



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

**Financial Report
With Additional Information
June 30, 2025 and 2024**

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

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June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 audits 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*). 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 3, 2025 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 3, 2025

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, 2024 and 2025.

Overview of Business

The BWL owns and operates an electric system which generates, purchases and distributes electric energy to approximately 99,600 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 60% 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 planned 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 58,100 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 139 customers. The 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 \$202.8 million in fiscal year 2025, \$191.3 million in fiscal year 2024 and \$112.2 million in fiscal year 2023.

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 Supplemental Information section of this financial report.

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

Management's Discussion and Analysis

June 30, 2025 and 2024

Condensed Financial Information (Dollars in Millions)

	As of June 30			% Change	% Change
	2025	2024	2023	2024 to 2025	2023 to 2024
Assets					
Utility plant	\$ 1,398.3	\$ 1,273.9	\$ 1,183.3	% 9.8	% 7.7
Current assets	373.5	340.3	306.2	9.8	11.1
Other assets	311.5	426.7	167.0	(27.0)	155.5
Total assets	2,083.3	2,040.9	1,656.5	2.1	23.2
Deferred outflow of resources	19.7	11.8	26.8	66.9	(56.0)
Liabilities					
Long-term liabilities	1,187.2	1,167.3	824.4	1.7	41.6
Other liabilities	148.5	141.5	113.9	4.9	24.2
Total liabilities	1,335.7	1308.9	938.3	2.0	39.5
Deferred inflow of resources	16.9	21.0	32.1	(19.5)	(34.6)
Net position					
Net investment in capital assets	408.9	389.6	381.4	5.0	2.1
Restricted for debt service	70.1	80.0	48.1	(12.4)	66.3
Restricted for pension	8.7	6.5	5.0	32.3	30.0
Restricted for OPEB	80.3	85.0	74.6	(5.5)	13.9
Unrestricted	182.5	161.7	203.7	12.9	(20.6)
Net position	<u>\$ 750.5</u>	<u>\$ 722.8</u>	<u>\$ 712.9</u>	<u>% 3.8</u>	<u>% 1.4</u>

Capital expenditures in FY2025 exceeded depreciation, impairments and retirements thereby increasing Utility plant assets by \$124.4 million. Current Assets increased by \$33.2 million primarily due to an increase in cash and investments, Other Assets decreased by \$115.2 million primarily due to drawdown of 2024A revenue bonds fund. Deferred Outflows increased by \$7.9 million primarily due to higher projected healthcare costs for the OPEB retirement plan. Total liabilities increased by \$26.8 million primarily driven by a higher environmental remediation liability. Deferred Inflows decreased by \$4.1 million primarily due to changes of assumptions within the OPEB retirement plan.

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.

	For the Year Ended June 30			% Change	% Change
	2025	2024	2023	2024 to 2025	2023 to 2024
Result of operations					
Operating revenue	\$ 468.4	\$ 417.4	\$ 448.9	% 12.2	% (7.0)
Operating expense	415.4	387.9	406.2	7.1	(4.5)
Nonoperating expense - net	(25.4)	(19.6)	(26.6)	29.6	(26.3)
Changes in net position	<u>\$ 27.6</u>	<u>\$ 9.9</u>	<u>\$ 16.1</u>	<u>% 178.8</u>	<u>% (38.5)</u>

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

Management's Discussion and Analysis

June 30, 2025 and 2024

The \$51.0 million increase in FY2025 operating revenue is primarily driven by increases in electric wholesale as a result of higher market prices and sales volume. The \$27.5 million increase in FY2025 operating expense is attributable primarily to increased fuel costs of \$23.3 million, increased administrative and general costs of \$4.9 million, and increased Return on Equity of \$2.0 million, offset by decreased operational and maintenance costs of \$2.7 million.

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.

Budget

The BWL Commissioners approved a \$338.5 million operating expense budget (excluding depreciation and Return on Equity) for FY2025. Actual expenses (excluding depreciation and Return on Equity) were \$318.9 million. The capital expenditure budget, net of customer contributions in aid of construction, was \$187.6 million for FY2025, and actual net capital expenditures were \$195.7 million.

Financing Activities

During 2023, the BWL was authorized to issue \$32,220,000 of Drinking Water State Revolving Fund (DWSRF) revenue bonds, of which the first \$20,000,000 is eligible for principal forgiveness. As of June 30, 2025, \$28,590,875 has been drawn down. The total amount the BWL expects to be financed by project completion or upon disbursement of the total authorized amount is \$12,220,000. The total amount to be repaid as of June 30, 2025 is \$8,590,875.

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 Management

The financial report is intended to provide a general overview of the BWL'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.

