



**FINANCE COMMITTEE MEETING
 LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
 September 13, 2022 - 6:00 P.M.
 Board of Water & Light Headquarters – REO Town Depot
 1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Dusty Horwitt, Committee Chairperson; Semone James, David Price, Sandra Zerkle; Alternates: Anthony Mullen, Tracy Thomas; Non-Voting: Douglas Jester, Larry Merrill, Maggie Sanders

BWL full meeting packets and public notices/agendas are located on the official web site at <https://www.lbwl.com/about-bwl/governance>.

AGENDA - UPDATED

Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Finance Committee Meeting Minutes of July 12, 2022 **TAB 1**
- 2. Baker Tilly External FY22 Audit Report **TAB 2**
 - a. Audit Overview **TAB 2a**
 - b. Report to Governing Body **TAB 2b**
 - c. Lansing BWL Audited Financial Statements **TAB 2c**
 - d. Defined Benefit (DB) Plan Audited Financial Statements **TAB 2d**
 - e. Defined Contribution (DC) Plan Audited Financial Statements **TAB 2e**
 - f. Post Retirement Benefit Plan (VEBA) Audited Financial Statements **TAB 2f**
 - g. FY 2022 Audited Financial Statements of the Enterprise Fund and Pension Fiduciary Funds Resolution **TAB 2g**
- 3. July YTD Financial Summary **INFORMATION ONLY**
- 4. Rate Change Update **INFORMATION ONLY**
- 5. Retirement Plan Committee (RPC) Update **TAB 3**
- 6. Internal Audit Department Update **TAB 4**
 - a. FY2023 Internal Audit Plan Resolution **TAB 4a**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
July 12, 2022

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, July 12, 2022.

Finance Committee Chairperson Tony Mullen called the meeting to order at 6:33 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, Beth Graham, Semone James, David Price and Sandra Zerkle.

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Graham, **Seconded** by Commissioner James to approve the Finance Committee meeting minutes of May 10, 2022.

Action: Motion Carried.

May YTD Financial Summary

CFO Heather Shawa presented the May YTD Financial Summary and Capital Project Summary. In response to Chairperson Mullen, Ms. Shawa reported that owed debt has been reduced to \$7-8 million from \$11 million and will include this in the next monthly report.

Electric Annuals Capital Project Exceedance – Resolution

CFO Shawa requested approval for the projected spending for Capital Project AE – Electric Annuals which has an exceedance of \$3.3 million. The increases are due to more line extensions and cable upgrades than were expected, and some due to customer growth.

Commissioner Zerkle asked if any of the First STEP interns could be recruited for linemen positions. GM Peffley responded that BWL is working with Vegetation Management to expand their training as they are already comfortable working in a bucket.

Motion by Commissioner Price, **Seconded** by Commissioner Graham, to forward the Resolution for the Capital Project Exceedance: AE – Electric Annuals to the full Board for approval.

Action: Motion Carried.

Retirement Plan Committee (RPC) Update and 401 (a) DC Plan 2 Restatement

CFO Shawa reported that there were no updates to the Defined Contribution and Deferred Compensation Plans. The restated 401(a) plan documents for DC Plan 1 have already been executed by the RPC and because authority for DC Plan 2 document changes has been retained by the Board, the restated plan documents for DC Plan 2 are being brought forward for execution by the Board for submission by the July 31, 2022, deadline.

Motion by Commissioner Graham, **Seconded** by Commissioner Zerkle to forward the Restated DC Plan 2 Resolution to the full Board for consideration.

Action: Motion carried.

Bi-Annual Internal Audit Open Management Responses Update

Senior Internal Control Analyst Elisha Franco presented the Internal Audit Open Management Responses update.

Internal Audit Department Update

Internal Auditor Frank Macciocca presented the Internal Audit Department update. Interviews were conducted and an applicant selected for an Executive Administrative Assistant in the Internal Audit Department.

Rate Presentation

CFO Shawa stated that a public hearing and Special Board Meeting would be held in September regarding rate increases in November.

Corporate Planning Manager Paul Eory introduced Mark Beauchamp, President of Utility Financial Solutions, who presented rate design trends and impacts to the distribution system for demand charges, time of use pricing and energy incentives. Mr. Eory presented rate design recommendations and costs of services. BWL will file the recommendations with the City Clerk on August 5, 2022, send out a notice on September 6, 2022, for a Public Rate Hearing to be held at a Special Board meeting on September 20, 2022, and submit for approval at the September 27, 2022, Regular Board meeting. On November 1, 2022, year one changes will be implemented and on November 1, 2023, year two changes will be implemented.

Commissioner Zerkle requested a booklet or pamphlet be made to distribute to customers in order for them to be informed and select what will be their most beneficial rates. GM Peffley responded that BWL Communications Department is working on a plan to educate customers in order for them to select what fits them best in order to reap benefits. Commissioner Zerkle requested that BWL work with community organizations to distribute the information.

CFO Shawa responded that a tentative communication plan and meetings to be scheduled will be presented in the July Monthly Update and requested that specific questions be brought to the Finance Committee Chairperson. Commissioner Zerkle requested that the information be provided in the monthly Executive Highlights instead of in the Committee Meetings.

Upon Commissioner Jester's request for information on differentiated pricing and solar customers outflow billing rate, a follow up meeting regarding rate strategy will be scheduled for Commissioner Jester with BWL staff.

PA 95

Executive Director of Customer Experience Stephen Serkaian and his team, Customer Service Manager Deanna Sparks, Community Relations Manager Breina Pugh, and Customer Experience Manager Bob Perialas recommended a change in policy to opt into PA 95. Opting into the PA 95 rate strategy would assist low-income households through the Michigan Public Service Commission by charging up to one dollar for every residential and commercial customer. If BWL opts into the PA 95 program, eligible customers facing shutoff will receive assistance with their bill. No resolution is necessary, and no Board action was required at this meeting.

Commissioner Zerkle commented that Commissioners have fought against opting into PA 95 as there was no guarantee that state assistance would be provided in the geographic area from which funds were received. Mr. Serkaian handed out a list of utilities opting into and out of PA 95, plus the MSPC statutory requirement to direct funds to the geographic area from which they were received to the extent possible.

Commissioner Merrill inquired why the request to opt into PA 95 was for 2023-2024 season after a year through another winter. Mr. Serkaian responded that since opting into PA 95 is a rate increase and a public hearing would need to be held, it is requested for the 2023-2024 season and is being added to the upcoming rate increase hearing.

Other

There was no other business.

Adjourn

Chairperson Tony Mullen adjourned the meeting at 8:33 p.m.

Respectfully submitted,
Tony Mullen, Chairperson
Finance Committee

DRAFT

Board of Water and Light –
City of Lansing

Finance Committee Meeting -
2022 Audit Presentation

September 13, 2022



The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2018 Baker Tilly Virchow Krause, LLP





Board of Water and Light – City of Lansing



Agenda

Audit overview

Observations and
Recommendations

Required Communication to
Governing Body

Board of Water and Light – City of Lansing Audit Overview



Audit performed in accordance with *Generally Accepted Auditing Standards*



Audit objective – reasonable assurance that financial statements are free from material misstatement



Financial statements of BWL received an *Unmodified Opinion*

Board of Water and Light – City of Lansing
Audit Overview

Financial
Statements
Include

Auditors' report

Management discussion and analysis

Enterprise fund statements

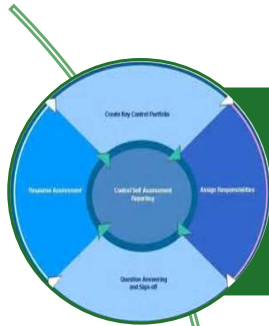
Pension and OPEB trust statements

Notes

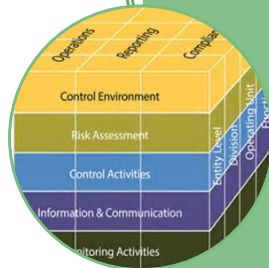
Required supplemental information

Supplemental information

Board of Water and Light – City of Lansing Audit Overview



Audit assesses internal controls



“...a means by which an organization’s resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization’s resources”



Controls must meet the goal and objectives of Operations, Reporting and Compliance



Board of Water and Light – City of Lansing Audit Overview

Controls
reviewed in
key
transaction
areas

Disbursements

Payroll

Billings

Cash and investments

Capital assets

Information technology

Financial reporting



Board of Water and Light – City of Lansing Observations and recommendations Enterprise Fund

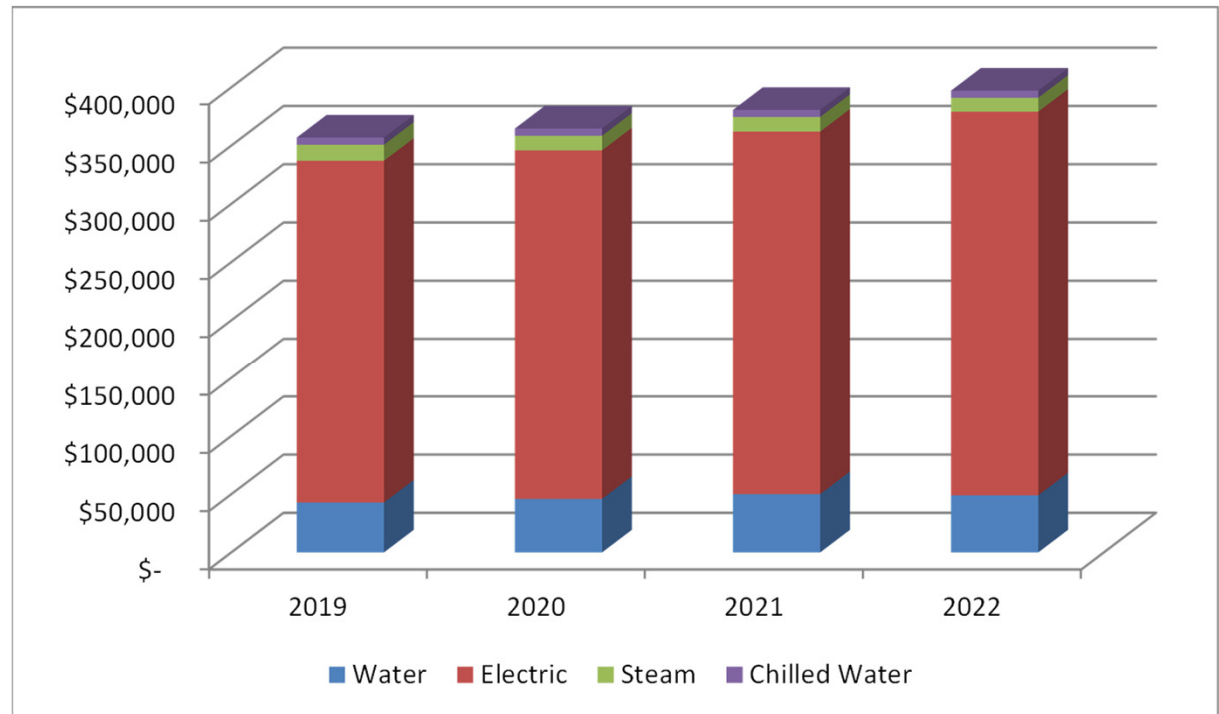
- Reported net income of \$11,600,000
- Bond coverage was met in 2022
- There were no material weaknesses reported

