Lansing Board of Water and Light Defined Contribution Plan and Trust 1

Financial Report

With Required Supplementary Information

As of and for the Years Ended June 30, 2022 and 2021

Lansing Board of Water and Light
Defined Contribution Plan and Trust 1

Contents

Independent Auditors' Report

To the Honorable Mayor, Members of the City Council,
Commissioners of the Board of Water and Light of
Lansing Board of Water and Light
Defined Contribution Plan and Trust 1

Opinion

We have audited the accompanying financial statements of the Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (the Plan), a fiduciary fund of the Lansing Board of Water and Light, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2022 and 2021 and the respective changes in the Plan's fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Plan is presenting only the financial statements of the Plan and do not purport to, and do not, present fairly the financial position of the Lansing Board of Water and Light, as of June 30, 2022 and 2021, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Plan’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.

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

Baker Tilly US, LLP

Madison, Wisconsin
September 12, 2022

Using this Annual Report

The annual report consists of two parts: (1) Management's Discussion and Analysis (this section) and (2) the financial statements. The financial statements include notes that explain information in the statements and provide more detail.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior two fiscal years:

	2022	2021	2020
Assets held in trust:			
Mutual funds	$ 139,302,720	$ 159,281,467	$ 148,613,938
Stable value	29,720,419	35,542,619	36,833,694
Guaranteed income fund	-	-	8,975,990
Self-directed brokerage account	11,157,807	12,317,950	6,330,405
Participant notes receivable and other	3,302,591	3,424,144	3,251,182
Net position	**$ 183,483,537**	**$ 210,566,180**	**$ 204,005,209**
Changes in plan assets:			
Net investment income (loss)	$ (17,658,093)	$ 39,694,089	$ 8,692,176
Employer and participant contributions	11,864,174	8,679,314	7,199,159
Benefits paid to participants	(20,560,553)	(41,414,977)	(11,912,104)
Loan defaults and other changes	(728,171)	(397,455)	(245,034)
Changes in net position	**$ (27,082,643)**	**$ 6,560,971**	**$ 3,734,197**

Investment Objectives

The principal purpose of the Lansing Board of Water & Light Defined Contribution Plan and Trust 1 ("Plan") is to provide eligible Plan participants with a retirement income benefit at a normal retirement age. The Plan's investment funds are selected to optimize return on a risk-adjusted basis within each asset class, to provide an opportunity to create a well-diversified portfolio, to control administrative and management cost, and to comply with applicable Michigan and federal law.

Pursuant to the Plan's Investment Policy Statement, each participant may direct the investment of funds in their Plan account across various investment options. The plan is sponsored by the Lansing Board of Water & Light ("BWL"). The Retirement Plan Committee on behalf of the Trustee periodically reviews the performance of investment options available to participants to ensure that each option is meeting its investment objectives.

Investment Results

The fiscal year ended June 30, 2022 saw a net investment loss of ($17.7) million. Total assets held in trust at the end of the fiscal year were $183 million.

Future Events

The BWL has no plan to materially revise the terms of its Plan.

Contacting the Plan's Management

The financial report is intended to provide a general overview of the Plan's finances and to demonstrate accountability for the funds it administers. Questions about this report should be submitted to Lansing Board of Water & Light Defined Contribution Plan and Trust 1, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Lansing Board of Water and Light
Defined Contribution Plan and Trust 1

Statements of Fiduciary Net Position

	As of June 30	
	2022	2021
Assets		
Participant-directed investments (Note 1):		
Mutual funds	$ 139,302,720	$ 159,281,467
Stable value	29,720,419	35,542,619
Self-directed brokerage account	11,157,807	12,317,950
Total participant-directed investments	180,180,946	207,142,036
Participant notes receivable	3,302,591	3,424,144
Net Position Restricted for Pensions	**$ 183,483,537**	**$ 210,566,180**

Lansing Board of Water and Light
Defined Contribution Plan and Trust 1

Statements of Changes in Fiduciary Net Position

	For the Year Ended June 30	
	2022	2021
Additions		
Investment income:		
Net appreciation in fair value of investments	$ -	$ 33,701,209
Dividend income	2,665,738	5,992,880
Total investment income	2,665,738	39,694,089
Employer contributions (Note 1)	11,134,555	7,863,510
Participant rollover contributions	-	467,189
Interest from participant notes receivable	729,619	227,245
Other	-	121,370
Total additions	14,529,912	48,373,403
Deductions		
Investment loss:		
Net depreciation in fair value of investments	20,323,831	-
Benefits paid to participants	20,560,553	41,414,977
Loan defaults	577,197	231,871
Participants' note and administrative fees	150,974	165,584
Total deductions	41,612,555	41,812,432
Net Increase (Decrease) in Net Position	(27,082,643)	6,560,971
Net Position Restricted for Pensions		
Beginning of year	210,566,180	204,005,209
End of year	**$ 183,483,537**	**$ 210,566,180**

See Notes to Financial Statements.