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

Statements of Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Restricted cash and investments (Notes 2 and 3)	\$ 92,638,741	\$ 101,353,712
Cash and investments (Notes 1 and 2)	90,782,942	50,954,526
Designated cash and investments (Notes 1 and 2)	94,430,067	89,256,997
Accounts receivable, net (Note 1)	49,175,782	50,807,763
Estimated unbilled accounts receivable (Note 1)	22,768,968	23,567,761
Inventories (Note 1)	20,102,028	18,423,558
Prepayments (Note 1)	3,654,910	5,963,382
Total current assets	373,553,438	340,327,699
Other Assets		
Restricted assets:		
Net pension asset (Note 8)	8,646,252	6,479,599
Net OPEB asset (Note 8)	80,308,338	84,992,538
Restricted cash and investments (Notes 2 and 3)	144,247,959	259,946,436
Recoverable environmental remediation (Note 6)	52,492,879	20,853,276
Recoverable energy asset (Note 6)	5,858,054	26,154,048
Special deposit (Note 1)	17,644,728	25,230,262
Other (Note 1)	2,274,002	3,080,515
Total other assets	311,472,212	426,736,674
Utility Plant (Notes 1 and 4)		
Water	396,343,074	380,759,488
Electric	1,334,862,264	1,278,077,851
Steam	101,724,692	100,366,159
Chilled water	34,105,305	34,105,305
Common facilities	139,081,975	131,931,308
Total plant in service	2,006,117,310	1,925,240,111
Less accumulated depreciation	852,321,134	793,981,863
Net plant in service	1,153,796,176	1,131,258,248
Construction in progress	244,531,511	142,601,832
Total utility plant	1,398,327,687	1,273,860,080
Total assets	2,083,353,337	2,040,924,453
Deferred Outflows of Resources		
Bond refunding loss being amortized (Note 1)	1,456,198	1,703,891
Pension deferred outflows (Note 8)	-	204,912
OPEB deferred outflows (Note 8)	18,300,807	9,881,923
Total deferred outflows of resources	19,757,005	11,790,726

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, MichiganStatements of Net Position
June 30, 2025 and 2024

	2025	2024
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 96,242,700	\$ 88,906,185
Accrued payroll and related taxes	5,171,456	6,514,032
Customer deposits	3,354,208	3,521,026
Accrued compensated absences (Note 1)	6,920,515	6,581,232
Accrued interest	58,984	57,774
Current portion of long-term debt (Note 5)	766,153	777,438
Current liabilities payable from restricted assets:		
Current portion of long-term debt (Note 5)	13,495,000	13,890,000
Accrued interest	22,529,392	21,298,139
Total current liabilities	148,538,408	141,545,826
Compensated Absences, Net of Current Portion (Note 1)	7,018,163	7,730,937
Other Long-Term Liabilities		
Workers' compensation (Note 12)	1,700,000	2,200,000
Environmental remediation liability (Note 9)	46,056,766	16,098,612
Arbitrage rebate requirement (Notes 4 and 12)	4,403,955	-
Other	6,417,042	9,320,770
Total other long-term liabilities	58,577,763	27,619,382
Long-Term Debt, Net, Less Current Portion (Note 5)	1,121,605,301	1,131,994,669
Total liabilities	1,335,739,635	1,308,890,814
Deferred Inflows of Resources		
Revenue intended to cover future costs (Note 6)	4,398,098	6,343,647
Pension deferred inflows (Note 8)	744,696	-
OPEB deferred inflows (Note 8)	11,770,821	14,634,723
Total deferred inflows of resources	16,913,615	20,978,370
Net Position (Note 1)		
Net investment in capital assets	408,931,543	389,625,738
Restricted for debt service	70,109,349	80,055,573
Restricted for pension	8,646,252	6,479,599
Restricted for OPEB	80,308,338	84,992,538
Unrestricted	182,461,610	161,692,547
Total net position	\$ 750,457,092	\$ 722,845,995

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, MichiganStatements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues (Note 1)		
Water	\$ 61,455,925	\$ 55,757,309
Electric	385,524,610	341,976,263
Steam	14,691,575	12,785,927
Chilled water	6,775,779	6,915,341
Total operating revenues	468,447,889	417,434,840
Operating Expenses		
Production:		
Fuel, purchased power and other operating expenses	162,042,369	138,777,452
Maintenance	21,288,260	22,732,499
Transmission and distribution:		
Operating expenses	13,841,237	14,757,338
Maintenance	23,522,155	23,933,835
Administrative and general	98,253,370	93,398,015
Return on equity (Note 7)	28,057,140	26,028,591
Depreciation (Note 1)	68,414,785	68,302,725
Total operating expenses	415,419,316	387,930,455
Operating income	53,028,573	29,504,385
Nonoperating Income (Expenses)		
Investment income	18,181,899	14,264,806
Other expense	(2,323,228)	(1,480,080)
Bonded debt interest expense	(40,773,265)	(32,361,141)
Other interest expense	(502,882)	(35,748)
Total nonoperating income (expenses), net	(25,417,476)	(19,612,163)
Net income (changes in net position)	27,611,097	9,892,222
Net Position, Beginning	722,845,995	712,953,773
Net Position, Ending	\$ 750,457,092	\$ 722,845,995

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, Michigan**Statements of Cash Flows**

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	\$ 486,405,880	\$ 413,044,418
Cash paid to suppliers	(223,267,028)	(206,579,720)
Cash paid to employees	(92,865,169)	(77,075,359)
Return on equity (Note 7)	(28,057,140)	(26,028,591)
Cash from customer deposits	(166,818)	(2,102,068)
Other interest expense	(475,376)	(35,748)
Net cash flows from operating activities	141,574,349	101,222,932
Cash Flows From Capital and Related Financing Activities		
Planned, bonded, and annual construction	(190,030,684)	(142,913,213)
Principal payments on debt	(14,667,438)	(14,004,724)
Proceeds from new borrowings net of premium received	8,590,875	360,835,763
Principal payments on subscription-based IT arrangements	(3,425,213)	(3,538,950)
Interest on debt	(44,012,199)	(29,463,795)
Net cash flows from capital and related financing activities	(243,544,659)	170,915,081
Cash Flows From Investing Activities		
Proceeds from the sale and maturity of investments	171,911,917	99,919,225
Interest received	16,679,975	10,315,739
Purchase of investments	(38,566,382)	(270,547,587)
Net cash flows from investing activities	150,025,510	(160,312,623)
Net change in cash and cash equivalents	48,055,200	111,825,390
Cash and Cash Equivalents, Beginning	204,968,623	93,143,233
Cash and Cash Equivalents, Ending	\$ 253,023,823	\$ 204,968,623

