Board of Water and Light – City of Lansing, Michigan

Financial Report
with Additional Information
As of and for the Years Ended June 30, 2022
and 2021

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Independent Auditors' Report

To the Honorable Mayor, Members of
the City Council, and Commissioners
Lansing Board of Water and Light

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Lansing Board of Water and Light (BWL), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the BWL's basic 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 respective financial position of the business-type activities and fiduciary activities of the BWL as of June 30, 2022 and 2021 and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 BWL 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 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 rise substantial doubt about the BWL'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.

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

Supplementary Information

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

Baker Tilly US, LLP

Madison, Wisconsin
September 12, 2022

This section explains the general financial condition and results of operations for the Lansing Board of Water and Light ("BWL"). The BWL includes the consolidated operations of the electric, water, steam, and chilled water utilities. The notes to financial statements following this section are essential reading for a complete understanding of the financial and operational results for the years ended June 30, 2021 and 2022.

Overview of Business

The BWL owns and operates an electric system which generates, purchases, and distributes electric energy to over 98,702 retail customers in the greater Lansing area, and wholesale customers through participation in the Midcontinent Independent System Operator, Inc. (MISO), which is BWL's regional electric grid. The BWL generated 57 percent of its retail and wholesale sales from existing generation assets. Additional electric generation was supplied through BWL's membership in the Michigan Public Power Agency, which includes BWL's partial ownership of Detroit Edison's Belle River Plant, through MISO, and renewable energy purchase power agreements. The BWL maintains a diversified generation portfolio which includes wind and solar. The combination of renewable energy generation and energy efficiency programs support BWL's adopted plan to provide 50% clean energy by 2030 and carbon neutrality by 2040.

The BWL owns and operates water wells, a raw water transmission system, water conditioning facilities, and an extensive water distribution system serving potable water to over 57,773 residential, commercial, and industrial customers in the greater Lansing area.

The BWL owns and operates steam generation boilers, a steam transmission and distribution system serving 158 customers. BWL's chilled water facility and distribution system serves 19 customers in the City of Lansing.

Capital Expenditures

Capital expenditures are driven by the need to replace, expand, or maintain the generation, transmission, and distribution systems of the BWL to meet customer utility needs and to maintain a high level of service reliability. The BWL invests essentially all revenues not paid out for operations and maintenance expense, nonoperating expenses, or debt service back into capital improvements for its water, electric, steam, and chilled water systems. Gross capital expenditures were $121.7 and $227.7 million in fiscal years 2022 and 2021, respectively.

The BWL generally pays the cost of its capital improvements from internally generated funds; however, revenue bonds are issued from time to time to support large projects or special needs such as construction of generation facilities.

Detailed financial information for the separate utilities of water, electric, steam, and chilled water can be found in the Additional Information section of this financial report.

Condensed Financial Information (dollars in millions)

	As of June 30			% Change
	2022	2021	2020	2021 to 2022
Assets				
Utility plant	$ 1,165.7	$ 1,116.7	$ 945.5	% 4.4
Other assets	480.4	589.6	538.4	(18.5)
Total assets	1,646.1	1,706.3	1,483.9	(3.5)
Deferred Outflow of Resources	36.2	14.4	27.7	151.4
Liabilities				
Long-term liabilities	843.2	848.6	710.1	(0.6)
Other liabilities	93.4	96.0	97.4	(2.7)
Total liabilities	936.6	944.6	807.5	(0.8)
Deferred Inflow of Resources	48.9	90.8	71.5	(46.1)
Net Position				
Net investment in capital assets	347.0	382.4	395.0	(9.3)
Restricted for debt service	42.9	39.4	56.6	8.9
Restricted for pension	2.8	13.2	3.4	(78.8)
Restricted for OPEB	71.7	100.1	44.2	(28.4)
Unrestricted	232.5	150.2	133.4	54.8
Net position	**$ 696.9**	**$ 685.3**	**$ 632.6**	**% 1.7**

Capital expenditures in FY2022 exceeded depreciation, impairments, and retirements thereby increasing Utility plant assets by $49 million. Other assets decreased by $109.2 million as cash was used to pay for the new Delta Energy Park Plant. Deferred Outflows increased by $21.8 million because of increased long-term pension costs associated with recent weak investment market performance. Total liability decreased by $8 million driven by long-term debt pay off. Deferred Inflows decreased by $41.9 million primarily due to changes in OPEB retirement plan.

Condensed Financial Information (dollars in millions)

	For the Year Ended June 30			% Change
	2021	2020	2020	2020 to 2021
Results of Operations				
Operating revenues	$ 397.1	$ 364.6	$ 356.9	8.9
Operating expenses	348.4	318.5	312.1	9.4
Nonoperating expense - Net	(37.1)	(16.4)	(12.4)	(126.2)
Changes in Net Position	**$ 11.6**	**$ 29.7**	**$ 32.4**	(60.9)

The $16.5 million increase in operating revenue is primarily driven by stronger electric wholesale as a result of additional production capacity provided by the new Delta Energy Park Plant. The $48.2 million increase in Operating Expense is attributable primarily to increased fuel costs ($21.7 million), increased administrative and general costs ($16.8 million), and increased depreciation costs ($8.1 million). The decrease in net income is primarily due to the increased operating expense and weak investment performance.

Budget – The BWL Commissioners approved a $274.1 million operating expense budget (excluding depreciation and Return on Equity) for fiscal year 2022. Actual expenses (excluding depreciation and Return on Equity) were $226.9 million. The capital improvement budget, net of customer contributions in aid of construction, was $114.9 million for FY2022, and actual net capital expenditures were $111.9 million. The difference between the capital budget and actual spend is due to resource and supply chain constraints associated with the COVID-19 pandemic.

Financing Activities - In January of 2021, $126,895,000 of Utility System Revenue Bonds, Series 2021A and 2021B were issued for the purposes of paying costs to acquire and construct a natural gas combined cycle facility (Delta Energy Park), other system improvements and paying costs of issuance of the Series 2021A and 2021B Bonds. Delta Energy Park began operation in fiscal year 2022.

Statements of Net Position

	As of June 30 2022	As of June 30 2021
Assets		
Current Assets		
Restricted cash and investments (Notes 2 and 3)	$ 57,811,015	$ 54,138,202
Cash and investments (Notes 1 and 2)	116,820,869	95,542,379
Designated cash and investments (Notes 1 and 2)	90,395,671	94,660,432
Accounts receivable - Net (Note 1)	34,547,239	37,226,864
Estimated unbilled accounts receivable (Note 1)	18,401,799	21,952,042
Inventories (Note 1)	24,563,413	19,438,308
Other	5,699,286	5,578,090
Total current assets	348,239,292	328,536,317
Other Assets		
Restricted assets:		
Net pension asset (Note 8)	2,772,080	13,214,275
Net OPEB asset (Note 8)	71,731,218	100,098,736
Recoverable environmental remediation (Note 6)	10,926,545	(176,459)
Recoverable energy asset (Note 6)	9,100,838	3,433,712
Special deposit (Note 1)	35,321,165	46,321,165
Other (Note 1)	2,305,930	2,303,856
Total other assets	132,157,776	165,195,285
Noncurrent Restricted Assets (Investments) (Notes 2 and 3)	-	95,811,832
Utility Plant (Notes 1 and 4)		
Water	352,112,157	342,755,610
Electric	1,221,755,100	767,218,396
Steam	95,083,252	93,813,398
Chilled water	34,099,039	34,099,039
Common facilities	123,793,139	121,006,776
Total	1,826,842,687	1,358,893,219
Less accumulated depreciation	684,169,705	632,129,662
Net	1,142,672,982	726,763,557
Construction in progress	23,067,588	389,971,984
Total utility plant	1,165,740,570	1,116,735,541
Total assets	1,646,137,638	1,706,278,975
Deferred Outflows of Resources		
Bond refunding loss being amortized (Note 1)	7,761,184	8,265,962
Pension deferred outflows (Note 8)	3,219,778	-
OPEB deferred outflows (Note 8)	25,258,227	6,151,506
Total deferred outflows of resources	36,239,189	14,417,468

See Notes to Financial Statements.

Statements of Net Position (Continued)

	As of June 30	
	2022	2021
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 51,164,510	$ 60,834,289
Current portion of long-term debt (Note 5)	13,758,537	8,247,081
Accrued payroll and related taxes	3,829,254	3,431,715
Customer deposits	4,414,682	3,168,577
Accrued compensated absences (Note 1)	5,285,286	5,472,358
Accrued interest	70,492	74,120
Accrued interest (payable from restricted assets)	14,865,308	14,758,356
Total current liabilities	93,388,069	95,986,496
Compensated Absences - Less current portion (Note 1)	7,876,408	7,593,221
Other Long-term Liabilities		
Workers' compensation (Note 12)	2,200,000	2,200,000
Environmental remediation liability (Note 9)	16,751,328	6,074,152
Other	3,578,875	2,563,402
Total other long-term liabilities	22,530,203	10,837,554
Long-term Debt - Less current portion (Note 5)	812,761,597	830,140,656
Total liabilities	936,556,277	944,557,927
Deferred Inflows of Resources		
Revenue intended to cover future costs (Note 6)	9,576,810	11,191,959
Pension deferred inflows (Note 8)	-	5,106,435
OPEB deferred inflows (Note 8)	39,338,804	74,524,240
Total deferred inflows of resources	48,915,614	90,822,634
Net Position		
Net investment in capital assets	346,981,620	382,425,598
Restricted for debt service (Note 3)	42,945,707	39,379,846
Restricted for pension	2,772,080	13,214,275
Restricted for OPEB	71,731,218	100,098,736
Unrestricted	232,474,311	150,197,427
Total net position	**$ 696,904,936**	**$ 685,315,882**

See Notes to Financial Statements.

Board of Water and Light - City of Lansing, Michigan

Statements of Revenues, Expenses, and Changes in Net Position

	For the Year Ended June 30	
	2022	2021
Operating Revenues (Note 1)		
Water	$ 49,028,486	$ 50,030,466
Electric	330,052,908	311,943,793
Steam	11,934,516	12,568,831
Chilled water	6,133,254	6,035,559
Total operating revenues	397,149,164	380,578,649
Operating Expenses		
Production:		
Fuel, purchased power, and other operating expenses	149,112,738	127,372,727
Maintenance	14,534,397	12,309,025
Transmission and distribution:		
Operating expenses	8,314,546	7,843,891
Maintenance	19,040,926	19,830,569
Administrative and general	75,850,273	59,408,186
Return on equity (Note 7)	25,000,000	25,000,000
Depreciation (Note 1)	56,503,060	48,428,670
Total operating expenses	348,355,940	300,193,068
Operating Income	48,793,224	80,385,581
Nonoperating Income (Expenses)		
Investment income (loss)	(5,372,203)	218,186
Other expense	(4,949,145)	(2,563,980)
Bonded debt interest expense	(26,862,101)	(25,277,445)
Other interest expense	(20,721)	(29,007)
Total nonoperating expenses - Net	(37,204,170)	(27,652,246)
Net Income (Changes in Net Position)	11,589,054	52,733,335
Net Position - Beginning of year	685,315,882	632,582,547
Net Position - End of year	**$ 696,904,936**	**$ 685,315,882**

See Notes to Financial Statements.