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

Operating Revenues – Four-year Comparison (in thousands)



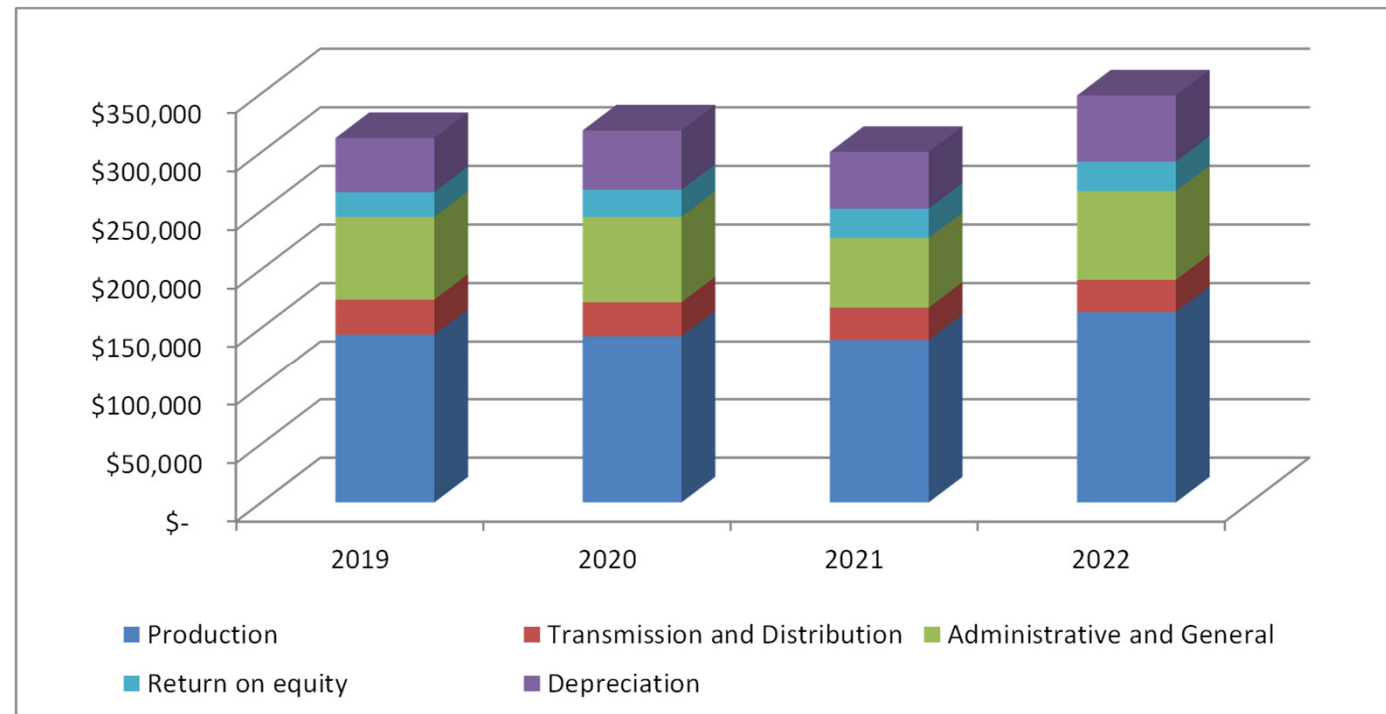
	2019	2020	2021	2022
Water	\$ 42,851	\$ 45,924	\$ 50,030	\$ 49,028
Electric	294,101	299,952	311,944	330,053
Steam	13,740	12,526	12,569	11,935
Chilled Water	6,192	6,211	6,036	6,133
Operating Revenue	\$ 356,884	\$ 364,613	\$ 380,579	\$ 397,149

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

Operating Expenses – Four-year Comparison (in thousands)



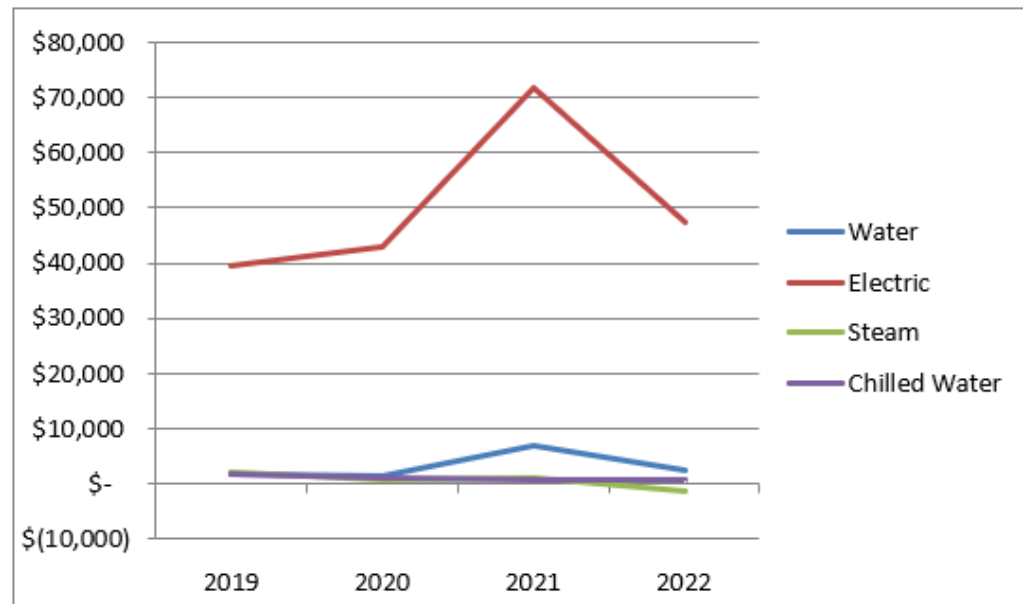
	2019	2020	2021	2022
Production	\$ 144,277	\$ 142,923	\$ 139,682	\$ 163,647
Transmission and Distribution	29,875	29,072	27,674	27,355
Administrative and General	70,664	72,827	59,408	75,850
Return on equity	21,111	23,100	25,000	25,000
Depreciation	46,124	50,619	48,429	56,503
Operating Expenses	\$ 312,051	\$ 318,541	\$ 300,193	\$ 348,355

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

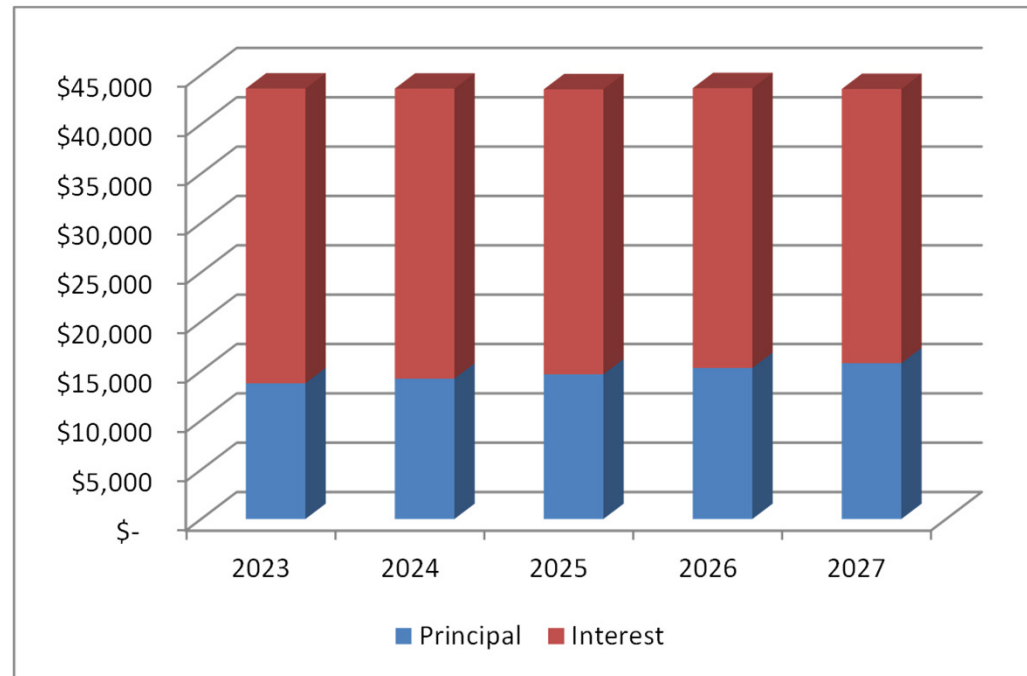
Operating
Income –
Four-year
Comparison
(in thousands)



	2019	2020	2021	2022
Water	\$ 1,728	\$ 1,445	\$ 6,874	\$ 2,298
Electric	39,471	42,812	71,783	47,292
Steam	1,981	812	1,105	(1,552)
Chilled Water	<u>1,654</u>	<u>1,003</u>	<u>623</u>	<u>756</u>
Operating Income	<u>\$ 44,834</u>	<u>\$ 46,072</u>	<u>\$ 80,385</u>	<u>\$ 48,794</u>

Board of Water and Light – City of Lansing
 Observations and recommendations
 Enterprise Fund

Future Debt
 Service
 Requirements
 (in thousands)



	2023	2024	2025	2026	2027
Principal	\$ 13,759	\$ 14,230	\$ 14,667	\$ 15,311	\$ 15,797
Interest	29,864	29,385	28,879	28,350	27,782

Debt service after 2027 includes remaining principal payments of \$668,055,376 and interest payments of \$450,703,018 through 2052.



