LANSING BOARD OF WATER AND LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
AGENDA – September 14, 2021 - UPDATED
6:00 P.M. – 1201 S. Washington Ave., Lansing, MI 48910
Board of Water & Light Headquarters – REO Town Depot

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

Call to Order

Roll Call

Public Comments on Agenda Items

1. Finance Committee Meeting Minutes of July 13, 2021 ....**TAB 1**

2. Baker Tilly External FY 21 Audit Report ....**TAB 2**

   a. Report to Governing Body
   b. Lansing Board of Water and Light Audited Financial Statements
   c. Defined Benefit Plan Audited Financial Statements
   d. Defined Contribution Plan Audited Financial Statements
   e. Post Retirement Benefit Plan Audited Financial Statements
   f. Resolution-Acceptance of the 2021 Audited Financial Statements

3. Advanced Distribution Management System Capital Project Exceedance-Resolution ....**TAB 3**
   a. Exceedance Policy F1-13 ....**TAB 3a**

4. July YTD Financial Summary ....**INFO ONLY**

5. Update on Federal Infrastructure Plan ....**INFO ONLY**

Other

Adjourn

Based on recommendations from the Centers for Disease Control, and in accordance with the City of Lansing, the Board of Commissioners are requesting members of the public, staff and Board Members to wear a face covering at Committee and Regular Board Meetings.

FINANCE COMMITTEE
Meeting Minutes
July 13, 2021

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 13, 2021.

Finance Committee Chair David Lenz, called the July 13, 2021, 5:30 p.m. Finance Committee meeting to order at 5:30 p.m.

Corporate Secretary Griffin took the roll call to acknowledge attendance.

Present: Commissioners David Lenz, Beth Graham, David Price and Tracy Thomas. Also present: DeShon Leek, Tony Mullen, and Sandra Zerkle; and Non-Voting Commissioners Douglas Jester (East Lansing), and Larry Merrill (Delta Township).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Motion by Commissioner Price, **Seconded** by Commissioner Graham, to approve the Finance Committee meeting minutes of May 11, 2021.

Action: Motion Carried.

May YTD Financial Summary
Chief Financial Officer (CFO) Heather Shawa provided highlights from the May 2021 YTD Financial Summary and noted that the May 2021 YTD financial statement has not closed yet due to the implementation and interfacing of the new iPayables system and the Customer Information System(CIS). CFO Shawa noted that she will email the May financial statement information to the Commissioners when it is available. An update will be provided on the June year-end financial information at a future meeting.

The total operating revenue for May YTD was $347 million compared to a budget YTD of $351 million and the $4.2 million variance under budget was primarily in wholesale. The total net income was $39 million compared to the budget YTD of just under $3 million.

Commissioner Mullen asked whether the $36 million variance will be spent next year. CFO Shawa responded that the return on assets is expected to be exceeded again this year and will be reinvested in the infrastructure. CFO Shawa added that a high-risk area is residential uncollectibles and bad debt which is being watched closely. GM Peffley responded that the uncollectibles amount should decrease as shutoffs will start again and payments will begin to be made.

Commissioner Zerkle questioned if additional financial help grants or packages will be received to take care of customers. GM Peffley responded that none are expected at this time. He added that $9 million was promised and a check for $3 million was received but had to be sent back.

Commissioner Jester inquired about the net price increase in wholesale electricity and gas prices and questioned if the increases were due to polar vortex events. GM Peffley responded that gas prices increased and BWL has a lot of gas under contract and that he would provide the percentages to the commissioners. Gas prices are passed to the customers through fuel cost adjustments on monthly bills.

CFO Shawa provided a report of capital projects spend excluding Delta Energy Park. The report provides a summary of what projects might require a capital project exceedance request. It was recommended that this be reported in three different Finance committee meetings and will be provided in the packet in those future meetings. The report gives what is projected for the top ten projects, remaining planned projects, and annual projects. The grand total provides the fiscal year to date budget and projected for all projects.

Report as of May 31, 2021

Projects Sorted by the Current Projection (Highest to lowest costs)		FY 21		Total Project						Project Period	
Project Name	**Current Phase**	**Budget**	**Projected**	**Designed Budget Amount**	**Current Projection**	**$ Variance**	**% Variance**	**Total Cost Incurred To-Date**	**% Total Cost Incurred To-Date**	**Start Date**	**Projected Completion Date**
Top Ten Planned Projects											
Advanced Metering Infrastructure	Phase 4 - Construction	$ 4,804,819	$ 3,185,918	$ 37,187,288	$ 37,382,614	$ 195,326	0.53%	$ 36,055,726	96.45%	8/6/2014	12/31/2021
Stanley Substation	Phase 1 - Feasibility	$ -	$ 90,542	TBD	$ 34,832,029	$ -	0.00%	$ 1,726	0.00%	3/15/2021	12/9/2027
Wise Substation - Rebuild	Phase 2 - Funding Readiness	$ 2,000,000	$ 501,584	TBD	$ 23,307,602	$ -	0.00%	$ 561,001	2.41%	2/1/2020	6/30/2023
Rundle Substation	Phase 1 - Feasibility	$ -	$ 51,213	TBD	$ 21,791,653	$ -	0.00%	$ 2,239	0.01%	3/15/2021	10/25/2025
South Reinforcement - Transmission Line	Phase 2 - Funding Readiness	$ 2,000,000	$ 2,067,074	TBD	$ 21,062,381	$ -	0.00%	$ 2,115,000	10.04%	9/20/2017	11/29/2024
Customer Information System	Phase 4 - Construction	$ 6,455,507	$ 8,635,769	$ 17,425,255	$ 16,134,430	$ (1,290,825)	-7.41%	$ 10,613,084	65.78%	4/30/2019	12/31/2021
LGR Substation	Phase 1 - Feasibility	$ -	$ 53,080	TBD	$ 13,279,481	$ -	0.00%	$ 2,846	0.02%	3/15/2021	6/9/2026
Steam Backup Generation	Phase 4 - Construction	$ 4,225,000	$ 11,933,280	$ 12,368,802	$ 12,865,203	$ 496,401	4.01%	$ 12,345,273	95.96%	10/1/2019	6/30/2021
ESRI Implementation-GIS Geographical Information System	Phase 4 - Construction	$ 759,414	$ 873,837	$ 6,520,417	$ 6,969,538	$ 449,121	6.89%	$ 6,295,374	90.33%	8/6/2014	12/31/2021
ADMS-Advanced Distribution Management System	Phase 4 - Construction	$ 1,111,462	$ 1,268,706	$ 4,603,120	$ 5,840,881	$ 1,237,761	26.89%	$ 5,459,842	93.48%	8/12/2015	9/30/2021
	Total Top Ten Planned Projects	$ 21,356,202	$ 28,661,004		$ 193,465,812			$ 73,452,111			
Project Watch List - Projects $150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
		$ -	$ -		$ -	$ -	0.00%	$ -	NA		
	Total Project Watch List	$ -	$ -		$ -			$ -			
Remaining Planned											
Electric		$ 13,469,118	$ 6,973,927								
Water		$ 3,014,784	$ 2,123,447								
Steam		$ 827,925	$ 839,710								
Chilled Water		$ 630,000	$ -								
Common		$ 2,524,071	$ 450,781								
	Total Remaining Planned	$ 20,465,898	$ 10,387,866								
Annual						**Annual Variance**					
Electric		$ 15,926,000	$ 15,586,701			$ (339,299)	-2.13%				
Water		$ 6,438,948	$ 7,041,770			$ 602,822	9.36%				
Steam		$ 2,419,341	$ 1,183,454			$ (1,235,887)	-51.08%				
Chilled Water		$ 10,927	$ 23,800			$ 12,873	117.81%				
Common		$ 4,681,800	$ 4,504,516			$ (177,285)	-3.79%				
	Total Annual	$ 29,477,016	$ 28,340,240								
	Grand Total	$ 71,299,116	$ 67,389,109								

Note:
For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin error.
For projects that are in Stage Gates 1-3, the Expected Completion Date is subject to change as organizational priorities or project plans are reassessed.
Variances highlighted in red are over the $200k and 15% thresholds.

Commissioner Zerkle asked whether the amount over budget for the last project listed would be discussed in a future meeting. CFO Shawa responded that the Advanced Distribution Management System (ADMS) is one of the projects in the BSmart program and it was hit with some scheduling delays, some due to COVID-19, and it will be on the September Finance agenda with a resolution for a request for an exceedance.

Finance Chair Lenz inquired whether the ADMS project was with an outside vendor. CFO Shawa responded that it is with ACS software and it is their platform and their solution which they will provide. Chair Lenz also asked if additional payment was being requested by the outside vendor. CFO Shawa responded not at this time however, there is a change order section in the contract and an escalation process internally for review and approval.

Retirement Plan Committee (RPC) Update

CFO Shawa provided the Retirement Plan Committee (RPC) update. Any investment actions that are taken will be reported to the Finance Committee and any administrative actions will be reported to the Human Resources Committee. The VEBA large cap equity fund target asset allocation is 30% with a range of 25-35% and it hit 35% in February 2021. Recommendations were sought from BWL's financial advisors and the recommendation was made and approved by the RPC to transfer from the large cap equity to the real assets fund. The Blackstone fund was previously funded and the AEW fund will be funded on July 16, 2021.

Internal Audit Status Report

Internal Auditor, Mr. Wesley Lewis, presented the Internal Auditor Status Report.

FY 2021 Audit Progress Report

Audit Engagements and Activities in Audit Plan Completed, Currently Underway, Scheduled to Start, or Changed

1. **Unbilled Accounts Receivable** – ***Audit Status:*** **Completed, Audit Report Issued 3/17/2021**
2. **Purchase Card Usage and Control** – ***Audit Status:*** **Completed, Audit Report Issued 3/30/2021**
3. **MPPA and MISO Billings** – ***Audit Status:*** **Completed, Audit Report Issued 6/10/2021**
4. **Cybersecurity Process and IT Vulnerabilities** – ***Audit Status:*** BDO completed Part 1 (Cybermaturity Assessment) of the audit engagement. Part 2 (Vulnerability Assessment and Penetration Testing) BDO is currently in the process completing this part of the audit.
5. **Corporate Governance** – **Strategic Plan and Ethical Advocate System (Includes Hotline)** – ***Update:*** a) Strategic Plan – Due to the revamping of the current process into a new one, which has resulted from the January 2021 approval of the new plan by the Board, and through concurring discussions with the process owner, IA determined that it would make sense to postpone the audit engagement to a future fiscal period. B) Ethical Advocate – The same situation applies to this audit engagement. The new process went live in September 2020 and replaced the General Manager's Hotline.
6. **Other Audit Activities** - Ongoing

Note: Estimated start and completion times of all engagements listed above are subject to change.

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FY 2022 Risk Assessment Process Update

1. **Initial input was received from Management during March and April 2021.**
2. **Follow-up with them has taken place.**
3. **IA has already started risk ranking business processes that are due for audit. This process will be done before mid-May 2021.**
4. **A preliminary audit plan will be ready to share with the Finance Committee for initial feedback mid-May 2021. This will be reviewed and tweaked as necessary.**
5. **IA will share the audit plan with the CFO toward the end of May for their review and feedback.**
6. **IA will present the audit plan to Senior Management during the second week of June 2021 for their review and feedback.**
7. **IA will present the audit plan to the Finance Committee for its consideration and approval during its July 2021 meeting.**
8. **The Finance Committee will present the audit plan as part of its report to the BOC for its consideration and approval during its July 2021 meeting.**

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Commissioner Lenz asked when the cybersecurity process report would be completed and provided. Mr. Lewis responded that he would be meeting on Thursday and the report should be written and provided within two weeks. Commissioner Lenz asked if this was the first audit report in this area. Mr. Lewis affirmed. Commissioner Zerkle responded that there was a similar audit to the vulnerability assessment previously. Commissioner Lenz suggested providing a simple report of the completed audits with a synapsis of the results. Mr. Lewis agreed that the suggestion was a good idea.

FY 22 Audit Plan

Proposed FY 2022 Audit Plan – Highlights

Top Six Engagements for FY 2022 (as discussed and agreed with Senior Management):

1. Time Recording, Payroll Processing, and Payment of Overtime – **Payroll** *(First Time Audit)*
2. Employee Master File (To Be Included in #1 Above) – **Human Resources**, Last Audit: October 2017
3. Manage Mobile Devices – **Information Technology**, Last Audit: October 2017
4. Outage Management System (Current Process) – **Operations** *(First Time Audit)*
5. Enterprise Information Management (Records Retention Management) – **Legal/Management/Board Processes**, Last Audit: March 2014
6. Capital Projects Management – **BWL Other** *(First Time Audit)*

***Note**: The audit engagements listed above, along with anticipated start and completions, are and will be subject to change.*

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Proposed FY 2022 Audit Plan Details

Planned Audits:	Estimated Hours
Payroll – Time Recording, Payroll Processing, and Payment of Overtime	600
Human Resources – Employee Master File	100
Information Technology – Management of Mobile Devices	500
Outage Management System – Outage Management System	500
Enterprise Information Management – Operations	500
Capital Projects Management – BWL Other	600
Other Engagements and Projects:	
Peer Review Preparation and Engagement, as Required by the Institute of Internal Auditors	500
Ongoing Management Assistance	100
Special Projects and Requests	200
Total Required Hours	**3,600**

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Finance Committee Chair Lenz asked whether the audits would be just planned audits and/or annual audits. Mr. Lewis responded that five or six planned audits per year would be conducted. Mr. Lewis added that an external peer review audit is due this year and time needs to be allotted for it. Finance Chair Lenz asked if outside consultants were needed for any of the audits. Mr. Lewis responded that the external peer review is the only audit that will have outside consultants unless there is a special request. Chair Lenz expressed the importance of planning and preparing for additional cost in I/A budget.

Commissioner Zerkle asked how often and what length of time is scheduled for audits to be conducted and whether the audits being planned were due to concerns from the respective departments. Mr. Lewis responded that some of the audits planned were for revolving processes, determining progress in processes, and for assessing risks that might come up.

Motion by Commissioner Price **Seconded** by Commissioner Graham, to forward the FY22 Audit Plan Resolution to the full board for approval.

Action: Motion Carried.

Internal Audit Department Charter

Internal Auditor Wesley Lewis presented the Internal Audit Department Charter.

Motion by Commissioner Price, **Seconded** by Commissioner Graham, to forward the Internal Audit Department Charter Resolution to the full board for approval.

Discussion:

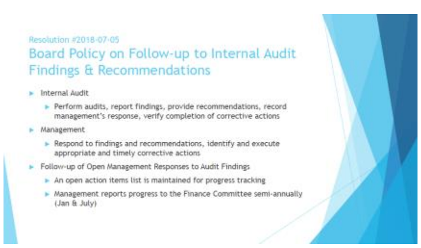
Commissioner Merrill suggested that as the audit charter is the document that represents the Board speaking to the audit department of its expectations, the audit charter should be reviewed and revised to reflect the Board's advisement and directives. Chair Lenz commented that the audit charter was revised in 2019 and the current version is being forwarded to the full board for approval. Commissioner Price commented that there was concern with the prior audit document presented and the Board was in agreement with keeping the current audit charter without the changes. Commissioner Zerkle commented in agreement that there were concerns with the changes. Commissioner Merrill added that if the current document remains effective until it is modified or repealed and then brought forward to the Board as a redraft, the Board should speak with one voice to make a binding charter in order to enforce compliance. Chair Lenz responded that the current audit charter will be sent by the Internal Auditor to the Commissioners to review. Mr. Lewis responded in agreement that the Board is ultimately responsible for the audit charter and that there should be periodic reviews as needed. Commissioner Price enquired about the deadline for approval and questioned if the Internal Audit Charter approval could be postponed until the next Finance Committee meeting after the Commissioners reviewed and offered revisions to the current Audit Charter. In conclusion, the Commissioners agreed that the Audit Charter approval would be postponed allowing all Commissioners' time to review and submit any changes or suggestions to the document.

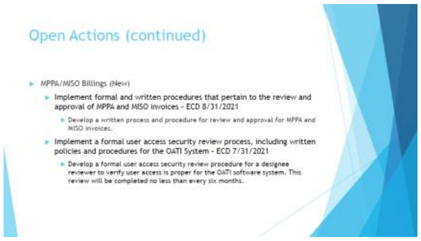
Commissioner Price **Rescinded** his motion to forward the Internal Audit Department Charter Resolution.

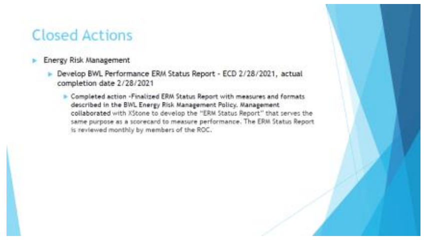
Finance Committee Chair Lenz directed Internal Auditor Lewis to send all Commissioners' the current Audit Charter document to allow them to review and submit revisions.