See notes to financial statements

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

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of Cash and Cash Equivalents to		
Statement of Net Position		
Restricted cash and investments	\$ 92,638,741	\$ 101,353,712
Cash and investments	90,782,942	50,954,526
Designated cash and investments	94,430,067	89,256,997
Noncurrent restricted cash and investments	144,247,959	259,946,436
Total cash and investments	422,099,709	501,511,671
Less noncash investments	(169,075,886)	(296,543,048)
Cash and cash equivalents, ending	<u>\$ 253,023,823</u>	<u>\$ 204,968,623</u>
Reconciliation of Operating Income to Net Cash		
From Operating Activities		
Operating income	\$ 53,028,573	\$ 29,504,385
Adjustments to reconcile operating income to net cash from operating activities:		
Other nonoperating	(3,636,927)	(2,813,134)
Depreciation	68,414,785	68,302,725
Sewerage collection fees	1,313,699	1,333,054
Other interest expenses	(475,376)	(35,748)
Decrease (increase) in assets:		
Accounts receivable (Note 1)	1,631,981	(7,696,106)
Unbilled accounts receivable (Note 1)	798,793	(1,199,620)
Inventories	(1,678,470)	1,301,532
Other postemployment benefits asset and deferrals	(6,598,586)	(11,793,398)
Special deposit	7,585,534	6,103,761
Net pension asset	(2,166,653)	(1,470,501)
Prepayments	2,301,378	(852,225)
Regulatory asset	(31,639,603)	(913,318)
(Decrease) increase in liabilities and deferred outflows/inflows of resources:		
Accounts payable and other accrued expenses	34,905,621	13,570,246
Customer deposits	(166,818)	(2,102,068)
Net pension asset deferrals	949,608	1,431,149
Deferred inflows, energy cost adjustments	18,350,445	5,985,384
Other	(1,343,635)	2,566,814
Total adjustments	88,545,776	71,718,547
Net cash provided by operating activities	<u>\$ 141,574,349</u>	<u>\$ 101,222,932</u>
Noncash Capital and Financing Activities		
Increase (decrease) in noncash investment valuations	\$ 5,878,373	\$ 3,949,067
Subscription-based IT arrangements	\$ 751,683	\$ -
Amortization of bond premium	\$ 4,471,397	\$ 3,757,493
Bond proceeds placed directly to escrow in refunding	\$ -	\$ 45,634,991

See notes to financial statements

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

Statements of Fiduciary Net Position -

Pension and OPEB Trust Funds

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Receivable, investment interest receivable	\$ 815,712	\$ 14,641
Participant notes receivable	3,422,732	3,532,182
Cash and cash equivalents	25,768,448	28,368,369
Investments at fair value:		
Mutual funds, bonds	100,482,077	96,482,199
Mutual funds, equity	364,809,221	333,580,797
Real estate trust investment	40,244,890	42,233,893
Self-directed brokerage account:		
Equity securities/stocks	18,377,421	12,507,716
Certificates of deposit (negotiable)	-	100,039
Mutual funds, equity	<u>827,483</u>	<u>598,099</u>
 Total assets	 <u>554,747,984</u>	 <u>517,417,935</u>
 Liabilities		
Trade payable, due to broker/other	812,171	317,309
Reimbursement for benefits paid by employer	<u>5,011,279</u>	<u>2,448,357</u>
 Net position, held in trust for pension and other employee benefits	 <u>\$ 548,924,534</u>	 <u>\$ 514,652,269</u>

See notes to financial statements

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

Statements of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	2025	2024
Increases		
Investment income:		
Net appreciation in fair value of investments	\$ 45,644,769	\$ 44,546,231
Interest and dividend income	10,024,968	9,769,087
Net investment income	55,669,737	54,315,318
Employer contributions	9,032,259	9,500,292
Interest from participant notes receivable	226,953	189,210
Other	480,908	269,948
Total increases	65,409,857	64,274,768
Decreases		
Retiree benefits paid	30,021,653	27,701,902
Loan defaults	412,246	331,152
Participants' note and administrative fees	703,693	539,761
Total decreases	31,137,592	28,572,815
Change in net position held in trust	34,272,265	35,701,953
Net Position Held in Trust for Pension and Other Employee Benefits		
Beginning	514,652,269	478,950,316
Ending	\$ 548,924,534	\$ 514,652,269

See notes to financial statements

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 Postretirement 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.

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.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented July 1, 2024. The prior year impact of the standard was not considered material to the financial statements, therefore the prior year balances were not adjusted for the change.