Board of Water and Light – City of Lansing

Observations and recommendations

Pension Plans

- Separate financial statements issued for each pension plan
- All three plans received unmodified audit opinions

Board of Water and Light – City of Lansing Observations and recommendations

Future accounting standards

- GASB Statement No. 91, Conduit Debt Obligations – effective for fiscal year 2023
- GASB Statement No. 94, Public-Private and Public-Public Partnerships– effective for fiscal year 2023
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements – effective for fiscal year 2023
- GASB Statement No. 99, Omnibus 2022 – parts effective for fiscal year 2023 and 2024

Board of Water and Light – City of Lansing
Auditor communication to those charged with governance

Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Other Information in Documents Containing Audited Financial Statements
Planned Scope and Timing of the Audit	Accounting Policies
Accounting Estimates	Financial Statement Disclosures
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements
Disagreements with Management	Consultations with Other Independent Accountants
Management Representations	Auditor Independence



Board of Water and Light – City of Lansing

We appreciate the help of the Board of Water and Light General Accounting & Finance Teams in preparing for and assisting in the audit!

Board of Water and Light – City of Lansing



Discussion



Audit summary

Aaron Worthman, Partner

D: 512 975 7281

Aaron.Worthman@bakertilly.com

DRAFT 9/8/2022



Reporting and insights from the fiscal year 2022 audit:

Lansing Board of Water and
Light and Pension and OPEB
Trust Funds

June 30, 2022

Executive summary

September 8, 2022

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

We have completed our audit of the financial statements of the Lansing Board of Water and Light and Pension and OPEB Trust Funds (collectively referred to as the BWL) for the year ended June 30, 2022 and have issued our report thereon dated September 8, 2022. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of the BWL's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the BWL should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Aaron Worthman, Partner: aaron.worthman@bakertilly.com or +1 (512) 975 7281
- Ryan O'Donnell, Senior Manager: ryan.odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP



Aaron Worthman, CPA, Partner



Ryan O'Donnell, CPA, Senior Manager

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the BWL's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing opinions based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Commissioners:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or the Board of Commissioners of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Commissioners, including:

- Internal control matters
- Qualitative aspects of the BWL's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the BWL and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the BWL's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinions
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinions

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB net pension assets	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures
Self-insurance and worker's compensation liabilities	Employee benefit plan testing	Environmental liabilities
Regulatory debits and credits		

Internal control matters

We considered the BWL's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing opinions on the financial statements. We are not expressing an opinion on the effectiveness of the BWL's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be a material weakness.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by BWL are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies were not changed during fiscal year 2022. We noted no transactions entered into by the BWL during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension asset and related deferrals	Key assumptions set by management with the assistance of a third-party actuary	Reasonable in relation to the financial statements as a whole
Self-insurance claims	Historical claims analysis and report provided by a 3 rd party administrator	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net OPEB asset and related deferrals	Key assumptions set by management with the assistance of a third-party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Unbilled revenues	Evaluation based on historical units of consumption by customers and billings	Reasonable in relation to the financial statements as a whole
Worker's Compensation liabilities	Historical claims analysis and estimated lag report provided by a third-party administrator	Reasonable in relation to the financial statements as a whole
Environmental liabilities	Cash flow projections of estimated costs to remediate the sites	Reasonable in relation to the financial statements as a whole
Coal inventory	Evaluation of volumetric survey performed by a third party	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the BWL or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the BWL's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in documents containing audited financial statements

Official statements

The BWL's audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit report, we have no further obligation to update our report for events occurring subsequent to the date of our report. The BWL can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the BWL's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the BWL that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the BWL's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

Management representation letter

September 8, 2022

Baker Tilly US, LLP
4807 Innovate Lane
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the basic financial statements of the Lansing Board of Water and Light; including the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employee's Pensions, the Lansing Board of Water and Light Defined Contribution Plan and Trust 1, and the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (collectively the Employee Benefit Plans), as of June 30, 2022 and 2021 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the business type activities, the Employee Benefits Plans and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
9. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements, except as already disclosed. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Commissioners and the Pension Fund Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. Plan documents, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
12. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have a process to track the status of audit findings and recommendations.
19. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
20. The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
21. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
22. There are no:
 - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - d. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
 - e. Other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions, loans or leases in default, or events that may jeopardize the tax status) that legal counsel has advised us must be disclosed.
23. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
 - a. Financial statement preparation assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
24. The Lansing Board of Water and Light has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
25. The Lansing Board of Water and Light has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

26. The financial statements properly classify all funds and activities. All cash and bank accounts and all other properties and assets of the entity of which we are aware are included in the financial statements. All borrowings and financial obligations of the entity of which we are aware are included in the financial statements as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.
27. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
28. The Lansing Board of Water and Light has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
29. Provisions for uncollectible receivables, if any, have been properly identified and recorded. Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.
30. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.
31. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
32. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
33. We believe that the estimate made for the pollution remediation liability is in accordance with GASB Statement No. 49 and reflects all known available facts at the time it was recorded.
34. Tax exempt bonds issued have retained their tax exempt status.
35. The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.
36. We have appropriately disclosed the Lansing Board of Water and Light's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
37. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
38. With respect to the supplementary information, (SI):
 - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

39. We assume responsibility for, and agree with, the findings of specialists in evaluating the self-insurance reserves, net OPEB asset and related deferrals, and net pension asset and related deferrals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
40. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
41. We have assessed the impact of GASB Statement No. 87, *Leases*, and have determined the impact to be immaterial. Further, we assume responsibility for our conclusion that pole contracts in place meet the definition of a regulated lease under the standard.

42. The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor’s report thereon. We do not prepare an annual report.

The following representations relate specifically to the Employee Benefit Plans:

43. We have properly recorded or disclosed in the financial statements any amendments to the plan documents, if any.
44. The Defined Benefit Plan and Trust for Employees’ Pensions obtained its latest determination letter on November 4, 2011, in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the appropriate requirements of the Internal Revenue Code (IRC). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.
45. The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 is entitled to rely on an opinion letter dated June 30, 2020 (the “IRS Letter”), which the Internal Revenue Service issued to Nationwide Financial Services, Inc. with regard to its Non-Standardized Pre-approved Money Purchase/Profit Sharing Plan (the “Prototype Plan”). The IRS Letter stated that the Prototype Plan, as then designed, was acceptable as to form under Section 401 of the IRC and that employers adopting the Prototype Plan may generally rely on the IRS Letter with respect to qualification of their plans under Code Section 401(a) (to the extent described in Revenue Procedure 2017-41). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.
46. The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light received a letter from the Internal Revenue Service dated February 8, 2000 confirming its status as exempt from tax under the IRC. We believe the exemption letter remains valid.
47. We have no intentions to terminate any of the plans.
48. Related to the defined benefit plan:

- a. There were no omissions from the participants' data provided to the plan's actuary for the purpose of determining the total pension liability and other actuarially determined amounts in the financial statements.
- b. The plan administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the plan's net pension asset and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the plan's actuary.

49. Related to the post-retirement plan:

- a. There were no omissions from the participants' data provided to the plan's actuary for the purpose of determining the annual employer contribution and other actuarially determined amounts in the financial statements.
- b. The plan administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the plan's actuarial accrued liability and total OPEB liability (under GASB Statement No. 74) and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the plan's actuary.

50. The following have been properly recorded or disclosed in the financial statements:

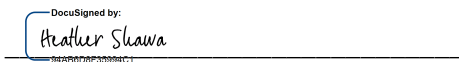
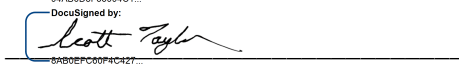


- a. The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.
- b. No other changes occurred in the actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.

51. The Employee Benefit Plans (and the trusts established under the plans) are qualified under the appropriate section of the Internal Revenue Code and intend to continue as qualified plans (and trusts). The plan sponsor has operated the Employee Benefit Plans in a manner that did not jeopardize this tax status.

52. All required filings with the appropriate agencies have been made.

Sincerely,

Lansing Board of Water and Light

Signed:		Title: CFO and Chair of the Retirement Plan Committee
Signed:		Title: Director, Accounting, Finance and Planning
Signed:		Title: Manager, Accounting, Finance and Planning
Signed:		Title: Supervisor, Reports Property and Accounting

Client service team



Aaron Worthman, CPA
Partner

4807 Innovate Lane
Madison, WI 53718
United States

T +1 (512) 975 7281 | Madison
Aaron.worthman@bakertilly.com



Ryan O'Donnell, CPA
Senior Manager

4807 Innovate Lane
Madison, WI 53718
United States

T +1 (608) 240 2606
Ryan.odonnell@bakertilly.com

Accounting changes relevant to Lansing Board of Water and Light

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
91	Conduit Debt		6/30/23*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		6/30/23
96	Subscription-Based Information Technology Arrangements	✓	6/30/23
99	Omnibus 2022		6/30/23

*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. The effective date reflected above is the required revised implementation date if applicable.

Further information on upcoming [GASB pronouncements](#).

Preparing for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The BWL should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining or operating an asset.

The BWL should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The BWL will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The BWL should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies and the related business risks that may result in material misstatements.
- d. We anticipate that the BWL will receive unmodified opinions on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of April - June and sometimes early in July. Our final financial fieldwork is scheduled during the summer to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 4-8 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means or wish to provide other feedback. We welcome the opportunity to hear from you.



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

Board of Water and Light – City of Lansing, Michigan

	Contents
Independent Auditors' Report	1-3
Required Supplemental Information (Unaudited)	
Management's Discussion and Analysis	4-6
Basic Financial Statements	
Statements of Net Position	7-8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10-11
Pension and OPEB Trust Funds – Statements of Fiduciary Net Position	12
Pension and OPEB Trust Funds – Statements of Changes in Fiduciary Net Position	13
Notes to Financial Statements	14-70
Required Supplemental Information (Unaudited)	
Schedule of Changes in the BWL's Net Pension Asset and Related Ratios	71
Schedule of Employer Contributions to the Net Pension Asset	72
Schedule of Changes in BWL's Net OPEB Liability and Related Ratios	73
Schedule of Employer Contributions to the Net OPEB Liability	74
Notes to Required Supplemental Information	75-81

Board of Water and Light – City of Lansing, Michigan

Contents

Supplemental Information

Income Available for Revenue Bond Debt Retirement	82
Detail of Statements of Revenues and Expenses	83
Detail of Statements of Changes in Net Position	84
Pension and OPEB Trust Funds – Detail of Statements of Fiduciary Net Position	85
Pension Trust and OPEB Funds – Detail of Statement of Changes in Fiduciary Net Position	86–87

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 supplemental 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.