Bi-Annual Internal Audit Open Management Responses Update

CFO Shawa introduced Elisha Franco, Finance and Planning Senior Internal Control Analyst, to present the Internal Audit Open Management Responses Update. Ms. Franco informed the Board of the open actions for revising and updating the P-Card Manual and Program and the mandatory training for P-Card holders. Additional open actions included implementing formal and written procedures for MPPA/MISO billings and implementing a formal user access security review process for written policies and procedures for the OATI System with ECD 7/31/2021. Closed actions included development of BWL Performance Energy Risk Management (ERM) Status Report with an ECD and actual completion date of 2/28/2021, and standardization and centralization of storage of purchasing documentation with an ECD 12/31/2020 and actual completion date of 1/31/2021.







Commissioner Zerkle asked Ms. Franco whether the previous format of providing the open actions information in a chart or spreadsheet was still in use. Ms. Franco responded that the information could still be provided in the format in which it was previously done. Commissioner Zerkle asked if Internal Auditor Lewis was provided with a compilation of the information to allow him to review. Mr. Lewis responded that staff provides him with the information to review and CFO Shawa added that open actions are not closed and reported to the Board until internal audit has reviewed them.

Chair Lenz asked whether training for new procedures was conducted by the Finance Department and Ms. Franco responded that each department provides their own training. CFO Shawa added that training support is provided by Human Resources when needed, during managers' meetings and through the automated Learning Management System (LMS).

Other

Motion by Commissioner Price, **Seconded** by Commissioner Graham, to approve the absence of Commissioner Ken Ross.

Adjourn

Chair David Lenz adjourned the meeting at 6:46 p.m.

Respectfully submitted,
David Lenz
Chair Finance Committee

bakertilly

now, for tomorrow

Reporting and insights from the 2021 audit:

Lansing Board of Water and Light

June 30, 2021

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

Executive summary

September 10, 2021

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

We have completed our audit of the financial statements of Board of Water and Light – City of Lansing, Michigan and Pension Trust Funds (collectively referred to as BWL) for the year ended June 30, 2021, and have issued our report thereon dated September 10, 2021. 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

Aaron Worthman, CPA, Partner

Audit Objectives

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.
  - 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

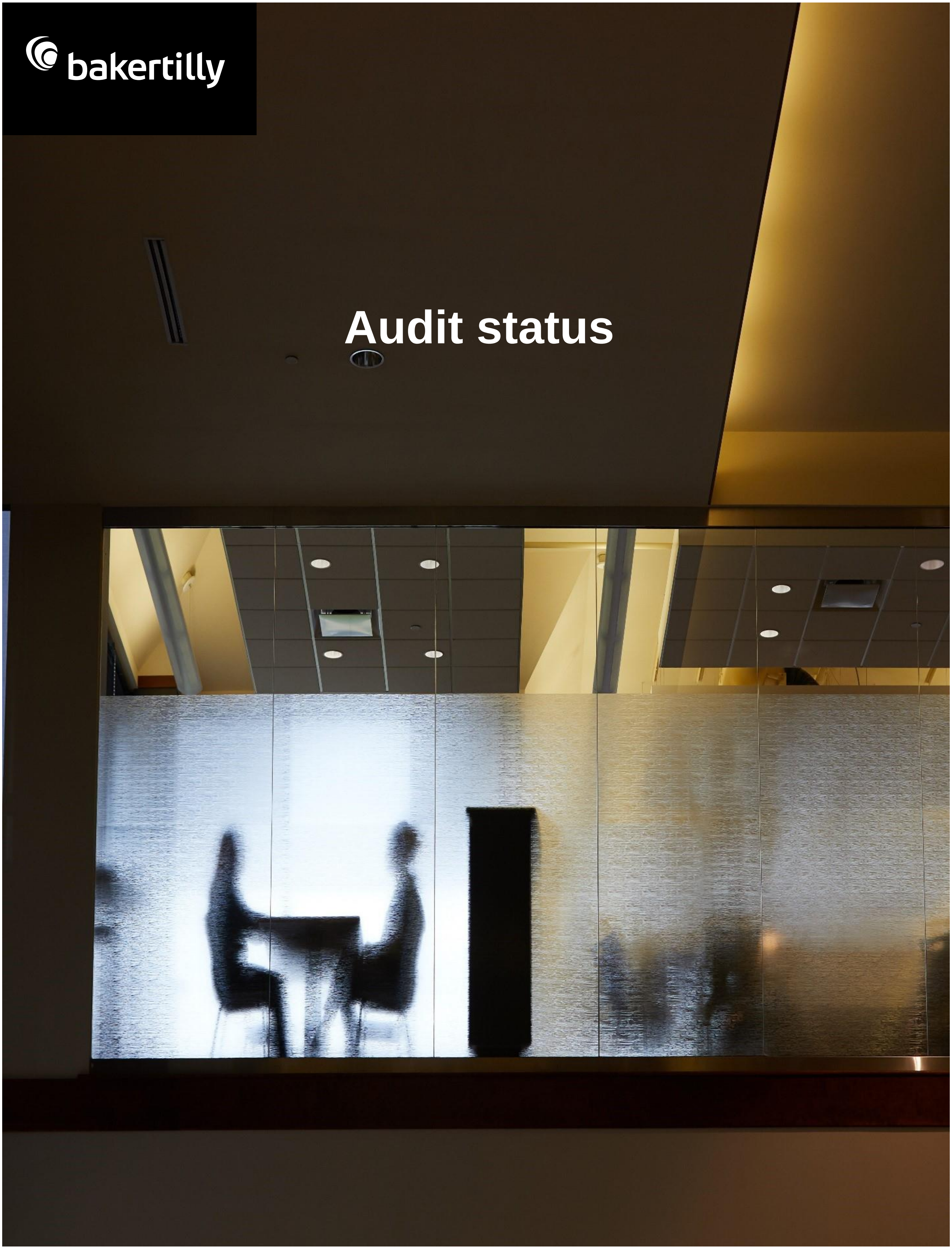
We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board, including:

- Qualitative aspects of the BWL's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

Management's responsibilities

Management	Auditor
Prepare and fairly present the financial statements	Our audit does not relieve management or the Board of their responsibilities
Establish and maintain effective internal control over financial reporting	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
Provide us with written representations at the conclusion of the audit	See Appendix A for a copy of the management's representation letter

Audit status



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

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 opinion
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 opinion

Other key 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 key areas of emphasis	Testing approach	
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB net 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 material weaknesses.

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 was not changed during fiscal year 2021. 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 estimated lag report provided by a 3rd 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
Workers' Compensation liabilities	Historical claims analysis and estimated lag report provided by a 3rd 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 difficulties encountered during the audit

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

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.

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.

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.

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.

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 financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

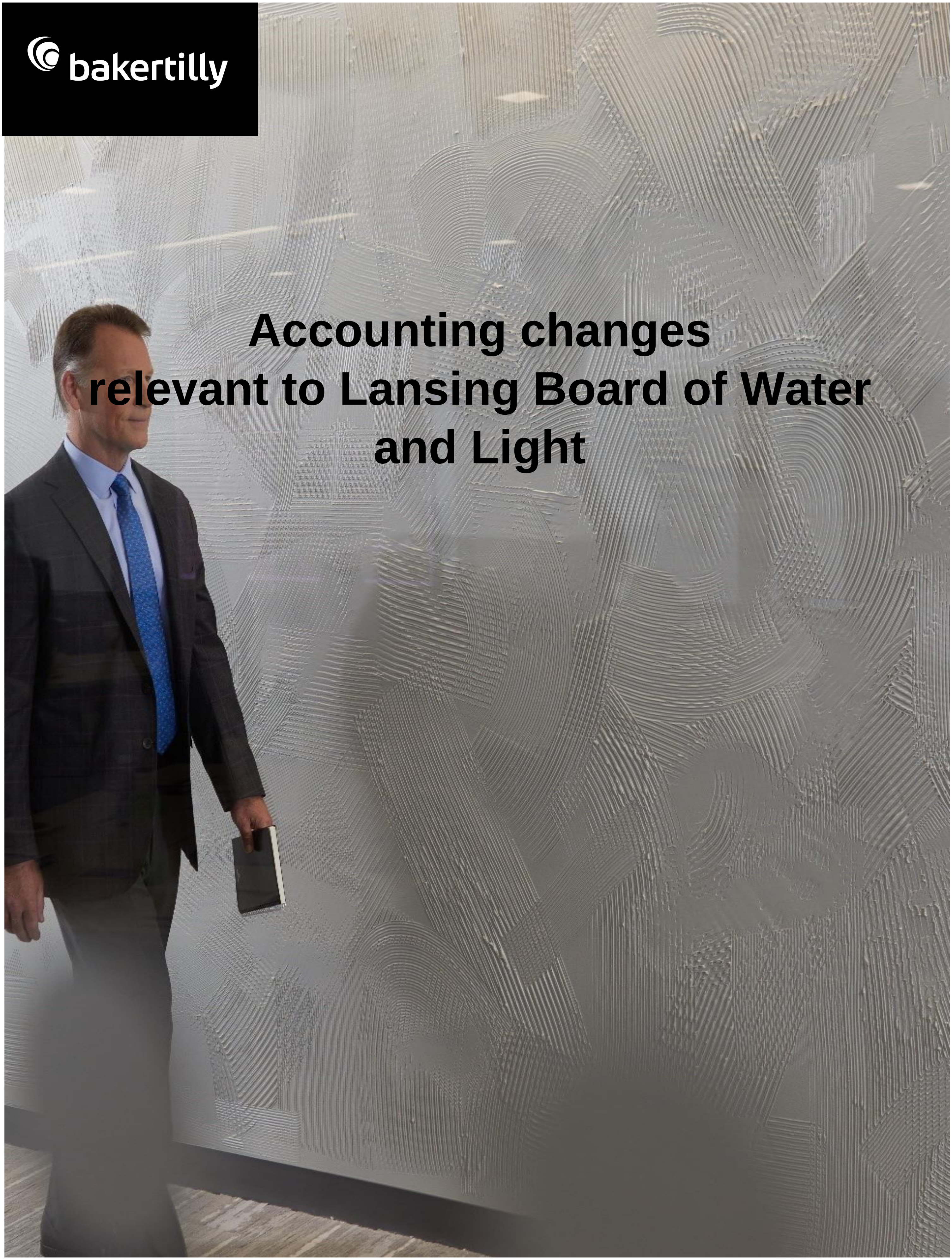
Nonattest services

The following nonattest services were provided by Baker Tilly:

- Technical assistance with the preparation and assembly of the financial statements and notes thereto

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

Accounting changes relevant to Lansing Board of Water and Light



Accounting changes relevant to BWL

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	6/30/22*
91	Conduit Debt	✓	6/30/23*
92	Omnibus 2020	✓	6/30/22*
93	Replacement of Interfund Bank Offered Rates		6/30/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		6/30/23
96	Subscription-Based Information Technology Arrangements	✓	6/30/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	6/30/22

*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 Gui*dance, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming GASB pronouncements.

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective soon. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend the BWL review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, the BWL should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about GASB 87.

Planning 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.

Trending challenges and opportunities for organizations

Trending challenges and opportunities for organizations

Management and governing bodies must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long-term goals. Economic uncertainty, coupled with key risk areas and fast-paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

Turning toward recovery and growth

Many organizations are focusing on the strategic restart and ramp up of their operations.

With great uncertainty about what recovery will look like–or how long it will take–it is essential for your organization to understand the scenarios you may face and plan your path back to growth.

We can help you chart a way forward that will enhance and maximize your value, minimize further disruption and keep your workforce safe.

Recommendation

Follow our road map to reopen, recover and reset.

Compliance with federal awards

Challenge

The COVID-19 crisis has had a significant effect on the nation, including recipients of federal awards resulting from various congressional acts. Federal funding adds an increased level of scrutiny and brings new challenges around compliance, reporting and administration.

Finance and spending departments are operating in unprecedented times as they manage and administer these funds while also remaining economically viable, maintaining operations and adapting to the "new normal."

Recommendation

Learn more about compliance for federal funds obtained for pandemic response efforts.

Recession proofing measures

Challenge

Ever aware of the need to balance the needs of diverse constituents against constrained revenue streams and conflicting priorities, public leaders strive to effectively deploy scarce resources while maintaining the highest levels of accountability and transparency.

In times of crisis, additional challenges emerge to maintain essential services, ensure citizen safety, protect their workforce and jumpstart programs to mitigate negative local economic impacts–all while focusing on planning for long-term effects of revenue shortages and the subsequent recovery.

Developing strategic clarity, aligning resources with priorities, strengthening performance, optimizing processes and leveraging technology are imperative.

Recommendation

Learn about proactive measures to insulate your organization from financial hardship and to optimize your organization's performance.

Recruiting and hiring

Challenge

Public sector entities in need of key workforce personnel, such as city or county managers and administrators, city or county attorneys, fire chiefs, police chiefs and other departmental directors, may find themselves in an unenviable position during a pandemic.

Organizations need the talent, but a pandemic can disrupt essential business processes and cause apprehension about access to desirable candidates.

Hiring leaders should proactively discuss what-if scenarios, evaluate short-term and long-term hiring priorities, and plan for situations where immediate recruitment is imperative.

Recommendation

Learn the key considerations and actions for recruiting and hiring in a crisis.

Risk assessment

Challenge

Organizations today manage ever-expanding priorities in a constantly evolving, disruptive risk environment. Undetected risks, insufficient internal controls and inefficient business processes may negatively impact not only the entity but also its workforce and the community at large.

Risk assessment and internal audit prove essential to identifying top risks and the appropriateness of response in order to:

- Manage risk and compliance
- Enhance governance and strategy
- Optimize operations
- Gain assurance around key functions and processes that contribute toward meeting organizational goals

Recommendation

Learn about the key considerations for the risk assessment process and internal audit planning.

Economic development

Challenge

In today's complex economic landscape, communities face the daunting challenge of rebuilding their local economies. Restoring the momentum of economic expansion and investment to enhance quality of life for residents and produce long-term financial gain for the community is at the forefront of concerns.

Whether attracting growth to maximize opportunity built around community strengths or accounting for the many unknowns caused by major disruptions, a robust economic development strategy is essential to recovery.

Recommendation

Learn about the advantages of creating an economic development strategic plan and the framework to follow.

Harnessing data and analytics for strategic insight and decision-making

Challenge

In crisis and recovery, organizations are investing in advanced analytic solutions to help them not only make better decisions faster and more consistently, but also to improve operational efficiency and performance. Of all the business analytics available, advanced analytic solutions should be at the top of your priority list given the impact it can have on your business.

Recommendation

Learn more about data & analytics strategy and roadmaps, MDM and data process re-engineering, AI strategy, data visualization and other digital and analytic capabilities.

Information technology and cybersecurity

Challenge

While return-to-work scenarios are being developed, it is likely that remote workforces will remain a reality for many organizations in the short- to mid-term. Though many organizations have been able to adapt on a short-term basis, some will not be prepared for long-term operation on a remote and virtual basis. Organizations should increase monitoring of invasive cyber events, given the likely increase in hackers sending out fake emails, website links and ransomware attacks – and also consider:

- Adequacy of IT controls and security
- Performance of remote infrastructure supporting operations
- Improvements to remote applications for communication, collaboration and workflow
- Alternatives for data entry, work and information flow

Recommendation

Learn more about information technology and cybersecurity, including System & Organization Controls reporting.

Appendix A: Management representation letter

Hometown People. Hometown Power.

September 10, 2021

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 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 for Eligible Employees of Lansing Board of Water and Light (collectively the employee benefit plans), as of June 30, 2021 and 2020 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, and the fiduciary funds of the Lansing Board of Water and Light 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. 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 instruments, 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*.

Hometown People. Hometown Power.

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.

The following representations relate specifically to the employee benefit plans:

41. We have properly recorded or disclosed in the financial statements any amendments to the plan instruments, if any.

42. The defined benefit plan 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.

43. The defined contribution plan obtained an opinion letter on March 31, 2014, in which the Internal Revenue Service stated that the plan, as then designed, was acceptable as to form under Section 401 of the IRC and employers adopting the plan may rely on the opinion letter with respect to qualification of its plan under Code section 401(a). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

44. The retiree benefit plan 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.

45. We have no intentions to terminate any of the plans.

46. 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.

47. 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.

48. 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.

49. The 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 plans and trusts in a manner that did not jeopardize this tax status.