Statements of Cash Flows

	For the Year Ended June 30	
	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	391,147,612	357,194,605
Cash paid to suppliers	(219,455,255)	(169,975,635)
Cash paid to employees	(70,225,674)	(63,885,612)
Return on equity (Note 7)	(25,000,000)	(25,000,000)
Cash from customer deposits	1,246,105	341,368
Interest on customer deposits	(20,721)	(29,007)
Net cash provided by operating activities	77,692,067	98,645,719
Cash Flows from Capital and Related Financing Activities		
Proceeds from new borrowings	-	150,227,550
Planned, bonded, and annual construction	(109,323,551)	(239,991,514)
Principal payments on debt	(8,247,081)	(7,942,340)
Bond issuance costs	-	(877,616)
Interest on debt	(29,874,522)	(26,559,890)
Net cash used in capital and related financing activities	(147,445,154)	(125,143,810)
Cash Flows from Investing Activities		
Proceeds from the sale and maturity of investments	72,970,360	16,113,742
Interest received	577,541	27,579
Purchase of investments	(40,612,570)	(95,129,398)
Net cash provided by investing activities	32,935,331	(78,988,077)
Net Decrease in Cash and Cash Equivalents	(36,817,756)	(105,486,168)
Cash and Cash Equivalents - Beginning of year	174,632,180	280,118,348
Cash and Cash Equivalents - End of year	**$ 137,814,424**	**$ 174,632,180**

Statements of Cash Flows (Continued)

	For the Year Ended June 30	
	2022	2021
Balance Sheet Classifications		
Restricted cash and investments	$ 57,811,015	$ 54,138,202
Cash and investments	116,820,869	95,542,379
Designated cash and investments	90,395,671	94,660,432
Noncurrent restricted assets	-	95,811,832
Deferred Outflows of Resources	265,027,555	340,152,845
Less noncash investments	(127,213,131)	(165,520,665)
Cash and Cash Equivalents - End of year	**$ 137,814,424**	**$ 174,632,180**

	For the Year Ended June 30	
Reconciliation of Operating Income to Net Cash from Operating Activities	2022	2021
Operating income	$ 48,793,224	$ 80,385,581
Adjustments to reconcile operating income to net cash from operating activities:		
Other nonoperating	(5,956,664)	(3,529,678)
Depreciation	56,503,060	48,428,670
Sewerage collection fees	1,007,519	965,698
Interest on customer deposits	(20,721)	(29,007)
Decrease (increase) in assets:		
Accounts receivable (Note 1)	2,679,625	(12,258,741)
Unbilled accounts receivable (Note 1)	3,550,243	(1,958,619)
Inventories	(5,125,105)	5,220,387
Other postemployment benefits asset and deferrals	(25,924,639)	(26,552,395)
Special deposit	11,000,000	-
Net pension asset	10,442,195	(9,825,802)
Other	(11,226,274)	746,613
(Decrease) increase in liabilities and deferred outflows/inflows of resources:		
Accounts payable and other accrued expenses	4,993,673	16,595,562
Customer deposits	1,246,105	341,368
Net pension asset deferrals	(8,326,213)	6,748,913
Other	(5,943,961)	(6,632,831)
Total adjustments	28,898,843	18,260,138
Net cash provided by operating activities	**$ 77,692,067**	**$ 98,645,719**

Noncash Capital and Financing Activities		
Increase (decrease) in noncash investment valuations	$ (5,949,744)	$ 190,607
Amortization of bond premium	$ 3,115,745	$ 2,685,102

Board of Water and Light - City of Lansing, Michigan

Pension and OPEB Trust Funds - Statements of Fiduciary Net Position

	As of June 30	
	2022	2021
Assets		
Receivable - investment interest receivable	$ 4,262	$ 14,445
Trade receivable - due from broker	500,000	156,206
Investments at fair value:		
Cash and money market trust fund	2,265,886	2,444,491
Fixed income securities	-	286
Mutual funds	272,683,507	313,067,727
Stable value	29,720,419	35,542,619
Common collective funds	107,550,995	95,817,229
Common stock	35,111,266	57,340,518
Self-directed brokerage account	11,157,807	12,317,950
Participant notes receivable	3,302,591	3,424,144
Total investments	461,792,471	519,954,964
Liabilities		
Trade payable - due to broker	14,328	158,109
Net Position - Held in trust for pension and other employee benefits	**$ 462,282,405**	**$ 519,967,506**

See Notes to Financial Statements.

Board of Water and Light - City of Lansing, Michigan

Pension and OPEB Trust Funds - Statements of Changes in Fiduciary Net Position

	For the Year Ended June 30	
	2022	2021
Increases		
Investment income:		
Net appreciation in		
fair value of investments	$ -	$ 91,950,661
Interest and dividend income	12,639,775	8,984,877
Net investment income	12,639,775	100,935,538
Employer contributions	24,627,312	16,207,487
Participant rollover contributions	-	467,189
Interest from participant notes receivable	729,619	227,245
Other	-	121,370
Total increases	37,996,706	117,958,829
Decreases		
Net depreciation in		
fair value of investments	54,945,742	-
Retiree benefits paid	39,519,468	55,417,326
Loan defaults	577,197	231,871
Participants' note and administrative fees	639,400	739,032
Total decreases	95,681,807	56,388,229
Change in Net Position Held in Trust	(57,685,101)	61,570,600
Net Position Held in Trust for Pension and Other Employee Benefits		
Beginning of year	519,967,506	458,396,906
End of year	**$ 462,282,405**	**$ 519,967,506**

See Notes to Financial Statements.

Note 1 – Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Board of Water and Light ("BWL"):

Reporting Entity – The BWL, a related organization of the City of Lansing, Michigan ("City"), is an administrative board established by the City Charter. The City Charter grants the BWL full and exclusive management of the electric, water, steam, and chilled water services of the City. The commissioners of the governing board are appointed by the mayor with approval of the City Council. The BWL provides water, steam, chilled water, and electric services to the City and surrounding townships. The governing board (Board of Commissioners) has the exclusive authority to set rates for the services provided. The financial statements include the financial activities of the electric, water, steam, and chilled water operations of the BWL. The financial statements also include the financial activities of the BWL Pension and OPEB Trust Funds. The BWL is exempt from taxes on income because it is a municipal entity.

Fund Accounting – The BWL accounts for its activities in two different fund types. In order to demonstrate accountability for how it has spent certain resources, separate funds allow the BWL to show the particular expenditures that specific revenues were used for. The funds are aggregated into two fund types:

Enterprise funds provide goods or services to users in exchange for charges or fees.

Fiduciary funds

1. The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 and Lansing Board of Water and Light Defined Benefit Plan and Trust for Employee Pensions, which accumulate resources for benefit payments to retirees.

2. The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light, a Voluntary Employees' Beneficiary Association ("VEBA"), which accumulates funds for future payment of retiree health benefits.

Basis of Accounting – Enterprise funds and 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. In addition, the utilities meet the criteria and, accordingly, on July 1, 2012, the BWL adopted the accounting and reporting requirements of GASB 62, paragraphs 476-500.

Note 1 – Significant Accounting Policies (Continued)

The BWL follows the accounting and reporting requirements of GASB 62, paragraphs 476-500, which require that the effects of the ratemaking process be recorded in the financial statements. Such effects primarily concern the time at which various items enter into the determination of net income in order to follow the principle of matching costs and revenues. Accordingly, the BWL records various regulatory assets, liabilities and deferred inflows of resources to reflect the regulator's actions (see Note 6). Management believes that the BWL meets the criteria for continued application of GASB 62 paragraphs 476-500, but will continue to evaluate its applicability based on changes in the regulatory and competitive environment.

System of Accounts – The BWL's accounts are maintained substantially in accordance with the Uniform Systems of Accounts of the Federal Energy Regulatory Commission for its electric and steam systems and in accordance with the Uniform Systems of Accounts of the National Association of Regulatory Utility Commissioners for the water and chilled water systems. The chart of accounts dictates how the BWL classifies revenue and expense items in the statement of revenues, expenses, and changes in net position as operating and nonoperating.

Rate Matters – Rates charged to customers are established solely by the governing board. The BWL has agreed to set rates sufficient to meet certain requirements of the bond resolutions for the outstanding revenue bonds.

Note 1 – Significant Accounting Policies (Continued)

Operating Classification – Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, return on equity, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Report Presentation – This report includes the fund-based statements of the BWL. In accordance with government accounting principles, a government-wide presentation with program and general revenues is not applicable to special purpose governments engaged only in business-type activities.

Specific Balances and Transactions

Cash and Cash Equivalents – The BWL considers demand deposits and current restricted funds, which consist of cash and highly liquid investments with an original maturity of 90 days or less, as cash and cash equivalents for financial statement purposes.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between two willing parties. Fair values are based on methods and inputs as discussed in Note 2. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

Note 1 – Significant Accounting Policies (Continued)

Investments – The BWL has established special purpose funds designated to meet anticipated operating requirements. In addition, BWL management has established a future construction fund designated to meet future construction requirements. These funds consist principally of securities issued or backed by the government of the United States or its agencies, including but not limited to treasury notes and bonds, and are segregated as follows:

	Carrying Value	
	2022	2021
Designated purpose:		
Coal inventory fluctuation	$ 4,941,326	$ 5,167,717
Litigation, environmental, and uninsured losses	19,980,153	20,899,034
Future water facilities	4,028,141	4,214,580
Subtotal	28,949,620	30,281,331
Special purpose – Future construction	61,446,051	64,379,101
Total	$ 90,395,671	$ 94,660,432

Accounts Receivable – Accounts receivable are stated at net invoice amounts. A general valuation allowance is established based on an analysis of the aged receivables and historical loss experience. All amounts deemed to be uncollectible are charged to expense in the period that determination is made. Accounts receivables are not deemed uncollectible until they are approximately 425 days past due and have remained completely unpaid throughout the BWL's collection policy. The components of accounts receivable for 2022 and 2021 are as follows:

	2022	2021
Customer receivables	$ 27,097,260	$ 31,410,114
Sewerage collections	3,757,329	4,304,382
Miscellaneous	6,292,650	4,512,368
Less allowance for doubtful accounts	(2,600,000)	(3,000,000)
Net	$ 34,547,239	$ 37,226,864

Note 1 – Significant Accounting Policies (Continued)

Special Deposit – In 2018, the BWL contracted with Consumer's Energy to install a new gas pipeline. Under the terms of the contract, the BWL was expected to make installment payments totaling up to $52,000,000 throughout the construction period. Based on usage of the new pipeline, the BWL is eligible to recover all but $10,000 of the installment payments. As of June 30, 2021, the BWL has made installment payments totaling $46,280,000. During 2022, the BWL received $11,000,000 back due to lower than expected construction costs. The BWL estimates it will recover the remaining installment payments based on expected usage. The long-term other asset for the Consumer's Energy deposit recorded was $35,280,000 in 2022 and $46,280,000 in 2021. The BWL has $41,165 of miscellaneous other deposits as of June 30, 2022 and 2021.

Inventories – Inventories are stated at weighted average cost and consist of the following at June 30:

	2022	2021
Coal	$ 6,736,960	$ 4,522,480
Gas	2,349,152	450,076
Materials and supplies	12,439,239	14,465,752
Emissions allowances	3,038,062	-
Total	$ 24,563,413	$ 19,438,308

Utility Plant – The utility plant is stated on the basis of cost, which includes expenditures for new facilities and those which extend the useful lives of existing facilities and equipment. Expenditures for normal repairs and maintenance are charged to maintenance expense as incurred. Capital assets are generally defined as assets with an initial, individual cost of more than $5,000 and an estimated life in excess of one year.

Note 1 – Significant Accounting Policies (Continued)

Depreciation – Depreciation of the utility plant is computed using the straight-line method based on estimated useful lives. The resulting provisions for depreciation in 2022 and 2021, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

	Life (Years)	Average Rate (Percent) 2022	2021
Classification of utility plant			
Water	4-100	1.9	1.9
Electric	4-50	3.6	3.8
Steam	5-50	3.5	3.2
Chilled water	5-50	3.4	3.4
Common facilities	4-50	8.0	6.9

When units of property are retired, their costs are removed from the utility plant and charged to accumulated depreciation.

Accrued Compensated Absences – The BWL records a liability for estimated compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the BWL and its employees. This liability is accrued as employees earn the rights to such benefits. The BWL estimates the total current and noncurrent portions of the liability to be $13,161,694 and $13,065,579 as of June 30, 2022 and 2021, respectively.

Capital Contributions – Capital contributions represent nonrefundable amounts received for the purpose of construction for the utility plant. These contributions are from third parties, including amounts from customers, grant programs, and insurance proceeds from damage. Electric, water, and steam contributions are credited against the related assets or recorded as a separate regulatory deferred inflow of resources and will offset the depreciation of the related assets over the estimated useful lives. This treatment is consistent with the BWL’s ratemaking policy and is thus permitted under GASB 62 paragraphs 476-500.

Note 1 – Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BWL has four items that qualify for reporting in this category. The deferred outflows of resources relate to deferred losses on refunding, pension related deferrals under GASB 68, OPEB related deferrals under GASB 75 and recoverable energy asset.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The BWL has the following items that qualify for reporting in this category: the deferred inflows of resources related to costs that have been recovered from customers and will be applied to customers in the future related to the renewable energy plan and energy optimization, chiller plant, and Wise Road items described in Note 6, pension related deferrals under GASB 68, and OPEB related deferrals under GASB 75.

Net Position – Equity is classified as net position and displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted for Debt Service** – Consists of net position with constraints placed on their use by revenue bond resolution.

- **Restricted for Pension and OPEB** – Consists of net position with constraints placed on their use as this balance must be used to fund employee benefits.

- **Unrestricted** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Note 1 – Significant Accounting Policies (Continued)

Net Position Flow Assumption – Sometimes the BWL will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the BWL's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Pension Asset – A net pension asset is recorded in accordance with GASB Statement No. 68. The asset is the difference between the actuarial total pension liability and the Plan's fiduciary net position as of the measurement date. See Note 8 for additional information.

Other Assets – Other assets consists of a deposit held with the Michigan Public Power Agency (MPPA) related to the Belle River project.

Long-Term Obligations – Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow on the statements of net position.

Unbilled Accounts Receivable and Revenue – Unbilled accounts receivable at June 30, 2022 and 2021 represents the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period). Accordingly, the current year revenue from customers whose billing period ends after June 30 for services rendered prior to July 1 will be recognized in the current period.

