



# **Lansing Board of Water & Light - City of Lansing, Michigan**

---

**Financial Report  
With Additional Information  
June 30, 2024 and 2023**

# Board of Water & Light - City of Lansing, Michigan

---

Table of Contents  
June 30, 2024 and 2023

|   | <u>Page</u> |
|---|-------------|
| <b>Independent Auditors' Report</b>   | 1           |
| <b>Required Supplementary Information (Unaudited)</b>                                   |             |
| Management's Discussion and Analysis  | 4           |
| <b>Basic Financial Statements</b>   |             |
| Statements of Net Position  | 7           |
| Statements of Revenues, Expenses and Changes in Net Position                            | 9           |
| Statements of Cash Flows  | 10          |
| Statements of Fiduciary Net Position - Pension and OPEB Trust Funds                     | 12          |
| Statements of Changes in Fiduciary Net Position - Pension and OPEB Trust Funds          | 13          |
| Notes to Financial Statements   | 14          |
| <b>Required Supplementary Information (Unaudited)</b>                                   |             |
| Schedule of Changes in the BWL's Net Pension Asset and Related Ratios                   | 51          |
| Schedule of Employer Contributions to the Net Pension Asset                             | 52          |
| Schedule of Changes in BWL's Net OPEB Liability (Asset) and Related Ratios              | 53          |
| Schedule of Employer Contributions to the Net OPEB Liability (Asset)                    | 54          |
| Notes to Required Supplementary Information   | 55          |
| <b>Supplementary Information</b>  |             |
| Income Available for Revenue Bond Debt Retirement                                       | 61          |
| Detail of Statements of Revenues and Expenses   | 62          |
| Detail of Statements of Changes in Net Position   | 63          |
| Detail of Statements of Fiduciary Net Position - Pension and OPEB Trust Funds           | 64          |
| Detail of Statement of Changes in Fiduciary Net Position - Pension Trust and OPEB Funds | 65          |

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities and fiduciary activities of the Lansing Board of Water and Light (BWL), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the BWL's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the BWL as of June 30, 2024 and 2023, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). The June 30, 2023 audit was not conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BWL and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the fiduciary activities were not audited in accordance with *Government Auditing Standards*.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWL's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

## ***Required Supplementary Information***

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

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024 on our consideration of the BWL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BWL's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BWL's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
October 7, 2024

## **Board of Water & Light – City of Lansing, Michigan**

---

### Management's Discussion and Analysis

June 30, 2024 and 2023

This section explains the general financial condition and results of operations for the Lansing Board of Water & 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, 2023 and 2024.

### **Overview of Business**

The BWL owns and operates an electric system which generates, purchases and distributes electric energy to approximately 99,300 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 53% 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 current and existing renewable energy generation puts BWL on a path to meet state legislative requirements of 50% renewable energy by 2030 as well as move towards its own internal goal of 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 approximately 57,800 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 146 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 \$191.3 million in fiscal year 2024, \$112.2 million in fiscal year 2023 and \$121.7 million in fiscal year 2022.

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 Supplementary Information section of this financial report.

# Board of Water & Light - City of Lansing, Michigan

## Management's Discussion and Analysis

June 30, 2024 and 2023

### Condensed Financial Information (Dollars in Millions)

|                                      | As of June 30   |                 |                 | % Change     | % Change     |
|--------------------------------------|-----------------|-----------------|-----------------|--------------|--------------|
|                                      | 2024            | 2023            | 2022            | 2023 to 2024 | 2022 to 2023 |
| <b>Assets</b>                        |                 |                 |                 |              |              |
| Utility plant                        | \$ 1,273.9      | \$ 1,183.3      | \$ 1,165.7      | % 7.7        | % 1.5        |
| Current assets                       | 340.3           | 306.2           | 348.2           | 11.1         | (12.1)       |
| Other assets                         | 426.7           | 167.0           | 132.2           | 155.5        | 26.3         |
| Total assets                         | 2,040.9         | 1,656.5         | 1,646.1         | 23.2         | 0.6          |
| <b>Deferred outflow of resources</b> | 11.8            | 26.8            | 36.2            | (56.0)       | (26.0)       |
| <b>Liabilities</b>                   |                 |                 |                 |              |              |
| Long-term liabilities                | 1,167.3         | 824.4           | 843.2           | 41.6         | (2.2)        |
| Other liabilities                    | 141.5           | 113.9           | 93.4            | 24.2         | 21.9         |
| Total liabilities                    | 1,308.9         | 938.3           | 936.6           | 39.5         | 0.2          |
| <b>Deferred inflow of resources</b>  | 21.0            | 32.1            | 48.9            | (34.6)       | (34.4)       |
| <b>Net position</b>                  |                 |                 |                 |              |              |
| Net investment in capital assets     | 389.6           | 381.4           | 347.0           | 2.1          | 9.9          |
| Restricted for debt service          | 80.0            | 48.1            | 42.9            | 66.3         | 12.1         |
| Restricted for pension               | 6.5             | 5.0             | 2.8             | 30.0         | 78.6         |
| Restricted for OPEB                  | 85.0            | 74.6            | 71.7            | 13.9         | 4.0          |
| Unrestricted                         | 161.7           | 203.7           | 232.5           | (20.6)       | (12.4)       |
| Net position                         | <b>\$ 722.8</b> | <b>\$ 712.9</b> | <b>\$ 696.9</b> | <b>% 1.4</b> | <b>% 2.3</b> |

Capital expenditures in FY2024 exceeded depreciation, impairments and retirements thereby increasing Utility plant assets by \$90.6 million. Current Assets increased by \$34.1 million primarily due to funding of 2024A bonds capitalized interest and cash recovery associated with fuel and environmental remediation costs. Other Assets increased by \$259.7 million primarily due to issuance of 2024A bonds. Deferred Outflows decreased by \$15.0 million primarily due to higher investment returns on OPEB retirement plan. Total liabilities increased by \$370 million driven by the 2024A series bond issuance. Deferred Inflows decreased by \$11.1 million primarily due to amortization of prior changes within the OPEB retirement plan.

Capital expenditures in FY2023 exceeded depreciation, impairments and retirements thereby increasing Utility plant assets by \$17.6 million. Current Assets decreased by \$42 million primarily due to higher cash outflows associated with fuel and environmental remediation costs. Other Assets increased by \$34.8 million primarily due to increases in recoverable energy and environmental remediation assets. Deferred Outflows decreased by \$9.4 million primarily due to higher investment returns on OPEB retirement plan. Total liabilities increased by \$1.7 million driven by higher current liabilities related to capital projects. Deferred Inflows decreased by \$16.8 million primarily due to amortization of prior changes within the OPEB retirement plan.

|                                | For the Year Ended June 30 |                |                | % Change        | % Change      |
|--------------------------------|----------------------------|----------------|----------------|-----------------|---------------|
|                                | 2024                       | 2023           | 2022           | 2023 to 2024    | 2022 to 2023  |
| <b>Result of operations</b>    |                            |                |                |                 |               |
| Operating revenue              | \$ 417.4                   | \$ 448.9       | \$ 397.2       | % (7.0)         | % 13.0        |
| Operating expense              | 387.9                      | 406.2          | 348.4          | (4.5)           | 16.6          |
| Nonoperating expense - net     | (19.6)                     | (26.6)         | (37.2)         | (26.3)          | (28.5)        |
| <b>Changes in net position</b> | <b>\$ 9.9</b>              | <b>\$ 16.1</b> | <b>\$ 11.6</b> | <b>% (38.5)</b> | <b>% 38.8</b> |

## **Board of Water & Light – City of Lansing, Michigan**

---

### **Management's Discussion and Analysis**

June 30, 2024 and 2023

The \$31.5 million decrease in FY2024 operating revenue is primarily driven by decreases in electric wholesale as a result of decreased market prices and sales volume. The \$18.3 million decrease in FY2024 operating expense is attributable primarily to the net result of decreased fuel costs of \$33.9 million, increased administrative and general costs of \$9.7 million and increased transmission and distribution costs of \$5.9 million.

The \$51.7 million increase in FY2023 operating revenue is primarily driven by increases in electric wholesale as a result of increased market prices and recovery of increased fuel costs. The \$57.8 million increase in FY2023 operating expense is attributable primarily to increased fuel costs of \$23.6 million, increased administrative and general costs of \$11.6 million and increased depreciation costs of \$13.9 million.

### **Budget**

The BWL Commissioners approved a \$314.7 million operating expense budget (excluding depreciation and Return on Equity) for FY2024. Actual expenses (excluding depreciation and Return on Equity) were \$297.3 million. The capital improvement budget, net of customer contributions in aid of construction, was \$84.1 million for FY2024, and actual net capital expenditures were \$84.5 million.

### **Financing Activities**

In January of 2024, \$364,625,000 of Utility System Revenue and Revenue Refunding Bonds, Series 2024A, were issued for the purposes of paying costs for system improvements, capitalized interest, tendering a portion of 2019B bonds, and refunding a portion of 2013A bonds.

### **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, P.O. Box 13007, Lansing, Michigan 48901-3007.



**Board of Water & Light - City of Lansing, Michigan**

## Statements of Net Position

June 30, 2024 and 2023

|   | 2024           | 2023          |
|---|----------------|---------------|
| <b>Assets</b>                                   |                |               |
| <b>Current Assets</b>                           |                |               |
| Restricted cash and investments (Notes 2 and 3) | \$ 101,353,712 | \$ 62,772,401 |
| Cash and investments (Notes 1 and 2)            | 50,954,526     | 67,108,994    |
| Designated cash and investments (Notes 1 and 2) | 89,256,997     | 85,227,457    |
| Accounts receivable, net (Note 1)               | 50,807,763     | 43,111,657    |
| Estimated unbilled accounts receivable (Note 1) | 23,567,761     | 22,368,141    |
| Inventories (Note 1)                            | 18,423,558     | 19,725,090    |
| Prepayments (Note 1)                            | 5,963,382      | 5,929,758     |
| Total current assets                            | 340,327,699    | 306,243,498   |
| <b>Other Assets</b>                             |                |               |
| Restricted assets:                              |                |               |
| Net pension asset (Note 8)                      | 6,479,599      | 5,009,098     |
| Net OPEB asset (Note 8)                         | 84,992,538     | 74,641,660    |
| Restricted cash and investments (Notes 2 and 3) | 259,946,436    | -             |
| Recoverable environmental remediation (Note 6)  | 20,853,276     | 19,939,958    |
| Recoverable energy asset (Note 6)               | 26,154,048     | 33,810,383    |
| Special deposit (Note 1)                        | 25,230,262     | 31,334,023    |
| Other (Note 1)                                  | 3,080,515      | 2,261,914     |
| Total other assets                              | 426,736,674    | 166,997,036   |
| <b>Utility Plant (Notes 1 and 4)</b>            |                |               |
| Water   | 380,759,488    | 367,082,687   |
| Electric  | 1,278,077,851  | 1,246,833,576 |
| Steam   | 100,366,159    | 96,662,683    |
| Chilled water                                   | 34,105,305     | 34,105,305    |
| Common facilities                               | 131,931,308    | 123,933,055   |
| Total   | 1,925,240,111  | 1,868,617,306 |
| Less accumulated depreciation                   | 793,981,863    | 731,121,625   |
| Net   | 1,131,258,248  | 1,137,495,681 |
| Construction in progress                        | 142,601,832    | 45,813,286    |
| Total utility plant                             | 1,273,860,080  | 1,183,308,967 |
| Total assets                                    | 2,040,924,453  | 1,656,549,501 |
| <b>Deferred Outflows of Resources</b>           |                |               |
| Bond refunding loss being amortized (Note 1)    | 1,703,891      | 7,256,405     |
| Pension deferred outflows (Note 8)              | 204,912        | 1,636,061     |
| OPEB deferred outflows (Note 8)                 | 9,881,923      | 17,913,026    |
| Total deferred outflows of resources            | 11,790,726     | 26,805,492    |

See notes to financial statements

**Board of Water & Light - City of Lansing, Michigan**

## Statements of Net Position

June 30, 2024 and 2023

|  | 2024           | 2023           |
|--|----------------|----------------|
| <b>Liabilities and Net Position</b>                          |                |                |
| <b>Current Liabilities</b>                                   |                |                |
| Accounts payable   | \$ 88,906,185  | \$ 69,132,076  |
| Accrued payroll and related taxes                            | 6,514,032      | 4,434,300      |
| Customer deposits  | 3,521,026      | 5,623,094      |
| Accrued compensated absences (Note 1)                        | 6,581,232      | 5,786,414      |
| Accrued interest   | 57,774         | 63,276         |
| Current portion of long-term debt (Note 5)                   | 777,438        | 819,635        |
| Current liabilities payable from restricted assets:          |                |                |
| Current portion of long-term debt (Note 5)                   | 13,890,000     | 13,410,000     |
| Accrued interest   | 21,298,139     | 14,637,798     |
| Total current liabilities                                    | 141,545,826    | 113,906,593    |
| <b>Compensated Absences, Net of Current Portion (Note 1)</b> | 7,730,937      | 7,644,878      |
| <b>Other Long-Term Liabilities</b>                           |                |                |
| Workers' compensation (Note 12)                              | 2,200,000      | 2,200,000      |
| Environmental remediation liability (Note 9)                 | 16,098,612     | 15,192,215     |
| Other  | 9,320,770      | 4,423,149      |
| Total other long-term liabilities                            | 27,619,382     | 21,815,364     |
| <b>Long-Term Debt, Net, Less Current Portion (Note 5)</b>    | 1,131,994,669  | 794,911,441    |
| Total liabilities  | 1,308,890,814  | 938,278,276    |
| <b>Deferred Inflows of Resources</b>                         |                |                |
| Revenue intended to cover future costs (Note 6)              | 6,343,647      | 8,014,598      |
| OPEB deferred inflows (Note 8)                               | 14,634,723     | 24,108,346     |
| Total deferred inflows of resources                          | 20,978,370     | 32,122,944     |
| <b>Net Position (Note 1)</b>                                 |                |                |
| Net investment in capital assets                             | 389,625,738    | 382,243,931    |
| Restricted for debt service                                  | 80,055,573     | 48,134,603     |
| Restricted for pension                                       | 6,479,599      | 5,009,098      |
| Restricted for OPEB  | 84,992,538     | 74,641,660     |
| Unrestricted   | 161,692,547    | 202,924,481    |
| Total net position   | \$ 722,845,995 | \$ 712,953,773 |