Madison, Wisconsin
September 8, 2022

Lansing Board of Water and Light

Management's Discussion and Analysis

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.

Lansing Board of Water and Light

Management's Discussion and Analysis (Continued)

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.

Lansing Board of Water and Light

Management's Discussion and Analysis (Continued)

Condensed Financial Information (dollars in millions)

	For the Year Ended June 30			% Change	
	2022	2021	2020	2021 to 2022	
Result of Operations					
Operating Revenue	\$ 397.1	\$ 380.6	\$ 364.6	%	4.3
Operating Expense	348.4	300.2	318.5		16.1
Nonoperating expense - Net	(37.2)	(27.7)	(16.4)		34.3
Changes in Net Position	11.6	\$ 52.7	\$ 29.7	%	(78.0)

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.

Board of Water and Light - City of Lansing, Michigan

Statements of Net Position

	As of June 30	
	2022	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

Board of Water and Light - City of Lansing, Michigan

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

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

Board of Water and Light - City of Lansing, Michigan

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

Board of Water and Light - City of Lansing, Michigan

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
	265,027,555	340,152,845
Deferred Outflows of Resources		
Less noncash investments	(127,213,131)	(165,520,665)
	\$ 137,814,424	\$ 174,632,180

	For the Year Ended June 30	
	2022	2021
Reconciliation of Operating Income to Net Cash from Operating Activities		
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)
	28,898,843	18,260,138
	\$ 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	<u>461,792,471</u>	<u>519,954,964</u>
Liabilities		
Trade payable - due to broker	<u>14,328</u>	<u>158,109</u>
Net Position - Held in trust for pension and other employee benefits	<u>\$ 462,282,405</u>	<u>\$ 519,967,506</u>

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	<u>12,639,775</u>	<u>8,984,877</u>
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	<u>-</u>	<u>121,370</u>
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	<u>639,400</u>	<u>739,032</u>
Total decreases	<u>95,681,807</u>	<u>56,388,229</u>
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	<u>519,967,506</u>	<u>458,396,906</u>
End of year	<u>\$ 462,282,405</u>	<u>\$ 519,967,506</u>

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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	<u>4,028,141</u>	<u>4,214,580</u>
Subtotal	28,949,620	30,281,331
Special purpose – Future construction	<u>61,446,051</u>	<u>64,379,101</u>
Total	<u>\$ 90,395,671</u>	<u>\$ 94,660,432</u>

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	<u>(2,600,000)</u>	<u>(3,000,000)</u>
Net	<u>\$ 34,547,239</u>	<u>\$ 37,226,864</u>

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

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

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

Classification of utility plant	Life (Years)	Average Rate (Percent)	
		2022	2021
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.”

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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:

<u>Type of Investment</u>	<u>Cost Basis</u>	<u>How Held</u>
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:

<u>Type of Investment</u>	<u>Cost Basis</u>	<u>How Held</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
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:

<u>Investment</u>	<u>2022</u>	<u>2021</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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

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

Investment	June 30, 2022			
	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	<u>\$ -</u>	<u>\$ 113,782,308</u>	<u>\$ -</u>	<u>\$ 113,782,308</u>

Investment	June 30, 2021			
	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	<u>\$ -</u>	<u>\$ 130,426,877</u>	<u>\$ -</u>	<u>\$ 130,426,877</u>

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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:

Investment Type	June 30, 2022			Total
	Level 1	Level 2	Level 3	
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	<u>11,157,807</u>	<u>-</u>	<u>-</u>	<u>11,157,807</u>
Total investments by fair value level	<u>\$ 236,588,227</u>	<u>\$ 192,666,906</u>	<u>\$ -</u>	<u>\$ 429,255,133</u>
Investments measured at the net asset value (NAV)				
Stable value				<u>29,720,419</u>
Total investments				<u>\$ 458,975,552</u>

Board of Water and Light – City of Lansing, Michigan

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

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

Investment Type	June 30, 2021			
	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	<u>12,317,950</u>	<u>-</u>	<u>-</u>	<u>12,317,950</u>
Total investments by fair value level	<u>\$ 266,304,354</u>	<u>\$ 214,683,847</u>	<u>\$ -</u>	<u>\$ 480,988,201</u>
Investments measured at the net asset value (NAV)				
Stable value				<u>35,542,619</u>
Total investments				<u>\$ 516,530,820</u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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	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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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	<u>\$ 1,748,865,203</u>	<u>\$ (94,994,841)</u>	<u>\$ 207,354,725</u>	<u>\$ (11,314,812)</u>	<u>\$ 1,849,910,275</u>

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	<u>\$ (632,129,662)</u>	<u>\$ -</u>	<u>\$ (58,942,097)</u>	<u>\$ 6,902,054</u>	<u>\$ (684,169,705)</u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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	<u>226,845,122</u>	<u>(61,130,814)</u>	<u>224,257,676</u>	<u>-</u>	<u>389,971,984</u>
Total	<u>\$ 1,594,498,462</u>	<u>\$ (46,334,429)</u>	<u>\$ 270,592,104</u>	<u>\$ (69,890,934)</u>	<u>\$ 1,748,865,203</u>

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	<u>(55,988,791)</u>	<u>(44,307)</u>	<u>(7,594,689)</u>	<u>1,426,237</u>	<u>(62,201,550)</u>
Total	<u>\$ (648,979,613)</u>	<u>\$ -</u>	<u>\$ (49,411,296)</u>	<u>\$ 66,261,247</u>	<u>\$ (632,129,662)</u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 5 – Long-term Debt

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

	<u>2022</u>	<u>2021</u>
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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 5 – Long-term Debt (Continued)

	<u>2022</u>	<u>2021</u>
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*	<u>3,031,328*</u>
Total	741,819,348	750,066,429
Less current portion	(13,758,537)	(8,247,081)
Plus unamortized premium	<u>84,700,786</u>	<u>88,321,308</u>
Total long-term portion	<u>\$ 812,761,597</u>	<u>\$ 830,140,656</u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 5 – Long-term Debt (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>200,135,000</u>	<u>26,465,550</u>	<u>226,600,550</u>
Total	<u>\$ 734,170,000</u>	<u>\$ 593,004,514</u>	<u>\$ 1,327,174,514</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>378,915</u>	<u>34,076</u>	<u>412,991</u>
Total	<u>\$ 7,649,348</u>	<u>\$ 1,957,923</u>	<u>\$ 9,607,271</u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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	<u>(10,334,879)</u>	<u>(797,341)</u>	<u>(11,132,220)</u>
Ending balance	<u>\$ 829,931,309</u>	<u>\$ 8,456,428</u>	<u>\$ 838,387,737</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for 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:

	<u>2022</u>	<u>2021</u>
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	<u>3</u>	<u>3</u>
Total	<u><u>289</u></u>	<u><u>301</u></u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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):

	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 47,887	\$ 48,444
Plan fiduciary net pension	<u>50,659</u>	<u>61,658</u>
Plan's net pension asset	<u>\$ (2,772)</u>	<u>\$ (13,214)</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 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)

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

	<u>2022</u>	<u>2021</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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%

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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*.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Retiree Benefit Plan and Trust (OPEB)

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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	<u>153</u>
Total	<u>1,457</u>

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	<u>149</u>
Total	<u>1,445</u>

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.

Board of Water and Light – City of Lansing, Michigan

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

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	<u>FYE</u>	<u>Medical / RX</u>	<u>Part B</u>	
	<u>Dental</u>			
		<u>Pre-65</u>	<u>Post-65</u>	
	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%

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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

	<u>FYE</u>	<u>Medical / RX</u>		<u>Part B</u>	
		<u>Dental</u>			
		<u>Pre-65</u>	<u>Post-65</u>		
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%	

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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%

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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%

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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	<u>8,767</u>	<u>(19,601)</u>	<u>28,368</u>
Balances at 6/30/2022	<u>\$ 156,410</u>	<u>\$ 228,142</u>	<u>\$ (71,731)</u>

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 8 – Retirement Plans (Continued)

	(in thousands)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(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	<u>(6,959)</u>	<u>48,938</u>	<u>(55,897)</u>
Balances at 6/30/2021	<u>\$ 147,644</u>	<u>\$ 247,743</u>	<u>\$ (100,099)</u>

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:

Board of Water and Light – City of Lansing, Michigan

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

Note 8 – Retirement Plans (Continued)

	June 30, 2022		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
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		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
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		
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability (asset)	\$(88,432,330)	\$(71,731,218)	\$(51,458,308)

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		
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability (asset)	\$(115,475,352)	\$(100,098,736)	\$(81,548,417)

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 8 – Retirement Plans (Continued)

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:

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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>-</u>	<u>20,882,998</u>
Total	<u>\$ 6,151,506</u>	<u>\$ 74,524,240</u>

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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	<u>(75,737)</u>	<u>(360,798)</u>	<u>(75,235)</u>	<u>(16,354,421)</u>	<u>(13,384,990)</u>	<u>(14,697,982)</u>
Unpaid claims -						
End of year	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 1,773,595</u>	<u>\$ 1,334,297</u>	<u>\$ 1,317,540</u>

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

Board of Water and Light – City of Lansing, Michigan

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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 8, 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 Supplemental 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	<u>48,444</u>	<u>52,198</u>	<u>53,826</u>	<u>55,751</u>	<u>56,895</u>	<u>61,178</u>	<u>65,395</u>	<u>69,341</u>	<u>67,280</u>	<u>71,281</u>
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	<u>61,658</u>	<u>55,586</u>	<u>60,422</u>	<u>62,367</u>	<u>65,924</u>	<u>65,442</u>	<u>73,679</u>	<u>80,529</u>	<u>75,424</u>	<u>73,567</u>
Net Position Restricted for Pensions - End of year	<u>50,659</u>	<u>61,658</u>	<u>55,586</u>	<u>60,422</u>	<u>62,367</u>	<u>65,924</u>	<u>65,442</u>	<u>73,679</u>	<u>80,530</u>	<u>75,424</u>
BWL Net Pension Asset - Ending	<u>\$ (2,772)</u>	<u>\$ (13,214)</u>	<u>\$ (3,388)</u>	<u>\$ (6,596)</u>	<u>\$ (6,616)</u>	<u>\$ (9,029)</u>	<u>\$ (4,264)</u>	<u>\$ (8,284)</u>	<u>\$ (11,189)</u>	<u>\$ (8,144)</u>
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%)

**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	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

**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.

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

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

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
	Required	Actual			
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%

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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 Scale	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 Scale	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%.