Note 1 – Significant Accounting Policies (Continued)

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("Plan"), a fiduciary fund of the BWL, and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Inter-utility Transactions – The water, electric, steam, and chilled water operations of the BWL bill each other for services provided and these services are reported as revenue to the generating operation and expense to the consuming operation. Such internal billings aggregated $7,374,184 and $10,799,069 in 2022 and 2021, respectively, and are not eliminated in the statement of revenues, expenses, and changes in net position.

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

Reclassifications – Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Note 2 - Cash, Investments, and Fair Value Disclosure

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts, or depository receipts of an eligible financial institution; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The operating cash investment policy adopted by the BWL in accordance with Public Act 20, as amended, and the Lansing City Charter has authorized investment in bonds and securities of the United States government, certificates of deposit, time deposits, and bankers' acceptances of qualified financial institutions, commercial paper rated A1 by Standard & Poor's and P1 by Moody's, repurchase agreements using bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States, and liquid asset accounts managed by a qualified financial institution using any of these securities. The BWL's deposits and investment policies are in accordance with statutory authority.

Michigan Cooperative Liquid Assets Securities System (MI CLASS) reports the fair value of its underlying assets annually. Participants in the MI CLASS have the right to withdraw their funds in total on one day's notice. At June 30, 2022 and 2021, the fair value of the MI CLASS' assets were substantially equal to the utility's share. MI CLASS is rated AAAm by Standard and Poor's. The BWL also has cash and investments with Governments of Michigan Investing Cooperatively (GovMIC). The GovMIC cash and investments are recorded at amortized cost which approximates fair value.

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

Note 2 - Cash, Investments, and Fair Value Disclosure (Continued)

BWL's Cash and Investments (exclusive of fiduciary funds)

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the BWL's deposits may not be returned to it. The BWL requires that financial institutions must meet minimum criteria to offer adequate safety to the BWL. At June 30, 2022 and 2021, the BWL had $21,768,427 and $27,440,533, respectively, of bank deposits that were uninsured and uncollateralized. The BWL evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the BWL will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The BWL does not have a policy for custodial credit risk.

At June 30, 2022, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the BWL's name:

Type of Investment	Cost Basis	How Held
U.S. government or agency bond or notes	$111,071,862	Counterparty
State and local bonds	2,710,446	Counterparty

At June 30, 2021, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the BWL's name:

Type of Investment	Cost Basis	How Held
U.S. government or agency bond or notes	$127,568,432	Counterparty
State and local bonds	2,858,446	Counterparty

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The BWL's investment policy restricts investments to a maximum weighted average life of five years unless matched to a specific cash flow.

Note 2 – Cash, Investments, and Fair Value Disclosure (Continued)

At June 30, 2022, the average maturities of investments are as follows:

Investment	Fair Value	Less than 1 year	1-5 years	6+ years
Pooled investment funds	$ 89,968,380	$ 89,968,380	$ –	$ –
U.S. treasury bonds	80,161,262	6,820,535	73,340,727	–
State and local bonds	2,710,446	733,413	1,977,033	–
U.S. agency bonds/notes	23,690,132	8,253	14,298,417	9,383,462
Supra national agency bonds	7,220,468	1,801,906	5,418,562	–
Total	$ 203,750,688	$ 99,332,487	$ 95,034,739	$9,383,462

At June 30, 2021, the average maturities of investments are as follows:

Investment	Fair Value	Less than 1 year	1-5 years	6+ years
Pooled investment funds	$ 78,735,746	$ 78,735,746	$ –	$ –
U.S. treasury bonds	80,470,044	6,198,561	74,271,483	–
State and local bonds	2,858,446	–	2,858,446	–
U.S. agency bonds/notes	40,557,595	500,597	29,064,208	10,992,790
Supra national agency bonds	6,540,792	506,783	6,034,009	–
Total	$ 209,162,623	$ 85,941,687	$ 112,228,146	$10,992,790

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

As of June 30, 2022, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	$ 89,968,380	AAAm	S&P
U.S. treasury bonds	80,161,262	AA+ (Aaa)	S&P (Moody's)
U.S. agency bonds/notes	23,690,132	AA+ (Aaa)	S&P (Moody's)
Supra national agency bonds	7,220,468	AAA (Aaa)	S&P (Moody's)
State and local bonds	2,710,446	AAA (Aaa)	S&P (Moody's)
Money Markets	1,158,357	AAAm	S&P

Note 2 - Cash, Investments, and Fair Value Disclosure (Continued)

As of June 30, 2021, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	$ 54,763,861	AAAm	S&P
U.S. treasury bonds	80,470,044	AA+ (Aaa)	S&P (Moody's)
U.S. agency bonds/notes	40,557,595	AA+ (Aaa)	S&P (Moody's)
Supra national agency bonds	6,540,792	AAA (Aaa)	S&P (Moody's)
State and local bonds	2,858,446	AAA (Aaa)	S&P (Moody's)
Money Markets	23,971,885	AAAm	S&P

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. As of June 30, 2022 and 2021, the BWL's investment portfolio was concentrated as follows:

Investment	2022	2021
Fannie Mae	12%	16%
Freddie Mac	20%	26%

Fair Value

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

Note 2 - Cash, Investments, and Fair Value Disclosure (Continued)

The following investments are recorded at fair value using *the Matrix Pricing Technique.*

	June 30, 2022			
Investment	Level 1	Level 2	Level 3	Total
U.S. Treasury Bonds	$ -	$ 80,161,262	$ -	$ 80,161,262
Supra National Agency Bonds	-	7,220,468	-	7,220,468
Federal Agency Mortgage-Backed Security	-	7,033,035	-	7,033,035
Federal Agency Collateralized Mortgage Obligation	-	2,358,680	-	2,358,680
State and local bonds	-	2,710,446	-	2,710,446
Federal Agency Bond/Note	-	14,298,417	-	14,298,417
Total investments at fair value level	$ -	$113,782,308	$ -	$113,782,308

	June 30, 2021			
Investment	Level 1	Level 2	Level 3	Total
U.S. Treasury Bonds	$ -	$ 80,470,044	$ -	$ 80,470,044
Supra National Agency Bonds	-	6,540,792	-	6,540,792
Federal Agency Mortgage-Backed Security	-	7,128,318	-	7,128,318
Federal Agency Collateralized Mortgage Obligation	-	12,661,131	-	12,661,131
State and local bonds	-	2,858,446	-	2,858,446
Federal Agency Bond/Note	-	20,768,146	-	20,768,146
Total investments at fair value level	$ -	$130,426,877	$ -	$130,426,877

Note 2 – Cash, Investments, and Fair Value Disclosure (Continued)

Fiduciary Fund Investments

Interest Rate Risk – Pension and OPEB Trust Funds

At June 30, 2022, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity (in years)
Mutual Fund – Bond Funds	$ 16,900,960	6.7

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

Investment	Fair Value	Weighted Average Maturity (in years)
Fixed income securities	$ 286	10.17
Mutual Fund – Bond Funds	16,365,491	5.9

Credit Risk – Pension and OPEB Trust Funds

As of June 30, 2022, the credit quality ratings of debt securities (other than the U.S. government) subject to credit risk are as follows:

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

Note 2 – Cash, Investments, and Fair Value Disclosure (Continued)

As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds – Bond funds	$ 16,365,491	Not rated	Not rated
Fixed income securities	286	AA	S&P

Fair Value – Pension Trust Funds

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.
- 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.

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

Note 2 - Cash, Investments, and Fair Value Disclosure (Continued)

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, corporate bonds and notes, U.S. government obligations, and fixed income securities: 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: 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.

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.

Note 2 - Cash, Investments, and Fair Value Disclosure (Continued)

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
Cash and money market trust fund	$ –	$ 2,751,558	$ –	$ 2,751,558
Mutual funds	139,302,720	133,380,787	–	272,683,507
Common collective funds	51,016,434	56,534,561	–	107,550,995
Common stocks	35,111,266	–	–	35,111,266
Self-directed brokerage account	11,157,807	–	–	11,157,807
Total investments by fair value level	$ 236,588,227	$ 192,666,906	$ –	429,255,133
Investments measured at the net asset value (NAV)				
Stable value				29,720,419
Total investments				$ 458,975,552

Note 2 - Cash, Investments, and Fair Value Disclosure (Continued)

	June 30, 2021			
Investment Type	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	$ –	$ 2,444,491	$ –	$ 2,444,491
Fixed income securities	–	286	–	286
Mutual funds	159,281,467	153,786,260	–	313,067,727
Common collective funds	37,364,419	58,452,810	–	95,817,229
Common stocks	57,340,518	–	–	57,340,518
Self-directed brokerage account	12,317,950	–		12,317,950
Total investments by fair value level	$ 266,304,354	$ 214,683,847	$ –	480,988,201
Investments measured at the net asset value (NAV)				
Stable value				35,542,619
Total investments				$ 516,530,820

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 3 – Restricted Assets

Restricted assets are required under the 2011A, 2013A, 2017A, 2018A, 2019A, 2019B, 2021A and 2021B Revenue Bond resolutions and the related Nonarbitrage and Tax Compliance Certificates. These assets are segregated into the following funds:

	Required at June 30, 2022	Carrying Value 2022	Carrying Value 2021
Current			
Operations and Maintenance Fund	$ 29,973,800	$ 29,973,800	$ 26,760,813
Bond and Interest Redemption Fund	23,414,141	27,837,215	27,377,389
Total current	53,387,941	57,811,015	54,138,202
Noncurrent			
Construction Fund	–	–	95,811,832
Total noncurrent	–	–	95,811,832
Total	$ 53,387,941	$ 57,811,015	$ 149,950,034

The carrying value in excess of the required value for the current portion is reported as cash and cash equivalents or investments for the years ended 2022 and 2021.

The restrictions of the various funds required per the bond resolutions are as follows:

- **Operations and Maintenance Fund** – By the end of each month, this fund shall include sufficient funds to provide for payment of the succeeding month's expenses.
- **Bond and Interest Redemption Fund** – Restricted for payment of the current portion of bond principal and interest on the 2011A, 2013A, 2017A, 2018A, 2019A, 2019B, 2021A and 2021B Revenue Bonds.
- **Construction Fund** – Restricted for utility system upgrades as required by the 2019A, 2021A and 2021B Revenue Bonds.

In addition, restricted assets have been reported in connection with the net pension and OPEB asset balances since this balance must be used to fund employee benefits.

Note 4 – Utility Plant

The tables below reflect the capital asset activity of the utility plant categories for the years ended June 30, 2022 and 2021:

Capital Asset Activity for Year Ended June 30, 2022

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	$ 342,755,610	$ 6,813,770	$ 4,473,979	$ (1,931,202)	$ 352,112,157
Electric	767,218,396	374,909,747	84,410,804	(4,783,847)	1,221,755,100
Steam	93,813,398	901,607	704,281	(336,034)	95,083,252
Chilled	34,099,039	–	–	–	34,099,039
Common	121,006,776	1,382,160	5,405,777	(4,001,574)	123,793,139
AUC	389,971,984	(479,002,125)	112,359,884	(262,155)	23,067,588
Total	$ 1,748,865,203	$ (94,994,841)	$ 207,354,725	$ (11,314,812)	$ 1,849,910,275

Accumulated Depreciation for Year Ended June 30, 2022

	Accum. Depr. FY Start	Depreciation Transfer	Depr. / Amort. and Impairment for Year	Depreciation Retirement	Accum. Depr. FY End
Water	$ (123,549,399)	$ 769,475	$ (7,660,769)	$ 1,641,470	$ (128,799,223)
Electric	(402,437,990)	44,822	(36,959,559)	1,254,384	(438,098,343)
Steam	(27,821,940)	27,723	(3,308,014)	14,679	(31,087,552)
Chilled	(16,118,783)	–	(1,168,953)	–	(17,287,736)
Common	(62,201,550)	(842,020)	(9,844,802)	3,991,521	(68,896,851)
Total	$ (632,129,662)	$ –	$ (58,942,097)	$ 6,902,054	$ (684,169,705)

Non-depreciable assets – Included in the table above are non-depreciable assets of $1,194,869 for water, $14,749,322 for electric, $124,098 for steam, and $412,339 for common facilities.