See notes to financial statements

**Board of Water & Light - City of Lansing, Michigan**

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2024 and 2023

|  | 2024           | 2023           |
|--|----------------|----------------|
| <b>Operating Revenues (Note 1)</b>                 |                |                |
| Water  | \$ 55,757,309  | \$ 50,683,766  |
| Electric   | 341,976,263    | 378,791,716    |
| Steam  | 12,785,927     | 12,661,267     |
| Chilled water                                      | 6,915,341      | 6,740,010      |
| Total operating revenues                           | 417,434,840    | 448,876,759    |
| <b>Operating Expenses</b>                          |                |                |
| Production:  |                |                |
| Fuel, purchased power and other operating expenses | 138,777,452    | 172,700,755    |
| Maintenance  | 22,732,499     | 18,044,058     |
| Transmission and distribution:                     |                |                |
| Operating expenses                                 | 14,757,338     | 8,872,835      |
| Maintenance  | 23,933,835     | 22,386,918     |
| Administrative and general                         | 93,398,015     | 86,060,107     |
| Return on equity (Note 7)                          | 26,028,591     | 26,428,992     |
| Depreciation (Note 1)                              | 68,302,725     | 71,759,716     |
| Total operating expenses                           | 387,930,455    | 406,253,381    |
| Operating income                                   | 29,504,385     | 42,623,378     |
| <b>Nonoperating Income (Expenses)</b>              |                |                |
| Investment income                                  | 14,264,806     | 3,682,036      |
| Other expense                                      | (1,480,080)    | (3,840,612)    |
| Bonded debt interest expense                       | (32,361,141)   | (26,376,856)   |
| Other interest expense                             | (35,748)       | (39,109)       |
| Total nonoperating income (expenses), net          | (19,612,163)   | (26,574,541)   |
| Net income (changes in net position)               | 9,892,222      | 16,048,837     |
| <b>Net Position, Beginning</b>                     | 712,953,773    | 696,904,936    |
| <b>Net Position, Ending</b>                        | \$ 722,845,995 | \$ 712,953,773 |

See notes to financial statements

**Board of Water & Light - City of Lansing, Michigan**

## Statements of Cash Flows

Years Ended June 30, 2024 and 2023

|   | 2024           | 2023           |
|---|----------------|----------------|
| <b>Cash Flows From Operating Activities</b>                     |                |                |
| Cash received from customers                                    | \$ 413,044,418 | \$ 406,233,630 |
| Cash paid to suppliers  | (206,579,720)  | (232,958,122)  |
| Cash paid to employees  | (77,075,359)   | (73,760,320)   |
| Return on equity (Note 7)                                       | (26,028,591)   | (26,428,992)   |
| Cash from customer deposits                                     | (2,102,068)    | 1,208,412      |
| Interest on customer deposits                                   | (35,748)       | (39,109)       |
| Net cash flows from operating activities                        | 101,222,932    | 74,255,499     |
| <b>Cash Flows From Capital and Related Financing Activities</b> |                |                |
| Planned, bonded, and annual construction                        | (142,913,213)  | (84,370,376)   |
| Principal payments on debt                                      | (14,004,724)   | (13,758,538)   |
| Proceeds from new borrowings net of premium received            | 360,835,763    | -              |
| Principal payments on subscription-based IT arrangements        | (3,538,950)    | -              |
| Interest on debt  | (29,463,795)   | (29,727,324)   |
| Net cash flows from capital and related financing activities    | 170,915,081    | (127,856,238)  |
| <b>Cash Flows From Investing Activities</b>                     |                |                |
| Proceeds from the sale and maturity of investments              | 99,919,225     | 56,702,619     |
| Interest received   | 10,315,739     | 3,816,534      |
| Purchase of investments   | (270,547,587)  | (51,589,605)   |
| Net cash flows from investing activities                        | (160,312,623)  | 8,929,548      |
| Net change in cash and cash equivalents                         | 111,825,390    | (44,671,191)   |
| <b>Cash and Cash Equivalents, Beginning</b>                     | 93,143,233     | 137,814,424    |
| <b>Cash and Cash Equivalents, Ending</b>                        | \$ 204,968,623 | \$ 93,143,233  |

See notes to financial statements

**Board of Water & Light - City of Lansing, Michigan**

## Statements of Cash Flows

Years Ended June 30, 2024 and 2023

|  | 2024                  | 2023                 |
|--|-----------------------|----------------------|
| <b>Reconciliation of Cash and Cash Equivalents to</b>                            |                       |                      |
| <b>Statement of Net Position</b>   |                       |                      |
| Restricted cash and investments  | \$ 101,353,712        | \$ 62,772,401        |
| Cash and investments   | 50,954,526            | 67,108,994           |
| Designated cash and investments  | 89,256,997            | 85,227,457           |
| Noncurrent restricted cash and investments                                       | 259,946,436           | -                    |
| Total cash and investments   | 501,511,671           | 215,108,852          |
| Less noncash investments   | (296,543,048)         | (121,965,619)        |
| Cash and cash equivalents, ending  | <u>\$ 204,968,623</u> | <u>\$ 93,143,233</u> |
| <b>Reconciliation of Operating Income to Net Cash</b>                            |                       |                      |
| <b>From Operating Activities</b>   |                       |                      |
| Operating income   | \$ 29,504,385         | \$ 42,623,378        |
| Adjustments to reconcile operating income to net cash from operating activities: |                       |                      |
| Other nonoperating   | (2,813,134)           | (5,854,826)          |
| Depreciation   | 68,302,725            | 71,759,716           |
| Sewerage collection fees   | 1,333,054             | 1,182,244            |
| Interest on customer deposits  | (35,748)              | (39,109)             |
| Decrease (increase) in assets:   |                       |                      |
| Accounts receivable (Note 1)   | (7,696,106)           | (8,564,418)          |
| Unbilled accounts receivable (Note 1)  | (1,199,620)           | (3,966,342)          |
| Inventories  | 1,301,532             | 4,838,323            |
| Other postemployment benefits asset and deferrals                                | (11,793,398)          | (10,795,699)         |
| Special deposit  | 6,103,761             | 3,987,142            |
| Net pension asset  | (1,470,501)           | (2,237,018)          |
| Other  | (1,765,543)           | (9,199,869)          |
| (Decrease) increase in liabilities and deferred outflows/inflows of resources:   |                       |                      |
| Accounts payable and other accrued expenses                                      | 13,570,246            | 13,287,481           |
| Customer deposits  | (2,102,068)           | 1,208,412            |
| Net pension asset deferrals  | 1,431,149             | 1,583,717            |
| Other  | 8,552,198             | (25,557,633)         |
| Total adjustments  | 71,718,547            | 31,632,121           |
| Net cash provided by operating activities  | <u>\$ 101,222,932</u> | <u>\$ 74,255,499</u> |
| <b>Noncash Capital and Financing Activities</b>                                  |                       |                      |
| Increase (decrease) in noncash investment valuations                             | <u>\$ 3,949,067</u>   | <u>\$ (134,498)</u>  |
| Amortization of bond premium   | <u>\$ 3,757,493</u>   | <u>\$ 3,115,745</u>  |
| Bond proceeds placed directly to escrow in refunding                             | <u>\$ 45,634,991</u>  | <u>\$ -</u>          |

See notes to financial statements

## Board of Water & Light - City of Lansing, Michigan

Statements of Fiduciary Net Position -

Pension and OPEB Trust Funds

June 30, 2024 and 2023

|  | 2024           | 2023           |
|--|----------------|----------------|
| <b>Assets</b>  |                |                |
| Receivable, investment interest receivable                             | \$ 14,641      | \$ 14,872      |
| Participant notes receivable   | 3,532,182      | 3,439,525      |
| Cash and cash equivalents  | 28,368,369     | 29,312,142     |
| Investments at fair value:   |                |                |
| Mutual funds, bonds  | 96,482,199     | 89,794,532     |
| Mutual funds, equity   | 333,580,797    | 301,565,237    |
| Real estate trust investment   | 42,233,893     | 46,403,500     |
| Self-directed brokerage account:                                       |                |                |
| Equity securities/stocks   | 12,507,716     | 9,997,083      |
| Certificates of deposit (negotiable)                                   | 100,039        | 349,683        |
| Mutual funds, equity   | 598,099        | 454,285        |
| Total assets   | 517,417,935    | 481,330,859    |
| <b>Liabilities</b>   |                |                |
| Trade payable, due to broker/other                                     | 2,765,666      | 2,380,543      |
| Net position, held in trust for pension<br>and other employee benefits | \$ 514,652,269 | \$ 478,950,316 |

See notes to financial statements

**Board of Water & Light - City of Lansing, Michigan**

Statements of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2024 and 2023

|   | <b>2024</b>    | <b>2023</b>    |
|---|----------------|----------------|
| <b>Increases</b>  |                |                |
| Investment income:  |                |                |
| Net appreciation in fair value of investments                                 | \$ 44,546,231  | \$ 32,812,234  |
| Interest and dividend income  | 9,769,087      | 10,601,969     |
|   |                |                |
| Net investment income   | 54,315,318     | 43,414,203     |
|   |                |                |
| Employer contributions  | 9,500,292      | 11,716,780     |
| Interest from participant notes receivable                                    | 189,210        | 131,862        |
| Other   | 269,948        | 84,494         |
|   |                |                |
| Total increases   | 64,274,768     | 55,347,339     |
| <b>Decreases</b>  |                |                |
| Retiree benefits paid   | 27,701,902     | 37,670,444     |
| Loan defaults   | 331,152        | 396,895        |
| Participants' note and administrative fees                                    | 539,761        | 612,089        |
|   |                |                |
| Total decreases   | 28,572,815     | 38,679,428     |
|   |                |                |
| Change in net position held in trust  | 35,701,953     | 16,667,911     |
| <b>Net Position Held in Trust for Pension<br/>and Other Employee Benefits</b> |                |                |
| Beginning   | 478,950,316    | 462,282,405    |
|   |                |                |
| Ending  | \$ 514,652,269 | \$ 478,950,316 |

See notes to financial statements

# Board of Water & Light - City of Lansing, Michigan

---

Notes to Financial Statements  
June 30, 2024 and 2023

## 1. Significant Accounting Policies

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

### Reporting Entity

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

### Fund Accounting

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

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

*Fiduciary funds:*

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

The BWL continues to follow 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 deferred inflows and outflows of resources to reflect the regulator's actions (see Note 6). Management believes that the BWL meets the criteria for continued application of GASB 62 paragraphs 476-500 but will continue to evaluate its applicability based on changes in the regulatory and competitive environment.



# **Board of Water & Light - City of Lansing, Michigan**

---

Notes to Financial Statements

June 30, 2024 and 2023

## **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.

## **Operating Classification**

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

## **Report Presentation**

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

## **Specific Balances and Transactions**

### **Cash and Cash Equivalents**

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

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

## Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

### Designated Cash and 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       |                      |
|--|----------------------|----------------------|
|  | 2024                 | 2023                 |
| Designated purpose:                            |                      |                      |
| Litigation, environmental and uninsured losses | \$ 20,876,509        | \$ 19,939,802        |
| Future water facilities                        | 4,211,679            | 4,019,823            |
| Subtotal                                       | 25,088,188           | 23,959,625           |
| Special purpose, future construction           | 64,168,809           | 61,267,832           |
| Total  | <u>\$ 89,256,997</u> | <u>\$ 85,227,457</u> |

### Accounts Receivable

Accounts receivable are stated at net invoice amounts. A general valuation allowance is established based on an analysis of the aged receivables and historical loss experience. All amounts deemed to be uncollectible are charged to expense in the period that determination is made. Accounts receivables are not deemed uncollectible until they are approximately 425 days past due and have remained completely unpaid throughout the BWL's collection policy. The components of accounts receivable for 2024 and 2023 are as follows:

|                                      | 2024                 | 2023                 |
|--------------------------------------|----------------------|----------------------|
| Customer receivables                 | \$ 29,571,916        | \$ 26,598,190        |
| Sewerage collections                 | 2,728,219            | 2,879,959            |
| Wholesale sales receivables          | 4,613,189            | 2,778,199            |
| Grant receivables                    | 6,197,388            | 7,171,247            |
| Refundable deposit                   | 6,103,762            | -                    |
| Miscellaneous                        | 4,593,289            | 6,684,062            |
| Less allowance for doubtful accounts | <u>(3,000,000)</u>   | <u>(3,000,000)</u>   |
| Net                                  | <u>\$ 50,807,763</u> | <u>\$ 43,111,657</u> |

### Unbilled Accounts Receivable and Revenue

Unbilled accounts receivable at June 30, 2024 and 2023 represent the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period). Accordingly, the current year revenue from customers whose billing period ends after June 30 for services rendered prior to July 1 will be recognized in the current period.

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

#### Special Deposit

In 2018, the BWL contracted with Consumer's Energy to install a new gas pipeline. Under the terms of the contract, the BWL was expected to make installment payments totaling up to \$52,000,000 throughout the construction period. Based on usage of the new pipeline, the BWL is eligible to recover all but \$10,000 of the installment payments. The BWL has made installment payments totaling \$46,280,000. During 2024 and 2023, the BWL recovered \$6,103,762 and \$3,987,142, respectively, back due to pipeline usage. The BWL estimates it will recover the remaining installment payments based on expected usage. The long-term other asset for the Consumer's Energy deposit recorded was \$25,189,097 in 2024 and \$31,292,858 in 2023. The BWL has \$41,165 of miscellaneous other deposits as of June 30, 2024 and 2023.

#### Inventories

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

|                        | 2024                 | 2023                 |
|------------------------|----------------------|----------------------|
| Gas                    | \$ 1,225,790         | \$ 2,233,398         |
| Materials and supplies | 17,197,768           | 17,358,060           |
| Emissions allowances   | -                    | 133,632              |
| Total                  | <u>\$ 18,423,558</u> | <u>\$ 19,725,090</u> |

#### Prepayments

Prepayments relate to advanced payments on goods or services that will be consumed in future periods.

#### 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.

#### Depreciation

Depreciation of the utility plant is computed using the straight-line method based on estimated useful lives. The resulting provisions for depreciation in 2024 and 2023, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

|                                  |              | Average Rate (Percent) |      |
|----------------------------------|--------------|------------------------|------|
|                                  | Life (Years) | 2024                   | 2023 |
| Classification of utility plant: |              |                        |      |
| Water                            | 4-100        | 2.0                    | 1.9  |
| Electric                         | 4-50         | 3.6                    | 4.1  |
| Steam                            | 5-50         | 2.8                    | 3.5  |
| Chilled water                    | 5-50         | 3.4                    | 3.4  |
| Common facilities                | 2-50         | 6.9                    | 8.0  |

# Board of Water & Light - City of Lansing, Michigan

---

## Notes to Financial Statements

June 30, 2024 and 2023

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 \$14,312,169 and \$13,431,292 as of June 30, 2024 and 2023, respectively.