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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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	
	2025	2024
Designated purpose:		
Litigation, environmental and uninsured losses	\$ 22,091,779	\$ 20,876,509
Future water facilities	4,459,209	4,211,679
Subtotal	26,550,988	25,088,188
Special purpose, future construction	67,879,079	64,168,809
Total	\$ 94,430,067	\$ 89,256,997

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 2025 and 2024 are as follows:

	2025	2024
Customer receivables	\$ 32,060,580	\$ 29,571,916
Sewerage collections	2,805,555	2,728,219
Wholesale sales receivables	4,174,924	4,613,189
Grant receivables	4,999,576	6,197,388
Refundable deposit	-	6,103,762
Miscellaneous	7,635,147	4,593,289
Less allowance for doubtful accounts	(2,500,000)	(3,000,000)
Net	\$ 49,175,782	\$ 50,807,763

Unbilled Accounts Receivable and Revenue

Unbilled accounts receivable at June 30, 2025 and 2024 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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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 2025 and 2024, the BWL recovered \$7,585,534 and \$6,103,762, 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 \$17,603,563 in 2025 and \$25,189,097 in 2024. The BWL has \$41,165 of miscellaneous other deposits as of June 30, 2025 and 2024.

Inventories

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

	2025	2024
Gas	\$ 2,168,849	\$ 1,225,790
Materials and supplies	17,933,179	17,197,768
Total	<u>\$ 20,102,028</u>	<u>\$ 18,423,558</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 2025 and 2024, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

		Average Rate (Percent)	
	Life (Years)	2025	2024
Classification of utility plant:			
Water	4-100	2.0	2.0
Electric	4-50	3.5	3.6
Steam	5-50	2.9	2.8
Chilled water	5-50	2.2	3.4
Common facilities	2-50	5.3	6.9

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

Accrued Compensated Absences

The BWL records liabilities 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, such as FMLA, Bereavement, or Jury Duty. This liability is accrued as employees earn the rights to such benefits. A portion of the current liability is included in accrued payroll for earned and used but unpaid vacation and sick time. The BWL estimates the total current and noncurrent portions of the accrued compensated absence liability to be \$13,938,678 and \$14,312,169 as of June 30, 2025 and 2024, 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, steam and chilled water 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."

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

Inter-Utility Transactions

The water, electric, steam and chilled water operations of the BWL bill each other for services provided and these services are reported as revenue to the generating operation and expense to the consuming operation. Such internal billings aggregated \$7,083,455 and \$6,281,268 in 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, the BWL had \$19,286,941 and \$20,225,479, 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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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. All the investments and securities under custodial care are owned by the BWL and only held by independent, third-party custodians for safekeeping. The BWL's investment policy has addressed custodial credit risk by owning all investments and registering each in the name of the government.

At June 30, 2025, the following investment securities were uninsured but registered in BWL's name, with securities held by the counterparty or by its trust department or agent:

Type of Investment	Fair Value	How Held
U.S. agency bond or notes	\$ 39,189,690	Counterparty
U.S. treasury bonds	168,161,274	Counterparty

At June 30, 2024, the following investment securities were uninsured but registered in BWL's name, with securities held by the counterparty or by its trust department or agent:

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

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, 2025, the average maturities of investments are as follows:

Investment	Fair Value	Less Than 1 Year	1-5 Years	6+ Years
Pooled investment funds	\$ 62,014,516	\$ 62,014,516	\$ -	\$ -
U.S. treasury bonds	168,161,274	100,021,806	68,139,468	-
U.S. agency bonds/notes	39,189,690	1,297,303	31,512,732	6,379,655
Total	<u>\$ 269,365,480</u>	<u>\$ 163,333,625</u>	<u>\$ 99,652,200</u>	<u>\$ 6,379,655</u>

At June 30, 2024, the average maturities of investments are as follows:

Investment	Fair Value	Less Than 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	31,421,906	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>

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Notes to Financial Statements

June 30, 2025 and 2024

Credit Risk

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

As of June 30, 2025, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	\$ 62,014,516	AAAm	S&P
U.S. treasury bonds	168,161,274	AA+ (Aa1)	S&P (Moody's)
U.S. agency bonds/notes	39,189,690	AA+ (Aa1)	S&P (Moody's)

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

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, 2025 and 2024, the BWL's investment portfolio was concentrated as follows:

Investment	2025	2024
Freddie Mac	12 %	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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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

June 30, 2025				
	Level 1	Level 2	Level 3	Total
U.S. treasury bonds	\$ -	\$ 168,161,274	\$ -	\$ 168,161,274
Federal agency mortgage-backed security	-	28,633,584	-	28,633,584
Federal agency collateralized mortgage obligation	-	2,106,033	-	2,106,033
Federal agency bond/note	-	8,450,073	-	8,450,073
Total investments at fair value level	\$ -	\$ 207,350,964	\$ -	\$ 207,350,964

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

Fiduciary Fund Investments

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plans' deposits may not be returned to them. The Plans require that financial institutions must meet minimum criteria to offer adequate safety to the Plans. At June 30, 2025 and 2024, the BWL had \$1,043,398 and \$2,245,772, respectively, of bank deposits that were uninsured and uncollateralized. The Plans evaluate each financial institution with which they deposit 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 Plans will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The Plans' investment policies addresses this risk by requiring the Plans to hold all investments subject to custodial credit risk in their name.

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.