Capital Asset Activity for Year Ended June 30, 2021

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	$ 336,328,287	$ 3,055,861	$ 5,677,325	$ (2,305,863)	$ 342,755,610
Electric	808,880,819	4,089,732	19,057,000	(64,809,155)	767,218,396
Steam	82,102,414	865,786	12,160,340	(1,315,142)	93,813,398
Chilled	34,085,016	223	13,800	–	34,099,039
Common	106,256,804	6,784,783	9,425,963	(1,460,774)	121,006,776
AUC	226,845,122	(61,130,814)	224,257,676	–	389,971,984
Total	$ 1,594,498,462	$ (46,334,429)	$ 270,592,104	$ (69,890,934)	$ 1,748,865,203

Accumulated Depreciation for Year Ended June 30, 2021

	Accum. Depr. FY Start	Depreciation Transfer	Depr. / Amort. and Impairment for Year	Depreciation Retirement	Accum. Depr. FY End
Water	$ (118,249,387)	$ 24,058	$ (7,363,416)	$ 2,039,346	$ (123,549,399)
Electric	(433,593,153)	20,249	(30,498,098)	61,633,012	(402,437,990)
Steam	(26,203,745)	–	(2,780,847)	1,162,652	(27,821,940)
Chilled	(14,944,537)	–	(1,174,246)	–	(16,118,783)
Common	(55,988,791)	(44,307)	(7,594,689)	1,426,237	(62,201,550)
Total	$ (648,979,613)	$ –	$ (49,411,296)	$ 66,261,247	$ (632,129,662)

Non-depreciable assets - Included in the table above are non-depreciable assets of $1,194,869 for water, $14,749,322 for electric, $124,098 for steam, and $412,339 for common facilities.

Erickson Power Station Impairment – In 2017, the BWL agreed to close the Erickson Power Station by 2025 as a result of a settlement with the Sierra Club in support of BWL's strategic plan. As a result, BWL recorded an impairment of $9,337,129 in 2017 using the service units approach to measure the impairment. In 2021, the estimated date of closure was re-examined and determined to be May 2023. Asset cost and accelerated depreciation were adjusted from the initial impairment and an additional impairment loss of $4,304,965 was recognized in 2021. In 2022, the estimated date of closure was re-examined and determined to be November 2022. Accelerated depreciation was adjusted from the previous impairment adjustment and additional impairment loss of $1,456,410 was recognized in 2022.

Note 5 - Long-term Debt

Long-term debt as of June 30 consists of the following:

	2022	2021
Water Supply, Steam, Chilled Water, and Electric Utility System Revenue Taxable Bonds, Series 2021A, due in annual principal installments beginning July 1, 2025 and continuing through July 1, 2051, plus interest at a rate of 5.00%. Original amount of issue $56,020,000.	$ 56,020,000	$ 56,020,000
Water Supply, Steam, Chilled Water, and Electric Utility System Revenue Taxable Bonds, Series 2021B, due in annual principal installments beginning July 1, 2026 and continuing through July 1, 2051, initial term rate is 2%, with an assumed interest rate of 3.5% following the mandatory tender in 2026. Original amount of issue $70,875,000	70,875,000	70,875,000
Water Supply, Steam, Chilled Water, and Electric Utility System Revenue Refunding Taxable Bonds, Series 2019B, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2041, plus interest at rates ranging from 1.95% to 3.53%. Original amount of issue $251,995,000.	251,995,000	251,995,000
Water Supply, Steam, Chilled Water, and Electric Utility System Revenue Refunding Bonds, Series 2019A, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2048, plus interest at rates ranging from 4.00% to 5.00%. Original amount of issue $319,875,000.	319,875,000	319,875,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2017A, due in annual principal installments beginning July 1, 2019 and continuing through July 1, 2032, plus interest at a rate of 5.00%. Original amount of issue $30,365,000.	25,345,000	27,085,000
Water Supply, Steam, Chilled Water, and Electric Utility System Revenue Refunding Bonds, Series 2013A, due in annual principal installments beginning July 1, 2014 through July 1, 2026, plus interest at rates ranging from 2.00% to 5.00%. Original amount of issue $21,085,000.	10,060,000	11,795,000

Note 5 - Long-term Debt (Continued)

	2022	2021
Water Supply, Steam, Chilled Water, and Electric Utility System Revenue Bonds, Series 2011A. These bonds were refunded as part of the 2019A Refunding Bonds, which are now due in annual principal installments beginning July 1, 2015 through July 1, 2021, plus interest at rates ranging from 3.00% to 5.00%. Original amount of issue $250,000,000.	$ -	$ 3,965,000
Promissory note, due to the City of Lansing in semi-annual installments through October 1, 2024, plus interest at a rate of 2.50%. Original amount of issue $13,225,385.	4,744,325*	5,420,601*
Lansing Economic Development Corp due in annual installments of $4,500 through 2022.	-	4,500*
Charter Township of Lansing Special Assessment pertaining to the Groesbeck II Park Drain. Due in annual installments ranging from $132,000 to $291,000 with final payment in 2044.	2,905,023*	3,031,328*
Total	741,819,348	750,066,429
Less current portion	(13,758,537)	(8,247,081)
Plus unamortized premium	84,700,786	88,321,308
Total long-term portion	$ 812,761,597	$ 830,140,656

The unamortized premium and deferral on refunded bonds is being amortized over the life of the bonds, using the straight-line method.

* - The debt noted is directly placed with a third party.

Note 5 - Long-term Debt (Continued)

Aggregate principal and interest payments applicable to revenue debt are as follows:

	Principal	Interest	Total
2023	$ 12,950,000	$ 29,639,615	$ 42,589,615
2024	13,410,000	29,180,346	42,590,346
2025	13,890,000	28,693,944	42,583,944
2026	14,545,000	28,184,110	42,729,110
2027	15,085,000	27,634,880	42,719,880
2028-2032	83,840,000	135,207,744	219,047,744
2033-2037	99,845,000	119,261,840	219,106,840
2038-2042	119,845,000	99,135,610	218,980,610
2043-2047	160,625,000	69,600,875	230,225,875
2048-2052	200,135,000	26,465,550	226,600,550
Total	$ 734,170,000	$ 593,004,514	$ 1,327,174,514

Aggregate principal and interest payments applicable to direct placement debt are as follows:

	Principal	Interest	Total
2023	$ 808,537	$ 224,219	$ 1,032,756
2024	819,635	204,237	1,023,872
2025	777,438	184,669	962,107
2026	766,153	165,789	931,942
2027	712,205	147,609	859,814
2028-2032	2,123,411	514,587	2,637,998
2033-2037	631,527	312,359	943,886
2038-2042	631,527	170,378	801,905
2043-2045	378,915	34,076	412,991
Total	$ 7,649,348	$ 1,957,923	$ 9,607,271

All Water Supply and Electric Utility System Revenue Bonds were issued by authority of the BWL. All bonds were issued on a parity basis and are payable solely from the net revenue of the combined water, electric, chilled water, and steam operations of the BWL.

Note 5 – Long-term Debt (Continued)

The 2021A Bonds are payable in annual installments in the years 2025 through 2051, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2031 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2031 at par plus accrued interest to the fixed date for redemption.

The 2021B Bonds are payable in annual installments in the years 2026 through 2051, inclusive, and are subject to optional and mandatory redemption prior to maturity. The put bonds maturing on or after January 1, 2026 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after January 1, 2026 at par plus accrued interest to the fixed date for redemption. The mandatory tender for purchase date of the Bonds is July 1, 2026—the first business day following the last day of the Initial Term Interest Rate Period. In the event not all the Bonds are purchased on or before the Purchase Date, a Delayed Remarketing Period shall commence during which the Bonds will bear interest at a Stepped Interest Rate. Additional information is available in the Official Statement for the Series 2021B Bonds.

The 2019B Bonds are payable in annual installments in the years 2022 through 2041, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2030 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2029 at par plus accrued interest to the fixed date for redemption.

The 2019A Bonds are payable in annual installments in the years 2022 through 2048, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2028 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2028 at par plus accrued interest to the fixed date for redemption.

Note 5 - Long-term Debt (Continued)

The 2017A Bonds are payable in annual installments in the years 2019 through 2027, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds, or portions of the bonds in multiples of $5,000 maturing or subject to mandatory redemption in the years 2028 and thereafter, shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2027 at par plus accrued interest to the fixed date for redemption.

The 2013A Bonds are payable in annual installments in the years 2014 to 2024, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2024 shall be subject to redemption at the option of the BWL on or after July 1, 2023 as a whole or in part at any time and by lot within a maturity at par plus accrued interest to the redemption date.

The Series 2011A Bonds are payable in annual installments in the years 2015 to 2022, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2022 shall be subject to redemption at the option of the BWL on or after July 1, 2021 as a whole or in part at any time and by lot within a maturity at par plus interest accrued to the redemption date. These bonds were part of an advanced refunding with the issuance of the 2019B Revenue bonds. The final maturity for these bonds was on July 1, 2022.

The long-term debt activity for the year ended June 30, 2022 is as follows:

	Revenue Bonds (Net of Unamortized Premiums)	Other Notes	Total
Beginning balance	$ 829,931,309	$ 8,456,428	$ 838,387,737
Additions	–	–	–
Reductions	(11,060,523)	(807,081)	(11,867,603)
Ending balance	$ 818,870,786	$ 7,649,347	$ 826,520,134
Due within one year	$ 12,950,000	$ 808,537	$ 13,758,537

Note 5 - Long-term Debt (Continued)

The BWL has pledged substantially all revenue, net of operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction of the utility plant. The bonds are payable solely from the net revenues of the BWL. The remaining principal and interest to be paid on the bonds total $1,327,174,514. During the current year, net revenues of the BWL were $94,975,000 compared to the annual debt requirements of $42,681,000.

The long-term debt activity for the year ended June 30, 2021 is as follows:

	Revenue Bonds	Other Notes	Total
Beginning balance	$ 690,916,254	$ 9,253,769	$ 700,170,023
Additions	149,349,934	-	149,349,934
Reductions	(10,334,879)	(797,341)	(11,132,220)
Ending balance	$ 829,931,309	$ 8,456,428	$ 838,387,737
Due within one year	$ 7,440,000	$ 807,081	$ 8,247,081

Note 6 - Costs/Credits Recoverable in Future Years

Environmental Remediation

During the year ended June 30, 2006, the GASB 49 environmental remediation liability related to a second landfill was approved for regulated entity accounting under GASB 62. The balance of the regulatory asset at June 30, 2022 and 2021 was $120,003 and $236,107, respectively. The BWL reviews the adequacy of its rates to recover its cost of service on an annual basis. During the year ended June 30, 2009, regulatory accounting as per GASB 62 was authorized by the Board of Commissioners to collect rates for all environmental remediation sites. The balance as of June 30, 2022 and 2021 for additional sites was $10,806,542 and $(412,566), respectively.

Note 6 – Costs/Credits Recoverable in Future Years (Continued)

Recoverable Cost Adjustments

During the year ended June 30, 2005, the Board of Commissioners approved the use of regulatory accounting as per GASB 62 in accounting for the BWL's power supply cost recovery (PSCR) adjustment, power chemical adjustment (PCA), and fuel cost adjustment (FCA). These affect the amount to be billed to retail electric, water, and steam customers to reflect the difference between the BWL's actual material costs and the amounts incorporated into rates. This resulted in recoverable assets of $9,100,838 and $3,433,712 at June 30, 2022 and 2021, respectively. This amount represents costs to be billed (credited) to customers in future years because actual costs of providing utilities were higher (lower) than the costs incorporated into the BWL's rates.

Renewable Energy Plan (REP) and Energy Optimization (EO)

During the year ended June 30, 2010, the Board of Commissioners approved the implementation of regulatory accounting as per GASB 62 to account for Public Act 295 of 2008 (PA. 295). PA. 295 set forth requirements for all Michigan utilities to meet the new renewable energy standards and undertake energy optimization programs. As a municipally owned electric utility, the BWL was required to file a proposed energy plan with the Michigan Public Service Commission (MPSC) and this plan was approved on July 1, 2009. These changes will affect the amount to be billed to electric customers. This resulted in deferred inflow of resources of $2,119,504 and $2,031,755 as of June 30, 2022 and 2021, respectively.

Chiller Plant

During the year ended June 30, 2010, the BWL chose to use regulatory accounting as per GASB 62 to recognize the contribution in aid of construction (CIAC) for the development of a new chilled water plant. The remaining recoverable inflow of resources of $660,814 and $881,086 as of June 30, 2022 and 2021, respectively. The BWL will recognize this as revenue monthly over the life of the new chilled water plant to offset depreciation expense.

Note 6 – Costs/Credits Recoverable in Future Years (Continued)

Wise Road

During the year ended June 30, 2012, the BWL chose to use regulatory accounting as per GASB 62 to recognize the insurance proceeds for the damaged equipment at the Wise Road Water Conditioning Plant (see Note 13). The remaining recoverable inflow of resources as of June 30, 2022 and 2021 was $6,796,492 and $7,779,118, respectively.

Other Items

Other items recognized as recoverable inflows total $0 and $500,000 at June 30, 2022 and 2021, respectively.