### Capital Contributions

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

### 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.

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 four components:

- **Net Investment in Capital Assets** - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted for Debt Service** - Consists of net position with constraints placed on their use by revenue bond resolution.
- **Restricted for Pension and OPEB** - Consists of net position with constraints placed on their use as this balance must be used to fund employee benefits.
- **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

## **Board of Water & Light - City of Lansing, Michigan**

---

### **Notes to Financial Statements**

June 30, 2024 and 2023

#### **Net Position Flow Assumption**

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

#### **Net Pension Asset**

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

#### **Other Assets**

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

#### **Long-Term Obligations**

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

#### **Postemployment Benefits Other Than Pensions (OPEB)**

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

#### **Inter-Utility Transactions**

The water, electric, steam and chilled water operations of the BWL bill each other for services provided and these services are reported as revenue to the generating operation and expense to the consuming operation. Such internal billings aggregated \$6,281,268 and \$8,045,764 in 2024 and 2023, 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.

## 2. Cash, Investments and Fair Value Disclosure

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

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

Michigan Cooperative Liquid Assets Securities System (MI CLASS) reports the fair value of its underlying assets annually. Participants in the MI CLASS have the right to withdraw their funds in total on one day's notice. At June 30, 2024 and 2023, the fair value of the MI CLASS' assets were substantially equal to the BWL'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:

#### The BWL's Cash and Investments (Exclusive of Fiduciary Funds)

##### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the BWL's deposits may not be returned to it. The BWL requires that financial institutions must meet minimum criteria to offer adequate safety to the BWL. At June 30, 2024 and 2023, the BWL had \$20,225,479 and \$16,123,652, 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.

# Board of Water & Light - City of Lansing, Michigan

## Notes to Financial Statements

June 30, 2024 and 2023

At June 30, 2024, 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        | Fair Value    | How Held     |
|---------------------------|---------------|--------------|
| U.S. agency bond or notes | \$ 45,719,291 | Counterparty |
| U.S. treasury bonds       | 277,330,789   | Counterparty |
| State and local bonds     | 553,117       | Counterparty |

At June 30, 2023, 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        | Fair Value    | How Held     |
|---------------------------|---------------|--------------|
| U.S. agency bond or notes | \$ 45,871,269 | Counterparty |
| U.S. treasury bonds       | 68,762,729    | Counterparty |
| State and local bonds     | 1,896,278     | 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, 2024, the average maturities of investments are as follows:

| Investment                  | Fair Value            | Less Than<br>1 Year   | 1-5 Years             | 6+ Years            |
|-----------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Pooled investment funds     | \$ 108,854,651        | \$ 108,854,651        | \$ -                  | \$ -                |
| U.S. treasury bonds         | 277,330,789           | 129,439,631           | 147,891,158           | -                   |
| State and local bonds       | 553,117               | 553,117               | -                     | -                   |
| U.S. agency bonds/notes     | 45,719,291            | 6,030,413             | 31,421,905            | 8,266,972           |
| Supra national agency bonds | 247,122               | 247,122               | -                     | -                   |
| Mutual funds, bonds         | 51,134,416            | -                     | 51,134,416            | -                   |
| Total                       | <u>\$ 483,839,386</u> | <u>\$ 245,124,934</u> | <u>\$ 230,447,480</u> | <u>\$ 8,266,972</u> |

At June 30, 2023, the average maturities of investments are as follows:

| Investment                  | Fair Value            | Less Than<br>1 Year  | 1-5 Years            | 6+ Years             |
|-----------------------------|-----------------------|----------------------|----------------------|----------------------|
| Pooled investment funds     | \$ 41,984,644         | \$ 41,984,644        | \$ -                 | \$ -                 |
| U.S. treasury bonds         | 68,762,729            | 9,214,874            | 59,547,855           | -                    |
| State and local bonds       | 1,896,278             | 1,364,428            | 531,850              | -                    |
| U.S. agency bonds/notes     | 45,871,269            | 3,706,722            | 27,646,909           | 14,517,638           |
| Supra national agency bonds | 5,435,343             | 3,401,512            | 2,033,831            | -                    |
| Commercial paper            | 3,872,539             | 3,872,539            | -                    | -                    |
| Total                       | <u>\$ 167,822,802</u> | <u>\$ 63,544,719</u> | <u>\$ 89,760,445</u> | <u>\$ 14,517,638</u> |

## Credit Risk

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

## Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

As of June 30, 2024, the credit quality ratings of debt securities are as follows:

| Investment                  | Fair Value     | Rating     | Rating Organization |
|-----------------------------|----------------|------------|---------------------|
| Pooled investment funds     | \$ 108,854,651 | AAAm       | S&P                 |
| U.S. treasury bonds         | 277,330,789    | AA+ (Aaa)  | S&P (Moody's)       |
| U.S. agency bonds/notes     | 45,719,291     | AA+ (Aaa)  | S&P (Moody's)       |
| Supra national agency bonds | 247,122        | AAA+ (Aaa) | S&P (Moody's)       |
| State and local bonds       | 553,117        | AA/AA1     | S&P (Moody's)       |
| Mutual funds, bonds         | 51,134,416     | AAAm       | S&P                 |

As of June 30, 2023, the credit quality ratings of debt securities are as follows:

| Investment                  | Fair Value    | Rating    | Rating Organization |
|-----------------------------|---------------|-----------|---------------------|
| Pooled investment funds     | \$ 41,984,644 | AAAm      | S&P                 |
| U.S. treasury bonds         | 68,762,729    | AA+ (Aaa) | S&P (Moody's)       |
| U.S. agency bonds/notes     | 45,871,269    | AA+ (Aaa) | S&P (Moody's)       |
| Supra national agency bonds | 5,435,343     | AA+ (Aaa) | S&P (Moody's)       |
| State and local bonds       | 1,896,278     | AA+ (Aaa) | S&P (Moody's)       |
| Money markets               | 2,270,803     | AAAm      | S&P                 |
| Commercial paper            | 3,872,539     | A-1/P-1   | 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. The Board's policy limits the amount of investments with an individual issuer, with the exception of the U.S. government. As of June 30, 2024 and 2023, the BWL's investment portfolio was concentrated as follows:

| Investment  | 2024 | 2023 |
|-------------|------|------|
| Fannie Mae  | 2 %  | 7 %  |
| Freddie Mac | 7    | 21   |
| FHLB        | 1    | 7    |

### Fair Value

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



# Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

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

| June 30, 2024                                     |         |                |         |                |
|---|---------|----------------|---------|----------------|
|   | Level 1 | Level 2        | Level 3 | Total          |
| U.S. treasury bonds                               | \$ -    | \$ 277,330,789 | \$ -    | \$ 277,330,789 |
| Supra national agency bonds                       | -       | 247,122        | -       | 247,122        |
| Federal agency mortgage-backed security           | -       | 30,142,641     | -       | 30,142,641     |
| Federal agency collateralized mortgage obligation | -       | 2,302,719      | -       | 2,302,719      |
| State and local bonds                             | -       | 553,117        | -       | 553,117        |
| Federal agency bond/note                          | -       | 13,273,931     | -       | 13,273,931     |
| Mutual funds, bonds                               | -       | 51,134,416     | -       | 51,134,416     |
| Total investments at fair value level             | \$ -    | \$ 374,984,735 | \$ -    | \$ 374,984,735 |

| June 30, 2023                                     |         |                |         |                |
|---|---------|----------------|---------|----------------|
|   | Level 1 | Level 2        | Level 3 | Total          |
| U.S. treasury bonds                               | \$ -    | \$ 68,762,729  | \$ -    | \$ 68,762,729  |
| Supra national agency bonds                       | -       | 5,435,343      | -       | 5,435,343      |
| Federal agency mortgage-backed security           | -       | 23,679,729     | -       | 23,679,729     |
| Federal agency collateralized mortgage obligation | -       | 2,880,483      | -       | 2,880,483      |
| State and local bonds                             | -       | 1,896,278      | -       | 1,896,278      |
| Federal agency bond/note                          | -       | 19,311,057     | -       | 19,311,057     |
| Commercial paper                                  | -       | 3,872,539      | -       | 3,872,539      |
| Total investments at fair value level             | \$ -    | \$ 125,838,158 | \$ -    | \$ 125,838,158 |

## Fiduciary Fund Investments

### Interest Rate Risk - Pension and OPEB Trust Funds

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plans investment policy does not restrict investment maturities.

At June 30, 2024, the average maturities of investments subject to interest rate risk are as follows:

| Investment                           | Fair Value    | Weighted Average Maturity (in Years) |
|--------------------------------------|---------------|--------------------------------------|
| Mutual fund, bonds                   | \$ 96,482,199 | 8.8                                  |
| Certificates of deposit (negotiable) | 100,039       | 0.6                                  |

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

At June 30, 2023, the average maturities of investments subject to interest rate risk are as follows:

| Investment                           | Fair Value    | Weighted Average Maturity (in Years) |
|--------------------------------------|---------------|--------------------------------------|
| Mutual fund, bonds                   | \$ 89,794,532 | 9.0                                  |
| Certificates of deposit (negotiable) | 349,683       | 0.6                                  |

### Credit Risk - Pension and OPEB Trust Funds

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plans have no investment policy that would further limit its investment choices. As of June 30, 2024, the credit quality ratings of debt securities (other than the U.S. government) subject to credit risk are as follows:

| Investment                           | Fair Value    | Rating    | Rating Organization |
|--------------------------------------|---------------|-----------|---------------------|
| Mutual funds, bonds                  | \$ 96,482,199 | Not rated | Not rated           |
| Certificates of deposit (negotiable) | 100,039       | Not rated | Not rated           |

As of June 30, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment                           | Fair Value    | Rating    | Rating Organization |
|--------------------------------------|---------------|-----------|---------------------|
| Mutual funds, bonds                  | \$ 89,794,532 | Not rated | Not rated           |
| Certificates of deposit (negotiable) | 349,683       | Not rated | Not rated           |

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plans have no investments subject to concentration of credit risk as of June 30, 2024 and June 30, 2023.

### Fair Value - Pension Trust Funds

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

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;

## Board of Water & Light - City of Lansing, Michigan

---

### Notes to Financial Statements

June 30, 2024 and 2023

- inputs other than quoted prices that are observable for the asset or liability; and
- 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, 2024 and 2023:

**Common Stock, Corporate Bonds and Notes, U.S. Government Obligations and Fixed Income Securities** - Valued at the most recent closing price reported on the market on which individual securities are traded.

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

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

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

**Real estate fund investment** - Valued by a certified independent appraiser and an internal expert group. There is also another level of verification by an independent valuation advisor to audit and review both the external and internal valuations performed.

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.

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2024 and 2023:

| Investment Type                           | June 30, 2024         |                       |             |                       |
|---|-----------------------|-----------------------|-------------|-----------------------|
|   | Level 1               | Level 2               | Level 3     | Total                 |
| Mutual funds, bonds                       | \$ 17,497,649         | \$ 78,984,550         | \$ -        | \$ 96,482,199         |
| Mutual funds, equities                    | 279,521,028           | 54,059,769            | -           | 333,580,797           |
| Self-directed brokerage account, equities | 12,507,716            | -                     | -           | 12,507,716            |
| Self-directed brokerage account, bonds    | 598,099               | -                     | -           | 598,099               |
| Certificates of deposit                   | -                     | 100,039               | -           | 100,039               |
| Real estate investment trust              | 42,233,893            | -                     | -           | 42,233,893            |
| Total investments by fair value level     | <u>\$ 352,358,385</u> | <u>\$ 133,144,358</u> | <u>\$ -</u> | <u>\$ 485,502,743</u> |

| Investment Type                           | June 30, 2023         |                       |             |                       |
|---|-----------------------|-----------------------|-------------|-----------------------|
|   | Level 1               | Level 2               | Level 3     | Total                 |
| Mutual funds, bonds                       | \$ 17,745,597         | \$ 72,048,935         | \$ -        | \$ 89,794,532         |
| Mutual funds, equities                    | 218,475,290           | 83,089,947            | -           | 301,565,237           |
| Self-directed brokerage account, equities | 9,997,083             | -                     | -           | 9,997,083             |
| Self-directed brokerage account, bonds    | 454,285               | -                     | -           | 454,285               |
| Certificates of deposit                   | -                     | 349,683               | -           | 349,683               |
| Real estate investment trust              | 46,403,500            | -                     | -           | 46,403,500            |
| Total investments by fair value level     | <u>\$ 293,075,755</u> | <u>\$ 155,488,565</u> | <u>\$ -</u> | <u>\$ 448,564,320</u> |

## Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

### 3. Restricted Assets

Restricted assets are required under the 2013A, 2017A, 2019A, 2019B, 2021A, 2021B and 2024A Revenue Bond resolutions and the related Nonarbitrage and Tax Compliance Certificates. These assets are segregated into the following funds:

|                                   | Carrying Value        |                      |
|-----------------------------------|-----------------------|----------------------|
|                                   | 2024                  | 2023                 |
| Operations and maintenance fund   | \$ 39,896,170         | \$ 30,537,525        |
| Bond and interest redemption fund | 61,457,542            | 32,234,876           |
| Construction Fund                 | 259,946,436           | -                    |
| Total                             | <u>\$ 361,300,148</u> | <u>\$ 62,772,401</u> |

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 2024 and 2023.

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

**Operations and Maintenance Fund** - By the end of each month, this fund shall include sufficient funds to provide for payment of the succeeding month's expenses.

**Bond and Interest Redemption Fund** - Restricted for payment of the current portion of bond principal and interest on the 2013A, 2017A, 2019A, 2019B, 2021A, 2021B and 2024A Revenue Bonds.

**Construction Fund** – Restricted for utility system upgrades as required by the 2024A Revenue Bonds.

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

### 4. Utility Plant

The tables below reflect the capital asset activity of the utility plant categories for the years ended June 30, 2024 and 2023:

#### Capital Asset Activity for Year Ended June 30, 2024

|          | Capital Assets<br>FY Start | Transfers     | Acquisition           | Retirement            | Capital Assets<br>FY End |
|----------|----------------------------|---------------|-----------------------|-----------------------|--------------------------|
| Water    | \$ 367,082,687             | \$ 15,216,703 | \$ -                  | \$ (1,539,902)        | \$ 380,759,488           |
| Electric | 1,246,833,576              | 34,269,839    | -                     | (3,025,564)           | 1,278,077,851            |
| Steam    | 96,662,683                 | 3,708,614     | -                     | (5,138)               | 100,366,159              |
| Chilled  | 34,105,305                 | -             | -                     | -                     | 34,105,305               |
| Common   | 123,933,055                | 2,206,851     | 8,055,371             | (2,263,969)           | 131,931,308              |
| AUC      | 45,813,286                 | (55,402,008)  | 154,272,797           | (2,082,243)           | 142,601,832              |
| Total    | <u>\$ 1,914,430,592</u>    | <u>\$ -</u>   | <u>\$ 162,328,168</u> | <u>\$ (8,916,816)</u> | <u>\$ 2,067,841,943</u>  |

# Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements  
June 30, 2024 and 2023

## Accumulated Depreciation for Year Ended June 30, 2024

|          | Accumulated<br>Depreciation<br>FY Start | Depreciation<br>Transfers | Depreciation /<br>Amortization<br>and<br>Impairment for<br>Year | Depreciation<br>Retirement | Accumulated<br>Depreciation<br>FY End |
|----------|---|---------------------------|---|----------------------------|---------------------------------------|
| Water    | \$ (135,995,162)                        | \$ (9,230)                | \$ (8,301,141)  | \$ 845,842                 | \$ (143,459,691)                      |
| Electric | (471,205,697)                           | -                         | (44,860,132)  | 1,830,016                  | (514,235,813)                         |
| Steam    | (31,341,987)                            | -                         | (2,767,415)   | 5,138                      | (34,104,264)                          |
| Chilled  | (18,451,534)                            | -                         | (1,165,051)   | -                          | (19,616,585)                          |
| Common   | (74,127,245)                            | 9,230                     | (10,710,340)  | 2,262,845                  | (82,565,510)                          |
| Total    | <u>\$ (731,121,625)</u>                 | <u>\$ -</u>               | <u>\$ (67,804,079)</u>  | <u>\$ 4,943,841</u>        | <u>\$ (793,981,863)</u>               |

**Nondepreciable Assets** - Included in the table above are nondepreciable assets of \$2,204,045 for water, \$17,449,965 for electric, \$124,099 for steam, \$412,339 for common facilities and \$142,601,834 for AUC.