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

Sincerely,

Lansing Board of Water and Light

Signed: DocuSigned by: Josh Irving, Supervisor, Reports and Property Accountin 9/9/2021
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Signed: DocuSigned by: Scott Taylor 9/9/2021
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Signed: DocuSigned by: Heather Shawa 9/9/2021
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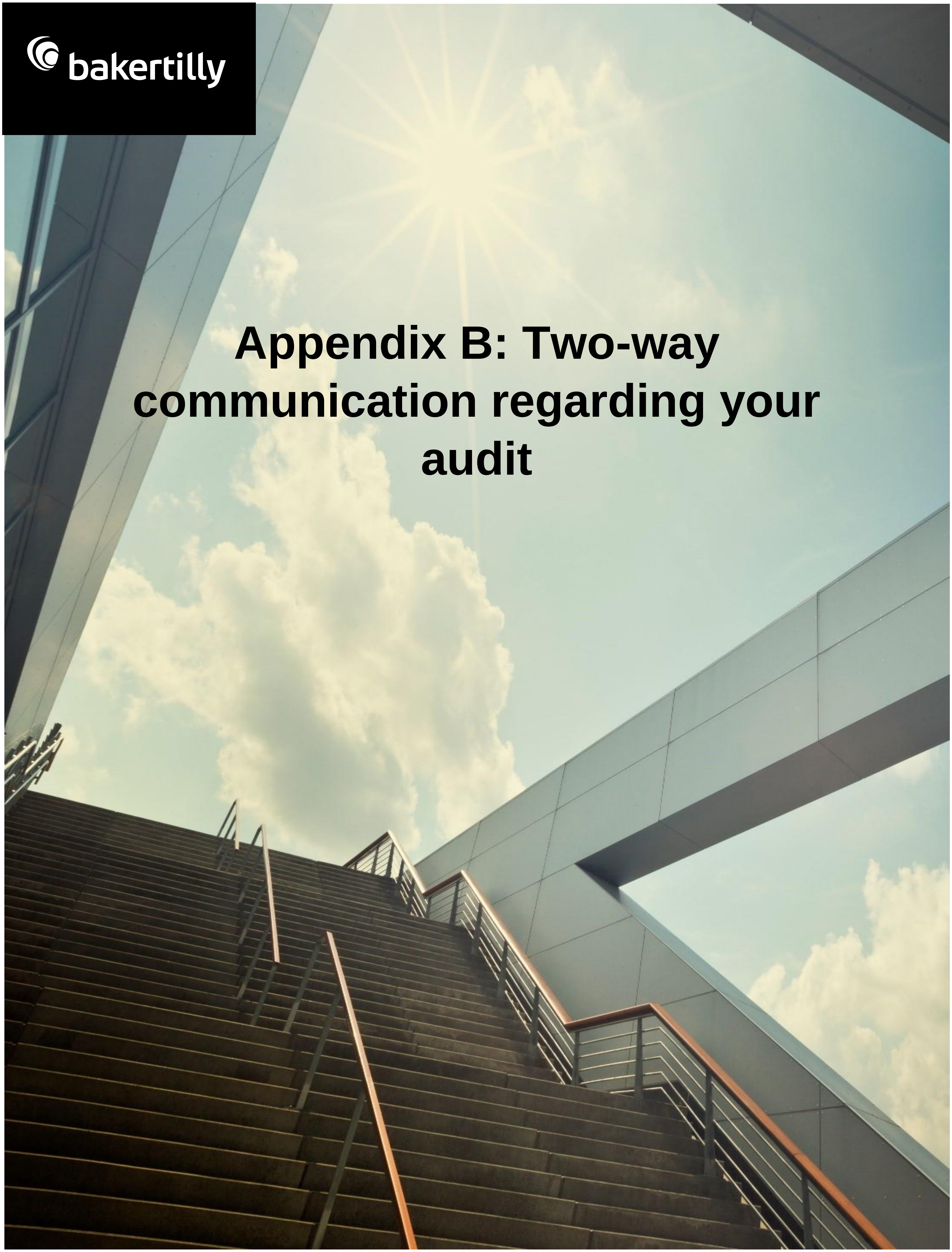
Appendix B: Two-way communication regarding your audit



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 an unmodified opinion 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 6-12 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.

FINAL DRAFT 09/10/21

Board of Water and Light – City of Lansing, Michigan

Financial Report
with Additional Information
As of and for the Years Ended June 30, 2021 and 2020

FINAL DRAFT 09/10/21

Contents

Contents

Independent Auditors' Report

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

We have audited the accompanying financial statements of Lansing Board of Water and Light enterprise fund and its fiduciary funds, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Lansing Board of Water and Light's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Lansing Board of Water and Light's preparation and fair presentation of the financial statements 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 Lansing Board of Water and Light's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund and fiduciary funds of the Lansing Board of Water and Light as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 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.

Additional Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information, listed in the table of contents as additional information, 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 additional information is fairly stated in all material respects in relation to the financial statements as a whole.

Madison, Wisconsin
September 10, 2021

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 2020.

Overview of Business

The BWL owns and operates an electric system which generates, purchases, and distributes electric energy to over 99,000 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 51percent 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 57,000 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 over 140 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 $227.7 and $204.6 million in fiscal years 2021 and 2020, respectively.

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

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

Condensed Financial Information (dollars in millions)

	As of June 30			% Change
	2021	2020	2019	2020 to 2021
Assets				
Utility plant	$ 1,116.7	$ 945.5	$ 798.7	18
Other assets	586.1	538.4	661.8	9
Total assets	1,702.8	1,483.9	1,460.5	14.8
Deferred Outflows of Resources	17.9	27.7	5.2	(35.4)
Liabilities				
Long-term liabilities	848.6	710.1	712.6	19.5
Other liabilities	96.0	97.4	63.3	(1.4)
Total liabilities	944.6	807.5	775.9	17.0
Deferred Inflows of Resources	90.8	71.5	86.9	27.0
Net Position				
Net investment in capital assets	382.4	395.0	381.0	(3.2)
Restricted for debt service	39.4	56.6	72.1	(11.8)
Unrestricted	263.5	181.0	149.8	39.8
Net position	**$ 685.3**	**$ 632.6**	**$ 602.9**	8.3

Capital expenditures in FY2021 exceeded depreciation, impairments and retirements thereby increasing utility plant by $171.2 million. Long-term liabilities increased by $138.5 million, largely in support of ongoing capital investments to construct the Delta Energy Park new production facility scheduled for commercial operation later this calendar year.

Condensed Financial Information (dollars in millions)

	For the Year Ended June 30			% Change
	2021	2020	2019	2020 to 2021
Result of Operations				
Operating Revenue	$ 380.6	$ 364.6	$ 356.9	% 4.4
Operating Expense	300.2	318.5	312.1	(5.7)
Nonoperating expense - Net	(27.7)	(16.4)	(12.4)	68.9
Changes in Net Position	**$ 52.7**	**$ 29.7**	**$ 32.4**	**% 77.4**

The increase in operating revenues is primarily driven by an increase of approximately $10 million in electric wholesale sales and an additional increase in water sales of approximately $4 million. The water increase is partly due to increased consumption during the year but is also due in part to the last rate increase in February 2020 being effective for a full fiscal year in FY 2021. The increase in net income is partially attributable to the revenue increase but also benefited from modest reductions in spending related to the pandemic as well as strong investment performance from the retirement plans.

Budget – The BWL Commissioners approved a $270.0 million operating expense budget (excluding depreciation and Return on Equity) for fiscal year 2021. Actual expenses (excluding depreciation and Return on Equity) were $226.8 million. The capital improvement budget, net of customer contributions in aid of construction, was $193.1 million for FY2021, and actual net capital expenditures were $223.9 million. The difference between the capital budget and actual spend is due to a change within the project timeline because of the COVID-19 pandemic for the new combined cycle natural gas power plant, Delta Energy Park.

Financing Activities - In December of 2019, $251,995,000 of Utility System Revenue Refunding Taxable Bonds, Series 2019B were issued for the purposes of advanced refunding of most of the Series 2011A Bonds. The advance refunding resulted in an economic gain of $40.3 million.

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) and other system improvements and paying costs of issuance of the Series 2021A and 2021B Bonds. The cost of Delta Energy Park is budgeted at up to $500 million and it is scheduled to begin operation in FY 2022.

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Statements of Net Position

	As of June 30	
	2021	2020
Assets		
Current Assets		
Restricted cash and investments (Notes 2 and 3)	$ 54,138,202	$ 69,960,767
Cash and investments (Notes 1 and 2)	95,542,379	60,857,820
Designated cash and investments (Notes 1 and 2)	94,660,432	94,765,550
Accounts receivable - Net (Note 1)	37,226,864	24,968,123
Estimated unbilled accounts receivable (Note 1)	21,952,042	19,993,423
Inventories (Note 1)	19,438,308	24,658,695
Other	5,578,090	4,698,464
Total current assets	328,536,317	299,902,842
Other Assets		
Recoverable environmental remediation (Note 6)	(176,459)	1,158,112
Special deposit (Note 1)	46,321,165	46,321,165
Net pension asset (Note 8)	13,214,275	3,388,473
Net OPEB asset (Note 8)	100,098,736	44,202,116
Other (Note 1)	2,303,856	2,595,524
Total other assets	161,761,573	97,665,390
Noncurrent Restricted Assets (Investments) (Notes 2 and 3)	95,811,832	140,848,613
Utility Plant (Notes 1 and 4)		
Water	342,755,610	336,328,287
Electric	767,218,396	808,880,819
Steam	93,813,398	82,102,414
Chilled water	34,099,039	34,085,016
Common facilities	121,006,776	106,256,804
Total	1,358,893,219	1,367,653,340
Less accumulated depreciation	632,129,662	648,979,613
Net	726,763,557	718,673,727
Construction in progress	389,971,984	226,845,122
Total utility plant	1,116,735,541	945,518,849
Total assets	1,702,845,263	1,483,935,694
Deferred Outflows of Resources -		
Bond refunding loss being amortized (Note 1)	8,265,962	8,770,739
Recoverable energy asset (Note 6)	3,433,712	-
Net pension deferred outflows (Note 8)	-	1,642,478
Net OPEB deferred outflows (Note 8)	6,151,506	17,275,643
Total deferred outflows of resources	17,851,180	27,688,860

See Notes to Financial Statements.

Board of Water and Light - City of Lansing, Michigan

Statements of Net Position (Continued)

	As of June 30	
	2021	2020
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 60,834,289	$ 64,194,086
Current portion of long-term debt (Note 5)	8,247,081	7,942,341
Accrued payroll and related taxes	3,431,715	3,098,859
Customer deposits	3,168,577	2,827,209
Accrued compensated absences (Note 1)	5,472,358	5,908,604
Accrued interest	74,120	79,471
Accrued interest (payable from restricted assets)	14,758,356	13,350,348
Total current liabilities	95,986,496	97,400,918
Compensated Absences - Less current portion (Note 1)	7,593,221	7,651,447
Other Long-term Liabilities		
Workers' compensation (Note 12)	2,200,000	2,200,000
Environmental remediation liability (Note 9)	6,074,152	6,388,002
Other	2,563,402	1,631,239
Total other long-term liabilities	10,837,554	10,219,241
Long-term Debt - Less current portion (Note 5)	830,140,656	692,227,682
Total liabilities	944,557,927	807,499,288
Deferred Inflows of Resources		
Revenue intended to cover future costs (Note 6)	11,191,959	11,915,884
Recoverable energy asset (Note 6)	-	3,322,683
Net pension deferred inflows (Note 8)	5,106,435	-
Net OPEB deferred inflows (Note 8)	74,524,240	56,304,152
Total deferred inflows of resources	90,822,634	71,542,719
Net Position		
Net investment in capital assets	382,425,598	394,968,178
Restricted for debt service (Note 3)	39,379,846	56,610,419
Unrestricted	263,510,438	181,003,950
Total net position	**$ 685,315,882**	**$ 632,582,547**

See Notes to Financial Statements.

Board of Water and Light - City of Lansing, Michigan

Statements of Revenues, Expenses, and Changes in Net Position

	For the Year Ended June 30	
	2021	2020
Operating Revenues (Note 1)		
Water	$ 50,030,466	$ 45,923,606
Electric	311,943,793	299,951,673
Steam	12,568,831	12,526,501
Chilled water	6,035,559	6,211,174
Total operating revenues	380,578,649	364,612,954
Operating Expenses		
Production:		
Fuel, purchased power, and other operating expenses	127,372,727	125,348,562
Maintenance	12,309,025	17,574,743
Transmission and distribution:		
Operating expenses	7,843,891	8,763,274
Maintenance	19,830,569	20,308,757
Administrative and general	59,408,186	72,827,369
Return on equity (Note 7)	25,000,000	23,100,000
Depreciation (Note 1)	48,428,670	50,618,741
Total operating expenses	300,193,068	318,541,446
Operating Income	80,385,581	46,071,508
Nonoperating Income (Expenses)		
Investment income	218,186	11,006,985
Other expense	(2,563,980)	(1,096,805)
Bonded debt interest expense	(25,277,445)	(26,208,473)
Other interest expense	(29,007)	(91,671)
Total nonoperating expenses - Net	(27,652,246)	(16,389,964)
Net Income (Changes in Net Position)	52,733,335	29,681,544
Net Position - Beginning of year	632,582,547	602,901,003
Net Position - End of year	**$ 685,315,882**	**$ 632,582,547**

See Notes to Financial Statements.

Board of Water and Light - City of Lansing, Michigan

Statements of Cash Flows

	For the Year Ended June 30	
	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	357,194,605	352,546,933
Cash paid to suppliers	(169,975,635)	(205,199,739)
Cash paid to employees	(63,885,612)	(59,635,713)
Return on equity (Note 7)	(25,000,000)	(23,100,000)
Cash from customer deposits	341,368	352,899
Interest on customer deposits	(29,007)	(91,671)
Net cash provided by operating activities	98,645,719	64,872,709
Cash Flows from Capital and Related Financing Activities		
Proceeds from new borrowings	150,227,550	13,425,000
Planned, bonded, and annual construction	(239,991,514)	(171,547,126)
Principal payments on debt	(7,942,340)	(15,012,580)
Bond issuance costs	(877,616)	-
Interest on debt	(26,559,890)	(28,017,133)
Net cash used in capital and related financing activities	(125,143,810)	(201,151,839)
Cash Flows from Investing Activities		
Proceeds from the sale and maturity of investments	16,113,742	275,710,208
Interest received	27,579	2,241,284
Purchase of investments	(95,129,398)	(70,931,911)
Net cash provided by investing activities	(78,988,077)	207,019,581
Net Increase in Cash and Cash Equivalents	(105,486,168)	70,740,451
Cash and Cash Equivalents - Beginning of year	280,118,348	209,377,897
Cash and Cash Equivalents - End of year	**$ 174,632,180**	**$ 280,118,348**

	For the Year Ended June 30	
	2021	2020
Balance Sheet Classifications		
Restricted cash and investments	$ 54,138,202	$ 69,960,767
Cash and investments	95,542,379	60,857,820
Designated cash and investments	94,660,432	94,765,550
Noncurrent restricted assets	95,811,832	140,848,613
Total cash and investments	340,152,845	366,432,750
Less noncash investments	(165,520,665)	(86,314,402)
Cash and Cash Equivalents - End of year	**$ 174,632,180**	**$ 280,118,348**

	For the Year Ended June 30	
Reconciliation of Operating Income to Net Cash from Operating Activities	2021	2020
Operating income	$ 80,385,581	$ 46,071,508
Adjustments to reconcile operating income to net cash from operating activities:		
Other nonoperating	(3,529,678)	(2,061,724)
Depreciation	48,428,670	50,618,741
Sewerage collection fees	965,698	964,920
Interest on customer deposits	(29,007)	(91,671)
Decrease (increase) in assets:		
Accounts receivable (Note 1)	(12,258,741)	(880,883)
Unbilled accounts receivable (Note 1)	(1,958,619)	(1,861,517)
Inventories	5,220,387	5,308,114
Other postemployment benefits asset and deferrals	(26,552,395)	(18,856,911)
Special deposit	-	(11,960,000)
Net pension asset	(9,825,802)	3,207,254
Other	746,613	1,853,217
(Decrease) increase in liabilities and deferred outflows/inflows of resources:		
Accounts payable and other accrued expenses	16,595,562	(64,956)
Customer deposits	341,368	352,899
Net pension asset deferrals	6,748,913	(1,305,206)
Other	(6,632,831)	(6,421,076)
Total adjustments	18,260,138	18,801,201
Net cash provided by operating activities	**$ 98,645,719**	**$ 64,872,709**

Noncash Capital and Financing Activities		
Increase in noncash investment valuations	$ 190,607	$ 8,765,700
Bond proceeds used in the refunding of prior debt issuance	$ -	$ 238,570,000
Loss on refunding of bonds	$ -	$ (7,403,786)

Board of Water and Light - City of Lansing, Michigan

Pension Trust Funds - Statements of Fiduciary Net Position

	As of June 30	
	2021	2020
Assets		
Receivable - investment interest receivable	$ 14,445	$ 28,851
Trade receivable - due from broker	156,206	13,252
Investments at fair value:		
Cash and money market trust fund	2,444,491	1,980,661
Fixed income securities	286	285
Mutual funds	313,067,727	248,475,224
Stable value	35,542,619	36,833,694
Guaranteed income fund	-	8,975,990
Common collective funds	95,817,229	56,792,990
Common stock	57,340,518	95,715,429
Self-directed brokerage account	12,317,950	6,330,405
Participant notes receivable	3,424,144	3,251,182
Total investments	519,954,964	458,355,860
Liabilities		
Trade payable - due to broker	158,109	1,057
Net Position - Held in trust for pension and other employee benefits	**$ 519,967,506**	**$ 458,396,906**

See Notes to Financial Statements.