Note 7 – Transactions with the City of Lansing, Michigan

Operations – The BWL recognized revenue of $9,374,544 and $9,045,359 in 2022 and 2021, respectively, for water, electric, and steam services provided to the City. The BWL incurred expenses for sewerage services purchased from the City of $307,005 and $692,056 in 2022 and 2021, respectively.

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of $1,007,519 and $965,698 in 2022 and 2021, respectively, included in other income.

Return on Equity – Effective July 1, 1992, the BWL entered into an agreement with the City to provide payment of a return on equity in accordance with a formula based on net billed retail sales from its water, steam heat, and electric utilities for the preceding 12-month period ending May 31 of each year. The return on equity represents compensation to the City for a permanent easement granted to the BWL. Effective March 1, 2002, the formula to calculate the amount owed to the City for return on equity will also include wholesale revenue generated from the BWL's electric, water, steam, and chilled water utilities for the preceding 12-month period ending May 31 of each year. Subject to the provisions of Act 94 Public Acts of 1933, as amended, and the BWL's various bond covenants, this amount is payable to the City in semi-annual installments. Effective
July 1, 2020, the BWL and the City agreed to pay a flat fee for fiscal years 2021 through 2022. Under terms of these agreements, the BWL paid to the City $25,000,000 in 2022 and 2021 of operational cash flow in excess of debt service requirements.

Note 8 – Retirement Plans

The BWL has three retirement plans. The BWL administers a tax-qualified, single-employer, noncontributory, defined benefit public employee retirement pension plan ("Defined Benefit Plan"), and the BWL has a tax-qualified, single-employer, noncontributory, defined contribution public employee retirement pension plan ("Defined Contribution Plan"). The BWL also has a tax-qualified, single-employer, defined benefit plan to administer and fund retiree healthcare benefits ("Retiree Benefit Plan and Trust").

Defined Benefit Plan

Plan Description – The BWL administers the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions ("Defined Benefit Plan") – a noncontributory single-employer defined benefit pension plan for employees of the BWL. The benefit terms were established by the BWL and may be amended by future BWL actions.

The Defined Benefit Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees' Pensions, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Effective July 1, 1999, the Defined Benefit Plan was amended to include a medical benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries. The funding of the medical benefit component is limited to the amount of excess pension plan assets available for transfer, as determined by the actuary. No medical benefits were paid by the Defined Benefit Plan during the years ended June 30, 2022 and 2021.

Note 8 – Retirement Plans (Continued)

Employees Covered by Benefit Terms – At February 28, 2022 and February 28, 2021 (the most recent actuarial valuation for funding purposes), Defined Benefit Plan membership consisted of the following:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	284	296
Inactive plan members entitled to but not yet receiving benefits	2	2
Active plan members	3	3
Total	289	301

The Defined Benefit Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan. As a result of this action, effective December 1, 1997, the Board of Commissioners transferred $75,116,470 to the newly established defined contribution plan, reflecting the plan participants' accumulated benefits as of said date.

Note 8 - Retirement Plans (Continued)

Benefits Provided - The Defined Benefit Plan provides retirement, early retirement, disability, termination, and death benefits. The Plan provides for an annual benefit upon normal retirement age equal to the product of the total number of years of credited service multiplied by a percentage equal to 1.80% of the highest annual pay during the last 10 years of service, paid in equal monthly installments.

Payments will either be non-increasing or increase only as follows: (a) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics; (b) To the extent of the reduction in the amount of the employee's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Subsection 8 dies or is no longer the employee's beneficiary pursuant to a qualified domestic relations order within the meaning of Internal Revenue Code Section 414(p); (c) To provide cash refunds of employee contributions upon the employee's death; or (d) To pay increased benefits that result from a plan amendment.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the BWL retains an independent actuary to determine the annual contribution. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2021 and 2022. Plan documents do not require participant contributions.

Note 8 – Retirement Plans (Continued)

Net Pension Asset – The components of the net pension asset of the BWL at June 30, 2022 and June 30, 2021 were as follows (in thousands):

	2022	2021
Total pension liability	$ 47,887	$ 48,444
Plan fiduciary net pension	50,659	61,658
Plan's net pension asset	$ (2,772)	$ (13,214)
Plan fiduciary net position, as a percentage of the total pension liability	105.79%	127.28%

The BWL has chosen to use June 30, 2022 as its measurement date for fiscal year 2022. The June 30, 2022 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2022. The June 30, 2022 total pension liability was determined by an actuarial valuation as of February 28, 2022, which used update procedures to roll forward the estimated liability to June 30, 2022.

The BWL has chosen to use June 30, 2021 as its measurement date for fiscal year 2021. The June 30, 2021 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2021. The June 30, 2021 total pension liability was determined by an actuarial valuation as of February 28, 2021, which used update procedures to roll forward the estimated liability to June 30, 2021.

Note 8 – Retirement Plans (Continued)

Changes in the net pension asset during the measurement years were as follows:

	(in thousands)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at June 30, 2020	$ 52,198	$ 55,586	$ (3,388)
Changes for the year:			
Service cost	$ 26	$ –	$ 26
Interest	3,212	–	3,212
Differences between expected and actual experience	(968)	–	(968)
Changes in assumptions	(366)	–	(366)
Net investment income	–	11,853	(11,853)
Benefit payments, including refunds	(5,658)	(5,658)	–
Administrative expenses	–	(123)	123
Miscellaneous other charges	–	–	–
Net changes	(3,754)	6,072	(9,826)
Balances at June 30, 2021	$ 48,444	$ 61,658	$ (13,214)
Changes for the year:			
Service cost	$ 26	$ –	$ 26
Interest	2,974	–	2,974
Change in benefit terms			
Differences between expected and actual experience	179	–	179
Changes in assumptions	1,730	–	1,730
Net investment income	–	(5,399)	5,399
Benefit payments, including refunds	(5,466)	(5,466)	–
Administrative expenses	–	(134)	134
Miscellaneous other charges	–	–	–
Net changes	$ (557)	$ (10,999)	$ (10,442)
Balance at June 30, 2022	$ 47,887	$ 50,659	$ (2,772)

Note 8 – Retirement Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2022, the BWL recognized pension expense of $2,115,982. At June 30, 2022, the BWL 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 pension plan investments	$ 3,219,778	$ –

For the year ended June 30, 2021, the BWL recognized pension expense of $(3,076,889). At June 30, 2021, the BWL 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 pension plan investments	$ –	$ (5,106,435)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2023	$ 583,635
2024	630,174
2025	160,532
2026	1,845,437
Total	$ 3,219,778

Note 8 - Retirement Plans (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2022 and June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Inflation	2.25%	2.25%
Salary increases	3.50%	3.50%
Investment rate of return	6.00%	6.50%

Mortality rates were based on the PUB-2010 General Mortality Table with MP-2021 Improvement Scale for the June 30, 2022 valuation. The June 30, 2021 valuation used the PUB-2010 General Employees Mortality Table and projected using the MP-2020 scale.

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered 3 active participants in fiscal year 2022 and fiscal year 2021, assumptions like termination, retirement, and disability have an immaterial impact on the results and have not been changed.

Discount Rate - The discount rate used to measure the total pension liability was 6.00% in 2022 and 6.50% in 2021. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Note 8 - Retirement Plans (Continued)

Projected Cash Flows

Based on those assumptions, the Defined Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Defined Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

The long-term expected rate of return on Defined Benefit 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 as of June 30, 2022 and 2021 for each major asset class included in the Defined Benefit Plan's target asset allocation, as disclosed in the Defined Benefit Plan's financial statements, are summarized in the following table:

Asset Class	2022 Long-term Expected Real Rate of Return	2021 Long-term Expected Real Rate of Return
Core bonds	2.58%	2.58%
Multi-sector	3.53%	3.42%
Liquid absolute return	3.25%	3.26%
U.S. large cap equity	7.13%	7.15%
U.S. small cap equity	8.53%	8.44%
Non-U.S. equity	8.22%	8.15%
Core real estate	6.60%	6.66%

Note 8 - Retirement Plans (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the net pension asset of the BWL at June 30, 2022, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage-point higher (7.5%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability (asset) of the BWL	$ 1,749,379	$ (2,772,080)	$ (5,093,794)

The following presents the net pension asset of the BWL at June 30, 2021, calculated using the discount rate of 6.50%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability (asset) of the BWL	$ (8,727,745)	$ (13,214,275)	$ (15,551,002)

Defined Benefit Plan Fiduciary Net Position - Detailed information about the Defined Benefit Plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension asset, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the Defined Benefit Plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the Defined Benefit Plan. The Defined Benefit Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 8 – Retirement Plans (Continued)

Defined Contribution Plan

The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 ("Defined Contribution Plan") was established by the BWL in 1997 under Section 5-203 of the City Charter. The Defined Contribution Plan covers substantially all full-time employees hired after December 31, 1996. In addition, 602 employees hired before January 1, 1997 elected to convert their retirement benefits from the Defined Benefit Plan effective December 1, 1997.

The Defined Contribution Plan issues a publicly available financial report. That report may be obtained by writing to the Lansing Board of Water & Light Defined Contribution Plan and Trust 1, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

The Defined Contribution Plan operates as a money purchase pension plan and meets the requirements of Sections 401(a) and 501(a) of the IRC of 1986, as amended from time to time.

For employees hired before January 1, 1997, the BWL is required to contribute 15.0% of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute 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 nonbargaining employees. No participant contributions are required.

During the years ended June 30, 2022 and 2021, the BWL contributed $11,134,555 and $7,863,510, respectively. The BWL's contributions are recognized in the period that the contributions are due.

Basis of Accounting – The Defined Contribution Plan's financial statements are prepared using the accrual method of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans.*

Note 8 - Retirement Plans (Continued)

Valuation of Investments and Income Recognition - The Defined Contribution Plan investments are stated at market 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 Defined Contribution 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.

Regulatory Status - The Defined Contribution 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.

<u>Retiree Benefit Plan and Trust (OPEB)</u>

Plan Description - The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("Retiree Benefit Plan and Trust") is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits in accordance with Section 5-203 of the City Charter. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while working for the BWL. There were 761 participants eligible to receive benefits at June 30, 2022 and 739 participants eligible at June 30, 2021.

In October 1999, the BWL formed a Voluntary Employee Benefit Administration (VEBA) trust for the purpose of accumulating assets sufficient to fund retiree healthcare insurance costs in future years. During the years ended June 30, 2022 and 2021, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was $13,492,757 and $8,343,977, of which respectively, was incurred as direct costs of benefits.

The Retiree Benefit Plan and Trust issues a publicly available financial report. That report may be obtained by writing to the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Note 8 - Retirement Plans (Continued)

Benefits Provided - The Plan provides medical, dental, and life insurance benefits in accordance with Section 5-203 of the City Charter. Benefits are provided through third-party insurers carriers. The plan coverage includes payment of deductibles and co-pays for health services to all employees hired before January 1, 2009. All employees hired after that date must pay a percentage of their health premium.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	696
Disabled participants	71
Retired participants	537
Surviving spouses	153
Total	1,457

At June 30, 2021, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	698
Disabled participants	72
Retired participants	526
Surviving spouses	149
Total	1,445

Contributions - Section 5-203 of the City Charter grants the authority to establish and amend the contribution requirement to the BWL. The BWL establishes its minimum contribution based on an actuarially determined rate. For the years ended June 30, 2022 and 2021, the actual contribution rates of the BWL were 21.4% and 13.8% of covered-employee payroll, respectively.

Net OPEB Liability (Asset) - The BWL has chosen to use June 30, 2022 as its measurement date for fiscal year 2022. The June 30, 2022 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2022. The June 30, 2022 total OPEB liability was determined by an actuarial valuation as of February 28, 2022, which used update procedures to roll forward the estimated liability to June 30, 2022.

