200	210	277	304	336
Gulf War, Persian (8/2/1990-4/6/1991)	6	5	6	9	8
Gulf War, Other (8/2/1990-10/6/2001)	2	4	4	4	3
Gulf War, OEF/OIF/OND (10/7/2001-ongoing)	-	-	4	6	5
Peacetime Veteran	11	20	28	31	61
Dependent	24	20	23	16	14
Gender					
Female	34	31	36	29	29
Male	345	339	413	426	452
Age [1]					
<65	27	28	26	30	28
65-74	114	96	103	87	76
75-84	110	126	197	224	264
85-94	96	87	89	89	87
95+	32	33	34	25	26
Service Connection [2]					
0%	261	226	220	189	168
10% - 60%	23	25	32	30	34
70% - 100%	95	119	197	236	279
Length of Stay [1]					
<3 years	152	200	319	285	262
3-5 years	96	75	43	85	137
6-10 years	74	52	51	48	42
11-15 years	33	24	14	15	19
>16 years	24	19	22	22	21
Payor Type Categories by Days of Care [1]					
Cost of Care	51,520	31,670	17,641	13,534	8,433
Domiciliary	5,452	1,095	1,033	732	730
Full Cost of Care	7,785	7,514	8,475	10,422	9,490
Hospice	826	2,472	3,744	2,315	1,679
Managed Care	-	-	-	24	-
Medicaid	11,751	30,281	37,903	39,155	36,632
Medicare	137	430	859	357	858
Service Connected	23,223	30,598	48,774	60,203	69,786
Other Third Party Payors	-	-	-	-	146

[1] As of September 30 for each fiscal year.

[2] Service connection can change over time for a member; therefore, reported percentages are as of the report compilation date.

The Authority's first year of financial reporting was for the year ended September 30, 2021. This schedule is being built prospectively and will ultimately include data for ten fiscal years.

ACKNOWLEDGMENTS

ACKNOWLEDGMENTS

The *Michigan Veterans' Facility Authority Annual Comprehensive Financial Report* is prepared by the Department of Technology, Management, and Budget (DTMB), Office of Financial Services, Accounting Service Center Division. Staff of the division for the fiscal year 2025 report included:

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Kayla Knoper, Manager

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Samantha Schrauben
Mena Bernaba

Special thanks are also extended to DMVA's Chief Financial Officer; Michigan Veteran Homes management and staff; accounting and support staff throughout DTMB Office of Financial Services; staff at the Office of Financial Management; the Office of the Auditor General; and Andrews Hooper Pavlik PLC. Preparation of this report would not have been possible without the efforts of these individuals.