Note 1 – Plan Description

The following description of Lansing Board of Water & Light Defined Contribution Plan and Trust 1 ("Plan") provides only general information. Participants should refer to the Plan Documents, in conjunction with the Plan Adoption Agreement, for a more complete description of the Plan's provisions.

General - The Plan was established by the Lansing Board of Water & Light ("BWL") in 1997 under Section 5-203.10 of the City Charter. Prior to its establishment, the BWL sponsored a defined benefit plan (Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees' Pensions) in which substantially all employees of the BWL were participants. Effective December 1, 1997, all active participants of the defined benefit plan were required to make an irrevocable choice to either remain in the defined benefit plan or move to the newly established Plan. Those participants who elected to move to the Plan received lump-sum distributions from the defined benefit plan, which were rolled into their accounts in the Plan. Of the 760 active participants who were required to make this election, 602 elected to convert their retirement benefits to the Plan. As a result of this action, effective December 1, 1997, the Board of Commissioners transferred $75,116,470 to the Plan, reflecting the plan participants' accumulated benefits as of said date.

For FY 2021 and a portion of FY 2022, ICMA-RC served as Plan recordkeeper and was responsible for Plan administration and processing of participant investments. During FY 2022, this role was transitioned to Nationwide Retirement Solutions ("Nationwide").

Contributions - For eligible employees hired before January 1, 1997, the BWL is required to contribute 15% of the employees' eligible compensation. For employees hired on or after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute an additional 3.0% of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5% of the employees' compensation for all non-bargaining employees. As part of the transition to Nationwide, effective April 25, 2021, the Lansing Board of Water & Light adopted Nationwide's prototype plan documents.

Note 1 – Plan Description (Continued)

Participant Accounts – Each participant's account is credited with the participant's rollover contributions and withdrawals, as applicable, and allocations of the BWL's contributions and Plan earnings. Allocations are based on participants' earnings or account balances, as defined in the Plan document. Forfeited balances of terminated participants' non-vested accounts are used to reduce future BWL contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

As of June 30, 2022, there were 1,030 participants in the Plan, of which 639 were active employees. As of June 30, 2021, there were 948 participants in the Plan, of which 656 were active employees.

Vesting – The portion of employer contribution which is subject to vesting is vested on the following schedule: 25% vested after three years and an additional 25% after each subsequent completed year of service.

Investment Options – Participants may direct contributions to any of the following investment options, some of which are administered by subsidiaries (or related parties) of Nationwide. Since Nationwide is a service provider to the Plan, transactions in the Nationwide Stable Value Account qualify as party-in-interest transactions.

Stable Value – Seeks safety of principal, adequate liquidity, and returns superior to shorter maturity alternatives by actively managing a diversified portfolio of assets issued by highly rated financial institutions and corporations as well as obligations of the U.S. government or its agencies.

Balanced – Seeks both current income and capital appreciation by investing in a combination of stocks, bonds, and money market instruments.

Growth – Seeks long-term capital appreciation by investing primarily in equity securities of companies with above-average growth prospects. Current income is a secondary concern.

Note 1 – Plan Description (Continued)

International – Seeks long-term capital appreciation by investing primarily in equity securities of issuers located outside of the U.S.

Stock Funds – Seeks long-term growth through capital gains, although historically dividends have been an important source of total return. These funds primarily invest in the common stocks of companies based in the United States. There are many options for diversification within this category.

Bond and Equity Funds – Seeks to maximize current income with capital appreciation as a secondary consideration by investing primarily in debt securities issued by the U.S. government or its agencies and domestic and foreign corporations. They are not fixed-income investments. Even when a mutual fund's portfolio is composed entirely of bonds, the fund itself has neither a fixed yield nor a contractual obligation to give investors back their principal at some later maturity date - the two key fixed characteristics of individual bonds.

Self-directed Brokerage Account - Participants meeting minimum balance and transaction requirements may transfer funds to a self-directed brokerage account providing access to additional investment options including a large selection of mutual funds.

Participant Notes Receivable - Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of the lesser of $50,000 or 50% of their account balances. Notes receivable are treated as transfers between the investment fund and the notes receivable fund. Note terms range from one to five years or up to 20 years for the purchase of a primary residence. The notes receivable are secured by the balance in the participant's account and bear interest at a rate commensurate with prevailing rates as determined periodically by the Plan administrator. Principal and interest are paid ratably through payroll deductions.

Note 1 – Plan Description (Continued)

Payment of Benefits – Upon termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or choose from a variety of periodic payment options. Upon reaching normal retirement age, a participant may elect to receive in service distributions.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting – Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Plan participant contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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

Valuation of Investments and Income Recognition – The investments are stated at fair value based on closing sales prices reported on recognized securities exchanges on the last business day of the year, or for listed securities having no sales reported, and for unlisted securities, upon the last reported bid prices on that date. The mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year-end.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date.