Note 8 – Retirement Plans (Continued)

The BWL has chosen to use June 30, 2021 as its measurement date for fiscal year 2021. The June 30, 2021 reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2021. The June 30, 2021 total OPEB liability was determined by an actuarial valuation as of February 28, 2021, which used update procedures to roll forward the estimated liability to June 30, 2021.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

Inflation	2.25%
Payroll Growth	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit/productivity increases.
Investment rate of return	6.5%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	

	Medical / RX			
FYE	Pre-65	Post-65	Part B	Dental
2022	7.25%	5.50%	3.75%	4.25%
2023	7.00%	5.25%	4.00%	4.00%
2024	6.75%	5.00%	4.25%	4.00%
2025	6.50%	4.75%	4.50%	4.00%
2026	6.25%	4.50%	4.75%	4.00%
2027	6.00%	4.50%	5.00%	4.00%
2028	5.75%	4.50%	5.00%	4.00%
2029	5.50%	4.50%	5.00%	4.00%
2030	5.25%	4.50%	5.00%	4.00%
2031	5.00%	4.50%	5.00%	4.00%
2032	4.75%	4.50%	5.00%	4.00%
2033	4.50%	4.50%	5.00%	4.00%

Note 8 - Retirement Plans (Continued)

The total OPEB liability in the June 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

Inflation	2.75%
Payroll Growth	9.3% growth at age 25 and decreases to 6.4% for ages 60+. This percentage includes general wage inflation and merit/productivity increases.
Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates

	Medical / RX			
FYE	Pre-65	Post-65	Part B	Dental
2021	7.50%	5.75%	3.50%	4.50%
2022	7.25%	5.50%	3.75%	4.25%
2023	7.00%	5.25%	4.00%	4.00%
2024	6.75%	5.00%	4.25%	4.00%
2025	6.50%	4.75%	4.50%	4.00%
2026	6.25%	4.50%	4.75%	4.00%
2027	6.00%	4.50%	5.00%	4.00%
2028	5.75%	4.50%	5.00%	4.00%
2029	5.50%	4.50%	5.00%	4.00%
2030	5.25%	4.50%	5.00%	4.00%
2031	5.00%	4.50%	5.00%	4.00%
2032	4.75%	4.50%	5.00%	4.00%
2033	4.50%	4.50%	5.00%	4.00%
2034	4.50%	4.50%	5.00%	4.00%
2035	4.50%	4.50%	5.00%	4.00%

Note 8 - Retirement Plans (Continued)

2022 Mortality rates were based on the PUBH-2010 General Employee Mortality Table fully generational using Scale MP-2021.

2021 Mortality rates were based on the PUBH-2010 General Employee Mortality Table fully generational using Scale MP-2020.

Best actuarial practices call for a periodic assumption review and BWL completed an experience study in 2022.

BWL's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of the Board of Commissioners. It is the policy of the BWL to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of June 30, 2022 and 2021:

Asset Class	2022 Target Allocation	2021 Target Allocation
Core Bonds	15.00%	15.00%
Multi-Sector	5.00%	5.00%
Liquid Absolute Return	5.00%	5.00%
U.S. Large Cap Equity	30.00%	30.00%
U.S. Small Cap Equity	10.00%	10.00%
Non-U.S. Equity	20.00%	20.00%
Core Real Estate	8.00%	8.00%
Value add Real Estate	7.00%	7.00%

Note 8 - Retirement Plans (Continued)

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. The best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 and June 30, 2021 are summarized in the following table:

Asset Class	2022 Long-term Expected Real Rate of Return	2021 Long-term Expected Real Rate of Return
Core Bonds	2.58%	2.58%
Multi-Sector	3.53%	3.42%
Liquid Absolute Return	3.25%	3.26%
U.S. Large Cap Equity	7.13%	7.15%
U.S. Small Cap Equity	8.53%	8.44%
Non-U.S. Equity	8.22%	8.15%
Core Real Estate	6.60%	6.66%
Value add Real Estate	8.10%	8.16%

Note 8 - Retirement Plans (Continued)

For the June 30, 2022 valuation, the long-term expected rate of return was 6.50%. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown. The final equivalent single discount rate used for the June 30, 2022 valuation was 6.50% with the expectation that BWL will continue contributing the actuarially determined contribution and/or paying for the pay-go cost.

Asset Class	Long-Term Expected Real Rate of Return
Fidelity 20-year Go Municipal Bond Index	2.82%
Actual Discount Rate Used	6.50%

Discount rate - The discount rate used to measure the total OPEB liability as of June 30, 2022 and June 30, 2021 was 6.5% and 7.0%. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 8 - Retirement Plans (Continued)

	(in thousands)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 6/30/2021	$ 147,644	$ 247,743	$ (100,099)
Changes for the year:			
Service cost	3,300	–	3,300
Interest	9,871	–	9,871
Change in benefit terms	–	–	–
Differences between expected and actual experience	(1,084)	–	(1,084)
Changes in assumptions	10,173	–	10,173
Contributions-employer	–	13,493	(13,493)
Contributions-employee	–	–	–
Net investment income	–	(19,427)	19,427
Benefit payments	(13,493)	(13,493)	–
Administrative expense	–	(354)	354
Net changes	8,767	(19,601)	28,368
Balances at 6/30/2022	$ 156,410	$ 228,142	$ (71,731)

Note 8 - Retirement Plans (Continued)

	(in thousands)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 6/30/2020	$ 154,603	$ 198,805	$ (44,202)
Changes for the year:			
Service cost	3,396	–	3,396
Interest	10,535	–	10,535
Change in benefit terms	–	–	–
Differences between expected and actual experience	(8,794)	–	(8,794)
Changes in assumptions	(3,752)	–	(3,752)
Contributions-employer	–	8,344	(8,344)
Contributions-employee	–	–	–
Net investment income	–	49.387	(49.387)
Benefit payments	(8,344)	(8.344)	–
Administrative expense	–	(449)	449
Net changes	(6,959)	48,938	(55,897)
Balances at 6/30/2021	$ 147,644	$ 247,743	$ (100,099)

Note 8 - Retirement Plans (Continued)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher 7.5%) than the current discount rate (6.5%) as of June 30, 2022:

	June 30, 2022		
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability (Asset)	$(53,297,418)	$(71,731,218)	$(87,189,127)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current discount rate (7.0%) as of June 30, 2021:

	June 30, 2021		
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability (Asset)	$(83,406,607)	$(100,098,736)	$(114,179,696)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates as of June 30, 2022:

	June 30, 2022		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (asset)	$(88,432,330)	$(71,731,218)	$(51,458,308)

Note 8 - Retirement Plans (Continued)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates as of June 30, 2021:

	June 30, 2021		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (asset)	$(115,475,352)	$(100,098,736)	$(81,548,417)

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light June 30, 2022 GASB 74/75 Report, issued July 27, 2022.

For the year ended June 30, 2022, the Plan recognized OPEB expense of $(12,431,882). At June 30, 2022, the Plan 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	$ 406,196	$ 14,216,180
Changes of assumptions	12,279,164	25,122,623
Net difference between projected and actual earnings on OPEB plan investments	12,572,867	-
Total	$ 25,258,227	$ 39,338,803

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2023	$ (9,268,278)
2024	(8,809,401)
2025	(3,689,128)
2026	6,903,603
2027	627,035
Thereafter	155,593

Note 8 – Retirement Plans (Continued)

For the year ended June 30, 2021, the Plan recognized OPEB expense of $(18,208,418). At June 30, 2021, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,218,588	$ 18,020,740
Changes of assumptions	4,932,918	35,620,502
Net difference between projected and actual earnings on OPEB plan investments	–	20,882,998
Total	$ 6,151,506	$ 74,524,240

Other Postretirement Benefits

The BWL offers its employees a deferred compensation plan, created in accordance with IRC 457. The BWL makes contributions of $1,000 annually for the employees as of January 1 of each year, during the month of January. The BWL also will match employee contributions at one dollar for every one dollar up to $1,500 in a calendar year.

Note 9 – Commitments and Contingencies

At June 30, 2022, and 2021, the BWL has two letters of credit in the amounts of $817,000 and $1,000,000 issued to the Michigan Department of Natural Resources. The letters of credit were issued to satisfy requirements of the Michigan Department of Natural Resources to provide financial assurance to the State of Michigan for the cost of closure and post closure monitoring and maintenance of a landfill site operated by the BWL.

Note 9 – Commitments and Contingencies (Continued)

Through monitoring tests performed on the landfill sites operated by the BWL, it has been discovered that the sites are contaminating the groundwater. The contamination does not pose a significant health risk but does lower the quality of the groundwater. The BWL received landfill closure approval as well as interim remediation approval. The BWL has estimated the total cost for remediation, including closure and post closure cost of the landfills, and has recorded a liability of $6,002,869 and $6,074,152 for the years ended June 30, 2022 and 2021, respectively. Certain remediation activities have commenced and are in progress. The landfill sites are no longer receiving waste products. Landfill closure and post closure requirements are associated with the Michigan Department of Environmental Quality. Annual post closure costs of these landfill sites are not expected to exceed $380,000 annually and are included in the liability above. Estimates will be revised as approvals are received from the State. In accordance with the regulatory basis of accounting as per GASB 62 (see Note 1), the BWL recorded a corresponding regulatory asset (see Note 6).

The BWL is subject to various laws and regulations with respect to environmental matters such as air and water quality, soil contamination, solid waste disposal, handling of hazardous materials, and other similar matters. Compliance with these various laws and regulations could result in substantial expenditures. The BWL has established a Designated Purpose Fund (see Note 1), of which one of the purposes of the fund is to meet extraordinary expenditures resulting from responsibilities under environmental laws and regulations. Management believes that all known or expected responsibilities to these various laws and regulations by the BWL will be sufficiently covered by the Designated Purpose Fund and the environmental remediation liability.

The BWL is involved in various other legal actions which have arisen in the normal course of business. Such actions are usually brought for claims in excess of possible settlement or awards, if any, that may result. After taking into consideration legal counsel's evaluation of pending actions, management has recorded an adequate reserve as of June 30, 2022 and 2021 in regard to specific pending legal cases.

The BWL has entered into contracts to purchase coal totaling $740,000 through December 31, 2022. In addition, the BWL has entered into contracts for the rail services related to shipping the coal. Commitments for future rail services to be purchased are approximately $10,320,696 through December 2022.

Note 9 – Commitments and Contingencies (Continued)

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately $244,965,107 and $343,018,000 at June 30, 2022 and 2021, respectively, including commitments on existing construction contracts approximating $237,400,234 and $218,591,000 at June 30, 2022 and 2021, respectively. These projects will be funded through revenue bonds and operational cash flow, including the project funds reported as other assets.

Note 10 – Power Supply Purchase

In 1983, the BWL entered into power supply and project support contracts with MPPA, of which the BWL is a member. Under the agreement, the BWL has the ability to purchase power from MPPA, will sell power to MPPA at an agreed-upon rate, and will purchase 64.29% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Plant (Belle River), which became operational in August 1984.

Under the terms of its contract, the BWL must make minimum annual payments equal to its share of capital and its share of the fixed operating costs of Belle River. The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and a 3.0% annual inflation of fixed operating costs, which include expected major maintenance projects.

Year	Capital	Estimated Fixed Operating Costs	Total Required
2023	$ 14,047,216	$ 16,605,229	$ 30,652,445
2024	6,429,000	15,009,080	21,438,080
2025	3,214,500	17,316,382	20,530,882
2026	1,607,250	17,706,616	19,313,866
2027	1,285,800	18,129,401	19,415,201

Note 10 - Power Supply Purchase (Continued)

In addition to the above required payments, the BWL must pay for fuel, other operating costs, and transmission costs related to any kilowatt hours (KWHs) purchased under these contracts.

The BWL recognized expenses for 2022 and 2021 of $42,244,891 and $33,742,551, respectively, to purchase power under the terms of this contract. The price of this power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission, and capital costs.

The BWL has entered into agreements with Energy Developments Limited, formerly Granger Electric Company, to purchase power generated from landfill gases. The agreements were set to expire as of June 30, 2028 and September 30, 2028, and included an early termination option. The power to be purchased in the contract is 11.2 megawatts. On September 30, 2020, the BWL agreed to utilize the early termination option. The total termination payment paid was $14,135,424. The estimated total cost of electricity expected to be purchased is $600,854.

Note 11 - Estimated Liability for Excess Earnings on Water Supply and Electric Utility System Revenue Bonds

In accordance with Section 148(f)(2) of the IRC of 1986, as amended, the BWL is required on each anniversary date (July 1) of the Water Supply, Electric Utility, and Steam Utility System Revenue Bonds, Series 2011A, 2013A, 2017A, 2019A, 2021A and 2021B to compute amounts representing the cumulative excess earnings on such bonds. That amount essentially represents a defined portion of any excess of interest earned on funds borrowed over the interest cost of the tax-exempt borrowings. Expense is charged (credited) annually in an amount equal to the estimated increase (decrease) in the cumulative excess earnings for the year. On every fifth anniversary date and upon final maturity of the bonds, the BWL is required to remit to the Internal Revenue Service the amount of any cumulative excess earnings computed on the date of such maturity plus an amount equal to estimated interest earned on previous years' segregated funds. The estimated liability for excess earnings was $0 at June 30, 2022 and 2021. In accordance with the requirements of the bond indenture, the BWL is required to set aside any current year additions to this estimated liability in a rebate fund within 60 days of the anniversary date of the bonds.