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

APPENDIX B

Salaries and Benefits Cost of All MVH Staff Positions, FY25

Position/Class	YTD Salary/Long/OT	Benefits	Hours	FTE
ACTIVITIES THERAPY AIDE	$ 1,412,665.28	$ 850,580.78	52,623.19	25.30
ACTIVITIES THERAPY MANAGER	$ 258,558.09	$ 136,027.49	6,264.00	3.01
CARPENTER	$ 69,826.20	$ 38,628.94	2,115.00	1.02
CLINICAL SOCIAL WORKER	$ 462,727.54	$ 264,517.69	12,086.25	5.81
CLINICAL SOCIAL WORK MGR	$ 257,618.99	$ 145,970.04	6,268.75	3.01
CONSERVATION SERVICES	$ 9,042.00	$ 3,626.69	411.00	0.20
COOK	$ 450,930.73	$ 247,283.12	17,958.73	8.63
DEPARTMENTAL ANALYST	$ 459,574.26	$ 286,666.24	11,593.23	5.57
DEPARTMENTAL MANAGER	$ 107,278.08	$ 67,131.53	2,088.00	1.00
DEPARTMENTAL SPECIALIST	$ 114,555.37	$ 68,489.08	2,431.20	1.17
DEPARTMENTAL SUPERVISOR	$ 82,924.15	$ 55,479.69	2,088.00	1.00
DEPARTMENTAL TECHNICIAN	$ 255,020.53	$ 161,569.00	8,368.50	4.02
DIETITIAN NUTRITIONIST	$ 354,361.12	$ 222,750.55	9,919.00	4.77
DIETITIAN NUTRITIONIST MGR	$ 81,312.72	$ 56,540.46	2,090.50	1.01
DOMESTIC SERVICES AIDE	$ 1,380,038.47	$ 864,846.07	54,625.40	26.26
DOMESTIC SERVICES SPV	$ 131,481.30	$ 68,757.34	4,593.60	2.21
ELECTRICIAN LICENSED	$ 81,969.71	$ 54,732.94	2,142.50	1.03
EXECUTIVE SECRETARY	$ 67,022.33	$ 41,715.80	2,048.00	0.98
FOOD SERVICES SUPERVISOR	$ 54,474.52	$ 39,159.54	1,879.97	0.90
GENERAL OFFICE ASSISTANT	$ 535,388.00	$ 334,397.62	19,700.41	9.47
GROUNDSKEEPER-E	$ 61,930.70	$ 48,337.85	2,104.00	1.01
INSTITUTION CHAPLAIN	$ 48,728.81	$ 37,617.61	1,302.15	0.63
LABORER	$ 128,505.72	$ 76,397.42	5,136.30	2.47
MAINTENANCE MECHANIC	$ 623,392.86	$ 341,916.95	20,325.80	9.77
MAINTENANCE MECHANIC SPV	$ 83,320.70	$ 53,710.94	2,088.00	1.00
MEDICAL SERVICES	$ 17,981.25	$ 6,856.29	171.25	0.08
MOTOR VEHICLE OPERATOR	$ 125,116.02	$ 95,801.53	4,925.40	2.37
NOT ENTERED	$ 3,275.60	$ 192.73	0.00	0.00
NURSING SERVICES	$ 15,646.80	$ 6,279.08	236.00	0.11
PHARMACIST SPECIALIST	$ 380,070.90	$ 198,829.73	6,285.00	3.02
PHARMACY ASSISTANT	$ 267,299.36	$ 167,352.94	9,898.63	4.76
PHYSICAL PLANT SUPERVISOR	$ 266,124.04	$ 148,580.36	6,264.00	3.01
PHYSICAL THERAPY AIDE	$ 208,536.58	$ 157,857.49	7,474.65	3.59
PHYSICIAN MANAGER	$ 263,924.19	$ 124,371.90	2,138.35	1.03
PRACTICAL NURSE LICENSED	$ 6,379,489.99	$ 3,669,993.28	170,249.53	81.85

PRACTICAL NURSE LIC NC	$ 12,677.49	$ 5,051.56	308.62	0.15
PRACTICAL NURSE SUP	$ 100,011.60	$ 56,675.65	2,145.40	1.03
RECREATIONAL THERAPIST	$ 283,462.96	$ 161,042.80	8,489.50	4.08
REGISTERED NURSE	$ 3,239,556.85	$ 1,769,754.18	69,682.65	33.50
REGISTERED NURSE-3	$ 91,136.34	$ 40,356.76	1,605.00	0.77
REGISTERED NURSE MANAGER	$ 4,637,467.40	$ 2,456,652.02	89,965.56	43.25
REGISTERED NURSE NC	$ 21,708.37	$ 8,372.48	364.80	0.18
RESIDENT CARE AIDE	$ 3,391,267.31	$ 2,008,574.77	123,829.54	59.53
SECRETARY	$ 124,414.82	$ 88,800.26	4,178.20	2.01
SENIOR EXEC MGT ASST	$ 65,607.03	$ 42,423.02	2,090.00	1.00
SENIOR EXECUTIVE ASST DPTY DIR	$ 133,707.65	$ 57,602.60	2,088.00	1.00
STATE ADMINISTRATIVE MANAGER	$ 587,669.07	$ 314,546.22	9,439.04	4.54
STATE ASSISTANT ADMINISTRATOR	$ 538,273.86	$ 270,034.11	8,354.00	4.02
STATE BUREAU ADMINISTRATOR	$ 170,005.96	$ 92,528.47	2,088.00	1.00
STATE DIVISION ADMINISTRATOR	$ 481,880.22	$ 262,934.92	6,264.00	3.01
STOREKEEPER	$ 197,047.54	$ 126,640.33	7,413.40	3.56
TEACHING SERVICES	$ 16,026.00	$ 6,110.72	400.65	0.19
WORD PROCESSING ASSISTANT	$ 58,705.11	$ 47,034.31	2,088.00	1.00
Totals	$ 29,650,738.49	$ 16,958,101.89	800,688.65	384.95