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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.

Board of Water and Light – City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

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.

Supplemental 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

Board of Water and Light - City of Lansing, Michigan

**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

Board of Water and Light - City of Lansing, Michigan

Detail of Statements of Changes in Net Position

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

Board of Water and Light - City of Lansing, Michigan

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	<u>183,483,537</u>	<u>50,159,675</u>	<u>228,149,259</u>	<u>461,792,471</u>
Liabilities				
Trade payable - due to broker	-	2,072	12,256	14,328
Net Position - Held in trust for pension and other employee benefits				
	<u>\$ 183,483,537</u>	<u>\$ 50,658,774</u>	<u>\$ 228,140,094</u>	<u>\$ 462,282,405</u>

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	<u>210,566,180</u>	<u>61,656,018</u>	<u>247,732,766</u>	<u>519,954,964</u>
Liabilities				
Trade payable - due to broker	-	20,433	137,676	158,109
Net Position - Held in trust for pension and other employee benefits				
	<u>\$ 210,566,180</u>	<u>\$ 61,658,099</u>	<u>\$ 247,743,227</u>	<u>\$ 519,967,506</u>

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	<u>2,665,738</u>	<u>2,102,005</u>	<u>7,872,032</u>	<u>12,639,775</u>
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	<u>729,619</u>	<u>-</u>	<u>-</u>	<u>729,619</u>
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	<u>150,974</u>	<u>134,610</u>	<u>353,816</u>	<u>639,400</u>
Total decreases	<u>21,288,724</u>	<u>5,600,768</u>	<u>13,846,573</u>	<u>40,736,065</u>
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	<u>210,566,180</u>	<u>61,658,099</u>	<u>247,743,227</u>	<u>519,967,506</u>
End of year	<u>\$ 183,483,537</u>	<u>\$ 50,658,774</u>	<u>\$ 228,140,094</u>	<u>\$ 462,282,405</u>

Board of Water and Light - City of Lansing, Michigan

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	<u>\$ 210,566,180</u>	<u>\$ 61,658,099</u>	<u>\$ 247,743,227</u>	<u>\$ 519,967,506</u>

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

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

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

	Contents
Independent Auditors' Report	1-2
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3-5
Financial Statements	
Statement of Plan Fiduciary Net Position	6
Statement of Changes in Plan Fiduciary Net Position	7
Notes to Financial Statements	8-20
Required Supplementary Information (Unaudited)	
Schedule of Changes in the BWL's Net Pension Asset and Related Ratios	21
Schedule of Employer Contributions	22
Notes to Required Supplementary Information	23-25
Schedule of Investment Returns	26

Independent Auditors' Report

To the Honorable Mayor, Members of the City Council,
Commissioners of the Board of Water and Light of
Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Madison, Wisconsin
September 8, 2022

Lansing Board of Water and Light

Defined Benefit Plan and Trust for Employees' Pensions

Management's Discussion and Analysis (Unaudited)

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

Using this Annual Report

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

Condensed Financial Information

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

	2022	2021	2020
Assets held in trust:			
Money market collective trust fund	\$ 1,308,877	\$ 1,401,780	\$ 1,402,445
Mutual funds	24,919,695	33,017,321	27,724,351
Common collective funds	18,671,886	19,776,148	19,028,423
Common stock	5,259,217	7,460,769	7,429,429
Trade Receivable due from Broker	500,000	20,550	-
Interest and dividend receivable	1,171	1,964	2,247
Total assets held in trust	<u><u>\$ 50,660,846</u></u>	<u><u>\$ 61,678,532</u></u>	<u><u>\$ 55,586,895</u></u>
Liabilities - Accrued liabilities	\$ 2,072	\$ 20,433	\$ -
Net position restricted for pension	<u>50,658,774</u>	<u>61,658,099</u>	<u>55,586,895</u>
Total liabilities and net position	<u><u>\$ 50,660,846</u></u>	<u><u>\$ 61,678,532</u></u>	<u><u>\$ 55,586,895</u></u>
Changes in net position:			
Net investment income (loss)	\$ (5,398,557)	\$ 11,852,724	\$ 1,657,911
Benefits payments	(5,466,158)	(5,658,372)	(6,347,779)
Administrative fees	(134,610)	(123,148)	(145,084)
Net change in net position	<u><u>\$ (10,999,325)</u></u>	<u><u>\$ 6,071,204</u></u>	<u><u>\$ (4,834,952)</u></u>

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

Management's Discussion and Analysis (Unaudited) (Continued) As of and for the Years Ended June 30, 2022 and 2021

Investment Results

The fiscal year ended June 30, 2022 saw a net investment loss of (\$5.4) million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Lansing Board of Water & Light's ("BWL") actuarially determined contribution (ADC) as determined by the BWL's actuary was \$0 in fiscal year 2022, therefore no employer contributions were required.

The discount rate was 6.5% in fiscal year 2021 and 6.0% in fiscal year 2022

Investment Objectives and Asset Allocation

The Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees' Pensions ("Plan") assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the BWL has considered the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect the Plan's risk tolerance.

The investment of Plan assets is intended to result in moderate, long-term capital appreciation through moderate risk-taking. The Plan's overall investment objective is to earn an average, annual return of 6.0% over five-year rolling periods. Achievement of this objective is likely to result in stable contribution rates and ensure its ability to pay retirement benefits for all plan participants.

Consistent with the advice of the investment advisor, the BWL has selected the following target asset allocation strategy:

<u>Asset Class</u>	<u>Target Asset Allocation</u>
Core Bonds	20%
Multi-Sector	10%
Liquid Absolute Return	10%
U.S. Large Cap Equity	25%
U.S. Small Cap Equity	10%
Non-U.S. Equity	20%
Core Real Estate	<u>5%</u>
Total	100%

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

Management's Discussion and Analysis (Unaudited) (Continued) As of and for the Years Ended June 30, 2022 and 2021

Future Events

The Plan is currently overfunded, with a funded ratio (fiduciary net position divided by total pension liability) of 106%. This funding level results in an actuarially determined contribution of \$0 for fiscal year 2023. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2023.

The Plan expects to make an annual withdrawal of approximately \$5,000,000 to cover participant benefits in fiscal year 2023.

Contacting the Plan's Management

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

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

Statements of Plan Fiduciary Net Position

	As of June 30	
	2022	2021
Assets		
Investments at fair value:		
Cash and money market trust fund	\$ 1,308,877	\$ 1,401,780
Mutual funds	24,919,695	33,017,321
Common collective funds	18,671,886	19,776,148
Common stocks	5,259,217	7,460,769
	<hr/>	<hr/>
Total investments at fair value	50,159,675	61,656,018
Trade receivable - due from broker	500,000	20,550
Receivable - investment interest receivable	1,171	1,964
	<hr/>	<hr/>
Total assets	50,660,846	61,678,532
Liabilities		
Trade payable - due to broker	2,072	20,433
	<hr/>	<hr/>
Net Position Restricted for Pensions	\$ 50,658,774	\$ 61,658,099

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

Statements of Changes in Plan Fiduciary Net Position

	For the Year Ended June 30	
	2022	2021
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ -	\$ 10,760,058
Interest and dividend income	2,102,005	1,092,666
	<u>2,102,005</u>	<u>11,852,724</u>
Total investment income	<u>2,102,005</u>	<u>11,852,724</u>
Deductions		
Net depreciation in fair value of investments	7,500,562	-
Retiree benefits paid	5,466,158	5,658,372
Administrative expenses	134,610	123,148
	<u>13,101,330</u>	<u>5,781,520</u>
Total deductions	<u>13,101,330</u>	<u>5,781,520</u>
Net Increase (Decrease) in Net Position	(10,999,325)	6,071,204
Net Position Restricted for Pensions		
Beginning of year	<u>61,658,099</u>	<u>55,586,895</u>
End of year	<u>\$ 50,658,774</u>	<u>\$ 61,658,099</u>

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Lansing Board of Water & Light (“BWL”) sponsors the Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees’ Pensions (“Plan”), which is a noncontributory single-employer defined benefit, public employee retirement system established and administered by the BWL under Section 5-203.10 of the City Charter. A participant’s interest shall be fully vested when the participant has been credited with seven years of vesting service. The Plan was established in 1939 and has been amended several times, with the latest amendment effective July 1, 2010. Participants should refer to the Plan Document for a more complete description of the Plan’s provisions.

Accounting and Reporting Principles

The Plan follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

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

Report Presentation

This report includes the fund-based statements of the Plan.

Investment Valuation and Income Recognition – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales prices. Investments that do not have an established market are reported at estimated fair value.

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Report Presentation (Continued)

Purchases and sales of securities are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of year fair value of investments.

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

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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

Note 2 – Plan Description

Plan Administration – The BWL administers the 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.

Management of the Plan is vested in the BWL Board of Commissioners, which consists of eight members appointed by the mayor of the City of Lansing, Michigan. Board members have by resolution delegated administrative and investment duties to the BWL's Retirement Plan Committee ("RPC").

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Plan Description (Continued)

Plan Membership – At February 28, 2022 and February 28, 2021 (the most recent actuarial valuation for funding purposes), Plan membership consisted of the following:

	<u>2022</u>	<u>2021</u>
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	<u>3</u>	<u>3</u>
Total	<u>289</u>	<u>301</u>

The Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution retirement savings 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.

Benefits Provided – The 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 employee's pension service credit (service credited on an elapsed time basis) multiplied by a percentage equal to 1.80% of the employee's annual pay (base pay plus bonus received during the year in which the base pay was the highest within the last ten years of employment), paid in equal monthly installments.

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Plan Description (Continued)

Payments will either be nonincreasing 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 Section 9 of the Plan document 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, external 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, 2022 and 2021. Plan documents do not require participant contributions.

Plan Termination – Although the BWL has not expressed any intent to terminate the Plan, the BWL has the right to do so at any time. If the Plan is terminated, each employee who has a pension benefit under the Plan will be fully vested in that benefit. Those benefits shall be calculated on Plan termination as though each person had elected to receive his or her accrued benefit as a lump sum amount, although no employee would be required to accept his or her Plan termination distribution in the form of a lump sum. The lump sum amount to be paid to each individual in any of the forms permitted by the Plan would be calculated in accordance with the Plan document. On termination of the Plan, each employee would have recourse toward satisfaction of his or her nonforfeitable benefit from the Plan assets and from the general assets of the BWL and its successor, if any.