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

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2025, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity (in Years)
Mutual fund, bonds	\$ 100,482,077	8.9

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

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, 2025, 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	\$ 100,482,077	Not rated	Not rated

As of June 30, 2024, 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	\$ 96,482,199	Not rated	Not rated
Certificates of deposit (negotiable)	100,039	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, 2025 and June 30, 2024.

Fair Value - Pension Trust Funds

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

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; 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, 2025 and 2024:

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.

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June 30, 2025 and 2024

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2025 and 2024:

Investment Type	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Mutual funds, bonds	\$ 77,927,338	\$ 22,554,739	\$ -	\$ 100,482,077
Mutual funds, equities	302,281,953	62,527,268	-	364,809,221
Self-directed brokerage account, equities	18,377,421	-	-	18,377,421
Self-directed brokerage account, mutual funds, equity	827,483	-	-	827,483
Total investments by fair value level	\$ 399,414,195	\$ 85,082,007	\$ -	\$ 484,496,202
Investments measured at the net asset value (NAV):				
Real estate fund investments				40,244,890
Total investments measured at fair value				<u>\$ 524,741,092</u>

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, mutual funds, equity	598,099	-	-	598,099
Certificates of deposit	-	100,039	-	100,039
Total investments by fair value level	\$ 310,124,492	\$ 133,144,358	\$ -	\$ 443,268,850
Investments measured at the net asset value (NAV):				
Real estate fund investments				42,233,893
Total investments measured at fair value				<u>\$ 485,502,743</u>

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

Notes to Financial Statements

June 30, 2025 and 2024

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	
	2025	2024
Operations and maintenance fund	\$ 39,230,603	\$ 39,896,170
Bond and interest redemption fund	53,408,138	61,457,542
Construction Fund	144,247,959	259,946,436
Total	<u>\$ 236,886,700</u>	<u>\$ 361,300,148</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 2025 and 2024.

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, 2025 and 2024:

Capital Asset Activity for Year Ended June 30, 2025

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	\$ 380,759,488	\$ 16,322,362	\$ 813,607	\$ (738,776)	\$ 397,156,681
Electric	1,278,077,851	63,211,913	-	(6,427,500)	1,334,862,264
Steam	100,366,159	4,288,802	-	(2,930,269)	101,724,692
Chilled	34,105,305	-	-	-	34,105,305
Common	131,931,308	11,056,016	751,681	(5,470,637)	138,268,368
AUC	142,601,832	(94,879,093)	197,628,220	(819,448)	244,531,511
Total	<u>\$ 2,067,841,943</u>	<u>\$ -</u>	<u>\$ 199,193,508</u>	<u>\$ (16,386,630)</u>	<u>\$ 2,250,648,821</u>

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

Notes to Financial Statements

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Accumulated Depreciation for Year Ended June 30, 2025

	Accumulated Depreciation FY Start	Depreciation Transfers	Depreciation / Amortization and Impairment for Year	Depreciation Retirement	Accumulated Depreciation FY End
Water	\$ (143,459,691)	\$ (889)	\$ (8,785,741)	\$ 369,291	\$ (151,877,030)
Electric	(514,235,813)	136,333	(45,998,483)	2,105,014	(557,992,949)
Steam	(34,104,264)	-	(2,889,472)	1,651,967	(35,341,769)
Chilled	(19,616,585)	-	(747,255)	-	(20,363,840)
Common	(82,565,510)	(135,444)	(9,511,433)	5,466,841	(86,745,546)
Total	<u>\$ (793,981,863)</u>	<u>\$ -</u>	<u>\$ (67,932,384)</u>	<u>\$ 9,593,113</u>	<u>\$ (852,321,134)</u>

Nondepreciable Assets - Included in the table above are nondepreciable assets of \$2,204,045 for water, \$18,678,915 for electric, \$124,099 for steam, \$412,339 for common facilities and \$244,531,511 for AUC.

Capital Asset Activity for Year Ended June 30, 2024

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets 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>

Accumulated Depreciation for Year Ended June 30, 2024

	Accumulated Depreciation FY Start	Depreciation Transfers	Depreciation / Amortization and Impairment for Year	Depreciation Retirement	Accumulated Depreciation 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 \$142,601,832 for AUC

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Notes to Financial Statements

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5. Long-Term Debt

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

	2025	2024
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 rates ranging from 5.00% to 5.25%. Original amount of issue \$364,625,000.	\$ 364,625,000	\$ 364,625,000
Utility System Junior Lien Revenue Bonds, Series 2023, due in annual principal installments beginning October 1, 2026, and continuing through October 1, 2066, plus interest at a rate of 1.875%. Original amount of issue \$8,590,875 as of June 30, 2025.	8,590,875* (1)	-
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 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 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.	187,010,000	193,605,000
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.	310,425,000	313,730,000
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.	19,635,000	21,625,000

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Notes to Financial Statements

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</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
Promissory note, due to the City of Lansing in semi-annual installments through October 1, 2031, plus interest at a rate of 2.50%. Original amount of issue \$13,225,385.	2,717,630*	3,368,762*
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.	2,526,107*	2,652,412*
Total	1,022,424,612	1,028,501,175
Less current portion	(14,261,153)	(14,667,438)
Plus unamortized premium	113,441,842	118,160,932
Total	<u>\$ 1,121,605,301</u>	<u>\$ 1,131,994,669</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.