New Home For Veterans Construction Update

MVFA Board Meeting
Mike Hassan
20 January 2026

New Marquette Construction Update

Contract Metrics:

- Design Contract No. DO 23*8838/DTMB Y-23126
- Design Contract Award (1/27/2023) $519,673.00
  - Mods 1-9 $5,803,344.60
  - Total Design Contract Amount $6,323,017.60
  - Design Progress (as of Dec 2025)95% Compl/95% Schld
- Construction Management Contract DO 171 23*19331/Y23120
- CM Contract Award $197,536.00
  - Mods 1-2 $328,500.00
  - Mod 3 $2,234,571.00
  - Mod 4 $8,730,360.00
  - Total partial CM Contract $10,964,931.00

Cost Schedule Quality Overall

Total VA/SBA Project Budget: $97.509M

Administrative Expenses	$ 1,000,000.00
Design Contract	$ 5,800,000.00
Construction Contract	$ 83,286,714.29
FF&E	$ 3,265,000.00
Contingency	$ 4,157,855.00

Primary Contacts:

- MVH Dr. Mike Hassan, (517) 275-2761
- DTMB Mr. Chris Parsons & Jeff Barsch, (517) 256-5677
- Perkins Eastman Mr. Ramu Ramachandran, (213) 237-6683
- The Christman Company Mr. Mike Tarwater (616) 799-5959

- **Construction Management Contract:**
  - Total Contracts Awarded as of Dec 2025: ~$11M
  - Total Remaining Contracts: ~$76M
- **Significant Activities as of Dec 2025:**
  - SHPO/USDVA approved no historical impact Apr 2025
  - Final EA/FONSI issued by USDVA in July 2025
  - Grant approved FY24 priority 1
    - Grant Conditional Letter submitted 6 Dec 2024
    - Conditional Grant approval 8/1/2025
    - Final budget submitted in Sep 2025
    - Awaiting Final MOA and grant approval
    - MOA delayed by VA due to pending format revisions. Expect MOA signing in Feb 2026
  - Wetland mitigation permit issued Sep 2025
  - Partial Site Work & mobilization began Jul 2025
  - Relocation of Venture Drive completed in October 2025; Opened for traffic Nov 2025
  - Easement agreement with Marquette County Road Commission completed 4 Nov 2025
  - Neighborhood 1 foundation and underground utilities in progress as of mid December 2025