## Capital Asset Activity for Year Ended June 30, 2023

|          | Capital Assets<br>FY Start | Transfers     | Acquisition          | Retirement             | Capital Assets<br>FY End |
|----------|----------------------------|---------------|----------------------|------------------------|--------------------------|
| Water    | \$ 352,112,157             | \$ 15,768,003 | \$ -                 | \$ (797,473)           | \$ 367,082,687           |
| Electric | 1,221,755,100              | 42,209,597    | -                    | (17,131,121)           | 1,246,833,576            |
| Steam    | 95,083,252                 | 5,022,080     | -                    | (3,442,649)            | 96,662,683               |
| Chilled  | 34,099,039                 | 6,266         | -                    | -                      | 34,105,305               |
| Common   | 123,793,139                | 4,277,454     | 1,672,935            | (5,810,473)            | 123,933,055              |
| AUC      | 23,067,588                 | (67,283,400)  | 90,029,098           | -                      | 45,813,286               |
| Total    | <u>\$ 1,849,910,275</u>    | <u>\$ -</u>   | <u>\$ 91,702,033</u> | <u>\$ (27,181,716)</u> | <u>\$ 1,914,430,592</u>  |

## Accumulated Depreciation for Year Ended June 30, 2023

|          | Accumulated<br>Depreciation<br>FY Start | Depreciation<br>Transfers | Depreciation /<br>Amortization<br>and<br>Impairment for<br>Year | Depreciation<br>Retirement | Accumulated<br>Depreciation<br>FY End |
|----------|---|---------------------------|---|----------------------------|---------------------------------------|
| Water    | \$ (128,799,223)                        | \$ 157,406                | \$ (7,845,441)  | \$ 492,096                 | \$ (135,995,162)                      |
| Electric | (438,098,343)                           | (65,428)                  | (50,595,965)  | 17,554,039                 | (471,205,697)                         |
| Steam    | (31,087,552)                            | -                         | (3,364,815)   | 3,110,380                  | (31,341,987)                          |
| Chilled  | (17,287,736)                            | -                         | (1,163,798)   | -                          | (18,451,534)                          |
| Common   | (68,896,851)                            | (91,978)                  | (10,396,764)  | 5,258,348                  | (74,127,245)                          |
| Total    | <u>\$ (684,169,705)</u>                 | <u>\$ -</u>               | <u>\$ (73,366,783)</u>  | <u>\$ 26,414,863</u>       | <u>\$ (731,121,625)</u>               |

**Nondepreciable Assets** - Included in the table above are nondepreciable assets of \$1,194,869 for water, \$17,571,123 for electric, \$124,098 for steam, \$412,339 for common facilities and \$45,813,286 for AUC

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

#### Erickson Power Station Impairment

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

#### 5. Long-Term Debt

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

|  | 2024           | 2023        |
|--|----------------|-------------|
| Water Supply, Steam, Chilled Water and Electric Utility System Revenue and revenue refunding Bonds, Series 2024A, due in annual principal installments beginning July 1, 2025, and continuing through July 1, 2054, plus interest at a rate of 5.00%. Original amount of issue \$364,625,000.  | \$ 364,625,000 | \$ -        |
| Water Supply, Steam, Chilled Water and Electric Utility System Revenue Taxable Bonds, Series 2021A, due in annual principal installments beginning July 1, 2025 and continuing through July 1, 2051, plus interest at a rate of 5.00%. Original amount of issue \$56,020,000.  | 56,020,000     | 56,020,000  |
| Water Supply, Steam, Chilled Water and Electric Utility System Revenue Taxable Bonds, Series 2021B, due in annual principal installments beginning July 1, 2026 and continuing through July 1, 2051, initial term rate is 2%, with an assumed interest rate of 3.5% following the mandatory tender in 2026. Original amount of issue \$70,875,000  | 70,875,000     | 70,875,000  |
| Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Taxable Bonds, Series 2019B, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2041, plus interest at rates ranging from 1.95% to 3.53%. Original amount of issue \$251,995,000. During fiscal year 2024 \$45,625,000 of the 2019B original issuance was tendered as part of the 2024A issuance. | 193,605,000    | 245,680,000 |
| 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.   | 313,730,000    | 316,880,000 |
| 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.  | 21,625,000     | 23,525,000  |

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

|  | <u>2024</u>             | <u>2023</u>           |
|--|-------------------------|-----------------------|
| 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. During fiscal year 2024, \$4,330,000 of the 2013A original issuance was refunded as part of the 2024A issuance. | \$ 2,000,000            | \$ 8,240,000          |
| 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.  | 3,368,762*              | 4,062,093*            |
| Charter Township of Lansing Special Assessment pertaining to the Groesbeck II Park Drain. Due in annual installments ranging from \$132,000 to \$291,000 with final payment in 2044.   | 2,652,412*              | 2,778,718*            |
| Total  | 1,028,501,175           | 728,060,811           |
| Less current portion   | (14,667,438)            | (14,229,635)          |
| Plus unamortized premium   | 118,160,932             | 81,080,265            |
| Total  | <u>\$ 1,131,994,669</u> | <u>\$ 794,911,441</u> |

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

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

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

| <u>Years Ending<br/>June 30:</u> | <u>Principal</u>        | <u>Interest</u>       | <u>Total</u>            |
|----------------------------------|-------------------------|-----------------------|-------------------------|
| 2025                             | \$ 13,890,000           | \$ 43,827,532         | \$ 57,717,532           |
| 2026                             | 13,495,000              | 44,790,523            | 58,285,523              |
| 2027                             | 14,025,000              | 44,772,718            | 58,797,718              |
| 2028                             | 18,665,000              | 44,636,718            | 63,301,718              |
| 2029                             | 19,435,000              | 43,877,996            | 63,312,996              |
| 2030-2034                        | 109,420,000             | 206,767,638           | 316,187,638             |
| 2035-2039                        | 134,265,000             | 181,283,008           | 315,548,008             |
| 2040-2044                        | 165,550,000             | 149,166,897           | 314,716,897             |
| 2045-2049                        | 209,280,000             | 103,923,063           | 313,203,063             |
| 2050-2055                        | 324,455,000             | 49,990,113            | 374,445,113             |
| Total                            | <u>\$ 1,022,480,000</u> | <u>\$ 913,036,206</u> | <u>\$ 1,935,516,206</u> |



## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

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

| <b>Years Ending<br/>June 30:</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|----------------------------------|---------------------|---------------------|---------------------|
| 2025                             | \$ 777,438          | \$ 184,669          | \$ 962,107          |
| 2026                             | 766,153             | 165,789             | 931,942             |
| 2027                             | 712,205             | 147,609             | 859,814             |
| 2028                             | 658,250             | 130,396             | 788,646             |
| 2029                             | 575,934             | 114,230             | 690,164             |
| 2030-2034                        | 1,141,835           | 411,942             | 1,553,777           |
| 2035-2039                        | 631,527             | 255,567             | 887,094             |
| 2040-2044                        | 631,527             | 113,585             | 745,112             |
| 2045 and later                   | 126,305             | 5,679               | 131,984             |
| <b>Total</b>                     | <b>\$ 6,021,174</b> | <b>\$ 1,529,466</b> | <b>\$ 7,550,640</b> |

All Water Supply and Electric Utility System Revenue Bonds were issued by the 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.

The Series 2024A Bonds maturing in the years 2025 through 2034, inclusive, shall not be subject to optional redemption prior to maturity. The Series 2024A Bonds, or portions of the Series 2024A Bonds in multiples of \$5,000 maturing or subject to mandatory redemption in the years 2035 and thereafter shall be subject to redemption at the option of the Board in such order of maturity as the Board shall determine, and within a single maturity by lot, on any date on or after July 1, 2034 at par plus accrued interest to the date fixed for redemption. The Term Bonds maturing on July 1, 2049, the 5.00% Term Bonds maturing on July 1, 2054, and the 5.25% Term Bonds July 1, 2054 are subject to mandatory redemption prior to maturity in part by lot on July 1 in the years and in the principal amounts set forth below at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, without premium.

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

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

The 2019B Bonds are payable in annual installments in the years 2022 through 2041, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2030 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2029 at par plus accrued interest to the fixed date for redemption. During fiscal year 2024 \$45,625,000 of the 2019B original issuance was tendered as part of the 2024A issuance.

## **Board of Water & Light - City of Lansing, Michigan**

---

### Notes to Financial Statements

June 30, 2024 and 2023

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. During fiscal year 2024, \$4,330,000 of the 2013A original issuance was refunded as part of the 2024A issuance.

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

### **Current Refunding**

On January 31, 2024, BWL issued \$364,625,000 in bonds (new bonds), which included a premium of \$41,845,754, at a rate of 5.00% to refund \$4,364,100 (Principal & Interest) in outstanding 2013A Bonds and \$41,597,960 (Principal & Interest) in outstanding 2019B Bonds with an average rate of 4.3% and 3.25%, respectively. Of the principal amount issued, \$39,625,000 went to refund the aforementioned bonds and \$325,000,000 was new money.

The cash flow requirements on the old bonds prior to the current refunding were \$45,962,060 through July 1, 2037. The cash flow requirements for the new bonds are \$58,314,774 through July 1, 2054. The current refunding resulted in an economic gain of \$4,987,279.

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 all future debt service payments on the 2013A Bonds and a portion of the 2019B Bonds. As a result, the 2013A Bonds and a portion of the 2019B Bonds are considered defeased and the liability for these bonds has been removed from the Statement of Net Position.

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

The long-term debt activity for the year ended June 30, 2024 is as follows:

|                          | <b>Revenue Bonds<br/>(Net of<br/>Unamortized<br/>Premiums)</b> | <b>Other Notes</b>  | <b>Total</b>            |
|--------------------------|--|---------------------|-------------------------|
| <b>Beginning balance</b> | \$ 802,300,266   | \$ 6,840,810        | \$ 809,141,076          |
| Additions                | 406,470,754  | -                   | 406,470,754             |
| Reductions               | (68,130,088)   | (819,635)           | (68,949,723)            |
| <b>Ending balance</b>    | <u>\$ 1,140,640,932</u>  | <u>\$ 6,021,175</u> | <u>\$ 1,146,662,107</u> |
| Due with-in one year     | \$ 13,890,000  | \$ 777,438          | \$ 14,667,438           |

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. In fiscal year 2024, the remaining principal and interest to be paid on the bonds total \$1,935,516,206. During fiscal year 2024, net revenues of the BWL were \$106,854,384 compared to the annual debt requirements of \$41,859,344. In fiscal year 2023, the remaining principal and interest to be paid on the bonds total \$1,284,584,899. During fiscal year 2023, net revenues of the BWL were \$112,994,683 compared to the annual debt requirements of \$42,589,615.

The long-term debt activity for the year ended June 30, 2023 is as follows:

|                          | <b>Revenue Bonds<br/>(Net of<br/>Unamortized<br/>Premiums)</b> | <b>Other Notes</b>  | <b>Total</b>          |
|--------------------------|--|---------------------|-----------------------|
| <b>Beginning balance</b> | \$ 818,870,786   | \$ 7,649,348        | \$ 826,520,134        |
| Additions                | -  | -                   | -                     |
| Reductions               | (16,570,520)   | (808,538)           | (17,379,058)          |
| <b>Ending balance</b>    | <u>\$ 802,300,266</u>  | <u>\$ 6,840,810</u> | <u>\$ 809,141,076</u> |
| Due with-in one year     | \$ 13,410,000  | \$ 819,635          | \$ 14,229,635         |

## 6. Costs/Credits Recoverable in Future Years

### Environmental Remediation

During the fiscal 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, 2024 and 2023 was \$0 and \$4,069, 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, 2024 and 2023 for additional sites was \$20,853,276 and \$19,935,889 respectively.

### 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), fuel cost adjustment (FCA) and chilled water fuel cost adjustment (CWFCA). These affect the amount to be billed to retail electric, water, steam and chilled water customers to reflect the difference between the BWL's actual material costs and the amounts incorporated into rates. This resulted in recoverable assets of \$26,154,048 and \$33,810,383 at June 30, 2024 and 2023, 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 \$1,292,134 and \$1,760,188 as of June 30, 2024 and 2023, 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 \$220,271 and \$440,543 as of June 30, 2024 and 2023, respectively. The BWL will recognize this as revenue monthly over the life of the new chilled water plant to offset depreciation expense.

### Wise Road

During the year ended June 30, 2012, the BWL chose to use regulatory accounting as per GASB 62 to recognize the insurance proceeds for the damaged equipment at the Wise Road Water Conditioning Plant (see Note 13). The remaining recoverable inflow of resources as of June 30, 2024 and 2023 was \$4,831,242 and \$5,813,867, respectively.

## 7. Transactions with the City of Lansing, Michigan

### Operations

The BWL recognized revenue of \$10,547,324 and \$9,806,375 in 2024 and 2023, respectively, for water, electric and steam services provided to the City. The BWL incurred expenses for sewerage services purchased from the City of \$2,213,195 and \$764,394 in 2024 and 2023, respectively.

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of \$1,333,054 and \$1,182,244 in 2024 and 2023, 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. Effective March 1, 2002, the formula to calculate the amount owed to the City was modified to 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 amount for fiscal years 2021 through 2022. In fiscal year 2023, a flat percentage of 6% was applied to reported operating revenues, excluding inter-utility sales from providing retail water, electric, steam and chilled water services. In fiscal year 2024, a flat percentage of 6% was applied to budgeted operating revenues, excluding inter-utility sales from providing retail water, electric, steam and chilled water services. Under terms of these agreements, the BWL paid to the City \$26,028,591 and \$26,428,992 for 2024 and 2023, respectively, of operational cash flow in excess of debt service requirements.