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 3 – Cash, Investments, and Fair Disclosure

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

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories. The Plan does not have any deposits exposed to custodial credit risk.

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with maturities 270 days or less. The Plan has no investments subject to interest rate risk as of June 30, 2022 and June 30, 2021.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. The Plan has no investments subject to credit risk as of June 30, 2022 and June 30, 2021.

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 4 – 401(h) Account

Effective July 1, 1999, the 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 in accordance with Section 401(h) of the Internal Revenue Code (IRC). A separate account has been established and maintained in the Plan for the net assets related to the medical-benefit component 401(h) account. In accordance with IRC Section 401(h), the Plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. Employer contributions or qualified transfers to the 401(h) account are determined annually and are at the discretion of the Plan sponsor. At June 30, 2022 and 2021, there were no excess Plan assets available for transfer.

Note 5 – Tax Status

The Plan obtained, from the Internal Revenue Service, a determination letter dated November 4, 2011. The letter affirmed that the Plan complied with the requirements of Internal Revenue Code section 401(a). The Plan continues to operate as a qualified plan.

Note 6 - Plan Investments - Policy and Rate of Return

Investment Policy – The Plan's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of its members. It is the policy of the board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the BWL's adopted asset allocation policy as of June 30, 2022 and 2021:

Asset Class	2022 Target Allocation	2021 Target Allocation
Global Fixed Income	40%	40%
U.S. Equities	35%	35%
Non-U.S. Equities	20%	20%
Commercial real estate	5%	5%

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 6 – Plan Investments - Policy and Rate of Return (Continued)

Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -9.18%. For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 22.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 7 – Net Pension Asset of the BWL

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 7 – Net Pension Asset of the BWL (Continued)

Actuarial Assumptions – The June 30, 2022 total pension liability was determined by an actuarial valuation as of February 28, 2022, which used updated procedures to roll forward the estimated liability to June 30, 2022. The June 30, 2021 total pension liability was determined by an actuarial valuation as of February 28, 2021, which used updated procedures to roll forward the estimated liability to June 30, 2021. The total pension liability is determined by the Plan's independent actuary and is that amount that results from applying actuarial assumptions to adjust the total pension liability to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Benassist Retirement Consulting, LLC was the actuary for the February 28, 2022 and February 28, 2021 valuations, respectively. The inflation rate used was 2.25% for the February 28, 2022 and February 28, 2021 valuations. Salary increase used was 3.5% for both the February 28, 2022 and February 28, 2021 valuations, respectively. The most recent experience review was completed in 2014. Since the Plan only covered 17 active participants in fiscal year 2014, assumptions like termination, retirement, and disability have an immaterial impact on the results and have not been changed.

The mortality table was based on the PUB-2010 General Mortality Table, Male and Female, projected generationally using the MP-2021 projection scale for the June 30, 2022 valuation. The June 30, 2021 valuation used the PUB-2010 General Mortality Table, Male and Female, projected generationally using the MP-2019 projection scale.

Discount Rate – The discount rate used to measure the total pension liability was 6.0% and 6.5% for June 30, 2022 and June 30, 2021, respectively. The projection of cash flows used to determine the discount rate in both years assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows Section – Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 7 – Net Pension Asset of the BWL (Continued)

The long-term expected rate of return on 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 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 Plan's target asset allocation, as disclosed in Note 6, 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%

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 (7.00%) 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)

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 7 – Net Pension Asset of the BWL (Continued)

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 (5.50%) or 1 percentage point higher (7.50%) 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)

Note 8 – Fair Value Measurements

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 8 – Fair Value Measurements (Continued)

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

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

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

Money market trust fund: Valued at the quoted net asset value ("NAV") of shares held by the Plan at year end.

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

Mutual and common collective funds: Valued at the daily closing price as reported by the fund. Mutual and common collective funds held by the Plan are open-end mutual and common collective 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 and common collective funds held by the Plan are deemed to be actively traded.

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 8 – Fair Value Measurements (Continued)

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:

Investment Type	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Cash and money market trust fund	\$ -	\$ 1,308,877	\$ -	\$ 1,308,877
Mutual funds	-	24,919,695	-	24,919,695
Common collective funds	4,093,767	14,578,119	-	18,671,886
Common stocks	5,259,217	-	-	5,259,217
Total	<u>\$ 9,352,984</u>	<u>\$ 40,806,691</u>	<u>\$ -</u>	<u>\$ 50,159,675</u>

Investment Type	June 30, 2021			Total
	Level 1	Level 2	Level 3	
Cash and money market trust fund	\$ -	\$ 1,401,780	\$ -	\$ 1,401,780
Mutual funds	-	33,017,321	-	33,017,321
Common collective funds	3,334,176	16,441,972	-	19,776,148
Common stocks	7,460,769	-	-	7,460,769
Total	<u>\$ 10,794,946</u>	<u>\$ 50,861,072</u>	<u>\$ -</u>	<u>\$ 61,656,018</u>

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

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

Note 9 – Risks and Uncertainties

The total pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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

Note 10 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 8th, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

Required Supplementary Information

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

**Required Supplementary 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	<u>48,444</u>	<u>52,198</u>	<u>53,826</u>	<u>55,751</u>	<u>56,895</u>	<u>61,178</u>	<u>65,395</u>	<u>69,341</u>	<u>67,280</u>	<u>71,281</u>
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	<u>61,658</u>	<u>55,586</u>	<u>60,422</u>	<u>62,367</u>	<u>65,924</u>	<u>65,442</u>	<u>73,679</u>	<u>80,529</u>	<u>75,424</u>	<u>73,567</u>
Net Position Restricted for Pensions - End of year	<u>50,659</u>	<u>61,658</u>	<u>55,586</u>	<u>60,422</u>	<u>62,367</u>	<u>65,924</u>	<u>65,442</u>	<u>73,679</u>	<u>80,530</u>	<u>75,424</u>
BWL Net Pension Asset - Ending	<u>\$ (2,772)</u>	<u>\$ (13,214)</u>	<u>\$ (3,388)</u>	<u>\$ (6,596)</u>	<u>\$ (6,616)</u>	<u>\$ (9,029)</u>	<u>\$ (4,264)</u>	<u>\$ (8,284)</u>	<u>\$ (11,189)</u>	<u>\$ (8,144)</u>
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%)

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

**Required Supplementary 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	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

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

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-2020 Improvement Scale

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

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 decrease in 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.

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

Significant Changes (Continued):

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.

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

**Required Supplementary Information (Unaudited)
Schedule of Investment Returns
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Annual money-weighted rate of return, net of investment expense	(9.18%)	22.42%	2.90%	7.39%	4.97%	12.10%	(0.49%)	1.55%	19.18%	- %

*GASB 67 was implemented as of June 30, 2014. Information from 2013 is not available and this schedule will be presented on a prospective basis

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

Financial Report

With Required Supplementary Information

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

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

	Contents
Independent Auditors' Report	1-2
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3-4
Financial Statements	
Statement of Fiduciary Net Position	5
Statement of Changes in Fiduciary Net Position	6
Notes to Financial Statements	7-17

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Madison, Wisconsin
September 8, 2022

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

Management's Discussion and Analysis (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

Using this Annual Report

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

Condensed Financial Information

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

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

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

Management’s Discussion and Analysis (Unaudited) (Continued) As of and for the Years Ended June 30, 2022 and 2021

Investment Objectives

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

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

Investment Results

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

Future Events

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

Contacting the Plan’s Management

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

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

Statements of Fiduciary Net Position

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

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

Statements of Changes in Fiduciary Net Position

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Plan Description

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

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

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Plan Description (Continued)

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

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

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

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

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

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Plan Description (Continued)

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

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

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

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Plan Description (Continued)

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

Note 2 – Summary of Significant Accounting Policies

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

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

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

Note 3 – Investments

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

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

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

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

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

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

Note 3 – Investments (Continued)

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds – Bond funds	\$ 16,900,960	Not rated	Not rated

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds – Bond funds	\$ 16,365,491	Not rated	Not rated

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Mutual funds – Bond funds	\$16,900,960	6.7 years

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Mutual funds – Bond funds	\$16,365,491	5.6 years

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 4 – Plan Termination

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

Note 5 – Tax Status

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

Note 6 – Fair Value Measurements

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 6 – Fair Value Measurements (Continued)

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

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

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

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

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

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 6 – Fair Value Measurements (Continued)

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

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

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

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 6 – Fair Value Measurements (Continued)

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

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

Note 7 – Risks and Uncertainties

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

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

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

Note 8 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 8th, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

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

Financial Report

With Required Supplementary Information

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

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

	Contents
Independent Auditors' Report	1-2
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3-5
Financial Statements	
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8-23
Required Supplementary Information (Unaudited)	
Schedule of Changes in Net OPEB Liability and Related Ratios	24
Schedule of Employer Contributions	25
Schedule of Investment Returns	26
Notes to Required Supplementary Information	27-30

Independent Auditors' Report

To the Honorable Mayor, Members of the City Council,
Commissioners of the Board of Water and Light
Post-Retirement Benefit Plan and Trust for Eligible
Employees of Lansing Board of Water and Light

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Madison, Wisconsin
September 8, 2022

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

Management's Discussion and Analysis (Unaudited) As of and for the Years Ended June 30, 2022 and 2021

Using this Annual Report

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

Condensed Financial Information

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

	2022	2021	2020
Assets held in trust:			
Cash and money market trust funds	\$ 957,009	\$ 1,042,711	\$ 578,216
Fixed income securities	-	286	283
Equities	29,852,049	49,879,749	85,193,786
Mutual funds	108,461,092	120,768,939	72,136,937
Common collective funds	88,879,109	76,041,081	40,856,781
Interest and dividend receivable	3,091	12,481	26,604
Trade Receivable - Due from Broker	-	135,656	13,252
	<u>\$ 228,152,350</u>	<u>\$ 247,880,903</u>	<u>\$ 198,805,859</u>
Liabilities:			
Trade Payable - Due to Broker	\$ 12,256	\$ 137,676	\$ 1,057
	<u>\$ 228,140,094</u>	<u>\$ 247,743,227</u>	<u>\$ 198,804,802</u>
Net Position Restricted for Pensions			
	<u>\$ 228,140,094</u>	<u>\$ 247,743,227</u>	<u>\$ 198,804,802</u>
Changes in net position:			
Net investment income (loss)	\$ (19,249,317)	\$ 49,388,725	\$ 4,158,326
Employer contributions	13,492,757	8,343,977	9,156,565
Retiree benefits paid	(13,492,757)	(8,343,977)	(9,156,565)
Administrative fees	(353,816)	(450,300)	(512,101)
	<u>\$ (19,603,133)</u>	<u>\$ 48,938,425</u>	<u>\$ 3,646,225</u>
Net change in net position	<u>\$ (19,603,133)</u>	<u>\$ 48,938,425</u>	<u>\$ 3,646,225</u>

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

Management's Discussion and Analysis (Unaudited) (Continued)
As of and for the Years Ended June 30, 2022 and 2021

Investment Results

The fiscal year ended June 30, 2022 saw a net investment loss of (\$19.2) million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Lansing Board of Water & Light ("BWL") actuarially determined contribution (ADC) as determined by the BWL's actuary was \$0 in fiscal year 2022.