Board of Water and Light - City of Lansing, Michigan

Pension Trust Funds - Statements of Changes in Fiduciary Net Position

	For the Year Ended June 30	
	2021	2020
Increases		
Investment income:		
Net appreciation in fair value of investments	$ 91,950,661	$ 5,145,608
Interest and dividend income	8,984,877	9,362,805
Net investment income	100,935,538	14,508,413
Employer contributions	16,207,487	15,889,585
Participant rollover contributions	467,189	466,139
Interest from participant notes receivable	227,245	172,695
Other	121,370	-
Total increases	117,958,829	31,036,832
Decreases		
Retiree benefits paid	55,417,326	27,416,448
Loan defaults	231,871	232,785
Participants' note and administrative fees	739,032	842,129
Total decreases	56,388,229	28,491,362
Change in Net Position Held in Trust	61,570,600	2,545,470
Net Position Held in Trust for Pension and Other Employee Benefits		
Beginning of year	458,396,906	455,851,436
End of year	**$ 519,967,506**	**$ 458,396,906**

See Notes to Financial Statements.

Note 1 - Significant Accounting Policies

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

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

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

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

Fiduciary funds

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

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

Basis of Accounting - Enterprise funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In addition, the utilities meet the criteria and, accordingly, on July 1, 2012, the BWL adopted the accounting and reporting requirements of GASB 62, paragraphs 476-500.

Note 1 – Significant Accounting Policies (Continued)

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

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

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

Note 1 – Significant Accounting Policies (Continued)

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

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

Specific Balances and Transactions

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

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

Note 1 – Significant Accounting Policies (Continued)

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

	Carrying Value	
	2021	2020
Designated purpose:		
Coal inventory fluctuation	$ 5,167,717	$ 5,162,129
Litigation, environmental, and uninsured losses	20,899,034	20,876,355
Future water facilities	4,214,580	4,209,979
Subtotal	30,281,331	30,248,463
Special purpose – Future construction	64,379,101	64,517,087
Total	$ 94,660,432	$ 94,765,550

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 receivable are not deemed uncollectible until they are approximately 270 days past due and have remained completely unpaid throughout the BWL's collection policy. The components of accounts receivable for 2021 and 2020 are as follows:

	2021	2020
Customer receivables	$ 31,410,114	$ 22,856,130
Sewerage collections	4,304,382	2,557,134
Miscellaneous	4,512,368	2,054,859
Less allowance for doubtful accounts	(3,000,000)	(2,500,000)
Net	$ 37,226,864	$ 24,968,123

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 will 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 estimates it will recover at least $46,270,000 of the installment payments based on expected usage. The long-term other asset for the Consumer's Energy deposit recorded was $46,280,000 in 2021 and 2020. The BWL has $41,165 of miscellaneous other deposits as of June 30, 2021 and 2020.

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

	2021	2020
Coal	$ 4,522,480	$ 10,689,363
Gas	450,076	327,236
Materials and supplies	14,465,752	13,642,096
Total	$ 19,438,308	$ 24,658,695

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

Note 1 – Significant Accounting Policies (Continued)

Depreciation – Depreciation of the utility plant is computed using the straight-line method based on estimated useful lives. The resulting provisions for depreciation in 2021 and 2020, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

	Life (Years)	Average Rate (Percent) 2021	2020
Classification of utility plant			
Water	4-100	1.9	2.2
Electric	4-50	3.8	4.1
Steam	5-50	3.2	3.3
Chilled water	5-50	3.4	3.5
Common facilities	4-50	6.9	7.1

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 $13,065,579 and $13,560,051 as of June 30, 2021 and 2020, 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 liability and will offset the depreciation of the related assets over the estimated useful lives. This treatment is consistent with the BWL's ratemaking policy and is thus permitted under GASB 62 paragraphs 476-500.

Note 1 – Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BWL has three 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.
- **Unrestricted** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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.

Note 1 - Significant Accounting Policies (Continued)

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 in the balance sheet.

Unbilled Accounts Receivable and Revenue - Unbilled accounts receivable at June 30, 2021 and 2020 represents the estimated amount of accounts receivable for services that have not been billed as of the balance sheet 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.

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 trust 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.

Note 1 – Significant Accounting Policies (Continued)

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 $10,799,069 and $9,712,203 in 2021 and 2020, respectively, and are not eliminated in the statement of revenues, expenses, and changes in net position.

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

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

Note 2 – Cash, Investments, and Fair Value Disclosure

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

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

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, 2021 and 2020, 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:

<u>BWL's Cash and Investments (exclusive of fiduciary funds)</u>

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, 2021 and 2020, the BWL had $27,440,533 and $27,134,118, 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.

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

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

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

At June 30, 2020, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the BWL's name:

Type of Investment	Cost Basis	How Held
U.S. government or agency bond or notes	$136,319,717	Counterparty
State and local bonds	2,887,393	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.

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

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

At June 30, 2020, the average maturities of investments are as follows:

Investment	Fair Value	Less than 1 year	1-5 years	6+ years
Pooled investment funds	$ 26,717,968	$ 26,717,968	$ -	$ -
U.S. treasury bonds	89,467,364	65,498,632	23,968,732	-
State and local bonds	2,887,393	-	2,887,393	-
U.S. agency bonds/notes	41,231,236	2,455,728	26,734,560	12,040,948
Supra national agency bonds	5,621,116	3,710,439	1,910,677	-
Mutual funds	136,024,571	136,024,571	-	-
Total	$ 301,949,648	$ 234,407,338	$ 55,501,362	$ 12,040,948

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

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

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

As of June 30, 2020, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	$ 26,717,967	AAAm	S&P
U.S. treasury bonds	89,467,364	AA+ (Aaa)	S&P (Moody's)
U.S. agency bonds/notes	41,231,236	AA+ (Aaa)	S&P (Moody's)
Supra national agency bonds	5,621,116	AAA (Aaa)	S&P (Moody's)
State and local bonds	2,887,393	AAA (Aaa)	S&P (Moody's)
Money Markets	136,024,571	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, 2021 and 2020, the BWL's investment portfolio was concentrated as follows:

Investment	2021	2020
Fannie Mae	16%	9%
Freddie Mac	26%	12%

Fair Value

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

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

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

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

	June 30, 2020			
Investment	Level 1	Level 2	Level 3	Total
U.S. Treasury Bonds	$ –	$ 89,467,364	$ –	$ 89,467,364
Supra National Agency Bonds	–	5,621,116	–	5,621,116
Federal Agency Mortgage-Backed Security	–	7,454,646	–	7,454,646
Federal Agency Collateralized Mortgage Obligation	–	14,806,748	–	14,806,748
State and local bonds	–	2,887,393	–	2,887,393
Federal Agency Bond/Note	–	18,969,842	–	18,969,842
Total investments at fair value level	$ –	$139,207,109	$ –	$139,207,109

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

Fiduciary Fund Investments

Interest Rate Risk - Pension Trust Funds

At June 30, 2021, the average maturities of investments 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
Money market trust funds	2,444,491	Less than 1 year

At June 30, 2020, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (in years)
U.S. government obligations	$ 2	1.2
Fixed income securities	283	20.8
Mutual Fund - Bond Funds	18,651,741	5.9
Money market trust funds	1,980,661	Less than 1 year

Credit Risk - Pension Trust Funds

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

Investment	Fair Value	Rating	Rating Organization
Mutual funds	$ 161,271,614	Not rated	Not rated
Stable value	31,757,180	AA-	S&P
Fixed income securities	286	AA	S&P
Money market trust funds	2,444,491	AAAm	S&P

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

As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	$ 148,613,938	Not rated	Not rated
U.S. government - implicitly guaranteed	2	AA+	S&P
U.S. government - implicitly guaranteed	427,308	AA-	S&P
Stable value	36,833,694	AA-	S&P
Fixed income securities	283	AA	S&P
Money market trust funds	1,980,661	Not rated	Not rated

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.

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

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.

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, 2021 and 2020:

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.

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

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.

Guaranteed Lifetime Income fund: The Retirement Income Advantage Fund seeks both moderate capital growth and current income. It invests in a separate account under a group variable annuity. The separate account, in turn, invests in a mix of registered funds and a collective trust fund with an allocation of approximately 60% domestic and foreign equities and 40% fixed income.

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.

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.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2021 and 2020:

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

	June 30, 2020			
Investment Type	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	$ –	$ 1,980,661	$ –	$ 1,980,661
Fixed income securities	–	283	–	283
U.S. government obligations	–	2	–	2
Mutual funds	148,613,938	99,861,286	–	248,475,224
Common collective funds	32,053,284	56,792,990	–	88,846,274
Common stocks	63,662,145	–	–	63,662,145
Self-directed brokerage account	6,330,405	–	–	6,330,405
Total investments by fair value level	$ 250,659,772	$ 158,635,222	$ –	$ 409,294,994
Investments measured at the net asset value (NAV)				
Stable value				$ 36,833,694
Guaranteed lifetime income				8,975,990
Total investments measured at fair value				$ 455,104,678

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

Investments Measured Using NAV per Share Practical Expedient: The stable value fund and guaranteed lifetime income fund use NAV per share as a practical expedient to measuring fair value. The stable value fund had a fair value of $35,542,619 and $36,833,694 as of June 30, 2021 and 2020, respectively and the guaranteed lifetime income fund had a fair value of $0 and $8,975,990, respectively. These funds have no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Note 3 – Restricted Assets

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

		Carrying Value	
	Required at June 30, 2021	2021	2020
Current			
Operations and Maintenance Fund	$ 26,760,813	$ 122,303,193	$ 94,144,920
Bond and Interest Redemption Fund	27,377,389	27,377,389	36,673,667
Total current	54,138,202	149,680,582	130,818,587
Noncurrent			
Construction Fund	95,811,832	95,811,832	140,848,613
Total noncurrent	95,811,832	95,811,832	140,848,613
Total	$ 149,950,034	$ 245,492,414	$ 271,667,200

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 2021 and 2020.

Note 3 – Restricted Assets (Continued)

The restrictions of the various funds 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.

Note 4 – Utility Plant

The tables below reflect the capital asset activity of the utility plant categories for the years ended June 30, 2021 and 2020:

Capital Asset Activity for Year Ended June 30, 2021

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

Note 4 – Utility Plant (Continued)

Accumulated Depreciation for Year Ended June 30, 2021

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

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

Capital Asset Activity for Year Ended June 30, 2020

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	$ 328,004,577	$ 1,402,047	$ 10,681,177	$ (3,759,514)	$ 336,328,287
Electric	795,361,687	2,332,302	20,516,823	(9,329,993)	808,880,819
Steam	80,233,333	1,367,468	1,061,240	(559,627)	82,102,414
Chilled	34,083,868	69	1,079	–	34,085,016
Common	103,276,137	708,809	5,250,156	(2,978,298)	106,256,804
AUC	69,536,946	(43,321,170)	200,629,346	–	226,845,122
Total	$ 1,410,496,548	$ (37,510,475)	$ 238,139,821	$ (16,627,432)	$ 1,594,498,462

Note 4 – Utility Plant (Continued)

Accumulated Depreciation for Year Ended June 30, 2020

	Accum. Depr. FY Start	Depreciation Transfer	Depr. / Amort. and Impairment for Year	Depreciation Retirement	Accum. Depr. FY End
Water	$ (114,060,990)	$ 137,488	$ (7,146,494)	$ 2,820,610	$ (118,249,387)
Electric	(409,140,094)	18,296	(33,090,181)	8,618,831	(433,593,153)
Steam	(23,575,250)	(26,453)	(2,705,591)	103,549	(26,203,745)
Chilled	(13,766,590)	–	(1,177,948)	–	(14,944,537)
Common	(51,206,838)	(129,331)	(7,481,152)	2,828,525	(55,988,791)
Total	$ (611,749,762)	$ –	$ (51,601,366)	$ 14,371,515	$ (648,979,613)

Non-depreciable assets – Included in the table above are non-depreciable assets of $1,216,026 for water, $14,865,816 for electric, $124,224 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.

Note 5 - Long-term Debt

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

	2021	2020
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	$ -
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, plus interest at a rate of 2.00%. Original amount of issue $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, 2023 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.	27,085,000	28,760,000
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.	11,795,000	13,450,000

Note 5 - Long-term Debt (Continued)

	2021	2020
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	$ 7,780,000
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.	5,420,601*	6,087,135*
Lansing Economic Development Corp due in annual installments of $4,500 through 2022.	4,500*	9,000*
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.	3,031,328*	3,157,634*
Total	750,066,429	631,113,769
Less current portion	(8,247,081)	(7,942,341)
Plus unamortized premium	88,321,308	69,056,254
Total long-term portion	$ 830,140,656	$ 692,227,682

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

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

Note 5 - Long-term Debt (Continued)

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

	Principal	Interest	Total
2022	$ 7,440,000	$ 27,514,414	$ 39,954,414
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
2027-2031	80,985,000	136,992,989	217,977,989
2032-2036	96,400,000	122,677,822	219,077,822
2037-2041	115,425,000	103,593,961	219,018,961
2042-2046	151,100,000	76,864,552	227,964,552
2047-2051	192,410,000	35,390,500	227,800,500
2052	43,055,000	1,786,675	44,841,675
Total	$ 741,610,000	$ 620,518,928	$ 1,362,128,928

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

	Principal	Interest	Total
2022	$ 807,081	$ 244,108	$ 1,051,189
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
2027-2031	2,601,418	581,338	3,182,756
2032-2036	739,419	342,104	1,081,523
2037-2041	631,527	198,774	830,301
2042-2045	505,221	56,793	562,014
Total	$ 8,456,429	$ 2,202,031	$ 10,658,460

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

Note 5 - Long-term Debt (Continued)

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

The 2021B Bonds are payable in annual installments in the years 2026 through 2051, inclusive, and shall not be subject to optional 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 2019B Bonds are payable in annual installments in the years 2023 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.

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

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

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

On December 19, 2019, bonds in the amount of $251,995,000 were issued with an average interest rate of 2.89% to advance refund $238,570,000 of outstanding bonds with an average interest rate of 4.95%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the old bonds. As a result, that portion of the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position.

The cash flow requirements on the old bonds prior to the advance refunding was $422,836,632 from 2020 through 2041. The cash flow requirements on the new bonds are $367,760,439 from 2020 through 2041. The advance refunding resulted in an economic gain of $40,383,561. The bonds are callable on July 1 2021. At June 30, 2021, $332,534,000 of bonds outstanding are considered defeased.

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

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

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 $1,362,128,928. During the current year, net revenues of the BWL were $126,468,000 compared to the annual debt requirements of $35,140,000.

The long-term debt activity for the year ended June 30, 2020 is as follows:

	Revenue Bonds	Other Notes	Total
Beginning balance	$ 692,266,183	$ 10,042,562	$ 702,308,745
Additions	251,995,000	-	251,995,000
Reductions	(253,344,929)	(788,793)	(254,133,722)
Ending balance	$ 690,916,254	$ 9,253,769	$ 700,170,023
Due within one year	$ 7,145,000	$ 797,341	$ 7,942,341

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, 2021 and 2020 was $236,107 and $359,813, 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, 2021 and 2020 for additional sites was $(412,566) and $798,299, respectively.

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

Recoverable Cost Adjustments

During the year ended June 30, 2005, the Board of Commissioners approved the use of regulatory accounting as per GASB 62 in accounting for the BWL's power supply cost recovery (PSCR) adjustment, power chemical adjustment (PCA), and fuel cost adjustment (FCA). These affect the amount to be billed to retail electric, water, and steam customers to reflect the difference between the BWL's actual material costs and the amounts incorporated into rates. This resulted in recoverable assets of $3,433,712 and $(3,322,683) at June 30, 2021 and 2020, 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 $2,031,755 and $1,552,783 as of June 30, 2021 and 2020, 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 $881,086 and $1,101,358 as of June 30, 2021 and 2020, respectively. The BWL will recognize this as revenue monthly over the life of the new chilled water plant to offset depreciation expense.