### 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 plan (Defined Contribution Plan). The BWL also has a tax-qualified, single-employer, retiree benefit plan to administer and fund retiree benefits (Retiree Benefit Plan).

#### 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 Defined Benefit Plan and Trust for Employees' Pensions, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Effective July 1, 1999, the Defined Benefit Plan was amended to include a medical benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries. The funding of the medical benefit component is limited to the amount of excess pension plan assets available for transfer, as determined by the actuary. No medical benefits were paid by the Defined Benefit Plan during the years ended June 30, 2024 and 2023.

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

**Employees Covered by Benefit Terms** - At February 29, 2024 and February 28, 2023 (the most recent actuarial valuation for funding purposes), Defined Benefit Plan membership consisted of the following:

|   | 2024 | 2023 |
|---|------|------|
| Inactive plan members or beneficiaries currently receiving benefits | 255  | 265  |
| Inactive plan members entitled to but not yet receiving benefits    | 1    | 1    |
| Active plan members   | 3    | 3    |
| Total   | 259  | 269  |

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

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

Payments will either be 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, external actuary to determine the annual contribution. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2023 and 2024. Plan documents do not require participant contributions.

## Board of Water & Light - City of Lansing, Michigan

---

### Notes to Financial Statements

June 30, 2024 and 2023

**Net Pension Asset** - The components of the net pension asset of the BWL at June 30, 2024 and June 30, 2023 were as follows (in thousands):

|   | <u>2024</u>       | <u>2023</u>       |
|---|-------------------|-------------------|
| Total pension liability   | \$ 42,054         | \$ 44,514         |
| Plan fiduciary net pension  | <u>48,534</u>     | <u>49,523</u>     |
| Total   | <u>\$ (6,480)</u> | <u>\$ (5,009)</u> |
| Plan fiduciary net position, as a percentage of the total pension liability | 115.41 %          | 111.25 %          |

The BWL has chosen to use June 30, 2024 as its measurement date for fiscal year 2024. The June 30, 2024 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2024. The June 30, 2024 total pension liability was determined by an actuarial valuation as of February 29, 2024, which used update procedures to roll forward the estimated liability to June 30, 2024.

The BWL has chosen to use June 30, 2023 as its measurement date for fiscal year 2023. The June 30, 2023 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2023. The June 30, 2023 total pension liability was determined by an actuarial valuation as of February 28, 2023, which used update procedures to roll forward the estimated liability to June 30, 2023.

## Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

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

|  | In Thousands            |                             |                               |
|--|-------------------------|-----------------------------|-------------------------------|
|  | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| <b>Balance, June 30, 2022</b>                      | \$ 47,887               | \$ 50,659                   | \$ (2,772)                    |
| Changes for the year:                              |                         |                             |                               |
| Service cost                                       | 29                      | -                           | 29                            |
| Interest   | 2,721                   | -                           | 2,721                         |
| Differences between expected and actual experience | (981)                   | -                           | (981)                         |
| Changes in assumptions                             | -                       | -                           | -                             |
| Net investment income                              | -                       | 4,134                       | (4,134)                       |
| Benefit payments, including refunds                | (5,142)                 | (5,142)                     | -                             |
| Administrative expenses                            | -                       | (127)                       | 127                           |
| Miscellaneous other charges                        | -                       | -                           | -                             |
| Net changes  | (3,373)                 | (1,136)                     | (2,237)                       |
| <b>Balances, June 30, 2023</b>                     | 44,514                  | 49,523                      | (5,009)                       |
| Changes for the year:                              |                         |                             |                               |
| Service cost                                       | 31                      | -                           | 31                            |
| Interest   | 2,523                   | -                           | 2,523                         |
| Differences between expected and actual experience | (18)                    | -                           | (18)                          |
| Changes in assumptions                             | -                       | -                           | -                             |
| Net investment income                              | -                       | 4,134                       | (4,134)                       |
| Benefit payments, including refunds                | (4,996)                 | (4,996)                     | -                             |
| Administrative expenses                            | -                       | (127)                       | 127                           |
| Miscellaneous other charges                        | -                       | -                           | -                             |
| Net changes  | (2,460)                 | (989)                       | (1,471)                       |
| <b>Balance, June 30, 2024</b>                      | \$ 42,054               | \$ 48,534                   | \$ (6,480)                    |

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

**Related to Pensions** - For the year ended June 30, 2024, the BWL recognized pension expense of (\$39,352). At 2024, 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 | \$ 204,912                     | \$ -                          |



## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

For the year ended June 30, 2023, the BWL recognized pension expense of (\$653,301). At June 30, 2023, the BWL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 1,636,061                                  | \$ -                                     |

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:**

|       |                   |
|-------|-------------------|
| 2025  | \$ (352,237)      |
| 2026  | 1,332,666         |
| 2027  | 512,769           |
| 2028  | 262,749           |
| Total | <u>\$ 204,912</u> |

**Actuarial Assumptions** - The total pension liability in the June 30, 2024 and June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           | <b>2024</b> | <b>2023</b> |
|---------------------------|-------------|-------------|
| Inflation                 | 2.25 %      | 2.25 %      |
| Salary increases          | 3.50        | 3.50        |
| Investment rate of return | 6.00        | 6.00        |

Mortality rates were based on the PUB-2010 General Mortality Table with MP-2021 Improvement Scale for the June 30, 2024 valuation. The June 30, 2023 valuation used the PUB-2010 General Employees Mortality Table and projected using the MP-2021 scale.

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered 3 active participants in fiscal year 2024 and fiscal year 2023, 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 6.0% in 2024 and 2023. 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.

#### **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.

# Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023 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            | 2024 Long-Term Expected Real Rate of Return | 2023 Long-Term Expected Real Rate of Return |
|------------------------|---|---|
| Core bonds             | 2.56 %                                      | 2.58 %                                      |
| Multi-sector           | 3.50  | 3.54  |
| Liquid absolute return | 3.25  | 3.25  |
| U.S. large cap equity  | 7.15  | 7.17  |
| U.S. small cap equity  | 8.58  | 8.61  |
| Non-U.S. equity        | 8.26  | 8.29  |
| Core real estate       | 6.49  | 6.54  |

**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, 2024, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

|  | 1% Decrease<br>(5.00%) | Current<br>Discount Rate<br>(6.00%) | 1% Increase<br>(7.00%) |
|--|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) of the BWL | \$ (2,557,349)         | \$ (6,479,599)                      | \$ (8,368,884)         |

The following presents the net pension asset of the BWL at June 30, 2023, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.5%) than the current rate:

|  | 1% Decrease<br>(5.00%) | Current<br>Discount Rate<br>(6.00%) | 1% Increase<br>(7.00%) |
|--|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) of the BWL | \$ (836,993)           | \$ (5,009,098)                      | \$ (7,108,925)         |

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

## Board of Water & Light - City of Lansing, Michigan

---

### Notes to Financial Statements

June 30, 2024 and 2023

#### 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 5-203.10 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 Defined Contribution Plan and Trust 1, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

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

For employees hired before January 1, 1997, the BWL is required to contribute 15.0% of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute 3.0% of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5% of the employees' compensation for all nonbargaining employees. No participant contributions are required.

During the years ended June 30, 2024 and 2023, the BWL contributed \$9,435,006 and \$11,648,704, 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*.

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

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

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

#### Retiree Benefit Plan (OPEB)

**Plan Description** - The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (Retiree Benefit Plan) is a single-employer retiree benefit 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 actively employed full-time by working for the BWL. There were 755 participants eligible to receive benefits at June 30, 2024 and 753 participants eligible at June 30, 2023.

## Board of Water & Light - City of Lansing, Michigan

---

### Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was \$65,286 and \$68,076, of which respectively, was incurred as direct costs of benefits.

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

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

Employees covered by benefit terms. At June 30, 2024, the following employees were covered by the benefit terms:

|  |                     |
|--|---------------------|
| Active plan members (not eligible to receive benefits) | 778                 |
| Disabled participants                                  | 67                  |
| Retired participants                                   | 532                 |
| Surviving spouses                                      | <u>156</u>          |
| Total  | <u><u>1,533</u></u> |

At June 30, 2023, the following employees were covered by the benefit terms:

|  |                     |
|--|---------------------|
| Active plan members (not eligible to receive benefits) | 731                 |
| Disabled participants                                  | 69                  |
| Retired participants                                   | 534                 |
| Surviving spouses                                      | <u>150</u>          |
| Total  | <u><u>1,484</u></u> |

**Contributions** - Section 5-203 of the City Charter grants the authority to establish and amend the contribution requirement to the BWL. The BWL establishes its minimum contribution based on an actuarially determined rate. For the years ended June 30, 2024 and 2023, the actual contribution rates of the BWL were 0.08% and 0.1% of covered-employee payroll, respectively.

**Net OPEB Liability (Asset)** - The BWL has chosen to use June 30, 2024 as its measurement date for fiscal year 2024. The June 30, 2024 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2024. The June 30, 2024 total OPEB liability was determined by an actuarial valuation as of February 29, 2024, which used update procedures to roll forward the estimated liability to June 30, 2024.

The BWL has chosen to use June 30, 2023 as its measurement date for fiscal year 2023. The June 30, 2023 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2023. The June 30, 2023 total OPEB liability was determined by an actuarial valuation as of February 28, 2023, which used update procedures to roll forward the estimated liability to June 30, 2023.

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

**Actuarial Assumptions** - The total OPEB liability in the June 30, 2024 and 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

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

| FYE   | Medical / RX |         | Part B | Dental |
|-------|--------------|---------|--------|--------|
|       | Pre-65       | Post-65 |        |        |
| 2024  | 7.25%        | 5.50%   | 3.75%  | 4.25%  |
| 2025  | 7.00         | 5.25    | 4.00   | 4.00   |
| 2026  | 6.75         | 5.00    | 4.25   | 4.00   |
| 2027  | 6.50         | 4.75    | 4.50   | 4.00   |
| 2028  | 6.25         | 4.50    | 4.75   | 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   |

2024 and 2023 Mortality rates were based on the PUBH-2010 General Employee Mortality Table fully generational using Scale MP-2021.

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

BWL's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of the Board of Commissioners. It is the policy of the BWL to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of June 30, 2024 and 2023:

| Asset Class            | 2024 Target Allocation | 2023 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  | 25.00                  | 30.00                  |
| U.S. small cap equity  | 15.00                  | 10.00                  |
| Non-U.S. equity        | 20.00                  | 20.00                  |
| Core real estate       | 8.00                   | 8.00                   |
| Value add real estate  | 7.00                   | 7.00                   |

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and June 30, 2023 are summarized in the following table:

| <b>Asset Class</b>     | <b>2024 Long-Term<br/>Expected<br/>Real Rate of<br/>Return</b> | <b>2023 Long-Term<br/>Expected<br/>Real Rate of<br/>Return</b> |
|------------------------|--|--|
| Core bonds             | 2.56 %   | 2.58 %   |
| Multi-sector           | 3.50   | 3.54   |
| Liquid absolute return | 3.25   | 3.25   |
| U.S. large cap equity  | 7.15   | 7.17   |
| U.S. small cap equity  | 8.58   | 8.61   |
| Non-U.S. equity        | 8.26   | 8.29   |
| Core real estate       | 6.49   | 6.54   |
| Value add real estate  | 7.99   | 8.04   |

For the June 30, 2024 valuation, the long-term expected rate of return was 6.50%. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown. The final equivalent single discount rate used for the June 30, 2024 valuation was 6.50% with the expectation that BWL will continue contributing the actuarially determined contribution and/or paying for the pay-go cost.

| <b>Asset Class</b>                       | <b>Long-Term<br/>Expected<br/>Real Rate of<br/>Return</b> |
|--|---|
| Fidelity 20-year GO Municipal Bond Index | 3.97 %  |
| Actual Discount Rate Used                | 6.50  |

# Board of Water & Light - City of Lansing, Michigan

## Notes to Financial Statements

June 30, 2024 and 2023

**Discount Rate** - The discount rate used to measure the total OPEB liability was 6.50% for June 30, 2024 and 2023. 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.

|  | In Thousands                   |                                    |                                       |
|--|--------------------------------|------------------------------------|---------------------------------------|
|  | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net OPEB Liability (Asset)<br>(a)-(b) |
| <b>Balance, June 30, 2023</b>                      | \$ 163,829                     | \$ 238,471                         | \$ (74,642)                           |
| Changes for the year:                              |                                |                                    |                                       |
| Service cost                                       | 4,201                          | -                                  | 4,201                                 |
| Interest   | 10,355                         | -                                  | 10,355                                |
| Change in benefit terms                            | -                              | -                                  | -                                     |
| Differences between expected and actual experience | (801)                          | -                                  | (801)                                 |
| Changes in assumptions                             | -                              | -                                  | -                                     |
| Contributions, employer                            | -                              | 65                                 | (65)                                  |
| Contributions, employee                            | -                              | -                                  | -                                     |
| Net investment income                              | -                              | 24,300                             | (24,300)                              |
| Benefit payments                                   | (9,181)                        | (9,181)                            | -                                     |
| Administrative expenses                            | -                              | (259)                              | 259                                   |
| Net changes  | 4,575                          | 14,925                             | (10,350)                              |
| <b>Balance, June 30, 2024</b>                      | <u>\$ 168,403</u>              | <u>\$ 253,396</u>                  | <u>\$ (84,993)</u>                    |
|  | In Thousands                   |                                    |                                       |
|  | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net OPEB Liability (Asset)<br>(a)-(b) |
| <b>Balance, June 30, 2022</b>                      | \$ 156,408                     | \$ 228,141                         | \$ (71,733)                           |
| Changes for the year:                              |                                |                                    |                                       |
| Service cost                                       | 3,452                          | -                                  | 3,452                                 |
| Interest   | 9,827                          | -                                  | 9,827                                 |
| Change in benefit terms                            | -                              | -                                  | -                                     |
| Differences between expected and actual experience | 4,770                          | -                                  | 4,770                                 |
| Changes in assumptions                             | -                              | -                                  | -                                     |
| Contributions, employer                            | -                              | 68                                 | (68)                                  |
| Contributions, employee                            | -                              | -                                  | -                                     |
| Net investment income                              | -                              | 21,226                             | (21,226)                              |
| Benefit payments                                   | (10,628)                       | (10,628)                           | -                                     |
| Administrative expenses                            | -                              | (336)                              | 336                                   |
| Net changes  | 7,421                          | 10,330                             | (2,909)                               |
| <b>Balance, June 30, 2023</b>                      | <u>\$ 163,829</u>              | <u>\$ 238,471</u>                  | <u>\$ (74,642)</u>                    |

# Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2024 and 2023

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate** - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate (6.5%) as of June 30, 2024:

|                            | June 30, 2024   |                       |                  |
|----------------------------|-----------------|-----------------------|------------------|
|                            | 1% Decrease     | Current Discount Rate | 1% Increase      |
| NET OPEB liability (asset) | \$ (65,718,636) | \$ (84,992,538)       | \$ (101,207,086) |

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate** - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate (6.5%) as of June 30, 2023:

|                            | June 30, 2023   |                       |                 |
|----------------------------|-----------------|-----------------------|-----------------|
|                            | 1% Decrease     | Current Discount Rate | 1% Increase     |
| NET OPEB liability (asset) | \$ (56,244,193) | \$ (74,641,660)       | \$ (90,173,785) |

**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, 2024:

|                            | June 30, 2024    |                             |                 |
|----------------------------|------------------|-----------------------------|-----------------|
|                            | 1% Decrease      | Healthcare Cost Trend Rates | 1% Increase     |
| Net OPEB liability (asset) | \$ (102,871,148) | \$ (84,992,538)             | \$ (63,323,723) |

**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, 2023:

|                            | June 30, 2023   |                             |                 |
|----------------------------|-----------------|-----------------------------|-----------------|
|                            | 1% Decrease     | Healthcare Cost Trend Rates | 1% Increase     |
| Net OPEB liability (asset) | \$ (91,718,544) | \$ (74,641,660)             | \$ (53,961,790) |



## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

**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, 2024 GASB 74/75 Report, issued August 2, 2024.

For the year ended June 30, 2024, the Plan recognized OPEB expense of (\$11,728,112). At June 30, 2024, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ 3,256,591                         | \$ 6,079,101                     |
| Changes of assumptions   | 6,625,332                            | 4,762,702                        |
| Net difference between projected and actual earnings on<br>OPEB plan investments | -                                    | 3,792,920                        |
| Total  | <u>\$ 9,881,923</u>                  | <u>\$ 14,634,723</u>             |

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

Years ending June 30:

|            |                |
|------------|----------------|
| 2025       | \$ (6,222,418) |
| 2026       | 4,370,313      |
| 2027       | (1,906,255)    |
| 2028       | (1,028,662)    |
| 2029       | 109,512        |
| Thereafter | (75,290)       |

For the year ended June 30, 2023, the Plan recognized OPEB expense of \$(10,727,623). At June 30, 2023, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ 4,013,128                         | \$ 9,327,630                     |
| Changes of assumptions   | 9,452,248                            | 14,780,716                       |
| Net difference between projected and actual earnings on<br>OPEB plan investments | 4,447,650                            | -                                |
| Total  | <u>\$ 17,913,026</u>                 | <u>\$ 24,108,346</u>             |

### Other Post-Retirement 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.

## **Board of Water & Light - City of Lansing, Michigan**

---

Notes to Financial Statements

June 30, 2024 and 2023

### **9. Commitments and Contingencies**

At June 30, 2024 and 2023, the BWL has two letters of credit in the amounts of \$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 post closure monitoring and maintenance of a landfill site operated by the BWL.

Through monitoring tests performed on the landfill sites operated by the BWL, it has been discovered that the sites are contaminating the groundwater. The contamination does not pose a significant health risk but does lower the quality of the groundwater. The BWL received landfill closure approval as well as interim remediation approval. The BWL has estimated the total cost for remediation, including closure and post closure cost of the landfills, and has recorded a liability of \$5,389,412 and \$5,578,615 for the years ended June 30, 2024 and 2023, respectively. Certain remediation activities have commenced and are in progress. The landfill sites are no longer receiving waste products. Landfill closure and post closure requirements are associated with the Michigan Department of Environmental Quality. Annual post closure costs of these landfill sites are not expected to exceed \$380,000 annually and are included in the liability above. Estimates will be revised as approvals are received from the State. In accordance with the regulatory basis of accounting as per GASB 62 (see Note 1), the BWL recorded a corresponding regulatory asset (see Note 6).

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

The BWL is involved in various other legal actions which have arisen in the normal course of business. Such actions are usually brought for claims in excess of possible settlement or awards, if any, that may result. After taking into consideration legal counsel's evaluation of pending actions, management has recorded an adequate reserve as of June 30, 2024 and 2023 in regard to specific pending legal cases.

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately \$382,841,704 and \$213,216,141 at June 30, 2024 and 2023, respectively. These projects will be funded through operational cash flow, revenue bonds and grant funding, including the project funds reported as other assets.

### **10. Power Supply Purchase**

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

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

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

| Years | Capital       | Estimated Fixed Operating Costs | Total Required |
|-------|---------------|---------------------------------|----------------|
| 2025  | \$ 20,849,247 | \$ 19,142,455                   | \$ 39,991,702  |
| 2026  | 6,017,544     | 15,981,377                      | 21,998,921     |
| 2027  | 3,420,228     | 13,045,844                      | 16,466,072     |
| 2028  | 2,725,896     | 14,235,195                      | 16,961,091     |
| 2029  | 642,900       | 14,991,454                      | 15,634,354     |

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 2024 and 2023 of \$41,402,193 and \$53,183,185, 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.

#### 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 2013A, 2017A, 2019A, 2021A, 2021B and 2024A 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 2024 and 2023. 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.

#### 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.

## Board of Water & Light - City of Lansing, Michigan

### Notes to Financial Statements

June 30, 2024 and 2023

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    |                     |                     |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2024                  | 2023                | 2022                | 2024                | 2023                | 2022                |
| Unpaid claims, beginning                                    | \$ 2,200,000          | \$ 2,200,000        | \$ 2,200,000        | \$ 1,686,723        | \$ 1,773,595        | \$ 1,334,297        |
| Incurred claims, including claims incurred but not reported | 49,474                | 24,127              | 75,737              | 23,176,317          | 20,178,663          | 16,793,719          |
| Claim payments  | (49,474)              | (24,127)            | (75,737)            | (22,969,689)        | (20,265,535)        | (16,354,421)        |
| Unpaid claims, ending                                       | <u>\$ 2,200,000</u>   | <u>\$ 2,200,000</u> | <u>\$ 2,200,000</u> | <u>\$ 1,893,351</u> | <u>\$ 1,686,723</u> | <u>\$ 1,773,595</u> |

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

### 13. Upcoming Pronouncements

GASB has approved Statement No. 101, *Compensated Absences*, Statement No. 102, *Certain Risk Disclosures* and Statement No. 103, *Financial Reporting Model Improvements*. When they become effective, application of these standards may restate portions of these financial statements.

### 14. Subsequent Events

The Board evaluated subsequent events through October 7, 2024, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Required Supplementary Information (Unaudited)

Schedule of Changes in the BWL's

Net Pension Asset and Related Ratios

Last Ten Fiscal Years

(In Thousands)

|   | 2024              | 2023              | 2022              | 2021               | 2020              | 2019              | 2018              | 2017              | 2016              | 2015              |
|---|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total Pension Liability</b>                                    |                   |                   |                   |                    |                   |                   |                   |                   |                   |                   |
| Service cost  | \$ 31             | \$ 29             | \$ 26             | \$ 26              | \$ 42             | \$ 60             | \$ 50             | \$ 113            | \$ 223            | \$ 274            |
| Interest  | 2,523             | 2,721             | 2,974             | 3,212              | 3,566             | 3,691             | 4,031             | 4,317             | 4,625             | 4,919             |
| Changes in benefit terms  | -                 | -                 | -                 | -                  | -                 | -                 | -                 | -                 | -                 | -                 |
| Differences between expected and actual experience                | (18)              | (981)             | 179               | (968)              | (919)             | (743)             | (230)             | (383)             | 299               | (1,093)           |
| Changes in assumptions  | -                 | -                 | 1,730             | (366)              | 1,555             | 1,210             | 1,419             | (857)             | (1,468)           | -                 |
| Benefit payments, including refunds                               | (4,996)           | (5,142)           | (5,466)           | (5,658)            | (5,872)           | (6,143)           | (6,414)           | (7,473)           | (7,896)           | (8,046)           |
| <b>Net Change in Total Pension Liability</b>                      | (2,460)           | (3,373)           | (557)             | (3,754)            | (1,628)           | (1,925)           | (1,144)           | (4,283)           | (4,217)           | (3,946)           |
| <b>Total Pension Liability, Beginning</b>                         | 44,514            | 47,887            | 48,444            | 52,198             | 53,826            | 55,751            | 56,895            | 61,178            | 65,395            | 69,341            |
| <b>Total Pension Liability, Ending</b>                            | 42,054            | 44,514            | 47,887            | 48,444             | 52,198            | 53,826            | 55,751            | 56,895            | 61,178            | 65,395            |
| <b>Plan Net Position</b>  |                   |                   |                   |                    |                   |                   |                   |                   |                   |                   |
| Contributions, employer   | -                 | -                 | -                 | -                  | -                 | -                 | -                 | -                 | -                 | -                 |
| Contributions, member   | -                 | -                 | -                 | -                  | -                 | -                 | -                 | -                 | -                 | -                 |
| Net investment income   | 4,134             | 4,134             | (5,399)           | 11,853             | 1,658             | 4,381             | 3,112             | 8,272             | 47                | 1,771             |
| Administrative expenses   | (128)             | (127)             | (134)             | (123)              | (145)             | (183)             | (255)             | (317)             | (388)             | (576)             |
| Benefit payments, including refunds                               | (4,996)           | (5,142)           | (5,466)           | (5,658)            | (5,872)           | (6,143)           | (6,414)           | (7,473)           | (7,896)           | (8,045)           |
| Other   | -                 | -                 | -                 | -                  | (477)             | -                 | -                 | -                 | -                 | -                 |
| <b>Net change in Net Position Held in Trust</b>                   | (989)             | (1,136)           | (10,999)          | 6,072              | (4,836)           | (1,945)           | (3,557)           | 482               | (8,237)           | (6,850)           |
| <b>Net Position Restricted for Pensions, Beginning</b>            | 49,523            | 50,659            | 61,658            | 55,586             | 60,422            | 62,367            | 65,924            | 65,442            | 73,679            | 80,529            |
| <b>Net Position Restricted for Pensions, Ending</b>               | 48,534            | 49,523            | 50,659            | 61,658             | 55,586            | 60,422            | 62,367            | 65,924            | 65,442            | 73,679            |
| <b>BWL Net Pension Asset, Ending</b>                              | <u>\$ (6,480)</u> | <u>\$ (5,009)</u> | <u>\$ (2,772)</u> | <u>\$ (13,214)</u> | <u>\$ (3,388)</u> | <u>\$ (6,596)</u> | <u>\$ (6,616)</u> | <u>\$ (9,029)</u> | <u>\$ (4,264)</u> | <u>\$ (8,284)</u> |
| <b>Plan Net Position as a % of Total Pension Liability</b>        | 115%              | 111%              | 106%              | 127%               | 106%              | 112%              | 112%              | 116%              | 107%              | 113%              |
| <b>Covered Employee Payroll</b>                                   | \$ 262            | \$ 248            | \$ 238            | \$ 237             | \$ 240            | \$ 406            | \$ 603            | \$ 586            | \$ 772            | \$ 1,018          |
| <b>BWL's Net Pension Asset as a % of Covered Employee Payroll</b> | (2,473%)          | (2,020%)          | (1,165%)          | (5,576%)           | (1,412%)          | (1,625%)          | (1,097%)          | (1,541%)          | (552%)            | (814%)            |

See notes to required supplementary information

**Lansing Board of Water and Light**

**Defined Benefit Plan and Trust for Employees' Pensions**

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

Last Ten Fiscal Years

(In Thousands)

|  | <u>2024</u>        | <u>2023</u>        | <u>2022</u>        | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution                                  | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Contributions in relation to the actuarially determined contribution | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>Contribution Deficiency (Excess)</b>                              | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| <b>Covered Employee Payroll</b>                                      | \$ 262             | \$ 248             | \$ 238             | \$ 237             | \$ 240             | \$ 406             | \$ 603             | \$ 586             | \$ 772             | \$ 1,018           |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 |

See notes to required supplementary information

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

Required Supplemental Information (Unaudited)

Schedule of Changes in BWL's

Net OPEB Liability (Asset) and Related Ratios

Last Ten Fiscal Years\*

(In Thousands)

|  | 2024               | 2023               | 2022               | 2021                | 2020               | 2019               | 2018             | 2017             |
|--|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|------------------|------------------|
| <b>Total OPEB Liability</b>  |                    |                    |                    |                     |                    |                    |                  |                  |
| Service cost   | \$ 4,201           | \$ 3,452           | \$ 3,299           | \$ 3,396            | \$ 3,245           | \$ 4,403           | \$ 4,827         | \$ 3,130         |
| Interest   | 10,355             | 9,827              | 9,871              | 10,535              | 10,804             | 14,920             | 15,039           | 14,226           |
| Changes in benefit terms   | -                  | -                  | -                  | -                   | -                  | (415)              | -                | -                |
| Differences between expected and actual experience                         | (801)              | 4,770              | (1,084)            | (8,794)             | (6,093)            | (5,231)            | (9,880)          | 5,281            |
| Changes in assumptions   | -                  | -                  | 10,173             | (3,752)             | 7,254              | (59,336)           | (1,728)          | (2,027)          |
| Benefit payments, including refunds  | (9,181)            | (10,628)           | (13,493)           | (8,344)             | (9,157)            | (9,278)            | (10,395)         | (9,574)          |
| <b>Net Change in Total OPEB Liability</b>                                  | 4,574              | 7,421              | 8,766              | (6,959)             | 6,053              | (54,937)           | (2,137)          | 11,036           |
| <b>Total OPEB Liability, Beginning</b>                                     | 163,829            | 156,410            | 147,644            | 154,603             | 148,550            | 203,487            | 205,624          | 194,588          |
| <b>Total OPEB Liability, Ending</b>  | 168,403            | 163,831            | 156,410            | 147,644             | 154,603            | 148,550            | 203,487          | 205,624          |
| <b>Trust Net Position</b>  |                    |                    |                    |                     |                    |                    |                  |                  |
| Contributions, employer  | 65                 | 68                 | 13,493             | 8,344               | 9,157              | 9,278              | 10,395           | 9,574            |
| Contributions, member  | -                  | -                  | -                  | -                   | -                  | -                  | -                | -                |
| Net investment income  | 24,300             | 21,226             | (19,247)           | 49,387              | 4,158              | 11,688             | 11,039           | 18,040           |
| Administrative expenses  | (259)              | (336)              | (354)              | (449)               | (512)              | (569)              | (634)            | (705)            |
| Benefit payments, including refunds  | (9,181)            | (10,628)           | (13,493)           | (8,344)             | (9,157)            | (9,278)            | (10,395)         | (9,574)          |
| Other  | -                  | -                  | -                  | -                   | -                  | -                  | -                | -                |
| <b>Net change in Net Position Held in Trust</b>                            | 14,925             | 10,330             | (19,601)           | 48,938              | 3,646              | 11,119             | 10,405           | 17,335           |
| <b>Trust Fiduciary Net Position, Beginning</b>                             | 238,471            | 228,142            | 247,743            | 198,805             | 195,159            | 184,040            | 173,635          | 156,300          |
| <b>Trust Fiduciary Net Position, Ending</b>                                | 253,396            | 238,472            | 228,142            | 247,743             | 198,805            | 195,159            | 184,040          | 173,635          |
| <b>BWL Net OPEB Liability (Asset), Ending</b>                              | <u>\$ (84,993)</u> | <u>\$ (74,641)</u> | <u>\$ (71,732)</u> | <u>\$ (100,099)</u> | <u>\$ (44,202)</u> | <u>\$ (46,609)</u> | <u>\$ 19,447</u> | <u>\$ 31,989</u> |
| <b>Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)</b> | 150.47%            | 145.56%            | 145.86%            | 167.80%             | 128.59%            | 131.38%            | 90.44%           | 84.44%           |
| <b>Covered Employee Payroll</b>  | \$ 77,109          | \$ 69,744          | \$ 62,976          | \$ 60,269           | \$ 58,198          | \$ 56,785          | \$ 55,650        | \$ 54,383        |
| <b>BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll</b> | (110.22%)          | (107.02%)          | (113.90%)          | (166.09%)           | (75.95%)           | (82.08%)           | 34.95%           | 58.82%           |

\*GASB Statement No. 74 was implemented as of June 30, 2017. Information from 2015 - 2016 is not available and this schedule will be presented on a prospective basis.