New Marquette Veterans Home

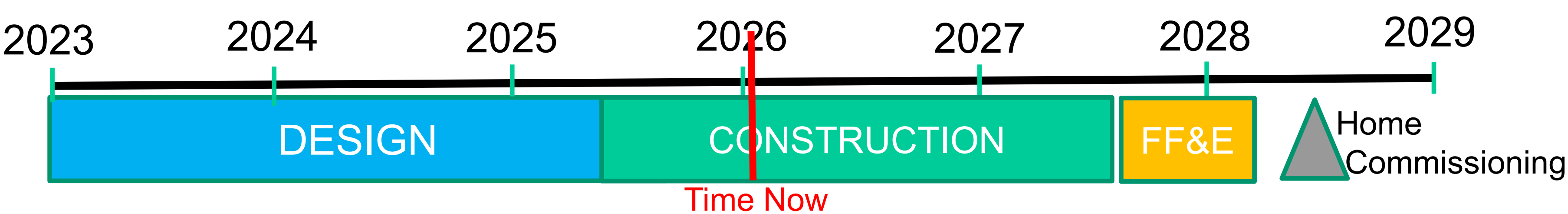
- The Home concept is more home-like than institutional
  - Emphasize layouts that create common living spaces for socialization, dining, and activities, while providing a private bedroom and personal bathroom for each resident
- The proposed concept consists of 108 beds (≈142K SF) divided into 3 one-story small house-based Neighborhood buildings around a central Community Center, and a Maintenance/Warehouse building
  - The Neighborhood building (≈31.87K SF ea) includes 36 resident rooms with private bathrooms, Nurse stations, kitchenette, dining facilities, and living spaces
  - The Community Center building (≈36.78K SF) includes multipurpose rooms, main kitchen, chapel, bistro, occupational & physical therapy spaces, and medical & administrative offices
  - Maintenance/Warehouse/Garage building (≈6.66K SF)
  - The surrounding grounds designed for additional recreation and exercise opportunities

New Marquette Veterans Home
Team Composition

- **DMVA/MVFA/MVH: Owner Agency**
  - **Requiring Office**
- **DTMB: Design and Construction Manager**
  - **Manage and Administer the Contracts for A/E and CM**
- **Perkins Eastman: Architect-Engineer Firm**
  - **Design of Facilities**
- **The Christman Company: Construction Management**
  - **Bidding and Procurement of Construction Services**
  - **On-site Construction Management for Compliance and Quality Assurance**
- **Central Procurement** (later in 2026)
  - **Furniture Furnishing and Equipment**
- **SOM/Commercial IT software/equipment** (later in 2026)

Project Milestones

- 95% design complete: Feb 2025
  - Revisions made to reduce cost
- Bid package released: Feb 2025
  - Re-bid most WCs in June 2025
- Tree clearing 100% complete: March 2025
- Contractor mobilization: July 2025
- Construction period: 24 months
- Date construction expected to be completed: Late 2027
- FF&E, Training, Inspection, Licensing, etc.: Late 2027
- Home Commissioning and relocation from old facility: Mid 2028