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

<u>Wise Road</u>

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, 2021 and 2020 was $7,779,118 and $8,761,743, respectively.

<u>Other Items</u>

Other items recognized as recoverable inflows total $500,000 and $500,000 at June 30, 2021 and 2020, respectively.

Note 7 – Transactions with the City of Lansing, Michigan

Operations – The BWL recognized revenue of $9,045,359 and $9,359,715 in 2021 and 2020, respectively, for water, electric, and steam services provided to the City. The BWL incurred expenses for sewerage services purchased from the City of $692,056 and $573,138 in 2021 and 2020, respectively.

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of $965,698 and $964,920 in 2021 and 2020, 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 2020 through 2022. Under terms of these agreements, the BWL paid to the City $25,000,000 in 2021 and $23,100,000 in 2020 of operational cash flow in excess of debt service requirements.

Note 8 – Retirement Plans

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

Defined Benefit Plan

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

The Defined Benefit Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Lansing Board of Water and Light, Chief Financial Officer, 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, 2021 and 2020.

Note 8 – Retirement Plans (Continued)

Employees Covered by Benefit Terms – At February 28, 2021 and February 29, 2020 (the most recent actuarial valuation for funding purposes), Defined Benefit Plan membership consisted of the following:

	2021	2020
Inactive plan members or beneficiaries currently receiving benefits	296	318
Inactive plan members entitled to but not yet receiving benefits	2	3
Active plan members	3	3
Total	301	324

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

Note 8 – Retirement Plans (Continued)

Benefits Provided – The Defined Benefit Plan provides retirement, early retirement, disability, termination, and death benefits. The Plan provides for an annual benefit upon normal retirement age equal to the product of the total number of years of credited service multiplied by a percentage equal to 1.80 percent 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, 2020 and 2021. Plan documents do not require participant contributions.

Note 8 – Retirement Plans (Continued)

Net Pension Asset – The components of the net pension asset of the BWL at June 30, 2021 and June 30, 2020 were as follows (in thousands):

	2021	2020
Total pension liability	$ 48,444	$ 52,198
Plan fiduciary net pension	61,658	55,586
Plan's net pension asset	$ (13,214)	$ (3,388)
Plan fiduciary net position, as a percentage of the total pension liability	127.28%	106.49%

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.

The BWL has chosen to use June 30, 2020 as its measurement date for fiscal year 2020. The June 30, 2020 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2020. The June 30, 2020 total pension liability was determined by an actuarial valuation as of February 29, 2020, which used update procedures to roll forward the estimated liability to June 30, 2020.

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, 2019	$ 53,826	$ 60,422	$ (6,596)
Changes for the year:			
Service cost	$ 42	$ –	$ 42
Interest	3,566	–	3,566
Differences between expected and actual experience	(919)	–	(919)
Changes in assumptions	1,555	–	1,555
Net investment income	–	1,658	(1,658)
Benefit payments, including refunds	(5,872)	(5,872)	–
Administrative expenses	–	(145)	145
Miscellaneous other charges	–	(477)	477
Net changes	(1,628)	(4,836)	3,208
Balances at June 30, 2020	$ 52,198	$ 55,586	$ (3,388)
Changes for the year:			
Service cost	$ 26	$ –	$ 26
Interest	3,212	–	3,212
Change in benefit terms			
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)
Balance at June 30, 2021	$ 48,444	$ 61,658	$ (13,214)

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, 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)	$ –

For the year ended June 30, 2020, the BWL recognized pension expense of $1,902,048. At June 30, 2020, 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	$ 1,642,478	$ –

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	
2022	$ (944,475)
2023	(1,261,798)
2024	(1,215,261)
2025	(1,684,901)
Total	$ (5,106,435)

Note 8 – Retirement Plans (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2021 and June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.25%	2.25%
Salary increases	3.50%	3.50%
Investment rate of return	6.50%	6.50%

Mortality rates were based on the PUB-2010 General Mortality Table with MP-2020 Improvement Scale for the June 30, 2021 valuation. The June 30, 2020 valuation used the PUB-2010 General Employees Mortality Table and projected using the MP-2019 scale.

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered 3 active participants in fiscal year 2021 and fiscal year 2020, 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 6.50 percent in 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Note 8 - Retirement Plans (Continued)

Projected Cash Flows

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

The long-term expected rate of return on Defined Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2021 and 2020 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	2021 Long-term Expected Real Rate of Return	2020 Long-term Expected Real Rate of Return
Core bonds	2.58%	2.60%
Multi-sector	3.42%	3.43%
Liquid absolute return	3.26%	3.25%
U.S. large cap equity	7.15%	7.14%
U.S. small cap equity	8.44%	8.43%
Non-U.S. equity	8.15%	8.37%
Core real estate	6.66%	6.73%

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, 2021, calculated using the discount rate of 6.50 percent, 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 percent) or 1 percentage-point higher (7.5 percent) 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)

The following presents the net pension asset of the BWL at June 30, 2020, calculated using the discount rate of 6.50 percent, 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 percent) or 1 percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability (asset) of the BWL	$ 1,477,448	$ (3,388,473)	$ (6,060,344)

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

Note 8 – Retirement Plans (Continued)

Defined Contribution Plan

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

The Defined Contribution Plan issues a publicly available financial report. That report may be obtained by writing to the Lansing Board of Water and Light, Chief Financial Officer, 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 percent of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5 percent of the employees' compensation. In addition, the BWL is required to contribute 3.0 percent of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5 percent of the employees' compensation for all nonbargaining employees. No participant contributions are required.

During the years ended June 30, 2021 and 2020, the BWL contributed $8,186,130 and $6,733,020, respectively. The BWL's contributions are recognized in the period that the contributions are due.

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

Note 8 – Retirement Plans (Continued)

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

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

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

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

Plan Description – The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("Retiree Benefit Plan and Trust") is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits in accordance with Section 5-203 of the City Charter. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while working for the BWL. There were 739 participants eligible to receive benefits at June 30, 2021 and 754 participants eligible at June 30, 2020.

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, 2021 and 2020, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was $8,343,977 and $9,156,565, 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 Lansing Board of Water and Light, Chief Financial Officer, P.O. Box 13007, Lansing, Michigan 48901-3007.

Note 8 – Retirement Plans (Continued)

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

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

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

At June 30, 2020, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	676
Disabled participants	75
Retired participants	532
Surviving spouses	147
Total	1,430

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, 2021 and 2020, the actual contribution rates of the BWL were 13.8 percent and 15.7 percent of covered-employee payroll, respectively.

Net OPEB Liability (Asset) – 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 (asset) 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.

Note 8 – Retirement Plans (Continued)

The BWL has chosen to use June 30, 2020 as its measurement date for fiscal year 2020. The June 30, 2020 reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2020. The June 30, 2020 total OPEB liability was determined by an actuarial valuation as of February 29, 2020, which used update procedures to roll forward the estimated liability to June 30, 2020.

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

Inflation	2.75 percent
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 percent, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates

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

Note 8 - Retirement Plans (Continued)

The total OPEB liability in the June 30, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

Inflation	2.25 percent
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 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	

FYE	Medical / RX Pre-65	Medical / RX Post-65	Part B	Dental
2020	8.25%	6.50%	3.25%	4.75%
2021	8.00%	6.25%	3.50%	4.50%
2022	7.75%	6.00%	3.75%	4.25%
2023	7.50%	5.75%	4.00%	4.00%
2024	7.25%	5.50%	4.25%	4.00%
2025	7.00%	5.25%	4.50%	4.00%
2026	6.75%	5.00%	4.75%	4.00%
2027	6.50%	4.75%	5.00%	4.00%
2028	6.25%	4.50%	5.00%	4.00%
2029	6.00%	4.50%	5.00%	4.00%
2030	5.75%	4.50%	5.00%	4.00%
2031	5.50%	4.50%	5.00%	4.00%
2032	5.25%	4.50%	5.00%	4.00%
2033	5.00%	4.50%	5.00%	4.00%
2034	4.75%	4.50%	5.00%	4.00%
2035	4.50%	4.50%	5.00%	4.00%

Note 8 - Retirement Plans (Continued)

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

2020 Mortality rates were based on the PUBH-2010 General Employee Mortality Table fully generational using Scale MP-2019.

Best actuarial practices call for a periodic assumption review and BWL completed an experience study in 2017.

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, 2021 and 2020:

Asset Class	2021 Target Allocation	2020 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 RE	7.00%	7.00%

Note 8 - Retirement Plans (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and June 30, 2020 are summarized in the following table:

Asset Class	2021 Long-term Expected Real Rate of Return	2020 Long-term Expected Real Rate of Return
Core bonds	2.58%	2.60%
Multi-sector	3.42%	3.43%
Liquid absolute return	3.26%	3.25%
U.S. large cap equity	7.15%	7.14%
U.S. small cap equity	8.44%	8.43%
Non-U.S. equity	8.15%	8.37%
Core real estate	6.66%	6.73%
Value add RE	8.16%	8.23%

Note 8 - Retirement Plans (Continued)

For the June 30, 2021 valuation, the long-term expected rate of return was 7.00%. 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, 2021 valuation was 7.00% with the expectation that BWL will continue contributing the actuarially determined contribution and/or paying for the pay-go cost.

Asset Class	Long-Term Expected Real Rate of Return
Fidelity 20-year Go Municipal Bond Index	2.16%
Actual Discount Rate Used	7.00%

Discount rate - The discount rate used to measure the total OPEB liability as of June 30, 2021 and June 30, 2020 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 8 - Retirement Plans (Continued)

	(in thousands)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2020	$ 154,603	$ 198,805	$ (44,202)
Changes for the year:			
Service cost	3,396	-	3,396
Interest	10,535	-	10,535
Change in benefit terms	-	-	-
Differences between expected and actual experience	(8,794)	-	(8,794)
Changes in assumptions	(3,752)	-	(3,752)
Contributions-employer	-	8,344	(8,344)
Contributions-employee	-	-	-
Net investment income	-	49,387	(49,387)
Benefit payments	(8,344)	(8,344)	-
Administrative expense	-	(449)	449
Net changes	(6,959)	48,938	(55,897)
Balances at 6/30/2021	**$ 147,644**	**$ 247,743**	**$ (100,099)**

Note 8 – Retirement Plans (Continued)

	(in thousands)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)–(b)
Balances at 6/30/2019	$ 148,550	$ 195,159	$ (46,609)
Changes for the year:			
Service cost	3,245	–	3,245
Interest	10,804	–	10,804
Change in benefit terms	–	–	–
Differences between expected and actual experience	(6,093)	–	(6,093)
Changes in assumptions	7,254	–	7,254
Contributions–employer	–	9,157	(9,157)
Contributions–employee	–	–	–
Net investment income	–	4,158	(4,158)
Benefit payments	(9,157)	(9,157)	–
Administrative expense	–	(512)	512
Net changes	6,053	3,646	2,407
Balances at 6/30/2020	$ 154,603	$ 198,805	$ (44,202)

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 percent) or 1 percentage point higher (8.0 percent) than the current discount rate (7.0 percent) as of June 30, 2021:

Note 8 – Retirement Plans (Continued)

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

Sensitivity of the net OPEB liability (asset) to changes in the 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 percent) or 1 percentage point higher (8.0 percent) than the current discount rate (7.0 percent) as of June 30, 2020:

	June 30, 2020		
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability (asset)	$(26,376,741)	$(44,202,116)	$(59,182,348)

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

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

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, 2020:

Note 8 - Retirement Plans (Continued)

	June 30, 2020		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (asset)	$(60,529,722)	$(44,202,116)	$(24,480,910)

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, 2021 GASB 74/75 Report, issued August 6, 2021.

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

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

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

Year Ended June 30:	
2022	$ (17,430,311)
2023	(18,072,608)
2024	(17,613,732)
2025	(12,493,458)
2026	(1,900,729)
Thereafter	(861,896)

Note 8 – Retirement Plans (Continued)

For the year ended June 30, 2020, the Plan recognized OPEB expense of $(9,700,346).

At June 30, 2020, 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	$ 2,030,980	$ 13,937,809
Changes of assumptions	6,093,332	42,366,343
Net difference between projected and actual earnings on OPEB plan investments	9,151,331	–
Total	$ 17,275,643	$ 56,304,152

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, 2021, and 2020, the BWL has two letters of credit in the amounts of $1,000,000 and $817,000 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 postclosure monitoring and maintenance of a landfill site operated by the BWL.

Note 9 – Commitments and Contingencies (Continued)

Through monitoring tests performed on the landfill sites operated by the BWL, it has been discovered that the sites are contaminating the groundwater. The contamination does not pose a significant health risk, but does lower the quality of the groundwater. The BWL received landfill closure approval as well as interim remediation approval. The BWL has estimated the total cost for remediation, including closure and postclosure cost of the landfills, and has recorded a liability of $6,074,152 and $6,388,002 for the years ended June 30, 2021 and 2020, respectively. Certain remediation activities have commenced and are in progress. The landfill sites are no longer receiving waste products. Landfill closure and postclosure requirements are associated with the Michigan Department of Environmental Quality. Annual postclosure 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, 2021 and 2020 in regard to specific pending legal cases.

The BWL has entered into contracts to purchase coal totaling $3,655,000 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 $9,998,087 through December 2022.

Note 9 – Commitments and Contingencies (Continued)

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately $343,018,000 and $381,296,000 at June 30, 2021 and 2020, respectively, including commitments on existing construction contracts approximating $218,591,000 and $96,692,000 at June 30, 2021 and 2020, respectively. These projects will be funded through revenue bonds and operational cash flow, including the project funds reported as other assets.

Environmental Protection Agency (EPA) Notice of Finding of Violation

On March 19, 2015, the EPA served the BWL with a Notice of Finding of Violation specifically focused on BWL's Erickson capital projects. These cases were settled during fiscal year 2020, with total mitigation costs totaling $610,000. The mitigation costs will be incurred over 3 years and the entire cost is included in the financial statements as presented.

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 percent of the energy generated by MPPA's 37.22 percent 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 percent annual inflation of fixed operating costs, which include expected major maintenance projects.

Year	Capital	Estimated Fixed Operating Costs	Total Required
2022	$ 6,814,740	$ 13,002,453	$ 19,817,193
Total	$ 6,814,740	$ 13,002,453	$ 19,817,193

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 2021 and 2020 of $33,742,551 and $22,136,209, 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, 2021 and 2020. In accordance with the requirements of the bond indenture, the BWL is required to set aside any current year additions to this estimated liability in a rebate fund within 60 days of the anniversary date of the bonds.

Note 12 - Risk Management and Insurance

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

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

	Workers' Compensation			Health Insurance		
	2021	2020	2019	2021	2020	2019
Unpaid claims - Beginning of year	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 1,317,540	$ 1,167,466	$ 1,167,466
Incurred claims, including claims incurred but not reported	360,798	75,235	390,707	13,401,747	14,848,056	11,990,226
Claim payments	(360,798)	(75,235)	(390,707)	(13,384,990)	(14,697,982)	(11,990,226)
Unpaid claims - End of year	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 1,334,297	$ 1,317,540	$ 1,167,466

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

Note 13 – Upcoming Pronouncements

GASB has approved GASB Statement No. 87, *Leases*, 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 Arraingements*, Statement No. 96, *Subscription-Based Information Technology Arrangements,* and 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*. When they become effective, application of these standards may restate portions of these financial statements

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*, with the exception of Statement No. 87 which was postponed by one and a half years.