(1) - During 2023, the BWL was authorized to issue \$32,220,000 of Drinking Water State Revolving Fund (DWSRF) revenue bonds, of which the first \$20,000,000 is eligible for principal forgiveness. As of June 30, 2025, \$28,590,875 has been drawn down. The repayment schedule will be determined upon project completion or upon disbursement of the total authorized amount. The repayment schedules will reflect DWSRF repayments in the first fiscal year that the schedule is finalized. Therefore, the future debt service is not included in the current repayment schedule.

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

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	20,180,000	43,112,406	63,292,406
2031-2035	113,910,000	202,195,630	316,105,630
2036-2040	140,035,000	175,363,616	315,398,616
2041-2045	172,985,000	141,411,528	314,396,528
2046-2050	219,740,000	93,368,750	313,108,750
2051-2055	276,120,000	35,678,788	311,798,788
Total	<u>\$ 1,008,590,000</u>	<u>\$ 869,208,673</u>	<u>\$ 1,877,798,673</u>

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

Notes to Financial Statements

June 30, 2025 and 2024

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

Years Ending June 30:	Principal	Interest	Total
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	423,896	99,906	523,802
2031-2035	844,244	374,508	1,218,752
2036-2040	631,527	227,170	858,697
2041-2045	631,528	85,189	716,717
Total	\$ 5,243,737	\$ 1,344,797	\$ 6,588,534

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 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 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 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.

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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 2025, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2025 shall be subject to redemption at the option of the BWL on or after July 1, 2024 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.

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.

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

Notes to Financial Statements

June 30, 2025 and 2024

The long-term debt activity for the year ended June 30, 2025 is as follows:

	Revenue Bonds (Net of Unamortized Premiums)	Other Notes	Total
Beginning balance	\$ 1,140,640,932	\$ 6,021,175	\$ 1,146,662,107
Additions	8,590,875	-	8,590,875
Reductions	(18,609,090)	(777,438)	(19,386,528)
Ending balance	<u>\$ 1,130,622,717</u>	<u>\$ 5,243,737</u>	<u>\$ 1,135,866,454</u>
Due with-in one year	\$ 13,495,000	\$ 766,153	\$ 14,261,153

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 2025, the remaining principal and interest to be paid on the bonds total \$1,877,798,673. During fiscal year 2025, net revenues of the BWL were \$137,302,035 compared to the annual debt requirements of \$41,915,898. 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.

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

	Revenue Bonds (Net of Unamortized Premiums)	Other Notes	Total
Beginning balance	\$ 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)
Ending balance	<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

6. Costs/Credits Recoverable in Future Years**Environmental Remediation**

During the fiscal year ended June 30, 2004, the GASB 49 environmental remediation liability related to a landfill site operated by the BWL was approved for regulatory accounting under GASB 62. The balance of the regulatory asset related to this first landfill site at June 30, 2025 and 2024 was \$470,113 and \$0, respectively. 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, 2025 and 2024 was \$98,899 and \$0, 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, 2025 and 2024 for additional sites was \$51,923,867 and \$20,853,276 respectively. The increase in environmental liabilities is primarily driven by a groundwater remediation project. During fiscal 2025, the BWL received information regarding potential remedies that may be used at the site.

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 (CWFCFA). 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 \$5,858,054 and \$26,154,048 at June 30, 2025 and 2024, 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 \$549,482 and \$1,292,134 as of June 30, 2025 and 2024, 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 \$0 and \$220,271 as of June 30, 2025 and 2024, 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, 2025 and 2024 was \$3,848,616 and \$4,831,242, respectively.

7. Transactions With the City of Lansing, Michigan

Operations

The BWL recognized revenue of \$10,301,584 and \$10,547,324 in 2025 and 2024, respectively, for water, electric and steam services provided to the City. The BWL incurred expenses for sewerage services purchased from the City of \$2,250,103 and \$2,213,195 in 2025 and 2024, respectively.

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of \$1,313,699 and \$1,333,054 in 2025 and 2024, 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 and 2025, 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 \$28,057,140 and \$26,028,591 for 2025 and 2024, 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, 2025 and 2024.

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Notes to Financial Statements

June 30, 2025 and 2024

Employees Covered by Benefit Terms - At February 28, 2025 and February 29, 2024 (the most recent actuarial valuation for funding purposes), Defined Benefit Plan membership consisted of the following:

	2025	2024
Inactive plan members or beneficiaries currently receiving benefits	236	255
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	3	3
Total	240	259

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, 2024 and 2025. Plan documents do not require participant contributions.

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

Notes to Financial Statements

June 30, 2025 and 2024

Net Pension Asset - The components of the net pension asset of the BWL at June 30, 2025 and June 30, 2024 were as follows (in thousands):

	2025	2024
Total pension liability	\$ 39,344	\$ 42,054
Plan fiduciary net pension	47,990	48,534
Total	<u>\$ (8,646)</u>	<u>\$ (6,480)</u>
Plan fiduciary net position, as a percentage of the total pension liability	121.98 %	115.41 %

The BWL has chosen to use June 30, 2025 as its measurement date for fiscal year 2025. The June 30, 2025 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2025. The June 30, 2025 total pension liability was determined by an actuarial valuation as of February 28, 2025, which used update procedures to roll forward the estimated liability to June 30, 2025.