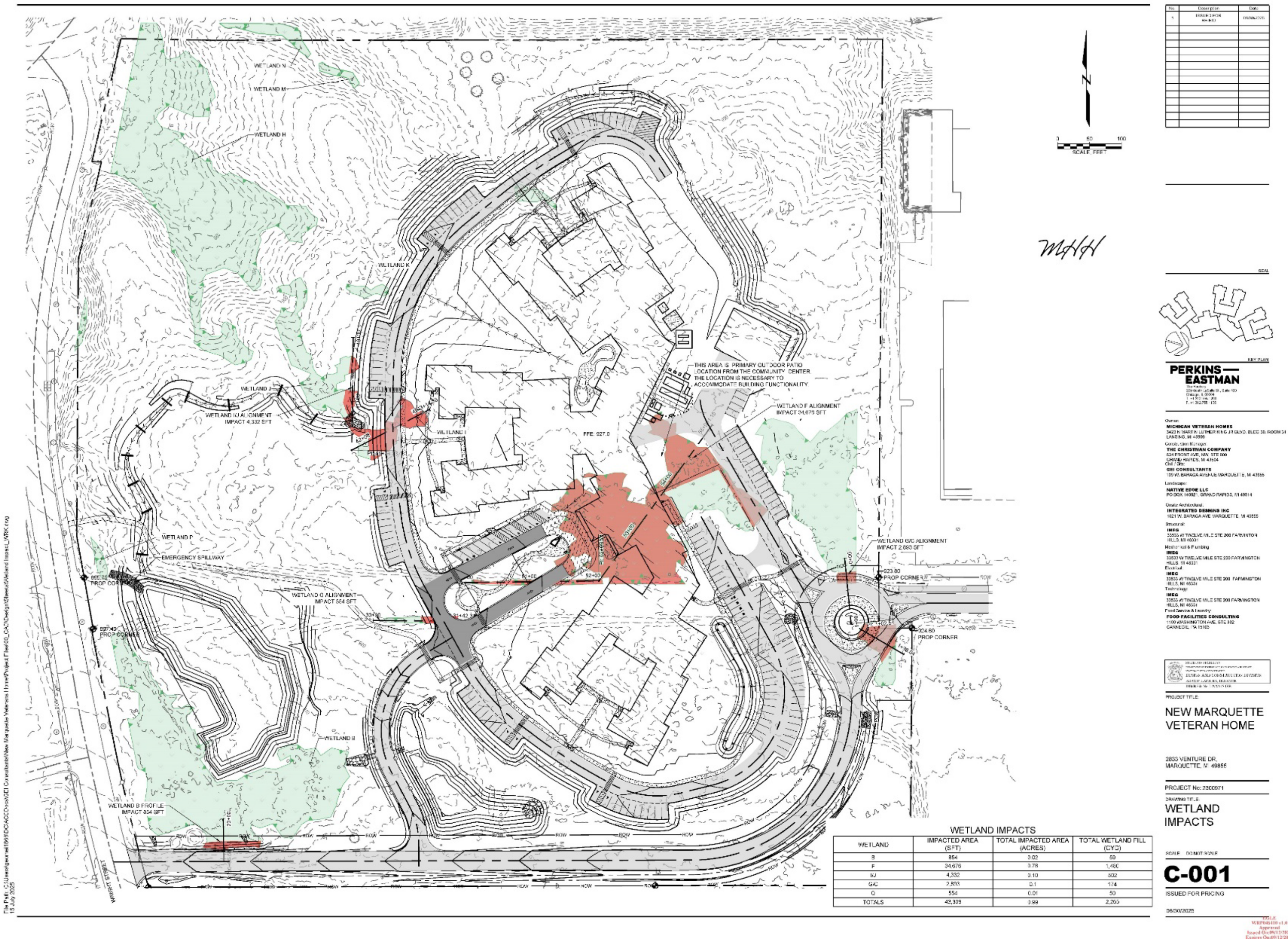
New Marquette Veteran Home Site Rendering