Note 2 – Summary of Significant Accounting Policies (Continued)

Participant Notes Receivable – Participant notes receivable are recorded at their unpaid principal balances plus any accrued interest. Participant notes receivable are written off when deemed uncollectible.

Expenses – Substantially all Plan expenses are paid by Plan participants.

Regulatory Status – The Plan is not subject to the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) as it has been established for the benefit of a governmental unit.

Note 3 – Investments

The Plan is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, bonds, mutual funds, collective investment funds, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Plan's deposits and investment policies are in accordance with PA 196 of 1997 and have authorized the investments according to Michigan PA 314 of 1965, as amended.

Custodial Credit Risk of Bank Deposits – As of June 30, 2022 and 2021, the Plan has no bank deposits.

Custodial Credit Risk of Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Plan and are therefore not subject to custodial credit risk.

Note 3 – Investments (Continued)

Credit Risk – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2022, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds – Bond funds	$ 16,900,960	Not rated	Not rated

As of June 30, 2021, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds – Bond funds	$ 16,365,491	Not rated	Not rated

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's investment policy does not address this risk. At June 30, 2022, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds – Bond funds	$16,900,960	6.7 years

At June 30, 2021, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds – Bond funds	$16,365,491	5.6 years

Note 4 – Plan Termination

Although it has not expressed any intention to terminate the Plan, the BWL has the right to do so at any time. In the event of any termination of the Plan, or upon complete or partial discontinuance of contributions, the accounts of each affected participant shall become fully vested.

Note 5 – Tax Status

The Plan utilizes Nationwide's prototype plan document. The prototype plan has received a favorable opinion letter from the Internal Revenue Service (IRS) that the prototype plan, as designed, is qualified for federal income tax-exempt status. The Plan has not individually sought its own determination letter.

Note 6 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Note 6 – Fair Value Measurements (Continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021:

Money market fund, growth funds, and international funds: Valued at the quoted net asset value ("NAV") of shares held by the Plan at year-end.

Common stock and bond and equity funds: Valued at the most recent closing price reported on the market on which individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Stable value fund: The Vantagepoint PLUS Fund is a collective fund that seeks to maintain a stable net asset value. It invests primarily in a diversified portfolio of stable-value investments, including traditional guaranteed investment contracts (traditional GICs), separate account GICs, synthetic GICs backed by fixed income securities or investments, and short-term investment funds, including money market mutual funds. The Nationwide Stable Value Account ("Account") is a Separate Account Product that seeks to provide a low-risk, stable investment option offering consistently competitive returns for retirement plan investors. The Account invests in a diversified portfolio of fixed income securities. Nationwide Life Insurance Company provides a crediting rate guarantee each quarter, which is backed by the assets in the Account and the claims paying ability of Nationwide Life Insurance Company. Assets in the Account are not part of the General Account of Nationwide Life Insurance Company. This investment portfolio is not a mutual fund.

Note 6 – Fair Value Measurements (Continued)

Self-directed brokerage account: The self-directed brokerage account allows participants of the Plan the option of selecting a more personalized and broad range of investment choices. The investments within the account consist of corporate stocks, which are valued at the most recent closing price reported on the market on which individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2022 and 2021:

	June 30, 2022			
Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	$ 16,900,960	$ –	$ –	$ 16,900,960
Stock funds	52,769,642	–	–	52,769,642
Balanced funds	55,251,321	–	–	55,251,321
International funds	14,380,797	–	–	14,380,797
Self-directed brokerage account	11,157,807	–	–	11,157,807
Total Investments by Fair Value Level	$ 150,460,527	$ –	$ –	150,460,527
Investments measured at the net asset value (NAV)				
Stable value				29,720,419
Total Investments				$ 180,180,946

Note 6 – Fair Value Measurements (Continued)

	June 30, 2021			
Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond and equity funds	$ 16,365,491	$ –	$ –	$ 16,365,491
Stock funds	69,556,974	–	–	69,556,974
Balanced funds	55,153,523	–	–	55,153,523
International funds	18,205,479	–	–	18,205,479
Self-directed brokerage account	12,317,950	–	–	12,317,950
Total Investments by Fair Value Level	$ 171,599,417	$ –	$ –	171,599,417
Investments measured at the net asset value (NAV)				
Stable value				35,542,619
Total Investments				$ 207,142,036

Investments Measured Using NAV per Share Practical Expedient: The stable value fund uses NAV per share as a practical expedient to measuring fair value. The stable value fund had a fair value of $29,720,419 and $35,542,619 as of June 30, 2022 and 2021, respectively. This fund has no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Note 7 – Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Note 8 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 12, 2022, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.