See notes to required supplementary information



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

Required Supplemental Information (Unaudited)

Schedule of Employer Contributions

Last Ten Fiscal Years

(In Thousands)

| Fiscal Year<br>Ended | Employer Contributions |          | Difference of<br>Required to<br>Actual<br>Contributions | Covered<br>Employee<br>Payroll | Percentage of<br>Actual<br>Contributions to<br>Covered Payroll |
|----------------------|------------------------|----------|---|--------------------------------|--|
|                      | Required               | Actual   |   |                                |  |
| 6/30/2015            | \$ 5,762               | \$ 9,671 | \$ 3,909  | \$ 50,885                      | 19%  |
| 6/30/2016            | 5,788                  | 9,423    | 3,635   | 53,893                         | 17%  |
| 6/30/2017            | 7,508                  | 9,574    | 2,066   | 54,383                         | 18%  |
| 6/30/2018            | 7,535                  | 10,395   | 2,860   | 55,650                         | 19%  |
| 6/30/2019            | 7,031                  | 9,278    | 2,247   | 56,785                         | 16%  |
| 6/30/2020            | -                      | 9,157    | 9,157   | 58,198                         | 16%  |
| 6/30/2021            | 220                    | 8,344    | 8,124   | 60,269                         | 14%  |
| 6/30/2022            | -                      | 13,493   | 13,493  | 62,976                         | 21%  |
| 6/30/2023            | -                      | 68       | 68  | 69,744                         | 0%   |
| 6/30/2024            | -                      | 65       | 65  | 77,109                         | 0%   |

See notes to required supplementary information

## Board of Water & Light – City of Lansing, Michigan

---

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2023

### 1. Defined Benefit Plan

Actuarial valuation information relative to the determination of contributions:

|                |   |
|----------------|---|
| Valuation date | June 30, 2024, based on roll-forward of February 29, 2024 valuation |
|----------------|---|

Methods and assumptions used to determine contribution rates:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry age method  |
| Amortization method           | Level dollar over a 15-year period                              |
| Remaining amortization period | 15 years  |
| Asset valuation method        | Market value of the assets                                      |
| Inflation                     | 2.25%   |
| Salary increases              | 3.5% per year   |
| Investment rate of return     | 6.0% per year compounded annually                               |
| Mortality                     | PUB-2010 General Mortality Table with MP-2021 Improvement Scale |
| Changes to assumptions:       | No changes in assumptions.                                      |

Actuarial valuation information relative to the determination of contributions:

|                |   |
|----------------|---|
| Valuation date | June 30, 2023, based on roll-forward of February 28, 2023 valuation |
|----------------|---|

Methods and assumptions used to determine contribution rates:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry age method  |
| Amortization method           | Level dollar over a 15-year period                              |
| Remaining amortization period | 15 years  |
| Asset valuation method        | Market value of the assets                                      |
| Inflation                     | 2.25%   |
| Salary increases              | 3.5% per year   |
| Investment rate of return     | 6.0% per year compounded annually                               |
| Mortality                     | PUB-2010 General Mortality Table with MP-2021 Improvement Scale |
| Changes to assumptions:       | No changes in assumptions.                                      |

## Board of Water & Light – City of Lansing, Michigan

---

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2023

### Significant Changes

#### June 30, 2024

- Difference between actual and expected experience - The \$18.1K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2024 is primarily attributable to favorable demographic experience.
- Assumption change – None.

#### June 30, 2023

- Difference between actual and expected experience - The \$981K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2023 is primarily attributable to participant deaths.
- Assumption change – None.

#### June 30, 2022

- Difference between actual and expected experience - The \$179K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2022 is primarily attributable to the difference between actual experience and demographic assumptions.
- Assumption change - The plan experienced a \$1.73MM actuarial loss due to the change in the mortality improvement scale and the decrease in the discount rate from 6.50% to 6.00%. Updating the mortality improvement scale to the MP-2021 scale resulted in a \$120K actuarial loss and decreasing the discount rate resulted in a \$1.61MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of \$1.73MM.

#### June 30, 2021

- Difference between actual and expected experience - The \$968K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2021 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$366K actuarial gain due to the change in the mortality improvement scale.

#### June 30, 2020

- Difference between actual and expected experience - The \$.92MM actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2020 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$1.55MM actuarial loss due to the change in the mortality improvement scale and the decrease the discount rate from 7.00% to 6.50%. Updating the mortality improvement scale to the MP-2019 scale resulted in a \$.22MM actuarial gain and decreasing the discount rate resulted in a \$1.77MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of \$1.55MM.

## **Board of Water & Light – City of Lansing, Michigan**

---

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2023

### **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.

## Board of Water & Light – City of Lansing, Michigan

---

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2023

### 2. Post-Retirement Benefit Plan

Actuarial valuation information relative to the determination of contributions:

|                |   |
|----------------|---|
| Valuation date | June 30, 2024, based on roll-forward of February 29, 2024 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 | 25 years  |
| Inflation                     | 2.25%   |
| Salary increases              | 9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases. |
| Investment rate of return     | 6.5% per year compounded annually   |
| Mortality                     | PUBH-2010 General Employees Mortality Table projected generationally using MP-2021 scale  |

Actuarial valuation information relative to the determination of contributions:

|                |   |
|----------------|---|
| Valuation date | June 30, 2023, based on roll-forward of February 28, 2023 valuation |
|----------------|---|

Methods and assumptions used to determine contribution rates:

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

## Board of Water & Light – City of Lansing, Michigan

---

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2023

### Significant Changes:

#### June 30, 2024

- Difference between actual and expected experience - The \$800.9K actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2024 is attributable to the combination of favorable demographic experience and lower than expected per capita claims cost.
- Assumption change – None.

#### June 30, 2023

- Difference between actual and expected experience - The \$4.77M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2023 is attributable to the combination of unfavorable demographic experience and unfavorable claims experience for the pre-Medicare retirees. \$1.86M of the actuarial loss is associated with demographic experience. The remaining \$2.91M of the actuarial loss is due to higher than expected 2023 per capita claims cost.
- Assumption change – None.
- Investment gain - The \$6.75M investment gain during the fiscal year ending June 30, 2023 is attributable an actual return on assets of 9.52% vs. an expected return of 6.50%.

#### June 30, 2022

- Difference between actual and expected experience - The \$1.08MM actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2022 is attributable to favorable demographic experience. The favorable demographic experience is mainly attributable to deaths (25 participants), termination of active participants and changes in coverage elections.
- Assumption change - The \$10.17MM actuarial loss on the Total OPEB liability for the fiscal year ending June 30, 2022 is attributable to updating the mortality improvement scale to the MP-2021 scale, updating the demographic assumptions to reflect the results of the 2022 experience analysis and decreasing the discount rate from 7.0% to 6.5%. Updating the mortality improvement scale resulted in a \$.38MM actuarial loss. Updating the demographic assumptions resulted in a \$1.73MM actuarial loss. The remaining \$8.06MM of actuarial loss is attributable to decreasing the discount rate from 7.0% to 6.5%.

#### June 30, 2021

- Difference between actual and expected experience - The \$8.79MM actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2021 is attributable to the combination of favorable demographic experience and lower than expected 2021 per capita claims cost. \$3.94MM of the actuarial gain is associated with demographic experience and is mainly attributable to deaths (37 participants), termination of active participants and changes in coverage elections. The remaining \$4.85MM of the actuarial gain is due to less than expected 2021 per capita claims cost. The 2021 Humana premiums are slightly lower than what was expected for 2021 (\$321.92 per month vs. \$347.80 per month)
- Assumption change - The \$3.75MM actuarial gain on the Total OPEB liability for the fiscal year ending June 30, 2021 is attributable to updating the mortality improvement scale to the MP-2020 scale and reflecting the updated healthcare trend assumptions set forth in the Michigan Uniform Assumptions memo for the 2021 fiscal year. Updating the mortality improvement scale resulted in a \$1.18MM actuarial gain. The remaining \$2.57MM of the actuarial gain is attributable to reflecting the updated trend assumptions.

## Board of Water & Light – City of Lansing, Michigan

---

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2023

### June 30, 2020

- Difference between actual and expected experience - The \$6.09MM gain on the Total OPEB Liability for the fiscal year ending June 30, 2020 is attributable to the combination of unfavorable demographic experience and a reduction in the per capita claims cost used in the June 30, 2020 valuation. The \$1.13MM loss associated with demographic experience is mainly attributable to active participant retirements. The \$7.22MM gain due to a reduction in per capita claims cost is attributable a decrease in the Pre-65 medical and prescription drug premiums for 2021. The 2020 Pre-65 medical and Rx monthly premium for a retiree was \$1,073.13. For 2020, the Pre-65 medical and Rx monthly premium for a retiree is \$957.99. An 11% reduction in monthly premium. The combination of the demographic loss and the reduction in monthly premiums resulted in the overall \$6.09MM actuarial gain.
- Assumption change - The \$7.25MM loss on the Total OPEB liability for the fiscal year ending June 30, 2020 is attributable to updating the mortality improvement scale to the MP-2019 scale and decreasing the discount rate from 7.50% to 7.00%. Updating the mortality improvement scale resulted in a \$.53MM actuarial gain. Whereas, decreasing the discount rate resulted in a \$7.78MM actuarial loss. The combination of these changes resulted in the overall \$7.25MM actuarial loss.

### June 30, 2019

- Difference between actual and expected experience - The \$5.2 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2019 is primarily due to favorable demographic experience. The favorable experience is mainly attributable to terminations of active participants and deaths of participants with and without beneficiaries.
- Assumption changes - (1) The plan experienced a \$54.4 million gain on the Total OPEB Liability due to a change of the assumed per capita claims cost. The Board changed the Plan's insurance provider for Medicare eligible participants from The Hartford and Envision Insurance to Humana. Doing so resulted in a dramatic decrease in both the medical and prescription drug monthly premiums from the prior fiscal year (\$98.99 per month vs. \$219.54 per month for medical coverage and \$213.47 per month vs. \$305.00 per month for prescription drug coverage); (2) The Plan experienced a \$3.8 million loss on the mortality assumption change. The mortality assumption was updated from the RPH-2014 Total Dataset mortality, adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUBH-2010 General Employees mortality, projected generationally using the MP-2018 improvement scale; and (3) The Plan experienced a \$8.7 million gain on a change to the medical and prescription drug trend assumptions. The trend assumptions were changed to those prescribed under the Michigan Uniform Assumptions for the 2019 fiscal year.
- Change in benefit terms - The Plan experienced a \$.4 million gain due to an expected increase in the retiree contribution percentage for employees hired on or after January 1, 2009. The expected contribution percentage was increased from 14% to 20% of the premium charged to active employees.

### June 30, 2018

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

## **SUPPLEMENTARY INFORMATION**



**Board of Water & Light - City of Lansing, Michigan**

Income Available for Revenue Bond Debt Retirement

Years Ended June 30, 2024 and 2023

|   | <b>2024</b>          | <b>2023</b>          |
|---|----------------------|----------------------|
| <b>Income, Before Capital Contributions Per Statement<br/>of Revenues, Expenses and Changes in Net Position</b> | <b>\$ 9,892,222</b>  | <b>\$ 16,048,837</b> |
| <b>Adjustments to Income</b>  |                      |                      |
| Depreciation  | 68,302,725           | 71,759,716           |
| Interest on long-term debt:   |                      |                      |
| Notes   | 35,748               | 39,109               |
| Revenue bonds   | 32,361,141           | 26,376,856           |
| Total additional income   | 100,699,614          | 98,175,681           |
| <b>Income Available for Revenue Bonds<br/>and Interest Redemption</b>   | <b>110,591,836</b>   | <b>114,224,518</b>   |
| <b>Debt Retirement Pertaining to Revenue Bonds</b>  |                      |                      |
| Principal   | 14,040,000           | 13,410,000           |
| Interest  | 31,791,164           | 29,113,395           |
| Total   | <b>\$ 45,831,164</b> | <b>\$ 42,523,395</b> |
| <b>Percent Coverage of Revenue Bonds<br/>and Interest Requirements</b>  | <b>241%</b>          | <b>269%</b>          |