The discount rate was 7.0% in fiscal year 2020 & 2021 and 6.5% in fiscal year 2022.

Investment Objectives and Asset Allocation

The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("Plan") assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the BWL has considered the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect the Plan's risk tolerance.

The investment of Plan assets is intended to result in moderate, long-term capital appreciation through moderate risk-taking. The Plan's overall investment objective is to earn an average, annual return of 6.5% over five-year rolling periods. Achievement of this objective is likely to result in stable to declining future contribution rates and ensure the ability to pay retirement benefits for all plan participants.

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

Management's Discussion and Analysis (Unaudited) (Continued) As of and for the Years Ended June 30, 2022 and 2021

Consistent with the advice of its investment advisor, the BWL has selected the following target asset allocation strategy:

<u>Asset Class</u>	<u>Target Asset Allocation</u>
Core Bonds	15%
Multi-Sector	5%
Liquid Absolute Return	5%
U.S. Large Cap Equity	30%
U.S. Small Cap Equity	10%
Non-U.S. Equity	20%
Core Real Estate	8%
Value Add Real Estate	<u>7%</u>
Total	100%

Future Events

The Plan is currently overfunded, with a funded status (fiduciary net position divided by total pension liability) of 146%. This funding level results in an actuarially determined contribution of \$0 for fiscal year 2023. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2023.

Contacting the Plan's Management

The financial report is intended to provide a general overview of the Plan's finances and to demonstrate accountability for the funds it administers. Questions about this report should be submitted to 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.

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

Statements of Fiduciary Net Position

	As of June 30	
	2022	2021
Assets		
Investments - fair value:		
Cash and money market trust funds	\$ 957,009	\$ 1,042,711
Fixed income securities	-	286
Equities	29,852,049	49,879,749
Mutual funds	108,461,092	120,768,939
Common collective funds	<u>88,879,109</u>	<u>76,041,081</u>
Total investments at fair value	228,149,259	247,732,766
Investment interest and dividend receivable	3,091	12,481
Trade receivable - due from broker	-	<u>135,656</u>
Total assets	<u>228,152,350</u>	<u>247,880,903</u>
Liabilities		
Trade payable - due to broker	<u>12,256</u>	<u>137,676</u>
Net position restricted for retiree benefits	<u>\$ 228,140,094</u>	<u>\$ 247,743,227</u>

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

Statements of Changes in Fiduciary Net Position

	For the Year Ended June 30	
	2022	2021
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ -	\$ 47,489,394
Interest and dividend income	7,872,032	1,899,331
Total investment income	7,872,032	49,388,725
Employer contributions	13,492,757	8,343,977
Total additions	21,364,789	57,732,702
Deductions		
Net depreciation in fair value of investments	27,121,349	-
Retiree benefits paid	13,492,757	8,343,977
Administrative expenses	353,816	450,300
Total deductions	40,967,922	8,794,277
Net Increase (Decrease) in Net Position	(19,603,133)	48,938,425
Net Position Restricted for Retiree Benefits		
Beginning of year	247,743,227	198,804,802
End of year	\$ 228,140,094	\$ 247,743,227

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Lansing Board of Water & Light (“BWL”) sponsors the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water & Light (“Plan”), which is a single-employer retiree benefit plan. The Plan was established on October 20, 1999, effective as of July 1, 1999, for the purpose of accumulating assets to fund retiree healthcare insurance costs in future years.

Accounting and Reporting Principles

The Plan follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employer contributions to the Plan are recognized when due pursuant to legal requirements.

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Report Presentation

This report includes the fund-based statements of the Plan.

Investment Valuation and Income Recognition – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

Purchases and sales of investments are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of the period’s fair value of investments.

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Report Presentation (Continued)

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

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

Note 2 – Plan Description

The following description of the Plan provides only general information. Participants should refer to the Plan and Trust Documents for a more complete description of the Plan's provisions.

General – The Plan was established by the Lansing Board of Water & Light on October 20, 1999 under Section 5–203 of the City Charter. The Plan became effective July 1, 1999. Eligible Participants of the Plan may include BWL employees, former BWL employees, and their spouses, dependents, or beneficiaries.

The Plan provides medical, dental, and life insurance benefits to eligible Participants. Substantially all BWL employees may become eligible Participants of the Plan if they reach normal retirement age while actively employed full-time by the BWL. There were 761 participants eligible to receive benefits at June 30, 2022 and 747 participants eligible at June 30, 2021.

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Plan Description (Continued)

Trustees – Each voting member of the BWL Board of Commissioners is a Trustee during the term of office as a commissioner. The Trustees have appointed Fifth Third Bank as custodian of the Plan’s assets.

Agreement – The Lansing Board of Water & Light (the “Employer”) entered into an Administrative Services Agreement (the “Agreement”) with the Trust for Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light (the “VEBA” or “Trust”) effective January 1, 2022. The Agreement obligates the Employer to provide the administrative services necessary to pay Plan benefits. The Agreement also governs the conditions related to Trust contributions and disbursements.

Benefits – Plan benefits shall not be paid to participants or their beneficiaries during a plan year in which there has been a “qualified transfer” pursuant to Internal Revenue Code Section 420(e)(1)(8) from the Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees’ Pensions, except that once the “qualified transfer” has been exhausted for the purpose of paying qualified current retiree health liabilities, benefit payments may be made under this Plan consistent with Internal Revenue Code Section 420(e)(1)(B). After “qualified transfers” have been exhausted, benefits paid under the Plan shall be those benefits described in the Plan Document.

Contributions – Section 5–203 of the City Charter grants the authority to establish and amend the contribution requirement of the City and Plan members to BWL. The retiree benefits are paid by BWL’s general cash flow to the third party administrators who process participant claims. These payments represent contributions to the Plan. Employer contribution amounts are quantified in the statement of changes in net position. During the years ended June 30, 2022 and 2021, BWL incurred \$13,492,757 and \$8,343,977 in benefit payments, respectively.

The BWL may make additional contributions in such a manner and at such times as appropriate per the Plan and Trust documents. All contributions received, together with the income thereon, are held, invested, reinvested, and administered by the Trustees pursuant to the terms of the Plan. No employee contributions are allowed under this Plan.

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Plan Description (Continued)

Contributions are recognized when due and when the amount to be contributed is committed by the BWL. For the years ended June 30, 2022 and 2021, the contribution rates of the employer were 21.4% and 13.8% of covered-employee payroll, respectively.

Participation – Participation is determined in accordance with the terms of the Plan. At June 30, 2022, there were 696 active participants (not yet eligible to receive benefits), 71 disabled participants, 537 retired participants, and 153 surviving spouses participating in the Plan. At June 30, 2021, there were 698 active participants (not eligible to receive benefits), 72 disabled participants, 526 retired participants, and 149 surviving spouses participating in the Plan.

Vesting – Benefits become payable in accordance with the terms of the Plan. At no time will benefits of the Plan be vested. The BWL may reduce or eliminate any or all Plan benefits at any time, subject to the requirements of any collective bargaining agreement.

Termination – In the event of Plan termination, all Plan assets shall be used to purchase additional eligible benefits in accordance with the terms of the Plan. In the event of dissolution, merger, consolidation, or reorganization of the BWL, the Plan shall terminate and liquidate in a manner consistent with the Plan agreement unless the Plan is continued by a successor to the BWL.

Note 3 - Cash, Investments, and Fair Disclosure

The Plan is authorized through Public Act 149 of 1999 to invest in accordance with Public Act 314. Public Act 314 of 1965, as amended, allows the Plan to invest in certain reverse repurchase agreements, stocks, bonds, mutual funds, collective investment funds, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories. The Plan does not have any deposits exposed to custodial credit risk.

Custodial Credit Risk of Investments

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities. At June 30, 2022, the Plan has no investments subject to interest rate risk.

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	24.3

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of June 30, 2022, At June 30, 2022, the Plan has no investments subject to credit risk.

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

Investment	Fair Value	Rating	Rating Organization
Fixed income securities	\$ 286	AA	S&P

Note 4 - Tax Status

The Plan is exempt under Internal Revenue Code Section 501(c)(9) and received an exemption letter as of February 9, 2000. The Plan has since been amended. Management believes the Plan continues to operate as a qualified plan.

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 5 - Plan Investments - Policy and Rate of Return

BWL's policy regarding the allocation of invested assets is established and may be amended by the BWL Board by a majority vote of its members. It is the policy of the BWL Board 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 Board's adopted asset allocation policy as of June 30, 2022 and 2021:

<u>Asset Class</u>	<u>2022 Target Allocation</u>	<u>2021 Target Allocation</u>
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%

Rate of Return – For the years ended June 30, 2022 and 2021 the annual money-weighted rate of return on investments, net of investment expense, was (7.77%) and 24.87%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 6 - Net OPEB Liability (Asset) of BWL

Net OPEB Liability (Asset) of BWL –The components of the net OPEB liability (asset) for BWL at June 30, 2022 and 2021 were as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total OPEB Liability	\$ 156,408,876	\$ 147,644,491
Plan fiduciary net position	<u>228,140,094</u>	<u>(247,743,227)</u>
BWL's net OPEB liability (asset)	<u>\$ (71,731,218)</u>	<u>\$ (100,098,736)</u>
Plan fiduciary net position as a percentage of the total OPEB Liability (asset)	145.86%	167.80%

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, 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
Long-term expected Rate of Return	6.5%
Healthcare cost trend rates	7.25% for 2022, decreasing 0.25% per year to an ultimate rate of 4.50% in 2033 and later years

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 6 - Net OPEB Liability (Asset) of BWL (Continued)

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
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
Long-term expected Rate of Return	7.0%
Healthcare cost trend rates	7.50% for 2021, decreasing 0.25% per year to an ultimate rate of 4.50% in 2033 and later years

For the June 30, 2022 and 2021 valuation, mortality rates were based on the PUBH-2010 General Mortality Table projected generationally using MP-2021 scale and MP-2020 scale, respectively.