Note 12 - Risk Management and Insurance

The BWL is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The BWL has purchased commercial insurance for certain general liability, business auto, excess liability, property and boiler and machinery, public officials and employee liability claims, specific excess health insurance claims, and specific excess workers' compensation claims, subject to policy terms, limits, limitations, and deductibles. The BWL is self-insured for most workers' compensation and health insurance claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The BWL estimates the liability for self-insured workers' compensation and health insurance claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past three fiscal years were as follows:

	Workers' Compensation			Health Insurance		
	2022	2021	2020	2022	2021	2020
Unpaid claims - Beginning of year	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 1,334,297	$ 1,317,540	$ 1,167,466
Incurred claims, including claims incurred but not reported	75,737	360,798	75,235	16,793,719	13,401,747	14,848,056
Claim payments	(75,737)	(360,798)	(75,235)	(16,354,421)	(13,384,990)	(14,697,982)
Unpaid claims - End of year	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 1,773,595	$ 1,334,297	$ 1,317,540

The liability for health insurance is included with accounts payable on the statement of net position.

Note 13 - Upcoming Pronouncements

GASB has approved Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements,* Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, Statement No. 99*, Omnibus 2022*, Statement No. 100*, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62,* and Statement No. 101*, Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

Note 14 - Subsequent Events

The Board evaluated subsequent events through September 12, 2022, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements. There are no subsequent events requiring disclosure.

Required Supplementary Information

Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions

Required Supplemental Information (Unaudited)
Schedule of Changes in the BWL's
Net Pension Asset and Related Ratios
Last Ten Fiscal Years
(in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	$ 26	$ 26	$ 42	$ 60	$ 50	$ 113	$ 223	$ 274	$ 349	$ 407
Interest	2,974	3,212	3,566	3,691	4,031	4,317	4,625	4,919	4,751	5,085
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	179	(968)	(919)	(743)	(230)	(383)	299	(1,093)	964	(1,716)
Changes in assumptions	1,730	(366)	1,555	1,210	1,419	(857)	(1,468)	-	4,538	-
Benefit payments, including refunds	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)	(8,046)	(8,541)	(7,777)
Net Change in Total Pension Liability	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)	(3,946)	2,061	(4,001)
Total Pension Liability - Beginning of year	48,444	52,198	53,826	55,751	56,895	61,178	65,395	69,341	67,280	71,281
Total Pension Liability - End of year	47,887	48,444	52,198	53,826	55,751	56,895	61,178	65,395	69,341	67,280
Plan Net Position										
Contributions - Employer	-	-	-	-	-	-	-	-	-	-
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	(5,399)	11,853	1,658	4,381	3,112	8,272	47	1,771	14,243	10,170
Administrative expenses	(134)	(123)	(145)	(183)	(255)	(317)	(388)	(576)	(596)	(536)
Benefit payments, including refunds	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)	(8,045)	(8,541)	(7,777)
Other	-	-	(477)	-	-	-	-	-	-	-
Net change in Net Position Held in Trust	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482	(8,237)	(6,850)	5,106	1,857
Net Position Restricted for Pensions - Beginning of year	61,658	55,586	60,422	62,367	65,924	65,442	73,679	80,529	75,424	73,567
Net Position Restricted for Pensions - End of year	50,659	61,658	55,586	60,422	62,367	65,924	65,442	73,679	80,530	75,424
BWL Net Pension Asset - Ending	**$ (2,772)**	**$ (13,214)**	**$ (3,388)**	**$ (6,596)**	**$ (6,616)**	**$ (9,029)**	**$ (4,264)**	**$ (8,284)**	**$ (11,189)**	**$ (8,144)**
Plan Net Position as a % of Total Pension Liability	105.79%	127.28%	106.49%	112.25%	111.87%	115.87%	106.97%	112.67%	116.14%	112.10%
Covered Employee Payroll	$ 238	$ 237	$ 240	$ 406	$ 603	$ 586	$ 772	$ 1,018	$ 1,225	$ 1,684
BWL's Net Pension Asset as a % of Covered Employee Payroll	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)	(814%)	(913%)	(484%)

See Notes to Required Supplementary Information.

Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions

Required Supplemental Information (Unaudited)
Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Employee Payroll	$ 238	$ 237	$ 240	$ 406	$ 603	$ 586	$ 772	$ 1,018	$ 1,225	$ 1,684
Contributions as a Percentage of Covered Employee Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

See Notes to Required Supplementary Information.

Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light

Required Supplemental Information (Unaudited)
Schedule of Changes in BWL's
Net OPEB Liability and Related Ratios
Last Ten Fiscal Years
(in thousands)

	2022	2021	2020	2019	2018	2017	2016*	2015*	2014*	2013*
Total OPEB Liability										
Service cost	$ 3,299	$ 3,396	$ 3,245	$ 4,403	$ 4,827	$ 3,130	$ -	$ -	$ -	$ -
Interest	9,871	10,535	10,804	14,920	15,039	14,226	-	-	-	-
Changes in benefit terms	-	-	-	(415)	-	-	-	-	-	-
Differences between expected and actual experience	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281	-	-	-	-
Changes in assumptions	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)	-	-	-	-
Benefit payments, including refunds	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)	-	-	-	-
Net Change in Total OPEB Liability	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036	-	-	-	-
Total OPEB Liability - Beginning of year	147,644	154,603	148,550	203,487	205,624	194,588	-	-	-	-
Total OPEB Liability - End of year	156,410	147,644	154,603	148,550	203,487	205,624	-	-	-	-
Trust Net Position										
Contributions - Employer	13,493	8,344	9,157	9,278	10,395	9,574	-	-	-	-
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	(19,247)	49,387	4,158	11,688	11,039	18,040	-	-	-	-
Administrative expenses	(354)	(449)	(512)	(569)	(634)	(705)	-	-	-	-
Benefit payments, including refunds	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in Net Position Held in Trust	(19,601)	48,938	3,646	11,119	10,405	17,335	-	-	-	-
Trust fiduciary net position - Beginning of year	247,743	198,805	195,159	184,040	173,635	156,300	-	-	-	-
Trust fiduciary net position - End of year	228,142	247,743	198,805	195,159	184,040	173,635	-	-	-	-
BWL Net OPEB Liability (Asset) - Ending	**$ (71,732)**	**$ (100,099)**	**$ (44,202)**	**$ (46,609)**	**$ 19,447**	**$ 31,989**	**$ -**	**$ -**	**$ -**	**$ -**
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%	- %	- %	- %	- %
Covered Employee Payroll	$ 62,976	$ 60,269	$ 58,198	$ 56,785	$ 55,650	$ 54,383	$ -	$ -	$ -	$ -
BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll	(113.90%)	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%	- %	- %	- %	- %

*GASB Statement No. 74 was implemented as of June 30, 2017. Information from 2013 - 2016 is not available and this schedule will be presented on a prospective basis.

Required Supplemental Information (Unaudited)
Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended	Employer Contributions Required	Employer Contributions Actual	Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
6/30/2013	$ 13,994	$ 14,045	$ 51	$ 47,468	30%
6/30/2014	9,200	9,268	68	46,971	20%
6/30/2015	5,762	9,671	3,909	50,885	19%
6/30/2016	5,788	9,423	3,635	53,893	17%
6/30/2017	7,508	9,574	2,066	54,383	18%
6/30/2018	7,535	10,395	2,860	55,650	19%
6/30/2019	7,031	9,278	2,247	56,785	16%
6/30/2020	-	9,157	9,157	58,198	16%
6/30/2021	220	8,344	8,124	60,269	14%
6/30/2022	-	13,493	13,493	62,976	21%

See Notes to Required Supplementary Information.

Defined Benefit Plan:

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2022, based on roll-forward of February 28, 2022 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	2.25%
Salary increases	3.5% per year
Investment rate of return	6.0% per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2021 Improvement Scale

Changes to assumptions: The mortality improvement scale was updated to the MP-2021 improvement scale. The discount rate was decreased from 6.50% to 6.00%.

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2021, based on roll-forward of February 28, 2021 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	2.25%
Salary increases	3.5% per year
Investment rate of return	6.5% per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2019 Improvement Scale

Changes to assumptions: The mortality improvement scale was updated to the MP-2019 improvement scale. The discount rate was decreased from 7.00% to 6.50%.

Significant Changes:

June 30, 2022

> Difference between actual and expected experience – The $179K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2022 is primarily attributable to the difference between actual experience and demographic assumptions.

> Assumption change – The plan experienced a $1.73MM actuarial loss due to the change in the mortality improvement scale and the decrease in the discount rate from 6.50% to 6.00%. Updating the mortality improvement scale to the MP-2021 scale resulted in a $120K actuarial loss and decreasing the discount rate resulted in a $1.61MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of $1.73MM.

June 30, 2021

> Difference between actual and expected experience – The $968K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2021 is primarily attributable to participant deaths.

> Assumption change – The plan experienced a $366K actuarial gain due to the change in the mortality improvement scale.

June 30, 2020

> Difference between actual and expected experience – The $.92MM actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2020 is primarily attributable to participant deaths.

> Assumption change – The plan experienced a $1.55MM actuarial loss due to the change in the mortality improvement scale and the decrease the discount rate from 7.00% to 6.50%. Updating the mortality improvement scale to the MP-2019 scale resulted in a $.22MM actuarial gain and decreasing the discount rate resulted in a $1.77MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of $1.55MM.

June 30, 2019

> Difference between actual and expected experience – The $.74MM gain on the Total Pension Liability for the fiscal year ending June 30, 2019 is primarily attributable to participant deaths.

> Assumption change – The plan experienced a $1.21MM loss due to the change of the mortality assumption from the RP-2014 Total Dataset Mortality adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUB-2010 General Employees Mortality, projected generationally using the MP-2018 improvement scale.

June 30, 2018

> Difference between actual and expected experience – The $230,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2018 is primarily attributable to participant deaths.

> Assumption change – Assumptions for the discount rate and expected return on assets were decreased from 7.50% to 7.00% to reflect the expected long term rate of return on the trust.

June 30, 2017

> Difference between actual and expected experience – The $383,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2017 is primarily attributable to participant deaths.

> Assumption change – The plan experienced a $.86MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2016 Improvement Scale.

June 30, 2016

> Difference between actual and expected experience – The $299,000 loss on the Total Pension Liability for the fiscal year ending June 30, 2016 is primarily attributable to participant deaths.

> Assumption change – The plan experienced a $1.47MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2015 Improvement Scale.

June 30, 2015

> Difference between actual and expected experience – The $1.01MM gain on the Total Pension Liability for the fiscal year ending June 30, 2015 is primarily attributable to participant deaths.

> Assumption change – There were no impacts associated with assumption changes.

June 30, 2014

> Difference between actual and expected experience – The $964,000 loss on the Total Pension Liability for the fiscal year ending June 30, 2014 is primarily attributable to participant deaths.

> Assumption change – The plan experienced a $4.54MM loss due to the change of the mortality assumption from the RP2000CH table projected to 2018 with Scale AA to the RP-2014 table projected generationally with Scale MP-2014.

Post Retirement Benefit Plan:

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2022, based on roll-forward of February 28, 2022 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	26 years
Inflation	2.25%
Salary increases	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	6.5% per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2021 scale

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2021, based on roll-forward of February 28, 2021 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	27 years
Inflation	2.25%
Salary increases	9.3% growth at age 25 and decreases to 6.4% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	7.0% per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2020 scale

Significant Changes:

June 30, 2022

> Difference between actual and expected experience - The $1.08MM actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2022 is attributable to favorable demographic experience. The favorable demographic experience is mainly attributable to deaths (25 participants), termination of active participants and changes in coverage elections.

> Assumption change - The $10.17MM actuarial loss on the Total OPEB liability for the fiscal year ending June 30, 2022 is attributable to updating the mortality improvement scale to the MP-2021 scale, updating the demographic assumptions to reflect the results of the 2022 experience analysis and decreasing the discount rate from 7.0% to 6.5%. Updating the mortality improvement scale resulted in a $.38MM actuarial loss. Updating the demographic assumptions resulted in a $1.73MM actuarial loss. The remaining $8.06MM of actuarial loss is attributable to decreasing the discount rate from 7.0% to 6.5%.

June 30, 2021

> Difference between actual and expected experience - The $8.79MM actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2021 is attributable to the combination of favorable demographic experience and lower than expected 2021 per capita claims cost. $3.94MM of the actuarial gain is associated with demographic experience and is mainly attributable to deaths (37 participants), termination of active participants and changes in coverage elections. The remaining $4.85MM of the actuarial gain is due to less than expected 2021 per capita claims cost. The 2021 Humana premiums are slightly lower than what was expected for 2021 ($321.92 per month vs. $347.80 per month)

> Assumption change - The $3.75MM actuarial gain on the Total OPEB liability for the fiscal year ending June 30, 2021 is attributable to updating the mortality improvement scale to the MP-2020 scale and reflecting the updated healthcare trend assumptions set forth in the Michigan Uniform Assumptions memo for the 2021 fiscal year. Updating the mortality improvement scale resulted in a $1.18MM actuarial gain. The remaining $2.57MM of the actuarial gain is attributable to reflecting the updated trend assumptions.