Note 14 – Subsequent Events

The Board evaluated subsequent events through September 10, 2021, 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

FINAL DRAFT 09/10/21

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012*
Total Pension Liability										
Service cost	$ 26	$ 42	$ 60	$ 50	$ 113	$ 223	$ 274	$ 349	$ 407	$ -
Interest	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	(968)	(919)	(743)	(230)	(383)	299	(1,093)	964	(1,716)	-
Changes in assumptions	(366)	1,555	1,210	1,419	(857)	(1,468)	-	4,538	-	-
Benefit payments, including refunds	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)	(8,046)	(8,541)	(7,777)	-
Net Change in Total Pension Liability	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)	(3,946)	2,061	(4,001)	-
Total Pension Liability - Beginning of year	52,198	53,826	55,751	56,895	61,178	65,395	69,341	67,280	71,281	-
Total Pension Liability - End of year	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	11,853	1,658	4,381	3,112	8,272	47	1,771	14,243	10,170	-
Administrative expenses	(123)	(145)	(183)	(255)	(317)	(388)	(576)	(596)	(536)	-
Benefit payments, including refunds	(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	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	55,586	60,422	62,367	65,924	65,442	73,679	80,529	75,424	73,567	-
Net Position Restricted for Pensions - End of year	61,658	55,586	60,422	62,367	65,924	65,442	73,679	80,530	75,424	-
BWL Net Pension Asset - Ending	**$ (13,214)**	**$ (3,388)**	**$ (6,596)**	**$ (6,616)**	**$ (9,029)**	**$ (4,264)**	**$ (8,284)**	**$ (11,189)**	**$ (8,144)**	**$ -**
Plan Net Position as a % of Total Pension Liability	127.28%	106.49%	112.25%	111.87%	115.87%	106.97%	112.67%	116.14%	112.10%	- %
Covered Employee Payroll	$ 237	$ 240	$ 406	$ 603	$ 586	$ 772	$ 1,018	$ 1,225	$ 1,684	$ -
BWL's Net Pension Asset as a % of Covered Employee Payroll	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)	(814%)	(913%)	(484%)	- %

*GASB Statement No. 67 was implemented as of June 30, 2014. Information from 2012 is not available and this schedule will be presented on a prospective basis.

FINAL DRAFT 09/10/21

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Employee Payroll	$ 237	$ 240	$ 406	$ 603	$ 586	$ 772	$ 1,018	$ 1,225	$ 1,684	$ 2,101
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)

	2021	2020	2019	2018	2017	2016*	2015*	2014*	2013*	2012*
Total OPEB Liability										
Service cost	$ 3,396	$ 3,245	$ 4,403	$ 4,827	$ 3,130	$ -	$ -	$ -	$ -	$ -
Interest	10,535	10,804	14,920	15,039	14,226	-	-	-	-	-
Changes in benefit terms	-	-	(415)	-	-	-	-	-	-	-
Differences between expected and actual experience	(8,794)	(6,093)	(5,231)	(9,880)	5,281	-	-	-	-	-
Changes in assumptions	(3,752)	7,254	(59,336)	(1,728)	(2,027)	-	-	-	-	-
Benefit payments, including refunds	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)	-	-	-	-	-
Net Change in Total OPEB Liability	(6,959)	6,053	(54,937)	(2,137)	11,036	-	-	-	-	-
Total OPEB Liability - Beginning of year	154,603	148,550	203,487	205,624	194,588	-	-	-	-	-
Total OPEB Liability - End of year	147,644	154,603	148,550	203,487	205,624	-	-	-	-	-
Trust Net Position										
Contributions - Employer	8,344	9,157	9,278	10,395	9,574	-	-	-	-	-
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	49,387	4,158	11,688	11,039	18,040	-	-	-	-	-
Administrative expenses	(449)	(512)	(569)	(634)	(705)	-	-	-	-	-
Benefit payments, including refunds	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in Net Position Held in Trust	48,938	3,646	11,119	10,405	17,335	-	-	-	-	-
Trust fiduciary net position - Beginning of year	198,805	195,159	184,040	173,635	156,300	-	-	-	-	-
Trust fiduciary net position - End of year	247,743	198,805	195,159	184,040	173,635	-	-	-	-	-
BWL Net OPEB Liability (Asset) - Ending	**$ (100,099)**	**$ (44,202)**	**$ (46,609)**	**$ 19,447**	**$ 31,989**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	167.80%	128.59%	131.38%	90.44%	84.44%	- %	- %	- %	- %	- %
Covered Employee Payroll	$ 60,269	$ 58,198	$ 56,785	$ 55,650	$ 54,383	$ -	$ -	$ -	$ -	$ -
BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%	- %	- %	- %	- %	- %

*GASB Statement No. 74 was implemented as of June 30, 2017. Information from 2012 - 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 Required	Employer Contributions Actual	Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
6/30/2012	$ 15,774	$ 15,854	$ 80	$ 46,885	34%
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	-	8,344	8,344	60,269	14%

Defined Benefit Plan:

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 percent
Salary increases	3.5 percent per year
Investment rate of return	6.5 percent per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2020 Improvement Scale

Changes to assumptions: The mortality improvement scale was updated to the MP-2020 improvement scale.

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2020, based on roll-forward of February 29, 2020 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 percent
Salary increases	3.5 percent per year
Investment rate of return	6.5 percent per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2019 Improvement Scale

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

Significant Changes:

June 30, 2021

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

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

June 30, 2020

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

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

June 30, 2019

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

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

June 30, 2018

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

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

June 30, 2017

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

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

June 30, 2016

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

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

June 30, 2015

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

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

June 30, 2014

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

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

Post Retirement Benefit Plan:

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 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	26 years
Inflation	2.25 percent
Salary increases	9.3 percent growth at age 25 and decreases to 6.4 percent for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	7.0 percent per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2020 scale

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2020, based on roll-forward of February 29, 2020 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 percent
Salary increases	9.3 percent growth at age 25 and decreases to 6.4 percent for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	7.0 percent per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2019 scale

Significant Changes:

June 30, 2021

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

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

June 30, 2020

> Difference between actual and expected experience - The $6.09MM gain on the Total OPEB Liability for the fiscal year ending June 30, 2020 is attributable to the combination of unfavorable demographic experience and a reduction in the per capita claims cost used in the June 30, 2020 valuation. The $1.13MM loss associated with demographic experience is mainly attributable to active participant retirements. The $7.22MM gain due to a reduction in per capita claims cost is attributable a decrease in the Pre-65 medical and prescription drug premiums for 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 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 EnvisionInsurance to Humana. Doing so resulted in a dramatic decrease in both the medical and prescription drug monthly premiums from the prior fiscal year ($98.99 per month vs. $219.54 per month for medical coverage and $213.47 per month vs. $305.00 per month for prescription drug coverage); (2) The Plan experienced a $3.8 million loss on the mortality assumption change. The mortality assumption was updated from the RPH-2014 Total Dataset mortality, adjusted to2006 and projected generationally using the MP-2017 improvement scale to the PUBH-2010 General Employees mortality, projected generationally using the MP-2018 improvement scale; and (3) The Plan experienced a $8.7 million gain on a change to the medical and prescription drug trend assumptions. The trend assumptions were changed to those prescribed under the Michigan Uniform Assumptions for the 2019 fiscal year.

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

June 30, 2018

> Difference between actual and expected experience – The $9.9 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2018 is attributable to a reduction in the per capita claims cost used in the 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.

Additional Information

Board of Water and Light - City of Lansing, Michigan

Income Available for Revenue Bond Debt Retirement

	For the Year Ended June 30	
	2021	2020
Income - Before capital contributions per statement of revenues, expenses, and changes in net position	$ 52,733,335	$ 29,681,544
Adjustments to Income		
Depreciation	48,428,670	50,618,741
Interest on long-term debt:		
Notes	29,007	91,671
Revenue bonds	25,277,445	26,208,473
Total additional income	73,735,122	76,918,885
Income Available for Revenue Bonds and Interest Redemption	**$ 126,468,457**	**$ 106,600,429**
Debt Retirement Pertaining to Revenue Bonds		
Principal	$ 7,440,000	$ 7,145,000
Interest	27,514,414	22,418,248
Total	**$ 34,954,414**	**$ 29,563,248**
Percent Coverage of Revenue Bonds and Interest Requirements	**362**	**361**

Board of Water and Light - City of Lansing, Michigan

Detail of Statements of Revenues and Expenses
For the Years Ended June 30, 2021 and 2020

	Combined		Water		Electric		Steam		Chilled Water	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Operating Revenues										
Water	$ 50,030,466	$ 45,923,606	$ 50,030,466	$ 45,923,606	$ -	$ -	$ -	$ -	$ -	$ -
Electric:										
Retail	295,355,513	293,119,137	-	-	295,355,513	293,119,137	-	-	-	-
Sales for resale	16,588,280	6,832,536	-	-	16,588,280	6,832,536	-	-	-	-
Steam	12,568,831	12,526,501	-	-	-	-	12,568,831	12,526,501	-	-
Chilled water	6,035,559	6,211,174	-	-	-	-	-	-	6,035,559	6,211,174
Total operating revenues	380,578,649	364,612,954	50,030,466	45,923,606	311,943,793	299,951,673	12,568,831	12,526,501	6,035,559	6,211,174
Operating Expenses										
Production:										
Fuel, purchased power, and other operating expenses	127,372,727	125,348,562	10,150,287	9,695,385	111,241,360	109,995,796	4,024,575	4,005,108	1,956,505	1,652,273
Maintenance	12,309,025	17,574,743	3,510,272	3,916,954	7,581,050	12,112,190	584,772	754,373	632,931	791,226
Transmission and distribution:										
Operating expenses	7,843,891	8,763,274	1,369,531	1,617,516	6,367,489	6,991,104	106,871	154,654	-	-
Maintenance	19,830,569	20,308,757	4,144,835	3,576,179	15,338,418	16,247,240	347,316	485,338	-	-
Administrative and general	59,408,186	72,827,369	12,634,583	14,818,670	43,348,858	54,579,769	2,404,161	2,449,988	1,020,584	978,942
Return on Equity	25,000,000	23,100,000	3,146,384	2,922,783	20,675,405	19,049,861	754,748	723,211	423,463	404,145
Depreciation	48,428,670	50,618,741	8,200,492	7,930,917	35,608,404	38,163,899	3,241,191	3,141,742	1,378,583	1,382,183
Total operating expenses	300,193,068	318,541,446	43,156,384	44,478,404	240,160,984	257,139,859	11,463,634	11,714,414	5,412,066	5,208,769
Operating Income	80,385,581	46,071,508	6,874,082	1,445,202	71,782,809	42,811,814	1,105,197	812,087	623,493	1,002,405
Nonoperating Income (Expenses)										
Investment income	218,186	11,006,985	37,705	850,937	147,618	9,601,244	26,571	416,510	6,292	138,294
Other (expense) income	(2,563,980)	(1,096,805)	814,534	191,043	(3,419,169)	(883,306)	(175,023)	(625,823)	215,678	221,281
Impairment on Eckert Plant	-	-	-	-	-	-	-	-	-	-
Impairment on Erickson Plant	-	-	-	-	-	-				
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Bonded debt interest expense	(25,277,445)	(26,208,473)	(1,645,822)	(1,316,694)	(21,294,130)	(22,783,371)	(1,897,899)	(1,644,702)	(439,594)	(463,706)
Amortization - Central Utilities Complex	-	-	-	-	-	-	-	-	-	-
Other interest expense	(29,007)	(91,671)	(3,320)	(11,792)	(25,663)	(79,738)	(24)	(141)	-	-
Total nonoperating expense	(27,652,246)	(16,389,964)	(796,903)	(286,506)	(24,591,344)	(14,145,171)	(2,046,375)	(1,854,156)	(217,624)	(104,131)
Net Income (Loss)	**$ 52,733,335**	**$ 29,681,544**	**$ 6,077,179**	**$ 1,158,696**	**$ 47,191,465**	**$ 28,666,643**	**$ (941,178)**	**$ (1,042,069)**	**$ 405,869**	**$ 898,274**

Board of Water and Light - City of Lansing, Michigan

Detail of Statements of Changes in Net Position

	Combined	Water	Electric	Steam	Chilled Water
Net Position - June 30, 2019	$ 602,901,003	$ 96,327,530	$ 503,406,939	$ (5,578,118)	$ 8,744,652
Income (loss) before contributions	29,681,544	1,158,696	28,666,643	(1,042,069)	898,274
Net Position - June 30, 2020	632,582,547	97,486,226	532,073,582	(6,620,187)	9,642,926
Income (loss) before contributions	52,733,335	6,077,179	47,191,465	(941,178)	405,869
Net Position - June 30, 2021	$ 685,315,882	$ 103,563,405	$ 579,265,047	$ (7,561,365)	$ 10,048,795

Board of Water and Light - City of Lansing, Michigan

Pension Trust Funds - Detail of Statements of Net Position

	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
Guaranteed income fund	-	-	-	-
Common collective funds	-	19,776,148	76,041,081	95,817,229
Common stock	-	7,460,769	49,879,749	57,340,518
Self-directed brokerage account	12,317,950	-	-	12,317,950
Participants note receivable	3,424,144	-	-	3,424,144
Total investments	210,566,180	61,656,018	247,732,766	519,954,964
Liabilities				
Trade payable - due to broker	-	20,433	137,676	158,109
Net Position - Held in trust for pension and other employee benefits	**$ 210,566,180.00**	**$ 61,658,099.00**	**$ 247,743,227.00**	**$ 519,967,506.00**

	As of June 30, 2020			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable - investment interest receivable	$ -	$ 2,247	$ 26,604	$ 28,851
Trade receivable - due from broker	-	-	13,252	13,252
Investments at fair value:				
Cash and money market trust fund	-	1,402,445	578,216	1,980,661
U.S. government obligations	-	-	-	-
Fixed income securities	-	2	283	285
Mutual funds	148,613,938	27,724,349	72,136,937	248,475,224
Stable value	36,833,694	-	-	36,833,694
Guaranteed income fund	8,975,990	-	-	8,975,990
Common collective funds	-	19,028,423	69,817,851	56,792,990
Common stock	-	7,429,429	56,232,716	95,715,429
Self-directed brokerage account	6,330,405	-	-	6,330,405
Participants note receivable	3,251,182	-	-	3,251,182
	-	-	-	-
Total investments	204,005,209	55,584,648	198,766,003	458,355,860
Liabilities				
Trade payable - due to broker	-	-	1,057	1,057
Net Position - Held in trust for pension and other employee benefits	**$ 204,005,209**	**$ 55,586,895**	**$ 198,804,802**	**$ 458,396,906**

Pension Trust Funds - Detail of Statement of Changes in Net Position
For the Year Ended June 30, 2021

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

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, 2020

	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in				
fair value of investments	$ 3,326,676	$ 492,124	$ 1,326,808	$ 5,145,608
Interest and dividend income	5,365,500	1,165,787	2,831,518	9,362,805
Net investment income	8,692,176	1,657,911	4,158,326	14,508,413
Employer contributions	6,733,020	-	9,156,565	15,889,585
Participant rollover contributions	466,139	-	-	466,139
Interest from participant notes receivable	172,695	-	-	172,695
Total increases	16,064,030	1,657,911	13,314,891	31,036,832
Decreases				
Retiree benefits paid	11,912,104	6,347,779	9,156,565	27,416,448
Loan defaults	232,785	-	-	232,785
Participants' note and administrative fees	184,944	145,084	512,101	842,129
Total decreases	12,329,833	6,492,863	9,668,666	28,491,362
Change in Net Position Held in Trust	3,734,197	(4,834,952)	3,646,225	2,545,470
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning of year	200,271,012	60,421,847	195,158,577	455,851,436
End of year	**$ 204,005,209**	**$ 55,586,895**	**$ 198,804,802**	**$ 458,396,906**

FINAL DRAFT 09/10/21

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, 2021 and 2020

FINAL DRAFT 09/10/21

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

Contents

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions ("Plan") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

Other Matter

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, 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 10, 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:

	2021	2020	2019
Assets held in trust:			
Money market collective trust fund	$ 1,401,780	$ 1,402,445	$ 1,963,325
U.S. government obligations	-	-	4,873,353
Fixed income securities	-	2	6,379,674
Mutual funds	33,017,321	27,724,349	30,566,813
Common collective funds	19,776,148	19,028,423	6,029,465
Common stock	7,460,769	7,429,429	10,529,824
Trade Receivable due from Broker	20,550	-	-
Interest and dividend receivable	1,964	2,247	85,635
Total assets held in trust	**$ 61,678,532**	**$ 55,586,895**	**$ 60,428,089**
Liabilities - Accrued liabilities	$ 20,433	$ -	$ 6,242
Net position restricted for pension	61,658,099	55,586,895	60,421,847
Total liabilities and net position	**$ 61,678,532**	**$ 55,586,895**	**$ 60,428,089**
Changes in net position:			
Net investment income (loss)	$ 11,852,724	$ 1,657,911	$ 4,380,722
Benefits payments	(5,658,372)	(6,347,779)	(6,142,622)
Administrative fees	(123,148)	(145,084)	(183,238)
Net change in net position	**$ 6,071,204**	**$ (4,834,952)**	**$ (1,945,138)**

Investment Results

The fiscal year ended June 30, 2021 saw a net investment gain of $11.9 million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Board of Water and Light - City of Lansing, Michigan's ("BWL") actuarially determined contribution (ADC) as determined by the BWL's actuary was $0 in fiscal year 2021, therefore no employer contributions were required.