Marquette Community Center Main Entrance Rendering

New Marquette Veteran Home Neighborhood Rendering

New Marquette Veteran Home Neighborhood Renderings

New Marquette Veteran Home
Site layout



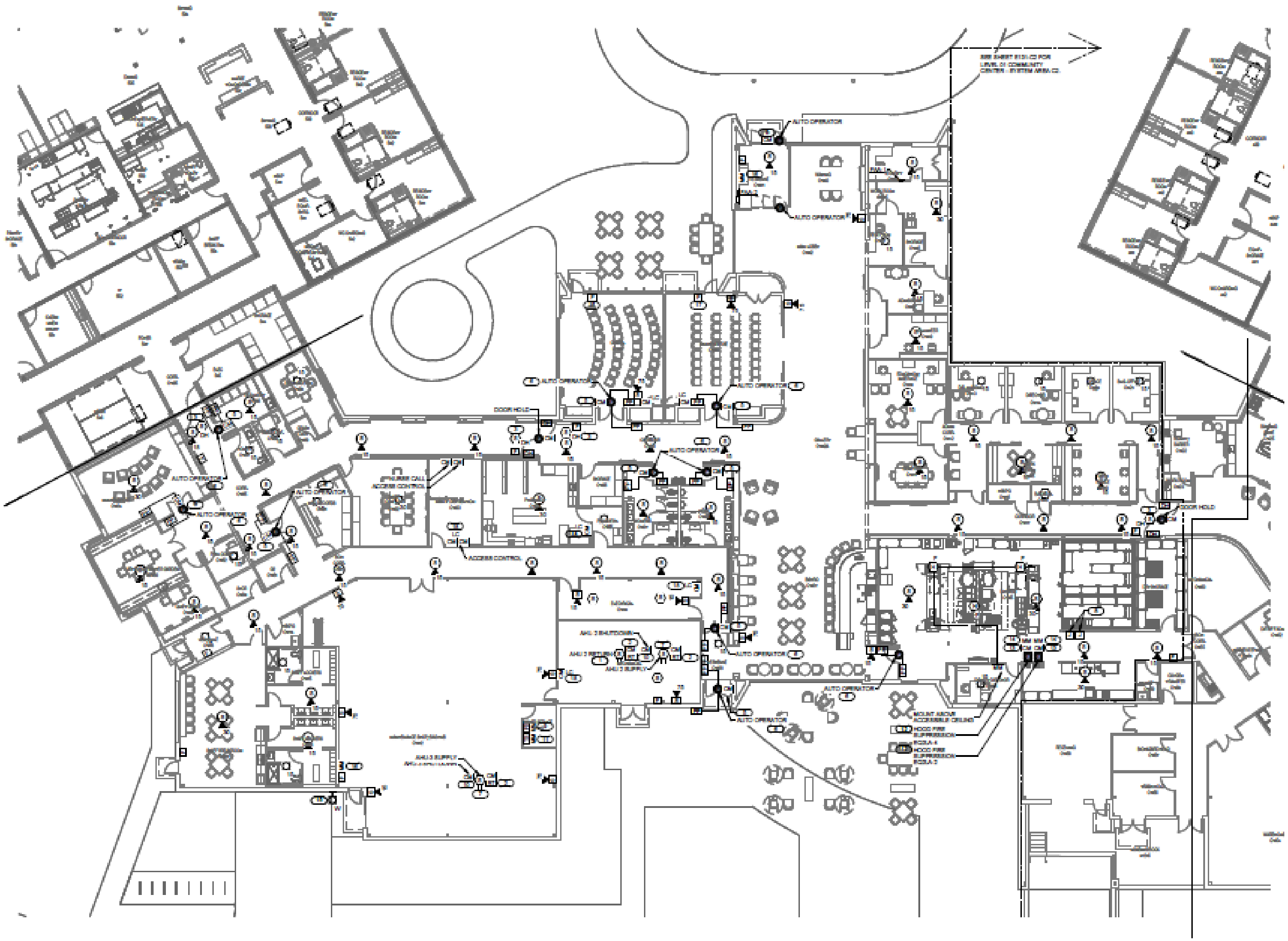
WETLAND IMPACTS

WETLAND	IMPACTED AREA (SFT)	TOTAL IMPACTED AREA (ACRES)	TOTAL WETLAND FILL (CYD)
B	854	0.02	50
F	34,676	0.78	1,480
K/J	4,332	0.10	502
G/C	2,893	0.1	174
Q	554	0.01	50
TOTALS	43,309	0.99	2,265

New Marquette Veteran Home Neighborhood Floor Plan

MICHIGAN VETERAN HOMES

New Marquette Veteran Home Community Center Floor Plan



MICHIGAN VETERAN HOMES

Marquette New Home
Earthwork in Progress
8/10/2025

Marquette New Home Earthwork in Progress 8/27/2025

West Pond in Progress 8/27/2025

East Pond in Progress 8/27/2025

Marquette New Home
Earthwork in Progress

Sanitary Pipe installation 10/24/2025

Water Main Pipe installation 10/24/2025

Marquette New Home Earthwork in Progress 12/12/2025

Ground Thaw Unit

Underground Piping Installation – Neighborhood 1

Marquette New Home Neighborhood 1 Progress 12/12/2025

Installing Sanitary Sewer Neighborhood 1

Installing Storm Pipe/Structure along Perimeter Road