# Board of Water & Light - City of Lansing, Michigan

Detail of Statements of Revenues and Expenses  
Years Ended June 30, 2024 and 2023

|  | Combined            |                      | Water             |                       | Electric            |                      | Steam                 |                       | Chilled Water     |                     |
|--|---------------------|----------------------|-------------------|-----------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------|---------------------|
|  | 2024                | 2023                 | 2024              | 2023                  | 2024                | 2023                 | 2024                  | 2023                  | 2024              | 2023                |
| <b>Operating Revenues</b>                          |                     |                      |                   |                       |                     |                      |                       |                       |                   |                     |
| Water  | \$ 55,757,309       | \$ 50,683,766        | \$ 55,757,309     | \$ 50,683,766         | \$ -                | \$ -                 | \$ -                  | \$ -                  | \$ -              | \$ -                |
| Electric:  |                     |                      |                   |                       |                     |                      |                       |                       |                   |                     |
| Retail   | 320,953,423         | 315,840,115          | -                 | -                     | 320,953,423         | 315,840,115          | -                     | -                     | -                 | -                   |
| Sales for resale                                   | 21,022,840          | 62,951,601           | -                 | -                     | 21,022,840          | 62,951,601           | -                     | -                     | -                 | -                   |
| Steam  | 12,785,927          | 12,661,267           | -                 | -                     | -                   | -                    | 12,785,927            | 12,661,267            | -                 | -                   |
| Chilled water                                      | 6,915,341           | 6,740,010            | -                 | -                     | -                   | -                    | -                     | -                     | 6,915,341         | 6,740,010           |
| <b>Total operating revenues</b>                    | <b>417,434,840</b>  | <b>448,876,759</b>   | <b>55,757,309</b> | <b>50,683,766</b>     | <b>341,976,263</b>  | <b>378,791,716</b>   | <b>12,785,927</b>     | <b>12,661,267</b>     | <b>6,915,341</b>  | <b>6,740,010</b>    |
| <b>Operating Expenses</b>                          |                     |                      |                   |                       |                     |                      |                       |                       |                   |                     |
| Production:  |                     |                      |                   |                       |                     |                      |                       |                       |                   |                     |
| Fuel, purchased power and other operating expenses | 138,777,452         | 172,700,755          | 11,937,645        | 11,198,644            | 120,777,854         | 154,698,656          | 3,748,279             | 4,644,100             | 2,313,674         | 2,159,355           |
| Maintenance  | 22,732,499          | 18,044,058           | 4,829,509         | 4,198,230             | 16,417,358          | 12,565,644           | 847,694               | 688,443               | 637,938           | 591,741             |
| Transmission and distribution:                     |                     |                      |                   |                       |                     |                      |                       |                       |                   |                     |
| Operating expenses                                 | 14,757,338          | 8,872,835            | 1,723,667         | 1,658,536             | 12,824,290          | 7,042,845            | 209,381               | 171,454               | -                 | -                   |
| Maintenance  | 23,933,835          | 22,386,918           | 4,318,783         | 3,551,034             | 18,930,788          | 18,364,613           | 684,264               | 471,271               | -                 | -                   |
| Administrative and general                         | 93,398,015          | 86,060,107           | 20,268,440        | 19,254,288            | 67,809,873          | 62,383,567           | 3,331,409             | 3,048,315             | 1,988,293         | 1,373,937           |
| Return on equity                                   | 26,028,591          | 26,428,992           | 3,052,498         | 2,858,495             | 21,813,339          | 22,419,987           | 793,022               | 746,109               | 369,732           | 404,401             |
| Depreciation                                       | 68,302,725          | 71,759,716           | 9,296,051         | 9,127,075             | 54,230,343          | 57,233,821           | 3,400,940             | 3,988,030             | 1,375,391         | 1,410,790           |
| <b>Total operating expenses</b>                    | <b>387,930,455</b>  | <b>406,253,381</b>   | <b>55,426,593</b> | <b>51,846,302</b>     | <b>312,803,845</b>  | <b>334,709,133</b>   | <b>13,014,989</b>     | <b>13,757,722</b>     | <b>6,685,028</b>  | <b>5,940,224</b>    |
| <b>Operating income</b>                            | <b>29,504,385</b>   | <b>42,623,378</b>    | <b>330,716</b>    | <b>(1,162,536)</b>    | <b>29,172,418</b>   | <b>44,082,583</b>    | <b>(229,062)</b>      | <b>(1,096,455)</b>    | <b>230,313</b>    | <b>799,786</b>      |
| <b>Nonoperating Income (Expenses)</b>              |                     |                      |                   |                       |                     |                      |                       |                       |                   |                     |
| Investment income (loss)                           | 14,264,806          | 3,682,036            | 1,155,936         | 547,979               | 12,267,458          | 2,480,644            | 619,445               | 496,610               | 221,967           | 156,803             |
| Other (expense) income                             | (1,480,080)         | (3,840,612)          | 736,040           | 862,904               | (2,470,239)         | (4,820,837)          | 28,970                | (330,534)             | 225,149           | 447,855             |
| Bonded debt interest expense                       | (32,361,141)        | (26,376,856)         | (1,383,139)       | (1,512,107)           | (28,982,836)        | (22,648,357)         | (1,818,781)           | (1,941,266)           | (176,385)         | (275,126)           |
| Other interest expense                             | (35,748)            | (39,109)             | (3,682)           | (4,015)               | (32,026)            | (35,051)             | (40)                  | (43)                  | -                 | -                   |
| <b>Total nonoperating expense</b>                  | <b>(19,612,163)</b> | <b>(26,574,541)</b>  | <b>505,155</b>    | <b>(105,239)</b>      | <b>(19,217,643)</b> | <b>(25,023,601)</b>  | <b>(1,170,406)</b>    | <b>(1,775,233)</b>    | <b>270,731</b>    | <b>329,532</b>      |
| <b>Net income (loss)</b>                           | <b>\$ 9,892,222</b> | <b>\$ 16,048,837</b> | <b>\$ 835,871</b> | <b>\$ (1,267,775)</b> | <b>\$ 9,954,775</b> | <b>\$ 19,058,982</b> | <b>\$ (1,399,468)</b> | <b>\$ (2,871,688)</b> | <b>\$ 501,044</b> | <b>\$ 1,129,318</b> |

## Board of Water & Light - City of Lansing, Michigan

Detail of Statements of Changes in Net Position

Years Ended June 30, 2024 and 2023

|                                    | <u>Combined</u>              | <u>Water</u>                 | <u>Electric</u>              | <u>Steam</u>                  | <u>Chilled Water</u>        |
|------------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|
| <b>Net Position, June 30, 2022</b> | \$ 696,904,936               | \$ 104,452,546               | \$ 593,493,329               | \$ (11,622,978)               | \$ 10,582,039               |
| Income (loss) before contributions | <u>16,048,837</u>            | <u>(1,267,775)</u>           | <u>19,058,982</u>            | <u>(2,871,688)</u>            | <u>1,129,318</u>            |
| <b>Net Position, June 30, 2023</b> | 712,953,773                  | 103,184,771                  | 612,552,311                  | (14,494,666)                  | 11,711,357                  |
| Income (loss) before contributions | <u>9,892,222</u>             | <u>835,871</u>               | <u>9,954,775</u>             | <u>(1,399,468)</u>            | <u>501,044</u>              |
| <b>Net Position, June 30, 2024</b> | <u><u>\$ 722,845,995</u></u> | <u><u>\$ 104,020,642</u></u> | <u><u>\$ 622,507,086</u></u> | <u><u>\$ (15,894,134)</u></u> | <u><u>\$ 12,212,401</u></u> |

# Board of Water & Light - City of Lansing, Michigan

Detail of Fiduciary Statements of Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2024 and 2023

|  | 2024                            |                         |                       |                       |
|--|---------------------------------|-------------------------|-----------------------|-----------------------|
|  | Defined<br>Contribution<br>Plan | Defined Benefit<br>Plan | VEBA                  | Total                 |
| <b>Assets</b>  |                                 |                         |                       |                       |
| Receivable, investment interest receivable                                 | \$ -                            | \$ -                    | \$ 14,641             | \$ 14,641             |
| Trade receivable, due from broker  | -                               | -                       | -                     | -                     |
| Cash and cash equivalents  | 26,073,272                      | 437,821                 | 1,857,276             | 28,368,369            |
| Investments at fair value:   |                                 |                         |                       |                       |
| Mutual funds, bonds  | 17,497,649                      | 23,149,441              | 55,835,109            | 96,482,199            |
| Mutual funds, equity   | 152,413,555                     | 21,335,946              | 159,831,296           | 333,580,797           |
| Real estate fund investment  | -                               | 3,668,689               | 38,565,204            | 42,233,893            |
| Self-directed brokerage account  |                                 |                         |                       |                       |
| Equity securities/stocks   | 12,507,716                      | -                       | -                     | 12,507,716            |
| Certificates of deposit (negotiable)                                       | 100,039                         | -                       | -                     | 100,039               |
| Mutual funds, equity   | 598,099                         | -                       | -                     | 598,099               |
| Participants note receivable   | 3,532,182                       | -                       | -                     | 3,532,182             |
| <b>Total assets</b>  | <b>212,722,512</b>              | <b>48,591,897</b>       | <b>256,103,526</b>    | <b>517,417,935</b>    |
| <b>Liabilities</b>   |                                 |                         |                       |                       |
| Trade payable, due to broker/other   | -                               | 58,122                  | 2,707,544             | 2,765,666             |
| <b>Net Position, Held in Trust for Pension and Other Employee Benefits</b> | <b>\$ 212,722,512</b>           | <b>\$ 48,533,775</b>    | <b>\$ 253,395,982</b> | <b>\$ 514,652,269</b> |
|  |                                 |                         |                       |                       |
|  | 2023                            |                         |                       |                       |
|  | Defined<br>Contribution<br>Plan | Defined Benefit<br>Plan | VEBA                  | Total                 |
| <b>Assets</b>  |                                 |                         |                       |                       |
| Receivable, investment interest receivable                                 | \$ -                            | \$ 1,100                | \$ 13,772             | \$ 14,872             |
| Trade receivable, due from broker  | -                               | -                       | -                     | -                     |
| Cash and cash equivalents  | 28,195,849                      | 778,163                 | 338,130               | 29,312,142            |
| Investments at fair value:   |                                 |                         |                       |                       |
| Mutual funds, bonds  | 17,745,597                      | 18,695,086              | 53,353,849            | 89,794,532            |
| Mutual funds, equity   | 130,774,490                     | 26,132,357              | 144,658,390           | 301,565,237           |
| Real estate fund investment  | -                               | 3,932,003               | 42,471,497            | 46,403,500            |
| Self-directed brokerage account  |                                 |                         |                       |                       |
| Equity securities/stocks   | 9,997,083                       | -                       | -                     | 9,997,083             |
| Certificates of deposit (negotiable)                                       | 349,683                         | -                       | -                     | 349,683               |
| Mutual funds, equity   | 454,285                         | -                       | -                     | 454,285               |
| Participants note receivable   | 3,439,525                       | -                       | -                     | 3,439,525             |
| <b>Total assets</b>  | <b>190,956,512</b>              | <b>49,538,709</b>       | <b>240,835,638</b>    | <b>481,330,859</b>    |
| <b>Liabilities</b>   |                                 |                         |                       |                       |
| Trade payable, due to broker/other   | -                               | 15,476                  | 2,365,067             | 2,380,543             |
| <b>Net Position, Held in Trust for Pension and Other Employee Benefits</b> | <b>\$ 190,956,512</b>           | <b>\$ 49,523,233</b>    | <b>\$ 238,470,571</b> | <b>\$ 478,950,316</b> |

## Board of Water & Light - City of Lansing, Michigan

Detail of Statement of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2024 and 2023

|   | 2024                            |                         |                       |                       |
|---|---------------------------------|-------------------------|-----------------------|-----------------------|
|   | Defined<br>Contribution<br>Plan | Defined<br>Benefit Plan | VEBA                  | Total                 |
| <b>Increases</b>  |                                 |                         |                       |                       |
| Investment income:  |                                 |                         |                       |                       |
| Net appreciation in   |                                 |                         |                       |                       |
| fair value of investments   | \$ 22,518,517                   | \$ 2,980,011            | \$ 19,047,703         | \$ 44,546,231         |
| Interest and dividend income  | 3,363,114                       | 1,153,670               | 5,252,303             | 9,769,087             |
| Net investment income   | 25,881,631                      | 4,133,681               | 24,300,006            | 54,315,318            |
| Employer contributions  | 9,435,006                       | -                       | 65,286                | 9,500,292             |
| Interest from participant notes receivable                                    | 189,210                         | -                       | -                     | 189,210               |
| Other   | 269,948                         | -                       | -                     | 269,948               |
| Total increases   | 35,775,795                      | 4,133,681               | 24,365,292            | 64,274,768            |
| <b>Decreases</b>  |                                 |                         |                       |                       |
| Retiree benefits paid   | 13,525,681                      | 4,995,541               | 9,180,680             | 27,701,902            |
| Loan defaults   | 331,152                         | -                       | -                     | 331,152               |
| Participants' note and administrative fees                                    | 152,962                         | 127,599                 | 259,201               | 539,762               |
| Total decreases   | 14,009,795                      | 5,123,140               | 9,439,881             | 28,572,816            |
| Change in net position held in trust  | 21,766,000                      | (989,459)               | 14,925,411            | 35,701,952            |
| <b>Net Position Held in Trust for Pension<br/>and Other Employee Benefits</b> |                                 |                         |                       |                       |
| Beginning   | 190,956,512                     | 49,523,233              | 238,470,571           | 478,950,316           |
| Ending  | <u>\$ 212,722,512</u>           | <u>\$ 48,533,774</u>    | <u>\$ 253,395,982</u> | <u>\$ 514,652,268</u> |

**Board of Water & Light - City of Lansing, Michigan**

Detail of Statement of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2024 and 2023

|   | 2023                            |                         |                |                |
|---|---------------------------------|-------------------------|----------------|----------------|
|   | Defined<br>Contribution<br>Plan | Defined<br>Benefit Plan | VEBA           | Total          |
| <b>Increases</b>  |                                 |                         |                |                |
| Investment income:  |                                 |                         |                |                |
| Net appreciation in   |                                 |                         |                |                |
| fair value of investments   | \$ 14,923,330                   | \$ 2,662,472            | \$ 15,226,432  | \$ 32,812,234  |
| Interest and dividend income  | 3,131,258                       | 1,471,375               | 5,999,336      | 10,601,969     |
| Net investment income   | 18,054,588                      | 4,133,847               | 21,225,768     | 43,414,203     |
| Employer contributions  | 11,648,704                      | -                       | 68,076         | 11,716,780     |
| Interest from participant notes receivable                                    | 131,862                         | -                       | -              | 131,862        |
| Other   | 84,494                          | -                       | -              | 84,494         |
| Total increases   | 29,919,648                      | 4,133,847               | 21,293,844     | 55,347,339     |
| <b>Decreases</b>  |                                 |                         |                |                |
| Retiree benefits paid   | 21,900,248                      | 5,142,408               | 10,627,788     | 37,670,444     |
| Loan defaults   | 396,895                         | -                       | -              | 396,895        |
| Participants' note and administrative fees                                    | 149,530                         | 126,980                 | 335,579        | 612,089        |
| Total decreases   | 22,446,673                      | 5,269,388               | 10,963,367     | 38,679,428     |
| Change in net position held in trust  | 7,472,975                       | (1,135,541)             | 10,330,477     | 16,667,911     |
| <b>Net Position Held in Trust for Pension<br/>and Other Employee Benefits</b> |                                 |                         |                |                |
| Beginning of year   | 183,483,537                     | 50,658,774              | 228,140,094    | 462,282,405    |
| End of year   | \$ 190,956,512                  | \$ 49,523,233           | \$ 238,470,571 | \$ 478,950,316 |