Investment Objectives and Asset Allocation

The 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 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:

Asset Class	Target Asset Allocation
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	5%
Total	100%

Future Events

The Plan is currently overfunded, with a funded ratio (fiduciary net position divided by total pension liability) of 127 percent. This funding level results in an actuarially determined contribution of $0 for fiscal year 2022. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2022.

The Plan expects to make an annual withdrawal of approximately $5,000,000 to cover participant benefits in fiscal year 2022.

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 and Light, Chief Financial Officer, P.O. Box 13007, Lansing, Michigan 48901-3007.

FINAL DRAFT 09/10/21

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

Statements of Plan Fiduciary Net Position

	As of June 30	
	2021	2020
Assets		
Investments at fair value:		
Cash and money market trust fund	$ 1,401,780	$ 1,402,445
Fixed income securities	-	2
Mutual funds	33,017,321	27,724,349
Common collective funds	19,776,148	19,028,423
Common stocks	7,460,769	7,429,429
Total investments at fair value	61,656,018	55,584,648
Trade receivable - due from broker	20,550	-
Receivable - investment interest receivable	1,964	2,247
Total assets	61,678,532	55,586,895
Liabilities		
Trade payable - due to broker	20,433	-
Net Position Restricted for Pensions	**$ 61,658,099**	**$ 55,586,895**

See Notes to Financial Statements.

FINAL DRAFT 09/10/21

Statements of Changes in Plan Fiduciary Net Position

	For the Year Ended June 30	
	2021	2020
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 10,760,058	$ 492,124
Interest and dividend income	1,092,666	1,165,787
Total investment income	11,852,724	1,657,911
Deductions		
Retiree benefits paid	5,658,372	6,347,779
Administrative expenses	123,148	145,084
Total deductions	5,781,520	6,492,863
Net Increase (Decrease) in Net Position	6,071,204	(4,834,952)
Net Position Restricted for Pensions		
Beginning of year	55,586,895	60,421,847
End of year	**$ 61,658,099**	**$ 55,586,895**

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Board of Water and Light - City of Lansing, Michigan ("BWL") sponsors the 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 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 taking effect on 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.

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, which consists of eight members appointed by the mayor of the City of Lansing, Michigan.

Note 2 - Plan Description (Continued)

Plan Membership - At February 28, 2021 and February 29, 2020 (the most recent actuarial valuation for funding purposes), Plan membership consisted of the following:

	2021	2020
Inactive Plan members or beneficiaries currently receiving benefits	296	318
Inactive Plan members entitled to but not yet receiving benefits	2	3
Active Plan members	3	3
Total	301	324

The 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.

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 total number of years of credited service multiplied by a percentage equal to 1.80 percent of the highest annual pay during the last 10 years of service, paid in equal monthly installments.

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 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 rate 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 2020. 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.

The Plan is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, 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.

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

Investment	Fair Value	Weighted Average Maturity
Cash and money market trust fund	$ 1,401,780	Less than 1 year
Portfolio weighted average maturity		Less than 1 year

The average maturities of investments are as follows as of June 30, 2020:

Investment	Fair Value	Weighted Average Maturity
U.S. government obligations	$ 2	1.15 years
Cash and money market trust fund	1,402,445	Less than 1 year
Portfolio weighted average maturity		1.15 years

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. The credit quality ratings of debt securities are as follows as of June 30, 2021:

Investment	Fair Value	Rating	Rating Organization
Cash and money market trust funds	$ 1,401,780	AAAm	S&P

The credit quality ratings of debt securities are as follows as of June 30, 2020:

Investment	Fair Value	Rating	Rating Organization
U.S. government obligations – implicitly guaranteed	$ 2	AA-	S&P
Cash and money market trust funds	1,402,445	AAAm	S&P

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, 2021 and 2020, 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, 2021 and 2020:

Asset Class	2021 Target Allocation	2020 Target Allocation
Global Fixed Income	40%	40%
U.S. Equities	35%	35%
Non-U.S. Equities	20%	20%
Commercial real estate	5%	5%

Rate of Return - 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 percent. For the year ended June 30, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 2.90 percent. 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, 2021 and 2020 were as follows (in thousands):

	2021	2020
Total pension liability	$ 48,444	$ 52,198
Plan fiduciary net pension	61,658	55,586
Plan's net pension asset	$ (13,214)	$ (3,388)
Plan fiduciary net position, as a percentage of the total pension liability	127.28%	106.49%

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

Actuarial Assumptions – 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 June 30, 2020 total pension liability was determined by an actuarial valuation as of February 29, 2020, which used updated procedures to roll forward the estimated liability to June 30, 2020. 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 Actuaries was the actuary for the February 28, 2021 and February 29, 2020 valuations, respectively. The inflation rate used was 2.25 percent for the February 28, 2021 and February 29, 2020 valuations. Salary increase used was 3.5 percent for both the February 28, 2021 and February 29, 2020 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-2020 projection scale for the June 30, 2021 valuation. The June 30, 2020 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 6.5 percent for June 30, 2021 and June 30, 2020. 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.

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, 2021 and 2020 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	2021 Long-term Expected Real Rate of Return	2020 Long-term Expected Real Rate of Return
Core bonds	2.58%	2.60%
Multi-sector	3.42%	3.43%
Liquid absolute return	3.26%	3.25%
U.S. large cap equity	7.15%	7.14%
U.S. small cap equity	8.44%	8.43%
Non-U.S. equity	8.15%	8.37%
Core real estate	6.66%	6.73%

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, 2021, calculated using the discount rate of 6.50 percent, 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 percent) or 1 percentage point higher (7.50 percent) 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 7 - Net Pension Asset of the BWL (Continued)

The following presents the net pension asset of the BWL at June 30, 2020, calculated using the discount rate of 6.50 percent, 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 percent) or 1 percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability (asset) of the BWL	$ (1,477,448)	$ (3,388,473)	$ (6,060,344)

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.

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, 2021 and 2020:

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

U.S. government obligations, common stock and fixed income securities: 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.

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, 2021 and 2020:

	June 30, 2021			
Investment Type	Level 1	Level 2	Level 3	Total
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	$ 10,794,946	$ 50,861,072	$ –	$ 61,656,018

	June 30, 2020			
Investment Type	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	$ –	$ 1,402,445	$ –	$ 1,402,445
U.S. government obligations	–	2	–	2
Mutual funds	–	27,724,349	–	27,724,349
Common collective funds	3,092,214	15,936,209	–	19,028,423
Common stocks	7,460,769	–	–	7,429,429
Total	$ 10,521,643	$ 45,063,005	$ –	$ 55,584,648

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012*
Total Pension Liability										
Service cost	$ 26	$ 42	$ 60	$ 50	$ 113	$ 223	$ 274	$ 349	$ 407	$ -
Interest	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	(968)	(919)	(743)	(230)	(383)	299	(1,093)	964	(1,716)	-
Changes in assumptions	(366)	1,555	1,210	1,419	(857)	(1,468)	-	4,538	-	-
Benefit payments, including refunds	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)	(8,046)	(8,541)	(7,777)	-
Net Change in Total Pension Liability	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)	(3,946)	2,061	(4,001)	-
Total Pension Liability - Beginning of year	52,198	53,826	55,751	56,895	61,178	65,395	69,341	67,280	71,281	-
Total Pension Liability - End of year	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	11,853	1,658	4,381	3,112	8,272	47	1,771	14,243	10,170	-
Administrative expenses	(123)	(145)	(183)	(255)	(317)	(388)	(576)	(596)	(536)	-
Benefit payments, including refunds	(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	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	55,586	60,422	62,367	65,924	65,442	73,679	80,529	75,424	73,567	-
Net Position Restricted for Pensions - End of year	61,658	55,586	60,422	62,367	65,924	65,442	73,679	80,530	75,424	-
BWL Net Pension Asset - Ending	**$ (13,214)**	**$ (3,388)**	**$ (6,596)**	**$ (6,616)**	**$ (9,029)**	**$ (4,264)**	**$ (8,284)**	**$ (11,189)**	**$ (8,144)**	**$ -**
Plan Net Position as a % of Total Pension Liability	127.28%	106.49%	112.25%	111.87%	115.87%	106.97%	112.67%	116.14%	112.10%	- %
Covered Employee Payroll	$ 237	$ 240	$ 406	$ 603	$ 586	$ 772	$ 1,018	$ 1,225	$ 1,684	$ -
BWL's Net Pension Asset as a % of Covered Employee Payroll	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)	(814%)	(913%)	(484%)	- %

*GASB Statement No. 67 was implemented as of June 30, 2014. Information from 2012 is not available and this schedule will be presented on a prospective basis.

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Employee Payroll	$ 237	$ 240	$ 406	$ 603	$ 586	$ 772	$ 1,018	$ 1,225	$ 1,684	$ 2,101
Contributions as a Percentage of Covered Employee Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

See Note to Required Supplemental Information

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 percent
Salary increases	3.5 percent per year
Investment rate of return	6.5 percent per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2020 Improvement Scale

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2020, based on roll-forward of February 29, 2020 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 percent
Salary increases	3.5 percent per year
Investment rate of return	6.5 percent per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2019 Improvement Scale

Significant Changes:

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.

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.

Significant Changes (Continued):

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013*	2012*
Annual money-weighted rate of return, net of investment expense	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 2012 - 2013 is not available and this schedule will be presented on a prospective basis

FINAL DRAFT 09/10/21

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, 2021 and 2020

FINAL DRAFT 09/10/21

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

Contents

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (“Plan”), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

Other Matter

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, 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 10, 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:

	2021	2020	2019
Assets held in trust:			
Mutual funds	$ 159,281,467	$ 148,613,938	$ 147,768,040
Stable value	35,542,619	36,833,694	36,352,914
Guaranteed income fund	-	8,975,990	8,940,026
Self-directed brokerage account	12,317,950	6,330,405	3,787,956
Participant notes receivable and other	3,424,144	3,251,182	3,422,076
Net position	**$ 210,566,180**	**$ 204,005,209**	**$ 200,271,012**
Changes in plan assets:			
Net investment income/(loss)	$ 39,694,089	$ 8,692,176	$ 11,044,252
Employer and participant contributions	8,679,314	7,199,159	8,405,369
Benefits paid to participants	(41,414,977)	(11,912,104)	(13,639,444)
Loan defaults and other changes	(397,455)	(245,034)	(206,729)
Changes in net position	**$ 6,560,971**	**$ 3,734,197**	**$ 5,603,448**

Investment Objectives

The principal purpose of the Lansing Board of Water and Light Defined Contribution Plan and Trust 1 ("Plan") is to provide benefits at a normal retirement age. The Plan's 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.

The Plan allows each participant to direct the investment of the funds in their Plan accounts. The Lansing Board of Water and Light ("BWL") offers various investment options (consistent with the investment policy statement) from which participants may choose to invest their respective interests in the Plan. The BWL 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, 2021 saw a net investment gain of $39.7 million. Total assets held in trust at the end of the fiscal year were $211 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 and Light, Chief Financial Officer, 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	
	2021	2020
Assets		
Participant-directed investments (Note 1):		
Mutual funds	$ 159,281,467	$ 148,613,938
Stable value	35,542,619	36,833,694
Guaranteed income fund	-	8,975,990
Self-directed brokerage account	12,317,950	6,330,405
Total participant-directed investments	207,142,036	200,754,027
Participant notes receivable	3,424,144	3,251,182
Net Position Restricted for Pensions	**$ 210,566,180**	**$ 204,005,209**

See Notes to Financial Statements.

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	
	2021	2020
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 33,701,209	$ 3,326,676
Dividend income	5,992,880	5,365,500
Total investment income	39,694,089	8,692,176
Employer contributions (Note 1)	7,863,510	6,733,020
Participant rollover contributions	467,189	466,139
Interest from participant notes receivable	227,245	172,695
Other	121,370	-
Total additions	48,373,403	16,064,030
Deductions		
Benefits paid to participants	41,414,977	11,912,104
Loan defaults	231,871	232,785
Participants' note and administrative fees	165,584	184,944
Total deductions	41,812,432	12,329,833
Net Increase in Net Position	6,560,971	3,734,197
Net Position Restricted for Pensions		
Beginning of year	204,005,209	200,271,012
End of year	**$ 210,566,180**	**$ 204,005,209**

Notes to Financial Statements.

Note 1 - Description of the Plan

The following description of Lansing Board of Water and Light Defined Contribution Plan and Trust 1 ("Plan") provides only general information. Participants should refer to the Plan and Trust Document, 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 and Light ("BWL") in 1997 under Section 5-203 of the City Charter. Prior to its establishment, the BWL sponsored a defined benefit plan (Lansing Board of Water and 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 2020 and a portion of FY 2021, ICMA-RC served as Plan recordkeeper and was responsible for Plan administration and processing of participant investments. During FY 2021, this role was transitioned to Nationwide.

Contributions – For eligible employees hired before January 1, 1997, the BWL is required to contribute 15 percent of the employees' eligible compensation. For employees hired on or after January 1, 1997, the BWL is required to contribute 9.5 percent of the employees' compensation. In addition, the BWL is required to contribute an additional 3.0 percent of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5 percent of the employees' compensation for all non-bargaining employees. As part of the transition to Nationwide the Lansing Board of Water and Light adopted new Nationwide plan documents. The new plan documents contain no substantive changes from the ICMA plan documents.

Note 1 - Description of the Plan (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, 2021, there were 948 participants in the Plan, of which 656 were active employees. As of June 30, 2020, there were 936 participants in the Plan, of which 665 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 ICMA-RC. Since ICMA-RC is a service provider to the Plan, transactions in Vantagepoint and Vantage Trust funds qualify as party-in-interest transactions.

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

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

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

Note 1 - Description of the Plan (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.

VT Retirement IncomeAdvantage Fund: The VT Retirement IncomeAdvantage Fund seeks both moderate capital growth and current income. It invests in a separate account under a group variable annuity. The separate account, in turn, invests in a mix of registered funds and a collective trust fund with an allocation of approximately 60% domestic and foreign equities and 40% fixed income.

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 percent of their account balances. Notes receivable are treated as transfers between the investment fund and the notes receivable fund. Note terms range from one to five years or up to 20 years for the purchase of a primary residence. The notes receivable are secured by the balance in the participant's account and bear interest at a rate commensurate with prevailing rates as determined periodically by the Plan administrator. Principal and interest are paid ratably through payroll deductions.

Note 1 - Description of the Plan (Continued)

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

Note 2 - Summary of Significant Accounting Policies

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 3 - Investments

The pension trust fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, 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, 2021 and 2020, 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.

Credit Risk – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2021, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	$ 159,281,467	Not rated	Not rated
Stable value	35,542,619	AA-	S&P

Note 3 – Investments (Continued)

As of June 30, 2020, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	$ 148,613,938	Not rated	Not rated
Stable value	36,833,694	AA-	S&P

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, 2021, the average maturities of investments are as follows:

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

At June 30, 2020, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds – Bond funds	$18,651,741	5.9 years

Note 4 - Plan Termination

Although it has not expressed any intention to do so, the BWL has the right under the provisions set forth in Article 14 of the Plan to terminate the Plan. 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 is a prototype plan. The prototype plan has received a favorable opinion letter from the Internal Revenue Service (IRS) that the prototype plan, as designed, is qualified for federal income tax-exempt status. The Plan has not individually sought its own determination letter.

Note 6 – Fair Value Measurements

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

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

Level 2 – Inputs to the valuation methodology include:

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

Note 6 – Fair Value Measurements (Continued)

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020:

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 is a Separate Account Product that seeks to provide a low-risk, stable investment option offering consistently competitive returns for retirement plan investors. The Account invests in a diversified portfolio of fixed income securities. Nationwide Life Insurance Company provides a crediting rate guarantee each quarter, which is backed by the assets in the Account and the claims paying ability of Nationwide Life Insurance Company. Assets in the Account are not part of the General Account of Nationwide Life Insurance Company. This investment portfolio is not a mutual fund.

Note 6 – Fair Value Measurements (Continued)

Guaranteed Lifetime Income fund: The Vantage Trust Retirement Income Advantage Fund seeks both moderate capital growth and current income. It invests in a separate account under a group variable annuity. The separate account, in turn, invests in a mix of registered funds and a collective trust fund with an allocation of approximately 60% domestic and foreign equities and 40% fixed income.