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

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 6 - Net OPEB Liability (Asset) of BWL (Continued)

For the June 30, 2022 valuation, the long-term expected rate of return was 6.5%. The rate was determined using a building-block method where expected future real rates of return are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Bonds	2.58%
Multi-Sector	3.53%
Liquid Absolute Return	3.25%
U.S. Large Cap Equity	7.13%
U.S. Small Cap Equity	8.53%
Non-U.S. Equity	8.22%
Core Real Estate	6.60%
Value Add Real Estate	8.10%

For the June 30, 2021 valuation, the long-term expected rate of return was 7.0%. The rate was determined using a building-block method where expected future real rates of return are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are as follows:

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 6 - Net OPEB Liability (Asset) of BWL (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core bonds	2.58%
Multi-sector	3.42%
Liquid absolute return	3.26%
U.S. large cap equity	7.15%
U.S. small cap equity	8.44%
Non-U.S. equity	8.15%
Core real estate	6.66%
Value add RE	8.16%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5% and 7.0% for June 30, 2022 and 2021, respectively. The discount rate is based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

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		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability (asset)	\$(53,297,418)	\$(71,731,218)	\$(87,189,127)

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 6 - Net OPEB Liability (Asset) of BWL (Continued)

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, 2022		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
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 and 2021:

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

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

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 7 - Fair Value Measurements

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Plan has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
- > quoted prices for similar assets or liabilities in active markets;
 - > quoted prices for identical or similar assets or liabilities in inactive markets;
 - > inputs other than quoted prices that are observable for the asset or liability;
 - > inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
 - > if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

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

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 7 - Fair Value Measurements (Continued)

Common Stock, Fixed income securities, and U.S. government obligations: Valued at the most recent closing price reported on the market on which individual securities are traded.

Mutual and common collective funds: Valued at the daily closing price as reported by the fund. Mutual and common collective funds held by the Plan are open-end mutual and common collective 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 and common collective funds held by the Plan are deemed to be actively traded.

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

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

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

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:

Investment Type	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	\$ -	\$ 957,009	\$ -	\$ 957,009
Common Stock	29,852,049	-	-	29,852,049
Mutual Funds	-	108,461,092	-	108,461,092
Common collective funds	46,922,667	41,956,442	-	88,879,109
Total	<u>\$ 76,774,716</u>	<u>\$ 151,374,543</u>	<u>\$ -</u>	<u>\$ 228,149,259</u>

Investment Type	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	\$ -	\$ 1,042,711	\$ -	\$ 1,042,711
Fixed income securities	-	286	-	286
Common Stock	49,879,749	-	-	49,879,749
Mutual Funds	-	120,768,939	-	120,768,939
Common collective funds	34,030,243	42,010,838	-	76,041,081
Total	<u>\$ 83,909,992</u>	<u>\$ 163,822,774</u>	<u>\$ -</u>	<u>\$ 247,732,766</u>

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

**Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021**

Note 8 – Risks and Uncertainties

Plan contributions are made and the accrued actuarial liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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

Note 9 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 8, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

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.

See notes to financial statement

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

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

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
	Required	Actual			
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 financial statement

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

**Required Supplemental Information (Unaudited)
Schedule of Investment Returns
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015*	2014*	2013*
Annual money-weighted rate of return, net of investment expense	-7.77%	24.87%	2.13%	6.36%	6.37%	10.01%	0.32%	- %	- %	- %

*GASB Statement No. 74 was implemented as of June 30, 2017. Information from 2013 - 2015 is not available and this schedule will be presented on a prospective basis.

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

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 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 29, 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 Mortality Table projected generationally using MP-2020 scale

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

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.

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

Significant Changes (Continued):

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 2020. The 2019 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 June 30, 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 to 2006 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.

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

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

Significant Changes (Continued):

June 30, 2019 (Continued)

- > 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 6/30/2018 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 6/30/2017 valuation.
- > Assumption change – The mortality improvement scale was updated to the MP-2017 scale.

Proposed Resolution
Fiscal Year 2022 Audited Financial Statements
of the Enterprise Fund and Pension Fiduciary Funds

RESOLVED, that the fiscal year 2022 Audited Financial Statements of the Board of Water and Light have been reviewed and are hereby accepted as presented.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2022 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than October 2022.



RETIREMENT PLAN COMMITTEE (RPC)

Investment Activity Updates for Finance Committee: 9/13/2022

Investment Activity Update

- Defined Benefit Plan (DB) & Voluntary Employee Benefit Administration (VEBA)
 - DB & VEBA Investment Manager Changes
 - Loomis, Sayles & Company and Vanguard Russell 1000 Value will be replaced with Northern Trust S&P 500 Index Fund
 - Loomis, Sales & Company is an actively managed fund and actively managed funds in the large cap asset class are having greater difficulty consistently outperforming their index than in the past
 - Vanguard Russell 1000 Value has a value bias and both funds can be replaced with a single core/blended fund
 - Northern Trust has a fee of only 1 basis point compared to 53 and 7 for Loomis and Vanguard, respectively
 - VEBA Portfolio Rebalancing
 - AEW and Blackstone real asset holdings outperformed other asset classes and exceeded their target allocation range as a result which will require a rebalancing of the portfolio
 - The real asset target allocation is 15% with a range of 0-20%

Investment Activity Update

- Defined Contribution 401(a) & Deferred Compensation 457(b) Plans
 - Fund Change – AMG Times Square Small Cap Growth will be replaced with Mass Mutual Select Small Cap Growth
 - Mass Mutual has similar manager tenure while maintaining a stronger performance history and lower fees
- Fund Share Class Changes – MFS Value, Fidelity Contrafund, and Mainstay Winslow Large Cap Growth will change share classes
 - Each mutual fund may offer more than one “share class” to investors; each share class represents similar interest in the mutual fund portfolio but differs in expense ratios (fee paid by the participant)
 - MFS will see 15 bps net savings
 - Fidelity will see 1 bps net savings
 - Mainstay will see 10 bps net savings



RETIREMENT PLAN COMMITTEE (RPC)

Administrative Activity Updates for Finance Committee: 9/13/2022

Administrative Activity Update

- DB & VEBA
 - The second quarterly calculation was made under the terms of the VEBA Administrative Services Agreement. Due to a shortfall in investment returns, no reimbursement was made from the VEBA Trust.
 - Communications will be made to participants regarding documentation needs related to Medicare Part B premium reimbursement, cash in lieu payments, tax withholdings and other deductions as well as certain tax reporting changes in order to conform with requirements of the Internal Revenue Code Section 401(a) and our plan and trust documents
 - Distribution of Retirement Plan Committee Meeting Minutes
- Defined Contribution & Deferred Compensation Plans
 - The restated 401(a) plan documents for DC Plan 1 and DC Plan 2 were executed by the July 31, 2022, required IRS deadline.

Glossary

- **DB** Defined Benefit Plan - The plan is a noncontributory single-employer defined benefit pension plan for employees of the BWL. 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.
- **VEBA** Voluntary Employee Benefit Administration - The Post-Retirement Benefit Plan is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits. 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.
- **DC 401(a)** Defined Contribution Plan - 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 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.
- **DC 457(b)** Deferred Compensation Plan - The Deferred Compensation Plan covers substantially all full-time employees. The BWL contributes \$1,000 on behalf of each participant as of the first pay period of each year. Additionally, the BWL will provide a 100% match for each participant's contributions annually, up to \$1,500.
- **ASA** Administrative Services Agreement – The administrative services agreement is an agreement between the BWL and the VEBA trust regarding the payment of VEBA plan benefits. The agreement calls for the BWL to handle the processing of benefit payments and allows for the reimbursement for payment from the VEBA trust if certain conditions are satisfied. These conditions include both funding status and investment performance measures.

Internal Audit Status Report

- Presented by:
- Frank Macciocca, Director Internal Audit
 - Finance Committee Meeting
 - September 13, 2022



Internal Audit Overview

- Role of Internal Audit
- Proposed FY2023 Audit Plan
- Proposed Audit Timeline

Role of Internal Audit

Internal Audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of:

- Risk Management
- Control
- Governance Processes

Standard 2110



Role of Internal Audit

Assess and make appropriate recommendations to improve the organization's governance processes for:

- Making strategic and operational decisions
- Overseeing risk management and control
- Promoting appropriate ethics and values within the organization
- Ensuring effective organizational performance management and accountability exists
- Communicating risk and control information to appropriate areas of the organization
- Coordinating activities of, and communicating information among, board members, external and internal auditors, other assurance providers, and management.

Standard 2110



Internal Auditing is here to help BWL and its Management to navigate threatening and ever-changing waters.



Proposed FY2023 Audit Plan

- PA 95 Opt-in End Winter Heating Season Shutoff Moratorium for Electric Customers.
- Retirement Plan Committee Activities
- Substation Construction Projects and Processes
- Delta Energy Park Construction and Start-up
- Energy Contract for Battery Cell joint venture between General Motors Co. and LG Energy Solutions Michigan Inc.
- Erickson Plant Shutdown and Decommissioning

Commitment to the Board of Commissioners is to produce, on average, one fresh audit report every eight (8) weeks to coordinate with the Board's Finance Committee meetings during the course of the fiscal year.

Proposed FY2023 Audit Plan Timeline

Planned Engagements	Estimated Hours	Status
1. PA 95 Opt-in End Winter Heating Season Shutoff Moratorium	300	Start Sept 2022
2. Retirement Plan Committee Activities	300	Start Nov 2022
3. Substation Construction Projects and Processes	300	Start Jan 2023
4. Delta Energy Park Construction and Start-up	300	Start Mar 2023
5. Energy Contract for Battery Cell joint venture	300	Start May 2023
6. Erickson Plant Shutdown and Decommissioning	300	Start July 2023

Proposed Resolution
Internal Audit Plan for FY 2023

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Plan for FY 2023.