June 30, 2020

> Difference between actual and expected experience - The $6.09MM gain on the Total OPEB Liability for the fiscal year ending June 30, 2020 is attributable to the combination of unfavorable demographic experience and a reduction in the per capita claims cost used in the June 30, 2020 valuation. The $1.13MM loss associated with demographic experience is mainly attributable to active participant retirements. The $7.22MM gain due to a reduction in per capita claims cost is attributable a decrease in the Pre-65 medical and prescription drug premiums for 2021. The 2020 Pre-65 medical and Rx monthly premium for a retiree was $1,073.13. For 2020, the Pre-65 medical and Rx monthly premium for a retiree is $957.99. An 11% reduction in monthly premium. The combination of the demographic loss and the reduction in monthly premiums resulted in the overall $6.09MM actuarial gain.

> Assumption change - The $7.25MM loss on the Total OPEB liability for the fiscal year ending June30, 2020 is attributable to updating the mortality improvement scale to the MP-2019 scale and decreasing the discount rate from 7.50% to 7.00%. Updating the mortality improvement scale resulted in a $.53MM actuarial gain. Whereas, decreasing the discount rate resulted in a $7.78MM actuarial loss. The combination of these changes resulted in the overall $7.25MM actuarial loss.

June 30, 2019

> Difference between actual and expected experience - The $5.2 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2019 is primarily due to favorable demographic experience. The favorable experience is mainly attributable to terminations of active participants and deaths of participants with and without beneficiaries.

> Assumption changes - (1) The plan experienced a $54.4 million gain on the Total OPEB Liability due to a change of the assumed per capita claims cost. The Board changed the Plan's insurance provider for Medicare eligible participants from The Hartford and Envision Insurance to Humana. Doing so resulted in a dramatic decrease in both the medical and prescription drug monthly premiums from the prior fiscal year ($98.99 per month vs. $219.54 per month for medical coverage and $213.47 per month vs. $305.00 per month for prescription drug coverage); (2) The Plan experienced a $3.8 million loss on the mortality assumption change. The mortality assumption was updated from the RPH-2014 Total Dataset mortality, adjusted to2006 and projected generationally using the MP-2017 improvement scale to the PUBH-2010 General Employees mortality, projected generationally using the MP-2018 improvement scale; and (3) The Plan experienced a $8.7 million gain on a change to the medical and prescription drug trend assumptions. The trend assumptions were changed to those prescribed under the Michigan Uniform Assumptions for the 2019 fiscal year.

> Change in benefit terms - The Plan experienced a $.4 million gain due to an expected increase in the retiree contribution percentage for employees hired on or after January 1, 2009. The expected contribution percentage was increased from 14% to 20% of the premium charged to active employees.

June 30, 2018

> Difference between actual and expected experience - The $9.9 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2018, is attributable to a reduction in the per capita claims cost used in the June 30, 2018 valuation. Better than expected claims experience during the fiscal year resulted in a decrease in the projected claims when compared to those used in the June 30, 2017, valuation.

> Assumption change - The mortality improvement scale was updated to the MP-2017 scale.

Supplementary Information

Board of Water and Light - City of Lansing, Michigan

Income Available for Revenue Bond Debt Retirement

	For the Year Ended June 30	
	2022	2021
Income - Before capital contributions per statement of revenues, expenses, and changes in net position	$ 11,589,054	$ 52,733,335
Adjustments to Income		
Depreciation	56,503,060	48,428,670
Interest on long-term debt:		
Notes	20,721	29,007
Revenue bonds	26,862,101	25,277,445
Total additional income	83,385,882	73,735,122
Income Available for Revenue Bonds and Interest Redemption	**$ 94,974,936**	**$ 126,468,457**
Debt Retirement Pertaining to Revenue Bonds		
Principal	$ 12,950,000	$ 7,440,000
Interest	29,639,615	27,514,414
Total	**$ 42,589,615**	**$ 34,954,414**
Percent Coverage of Revenue Bonds and Interest Requirements	**223**	**362**

Detail of Statements of Revenues and Expenses
For the Years Ended June 30, 2022 and 2021

	Combined		Water		Electric		Steam		Chilled Water	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Operating Revenues										
Water	$ 49,028,486	$ 50,030,466	$ 49,028,486	$ 50,030,466	$ -	$ -	$ -	$ -	$ -	$ -
Electric:										
Retail	286,967,530	295,355,513	-	-	286,967,530	295,355,513	-	-	-	-
Sales for resale	43,085,378	16,588,280	-	-	43,085,378	16,588,280	-	-	-	-
Steam	11,934,456	12,568,831	-	-	-	-	11,934,456	12,568,831	-	-
Chilled water	6,133,314	6,035,559	-	-	-	-	-	-	6,133,314	6,035,559
Total operating revenues	397,149,164	380,578,649	49,028,486	50,030,466	330,052,908	311,943,793	11,934,456	12,568,831	6,133,314	6,035,559
Operating Expenses										
Production:										
Fuel, purchased power, and other operating expenses	149,112,738	127,372,727	9,435,991	10,150,287	133,144,945	111,241,360	4,737,969	4,024,575	1,793,833	1,956,505
Maintenance	14,534,397	12,309,025	4,013,107	3,510,272	9,271,738	7,581,050	663,163	584,772	586,389	632,931
Transmission and distribution:										
Operating expenses	8,314,546	7,843,891	1,313,728	1,369,531	6,882,226	6,367,489	118,592	106,871	-	-
Maintenance	19,040,926	19,830,569	4,022,344	4,144,835	14,546,121	15,338,418	472,461	347,316	-	-
Administrative and general	75,850,273	59,408,186	15,832,019	12,634,583	56,017,223	43,348,858	2,853,043	2,404,161	1,147,988	1,020,584
Return on Equity	25,000,000	25,000,000	3,146,386	3,146,384	20,675,402	20,675,405	754,748	754,748	423,464	423,463
Depreciation	56,503,060	48,428,670	8,967,060	8,200,492	42,223,210	35,608,404	3,886,888	3,241,191	1,425,902	1,378,583
Total operating expenses	348,355,940	300,193,068	46,730,635	43,156,384	282,760,865	240,160,984	13,486,864	11,463,634	5,377,576	5,412,066
Operating Income	48,793,224	80,385,581	2,297,851	6,874,082	47,292,043	71,782,809	(1,552,408)	1,105,197	755,738	623,493
Nonoperating Income (Expenses)										
Investment income	(5,372,203)	218,186	(558,864)	37,705	(4,513,675)	147,618	(222,773)	26,571	(76,891)	6,292
Other (expense) income	(4,949,145)	(2,563,980)	776,667	814,534	(5,626,918)	(3,419,169)	(319,953)	(175,023)	221,059	215,678
Impairment on Eckert Plant	-	-	-	-	-	-	-	-	-	-
Impairment on Erickson Plant	-	-	-	-	-	-				
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Bonded debt interest expense	(26,862,101)	(25,277,445)	(1,624,972)	(1,645,822)	(22,903,999)	(21,294,130)	(1,966,468)	(1,897,899)	(366,662)	(439,594)
Amortization - Central Utilities Complex	-	-	-	-	-	-	-	-	-	-
Other interest expense	(20,721)	(29,007)	(1,541)	(3,320)	(19,169)	(25,663)	(11)	(24)	-	-
Total nonoperating expense	(37,204,170)	(27,652,246)	(1,408,710)	(796,903)	(33,063,761)	(24,591,344)	(2,509,205)	(2,046,375)	(222,494)	(217,624)
Net Income (Loss)	**$ 11,589,054**	**$ 52,733,335**	**$ 889,141**	**$ 6,077,179**	**$ 14,228,282**	**$ 47,191,465**	**$ (4,061,613)**	**$ (941,178)**	**$ 533,244**	**$ 405,869**

Detail of Statements of Changes in Net Position

	Combined	Water	Electric	Steam	Chilled Water
Net Position - June 30, 2020	$ 632,582,547	97,486,226	532,073,582	(6,620,187)	9,642,926
Income (loss) before contributions	52,733,335	6,077,179	47,191,465	(941,178)	405,869
Net Position - June 30, 2021	685,315,882	103,563,405	579,265,047	(7,561,365)	10,048,795
Income (loss) before contributions	11,589,054	889,141	14,228,282	(4,061,613)	533,244
Net Position - June 30, 2022	$ 696,904,936	$ 104,452,546	$ 593,493,329	$ (11,622,978)	$ 10,582,039

Pension and OPEB Trust Funds - Detail of Fiduciary Statements of Net Position

	As of June 30, 2022			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable - investment interest receivable	$ -	$ 1,171	$ 3,091	$ 4,262
Trade receivable - due from broker	-	500,000	-	500,000
Investments at fair value:				
Cash and money market trust fund	-	1,308,877	957,009	2,265,886
Fixed income securities	-	-	-	-
Mutual funds	139,302,720	24,919,695	108,461,092	272,683,507
Stable value	29,720,419	-	-	29,720,419
Common collective funds	-	18,671,886	88,879,109	107,550,995
Common stock	-	5,259,217	29,852,049	35,111,266
Self-directed brokerage account	11,157,807	-	-	11,157,807
Participants note receivable	3,302,591	-	-	3,302,591
Total investments	183,483,537	50,159,675	228,149,259	461,792,471
Liabilities				
Trade payable - due to broker	-	2,072	12,256	14,328
Net Position - Held in trust for pension and other employee benefits	**$ 183,483,537**	**$ 50,658,774**	**$ 228,140,094**	**$ 462,282,405**

	As of June 30, 2021			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable - investment interest receivable	$ -	$ 1,964	$ 12,481	$ 14,445
Trade receivable - due from broker	-	20,550	135,656	156,206
Investments at fair value:				
Cash and money market trust fund	-	1,401,780	1,042,711	2,444,491
Fixed income securities	-	-	286	286
Mutual funds	159,281,467	33,017,321	120,768,939	313,067,727
Stable value	35,542,619	-	-	35,542,619
Common collective funds	-	19,776,148	76,041,081	95,817,229
Common stock	-	7,460,769	49,879,749	57,340,518
Self-directed brokerage account	12,317,950	-	-	12,317,950
Participants note receivable	3,424,144	-	-	3,424,144
	-	-	-	-
Total investments	210,566,180	61,656,018	247,732,766	519,954,964
Liabilities				
Trade payable - due to broker	-	20,433	137,676	158,109
Net Position - Held in trust for pension and other employee benefits	**$ 210,566,180**	**$ 61,658,099**	**$ 247,743,227**	**$ 519,967,506**

Board of Water and Light - City of Lansing, Michigan

Pension and OPEB Trust Funds - Detail of Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in				
fair value of investments	$ (20,323,831)	$ (7,500,562)	$ (27,121,349)	$ (54,945,742)
Interest and dividend income	2,665,738	2,102,005	7,872,032	12,639,775
Net investment income	(17,658,093)	(5,398,557)	(19,249,317)	(42,305,967)
Employer contributions	11,134,555	-	13,492,757	24,627,312
Interest from participant notes receivable	729,619	-	-	729,619
Total increases	(5,793,919)	(5,398,557)	(5,756,560)	(16,949,036)
Decreases				
Retiree benefits paid	20,560,553	5,466,158	13,492,757	39,519,468
Loan defaults	577,197	-	-	577,197
Participants' note and administrative fees	150,974	134,610	353,816	639,400
Total decreases	21,288,724	5,600,768	13,846,573	40,736,065
Change in Net Position Held in Trust	(27,082,643)	(10,999,325)	(19,603,133)	(57,685,101)
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning of year	210,566,180	61,658,099	247,743,227	519,967,506
End of year	**$ 183,483,537**	**$ 50,658,774**	**$ 228,140,094**	**$ 462,282,405**

Pension Trust Funds - Detail of Statement of Changes in Net Position

For the Year Ended June 30, 2021

	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in				
fair value of investments	$ 33,701,209	$ 10,760,058	$ 47,489,394	$ 91,950,661
Interest and dividend income	5,992,880	1,092,666	1,899,331	8,984,877
Net investment income	39,694,089	11,852,724	49,388,725	100,935,538
Employer contributions	7,863,510	-	8,343,977	16,207,487
Participant rollover contributions	467,189	-	-	467,189
Interest from participant notes receivable	227,245	-	-	227,245
Other	121,370	-	-	121,370
Total increases	48,373,403	11,852,724	57,732,702	117,958,829
Decreases				
Retiree benefits paid	41,414,977	5,658,372	8,343,977	55,417,326
Loan defaults	231,871	-	-	231,871
Participants' note and administrative fees	165,584	123,148	450,300	739,032
Total decreases	41,812,432	5,781,520	8,794,277	56,388,229
Change in Net Position Held in Trust	6,560,971	6,071,204	48,938,425	61,570,600
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning of year	204,005,209	55,586,895	198,804,802	458,396,906
End of year	**$ 210,566,180**	**$ 61,658,099**	**$ 247,743,227**	**$ 519,967,506**