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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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

	In Thousands		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance, June 30, 2023	\$ 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)
Balances, June 30, 2024	42,054	48,534	(6,480)
Changes for the year:			
Service cost	32	-	32
Interest	2,382	-	2,382
Differences between expected and actual experience	(352)	-	(352)
Changes in assumptions	-	-	-
Net investment income	-	4,393	(4,393)
Benefit payments, including refunds	(4,772)	(4,772)	-
Administrative expenses	-	(165)	165
Miscellaneous other charges	-	-	-
Net changes	(2,710)	(544)	(2,166)
Balance, June 30, 2025	\$ 39,344	\$ 47,990	\$ (8,646)

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

Related to Pensions - For the year ended June 30, 2025, the BWL recognized pension expense of (\$1,217,045). At 2025, the BWL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 744,696

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

Notes to Financial Statements

June 30, 2025 and 2024

For the year ended June 30, 2024, the BWL recognized pension expense of (\$39,352). At June 30, 2024, the BWL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 204,912	\$ -

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:

2026	\$ 1,007,204
2027	(838,231)
2028	(588,209)
2029	<u>(325,460)</u>
Total	<u>\$ (744,696)</u>

Actuarial Assumptions - The total pension liability in the June 30, 2025 and June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2025</u>	<u>2024</u>
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, 2025 and 2024 valuations.

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered 3 active participants in fiscal year 2025 and fiscal year 2024, 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 2025 and 2024. 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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024 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	2025 Long-Term Expected Real Rate of Return	2024 Long-Term Expected Real Rate of Return
Core bonds	2.52 %	2.56 %
Multi-sector	3.44	3.50
Liquid absolute return	3.25	3.25
U.S. large cap equity	7.20	7.15
U.S. small cap equity	8.59	8.58
Non-U.S. equity	8.20	8.26
Core real estate	6.45	6.49

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, 2025, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability (asset) of the BWL	\$ (4,981,548)	\$ (8,646,252)	\$ (10,354,287)

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

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.

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

Notes to Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024, the BWL contributed \$8,970,407 and \$9,435,006, 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 Postretirement 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 748 participants eligible to receive benefits at June 30, 2025 and 755 participants eligible at June 30, 2024.

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

Notes to Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was \$61,852 and \$65,286, 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 Postretirement 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, 2025, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	791
Disabled participants	65
Retired participants	534
Surviving spouses	149
	<hr/>
Total	1,539
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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	156
	<hr/>
Total	1,533
	<hr/>

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, 2025 and 2024, the actual contribution rates of the BWL were 0.08% of covered-employee payroll.

Net OPEB Liability (Asset) - The BWL has chosen to use June 30, 2025 as its measurement date for fiscal year 2025. The June 30, 2025 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2025. The June 30, 2025 total OPEB liability was determined by an actuarial valuation as of February 28, 2025, which used update procedures to roll forward the estimated liability to June 30, 2025.

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.

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

Notes to Financial Statements

June 30, 2025 and 2024

Actuarial Assumptions - The total OPEB liability in the June 30, 2025 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

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

Healthcare cost trend rates:

FYE	Medical / RX		Part B	Dental
	Pre-65	Post-65		
2025	7.50%	5.75%	4.00%	4.00%
2026	7.25	5.50	4.25	4.00
2027	7.00	5.25	4.50	4.00
2028	6.75	5.00	4.75	4.00
2029	6.50	4.75	5.00	4.00
2030	6.25	4.50	5.00	4.00
2031	6.00	4.50	5.00	4.00
2032	5.75	4.50	5.00	4.00
2033	5.50	4.50	5.00	4.00
2034	5.25	4.50	5.00	4.00
2035	5.00	4.50	5.00	4.00
2036	4.75	4.50	5.00	4.00
2037+	4.50	4.50	5.00	4.00

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

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

Healthcare cost trend rates:

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

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

Notes to Financial Statements

June 30, 2025 and 2024

2025 and 2024 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, 2025 and 2024:

Asset Class	2025 Target Allocation	2024 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	25.00
U.S. small cap equity	15.00	15.00
Non-U.S. equity	20.00	20.00
Core real estate	8.00	8.00
Value add real estate	7.00	7.00

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, 2025 and 2024 are summarized in the following table:

Asset Class	2025 Long-Term Expected Real Rate of Return	2024 Long-Term Expected Real Rate of Return
Core bonds	2.52 %	2.56 %
Multi-sector	3.44	3.50
Liquid absolute return	3.25	3.25
U.S. large cap equity	7.20	7.15
U.S. small cap equity	8.59	8.58
Non-U.S. equity	8.20	8.26
Core real estate	6.45	6.49
Value add real estate	7.95	7.99

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

Notes to Financial Statements

June 30, 2025 and 2024

For the June 30, 2025 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, 2025 valuation was 6.50% with the expectation that BWL will continue contributing the actuarially determined contribution and/or paying for the pay-go cost.