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, 2021 and 2020:

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

Note 6 – Fair Value Measurements (Continued)

	June 30, 2020			
Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds:				
Money market	$ 340,907	$ –	$ –	$ 340,907
Bond and equity funds	18,651,741	–	–	18,651,741
Stock funds	58,499,545	–	–	58,499,545
Balanced funds	54,465,725	–	–	54,465,725
International funds	16,656,020	–	–	16,656,020
Self-directed brokerage account	6,330,405	–	–	6,330,405
Total Investments by Fair Value Level	$ 154,944,343	$ –	$ –	154,944,343
Investments measured at the net asset value (NAV)				
Stable value				36,833,694
Guaranteed Lifetime Income				8,975,990
Total Investments				$ 200,754,027

Investments Measured Using NAV per Share Practical Expedient: The stable value fund and guaranteed lifetime income fund use NAV per share as a practical expedient to measuring fair value. The stable value fund had a fair value of $31,757,180 and $36,833,694 as of June 30, 2021 and 2020, respectively and the guaranteed lifetime income fund had a fair value of $1,795,292 and $8,975,990, respectively. These funds have no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Note 7 – Risks and Uncertainties

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

Note 8 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 10th, 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.

FINAL DRAFT 09/10/21

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, 2021 and 2020

FINAL DRAFT 09/10/21

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

Contents

Independent Auditors' Report

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

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 ("Plan") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

Other Matter

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, 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 10, 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:

	2021	2020	2019
Assets held in trust:			
Cash and money market trust funds	$ 1,042,711	$ 578,216	$ 3,437,276
Fixed income securities	286	283	20,108,406
U.S. government obligations	-	-	18,994,138
Equities	49,879,749	85,193,786	67,168,552
Mutual funds	120,768,939	72,136,937	75,437,370
Common collective funds	76,041,081	40,856,781	9,825,815
Interest and dividend receivable	12,481	26,604	261,067
Trade Receivable - Due from Broker	135,656	13,252	1,539
Total plan assets	**$ 247,880,903**	**$ 198,805,859**	**$ 195,234,163**
Liabilities:			
Trade Payable - Due to Broker	$ 137,676	$ 1,057	$ 75,586
Net Position Restricted for Pensions	**$ 247,743,227**	**$ 198,804,802**	**$ 195,158,577**
Changes in net position:			
Net investment income	$ 49,388,725	$ 4,158,326	$ 11,687,552
Employer contributions	8,343,977	9,156,565	9,277,538
Retiree benefits paid	(8,343,977)	(9,156,565)	(9,277,538)
Administrative fees	(450,300)	(512,101)	(568,600)
Net change in net position	**$ 48,938,425**	**$ 3,646,225**	**$ 11,118,952**

Investment Results

The fiscal year ended June 30, 2021 saw a net investment income of $49.4 million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Board of Water and Light - City of Lansing, Michigan's ("BWL") actuarially determined contribution (ADC) as determined by the BWL's actuary was $220,026 in fiscal year 2021.

The discount rate was 7.5 percent in fiscal year 2019 and 7.0 percent in fiscal years 2020 and 2021.

Investment Objectives and Asset Allocation

The assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("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 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 7.0% over five-year rolling periods. Achievement of this objective is likely to result in stable to declining future contribution rates and ensure its ability to pay retirement benefits for all plan participants.

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

Asset Class	Target Asset Allocation
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 RE	7%
Total	100%

Future Events

The BWL intends to continue to fund its actuarially determined contributions (ADC) annually.

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 and Light, Chief Financial Officer, 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	
	2021	2020
Assets		
Investments - fair value:		
Cash and money market trust funds	$ 1,042,711	$ 578,216
Fixed income securities	286	283
Equities	49,879,749	56,232,716
Mutual funds	120,768,939	72,136,937
Common collective funds	76,041,081	69,817,851
Total investments at fair value	247,732,766	198,766,003
Investment interest and dividend receivable	12,481	26,604
Trade receivable - due from broker	135,656	13,252
Total assets	247,880,903	198,805,859
Liabilities		
Trade payable - due to broker	137,676	1,057
Net position restricted for retiree benefits	**$ 247,743,227**	**$ 198,804,802**

See Notes to Financial Statements.

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	
	2021	2020
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 47,489,394	$ 1,326,808
Interest and dividend income	1,899,331	2,831,518
Total investment income	49,388,725	4,158,326
Employer contributions	8,343,977	9,156,565
Total additions	57,732,702	13,314,891
Deductions		
Retiree benefits paid	8,343,977	9,156,565
Administrative expenses	450,300	512,101
Total deductions	8,794,277	9,668,666
Net Increase in Net Position	48,938,425	3,646,225
Net Position Restricted for Retiree Benefits		
Beginning of year	198,804,802	195,158,577
End of year	**$ 247,743,227**	**$ 198,804,802**

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Board of Water and Light - City of Lansing, Michigan ("BWL") sponsors the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("Plan"), which is a single-employer defined benefit healthcare 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 - Plan 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.

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 - Description of the Plan

The following description of the Plan, a trust fund of the BWL, provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General – The Plan was established on October 20, 1999, effective as of July 1, 1999, to constitute a voluntary employee beneficiary association (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended. The Plan was formed for the purpose of accumulating assets sufficient to fund retiree healthcare insurance costs in future years.

The Plan 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. The City Charter grants the authority to establish and amend the benefit terms to BWL. Substantially all of the BWL's employees may become eligible for insurance benefits under the Plan if they reach normal retirement age while working for the BWL. There were 747 participants eligible to receive benefits at June 30, 2021 and 754 participants eligible at June 30, 2020.

Note 2 - Description of the Plan (Continued)

Benefits – Benefits shall not be paid from this Plan 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 and Light Defined Benefit Plan for the 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 this Plan shall be those benefits described in the Plan document of the Postretirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light.

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.

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 contributions in the statement of changes in net position are equal to the retiree benefits paid because the actuarially determined contribution (ADC) for the year ended June 30, 2021 was less than the pay-as-you-go amount. During the years ended June 30, 2021 and 2020, BWL incurred $8,343,977 and $9,156,565 in benefit payments, respectively. The BWL may make additional contributions in such a manner and at such times as appropriate. All contributions received, together with the income thereon, are held, invested, reinvested, and administered by the Trustees pursuant to the terms of the Plan agreement. Additional contributions are only made to the Plan if the ADC is more than the pay-as-you-go amount. No employee contributions are allowed under this Plan. Contributions are recognized when due and when the amount to be contributed is committed by the BWL. For the years ended June 30, 2021 and 2020, the contribution rates of the employer were 13.8 percent and 15.7 percent of covered-employee payroll, respectively.

Note 2 - Description of the Plan (Continued)

Participation – Participation in this Plan is determined in accordance with the terms of the Post–Retirement Benefit Plan and Trust for Eligible Employees of the Lansing Board of Water and Light. 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. At June 30, 2020, there were 676 active participants (not eligible to receive benefits), 75 disabled participants, 532 retired participants, and 147 surviving spouses participating in the Plan.

Vesting – Benefits become payable in accordance with the terms of the Post–Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light. 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 agreement. 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, 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.

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, 2021, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Fixed income securities	$ 286	24.3
Money market trust funds	1,042,711	Less than 1 year
Portfolio weighted average maturity		24.3

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

At June 30, 2020 the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Fixed income securities	$ 283	20.3
Money market trust funds	578,216	Less than 1 year
Portfolio weighted average maturity	-	20.3

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

Investment	Fair Value	Rating	Rating Organization
Fixed income securities	$ 286	AA	S&P
Money market trust funds	1,042,711	AAAm	S&P

As of June 30, 2020, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Fixed income securities	$ 283	AA	S&P
Money market trust funds	578,216	AAAm	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.

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, 2021 and 2020:

Asset Class	2021 Target Allocation	2020 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 RE	7.00%	7.00%

Rate of Return - For the years ended June 30, 2021 and 2020 the annual money-weighted rate of return on investments, net of investment expense, was 24.87% and 2.13%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2021 and 2020 were as follows:

	June 30, 2021	June 30, 2020
Total OPEB Liability	$ 147,644,491	$ 154,602,686
Plan fiduciary net position	(247,743,227)	(198,804,802)
BWL's net OPEB liability (asset)	$ (100,098,736)	$ (44,202,116)
Plan fiduciary net position as a percentage of the total OPEB Liability (asset)	167.80%	128.59%

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

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, 2020, 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	8.25% for 2020, decreasing 0.25% per year to an ultimate rate of 4.50% in 2035 and later years

For the June 30, 2021 and 2020 valuation, mortality rates were based on the PUBH-2010 General Mortality Table projected generationally using MP-2020 scale and MP-2019 scale, respectively.

Best actuarial practices call for a periodic assumption review and BWL had completed a performance study in 2017. At that time, Nyhart recommended BWL to complete another experience study prior to the fiscal year ending June 30, 2022 valuation.

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

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:

Asset Class	Long-Term Expected Real Rate of Return
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%

For the June 30, 2020 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, 2020 are as follows:

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

Asset Class	Long-Term Expected Real Rate of Return
Core bonds	2.60%
Multi-sector	3.43%
Liquid absolute return	3.25%
U.S. large cap equity	7.14%
U.S. small cap equity	8.43%
Non-U.S. equity	8.37%
Core real estate	6.73%
Value add RE	8.23%

Discount Rate - The discount rate used to measure the total OPEB liability was 7.0% and 7.0% for June 30, 2021 and 2020, 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current discount rate (7.0 percent) as of June 30, 2021:

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

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 percent) or 1 percentage point higher (8.0 percent) than the current discount rate (7.0 percent) as of June 30, 2020:

	June 30, 2020		
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability (asset)	$(26,376,741)	$(44,202,116)	$(59,182,348)

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 1percentage point lower or 1 percentage point higher than the current healthcare cost trend rates as of June 30, 2021 and 2020:

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

	June 30, 2020		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (asset)	$(60,529,722)	$(44,202,116)	$(24,480,910)

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, 2021 and 2020:

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

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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2021 and 2020:

	June 30, 2021			
Investment Type	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	$ 83,909,992	$ 163,822,774	$ –	$ 247,732,766

	June 30, 2020			
Investment Type	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	$ –	$ 578,216	$ –	$ 578,216
Fixed income securities	–	283	–	283
Common Stock	56,232,716	–	–	56,232,716
Mutual Funds	–	72,136,937	–	72,136,937
Common collective funds	28,961,070	40,856,781	–	69,817,851
Total	$ 85,193,786	$ 113,572,217	$ –	$ 198,766,003

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 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)

	2021	2020	2019	2018	2017	2016*	2015*	2014*	2013*	2012*
Total OPEB Liability										
Service cost	$ 3,396	$ 3,245	$ 4,403	$ 4,827	$ 3,130	$ -	$ -	$ -	$ -	$ -
Interest	10,535	10,804	14,920	15,039	14,226	-	-	-	-	-
Changes in benefit terms	-	-	(415)	-	-	-	-	-	-	-
Differences between expected and actual experience	(8,794)	(6,093)	(5,231)	(9,880)	5,281	-	-	-	-	-
Changes in assumptions	(3,752)	7,254	(59,336)	(1,728)	(2,027)	-	-	-	-	-
Benefit payments, including refunds	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)	-	-	-	-	-
Net Change in Total OPEB Liability	(6,959)	6,053	(54,937)	(2,137)	11,036	-	-	-	-	-
Total OPEB Liability - Beginning of year	154,603	148,550	203,487	205,624	194,588	-	-	-	-	-
Total OPEB Liability - End of year	147,644	154,603	148,550	203,487	205,624	-	-	-	-	-
Trust Net Position										
Contributions - Employer	8,344	9,157	9,278	10,395	9,574	-	-	-	-	-
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	49,387	4,158	11,688	11,039	18,040	-	-	-	-	-
Administrative expenses	(449)	(512)	(569)	(634)	(705)	-	-	-	-	-
Benefit payments, including refunds	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in Net Position Held in Trust	48,938	3,646	11,119	10,405	17,335	-	-	-	-	-
Trust fiduciary net position - Beginning of year	198,805	195,159	184,040	173,635	156,300	-	-	-	-	-
Trust fiduciary net position - End of year	247,743	198,805	195,159	184,040	173,635	-	-	-	-	-
BWL Net OPEB Liability (Asset) - Ending	$ (100,099)	$ (44,202)	$ (46,609)	$ 19,447	$ 31,989	$ -	$ -	$ -	$ -	$ -
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	167.80%	128.59%	131.38%	90.44%	84.44%	- %	- %	- %	- %	- %
Covered Employee Payroll	$ 60,269	$ 58,198	$ 56,785	$ 55,650	$ 54,383	$ -	$ -	$ -	$ -	$ -
BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%	- %	- %	- %	- %	- %

*GASB Statement No. 74 was implemented as of June 30, 2017. Information from 2012 - 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 Required	Employer Contributions Actual	Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
6/30/2012	$ 15,774	$ 15,854	$ 80	$ 46,885	34%
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%

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

	2021	2020	2019	2018	2017	2016	2015*	2014*	2013*	2012*
Annual money-weighted rate of return, net of investment expense	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 2012 - 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, 2021 and 2020

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	26 years
Inflation	2.25 percent
Salary increases	9.3 percent growth at age 25 and decreases to 6.4 percent for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	7.0 percent per year compounded annually
Mortality	PUBH-2010 General Mortality Table projected generationally using MP-2020 scale

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2020, based on roll-forward of February 29, 2020 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 percent
Salary increases	9.3 percent growth at age 25 and decreases to 6.4 percent for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	7.0 percent per year compounded annually
Mortality	PUBH-2010 General Mortality Table projected generationally using MP-2019 scale

Significant Changes:

June 30, 2021

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

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

June 30, 2020

> Difference between actual and expected experience – The $6.09MM gain on the Total OPEB Liability for the fiscal year ending June 30, 2020 is attributable to the combination of unfavorable demographic experience and a reduction in the per capita claims cost used in the June 30, 2020 valuation. The $1.13MM loss associated with demographic experience is mainly attributable to active participant retirements. The $7.22MM gain due to a reduction in per capita claims cost is attributable a decrease in the Pre-65 medical and prescription drug premiums for 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.

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

Significant Changes (Continued):

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.

> 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 2021 Audited Financial Statements
of the Enterprise Fund and Pension Fiduciary Funds

RESOLVED, that the fiscal year 2021 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 2021 Audited Financial Statements of the Board of Water and Light and the report on auditing procedures with the State Treasurer as required by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended) no later than December 31, 2021.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2021 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than October 2021.

Proposed Resolution

Capital Project Exceedance:PG-40025 Advanced Distribution Management System

WHEREAS, Lansing Board of Water & Light's (BWL) Policy F1-13, previously known as Policy #15-02, entitled Capital Project Exceedance Approval requires BWL Board of Commissioners approval for specific capital projects that are expected to exceed their previously approved designed budget amount by both 15% and $200,000 prior to completion of the project; and

WHEREAS, the previously approved budget for Capital Project PG-40025 Advanced Distribution Management System was $4,603,120; and

WHEREAS, the projected final total cost for Capital Project PG-40025 Advanced Distribution Management System is $6,315,943, should the project be completed; and

WHEREAS, BWL staff and management reviewed the project cost in detail, which includes but is not limited to the rationale and circumstances for the increased budget projection; and

WHEREAS, BWL staff and management recommends that the Capital Project PG-40025 Advanced Distribution Management System projected spending be approved; and

RESOLVED, the BWL Board of Commissioners approve projected spending for Capital Project PG-40025 Advanced Distribution Management System with a projected final total cost of $6,315,943

Sec: F1-13

LANSING BOARD OF WATER & LIGHT

POLICY

CAPITAL PROJECT EXCEEDANCE APPROVAL | **APPROVED: 09/22/2020** | **COMMISSION**

POLICY | **TYPE: COMMISSION**

SCOPE: Approval of Capital Project Exceedance.

PURPOSE: The Board of Commissioners' acknowledgment and approval of exceedances for capital projects.

POLICY: Any approved capital project that is expected to exceed its total budget amount by both 15% and $200,000 or more, must have the exceedance approved by the Board of Commissioners prior to completion of the project.

In the case of "planned" capital projects the total budget amount is the project's designed budget amount.

This policy applies to the aggregate total budget amounts for electric, water, steam and chilled water "annual" capital projects and to the individual total designed budget amounts for "planned" capital projects.

The General Manager shall report the expected exceedance to the Commissioners as soon as reasonably possible.

The General Manager shall establish and implement procedures overseeing capital project costs consistent with this policy.

REFERENCES: Former policy listing 15-02, RESOLUTION 2020-09-02

(Superseded Resolutions: 2001-06-16, 2015-07-05)

RESPONSIBLE AREA & DEPT NAME: 104 Corporate Secretary

EXECUTIVE DIVISION:

EXECUTIVE RECORD OF APPROVAL DATE: 09/22/2020

POLICY REVIEW: No term end date

REVIEWED BY	DATE	DUE DATE NEXT REVIEW
REVIEWED BY - INTERNAL AUDITOR	**DATE** (*not to exceed 5 years)	**COMMENTS**