Asset Class	Long-Term Expected Real Rate of Return Current Year	Long-Term Expected Real Rate of Return Prior Year
Fidelity 20-year GO Municipal Bond Index	4.71 %	3.97 %
Actual Discount Rate Used	6.50	6.50

Discount Rate - The discount rate used to measure the total OPEB liability was 6.50% for June 30, 2025 and 2024. 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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance, June 30, 2024	\$ 168,403	\$ 253,396	\$ (84,993)
Changes for the year:			
Service cost	4,479	-	4,479
Interest	10,640	-	10,640
Change in benefit terms	-	-	-
Differences between expected and actual experience	11,189	-	11,189
Changes in assumptions	2,901	-	2,901
Contributions, employer	-	62	(62)
Contributions, employee	-	-	-
Net investment income	-	24,832	(24,832)
Benefit payments	(9,563)	(9,563)	-
Administrative expenses	-	(370)	370
Net changes	19,645	14,961	4,684
Balance, June 30, 2025	\$ 188,049	\$ 268,357	\$ (80,308)

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

Notes to Financial Statements

June 30, 2025 and 2024

	In Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance, June 30, 2023	<u>\$ 163,829</u>	<u>\$ 238,471</u>	<u>\$ (74,642)</u>
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	<u>4,575</u>	<u>14,925</u>	<u>(10,350)</u>
Balance, June 30, 2024	<u><u>\$ 168,403</u></u>	<u><u>\$ 253,396</u></u>	<u><u>\$ (84,993)</u></u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate (6.5%) as of June 30, 2025:

	June 30, 2025		
	1% Decrease	Current Discount Rate	1% Increase
NET OPEB liability (asset)	\$ (56,789,611)	\$ (80,308,338)	\$ (99,892,293)

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)

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

Notes to Financial Statements

June 30, 2025 and 2024

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, 2025:

	June 30, 2025		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (101,368,187)	\$ (80,308,338)	\$ (54,595,655)

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)

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light June 30, 2025 GASB 74/75 Report, issued July 29, 2025.

For the year ended June 30, 2025, the Plan recognized OPEB expense of (\$6,536,734). At June 30, 2025, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,031,440	\$ 3,146,457
Changes of assumptions	6,269,367	840,143
Net difference between projected and actual earnings on OPEB plan investments	-	7,784,221
Total	\$ 18,300,807	\$ 11,770,821

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:

2026	\$ 4,721,458
2027	(1,555,111)
2028	(677,517)
2029	460,656
2030	2,011,348
Thereafter	1,569,152
Total	\$ 6,529,986

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Notes to Financial Statements

June 30, 2025 and 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 Outflows of Resources	Deferred Inflows 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 OPEB plan investments	-	3,792,920
Total	<u>\$ 9,881,923</u>	<u>\$ 14,634,723</u>

Other Postretirement Benefits

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

9. Commitments and Contingencies

At June 30, 2025 and 2024, 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 \$5,451,766 and \$5,389,412 for the years ended June 30, 2025 and 2024, 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 litigation reserve of \$1,350,000 as of June 30, 2025, and \$1,300,000 as of June 30, 2024 in regard to specific pending legal cases.

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

Notes to Financial Statements

June 30, 2025 and 2024

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately \$311,018,326 and \$382,841,704 at June 30, 2025 and 2024, 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.

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
2026	\$ 7,209,374	\$ 19,089,625	\$ 26,298,999
2027	7,206,328	17,752,801	24,959,129
2028	7,015,895	15,121,539	22,137,434
2029	4,314,902	16,093,497	20,408,399
2030	4,314,699	16,969,952	21,284,651

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 2025 and 2024 of \$45,472,716 and \$41,402,193, 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 \$4,403,955 and \$0 at 2025 and 2024, respectively. 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.

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

Notes to Financial Statements

June 30, 2025 and 2024

12. Risk Management and Insurance

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

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

	Workers' Compensation			Health Insurance		
	2025	2024	2023	2025	2024	2023
Unpaid claims, beginning	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 1,893,351	\$ 1,686,723	\$ 1,773,595
Included claims, including claims incurred but not reported	52,674	49,474	24,127	26,150,581	23,176,317	20,178,663
Claim payments	(52,674)	(49,474)	(24,127)	(25,952,169)	(22,969,689)	(20,265,535)
Liability reduction	(500,000)	-	-	-	-	-
Unpaid claims ending	<u>\$ 1,700,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,091,763</u>	<u>\$ 1,893,351</u>	<u>\$ 1,686,723</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. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*. 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 3, 2025, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements. There are no subsequent events warranting disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 32	\$ 31	\$ 29	\$ 26	\$ 26	\$ 42	\$ 60	\$ 50	\$ 113	\$ 223
Interest	2,382	2,523	2,721	2,974	3,212	3,566	3,691	4,031	4,317	4,625
Differences between expected and actual experience	(352)	(18)	(981)	179	(968)	(919)	(743)	(230)	(383)	299
Changes in assumptions	-	-	-	1,730	(366)	1,555	1,210	1,419	(857)	(1,468)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
Net Change in Total Pension Liability	(2,710)	(2,460)	(3,373)	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)
Total Pension Liability, Beginning	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178	65,395
Total Pension Liability, Ending	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178
Plan Net Position										
Net investment income	4,393	4,134	4,134	(5,399)	11,853	1,658	4,381	3,112	8,272	47
Administrative expenses	(165)	(128)	(127)	(134)	(123)	(145)	(183)	(255)	(317)	(388)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
Other	-	-	-	-	-	(477)	-	-	-	-
Net change in Net Position Held in Trust	(544)	(990)	(1,135)	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482	(8,237)
Net Position Restricted for Pensions, Beginning	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442	73,679
Net Position Restricted for Pensions, Ending	47,990	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442
BWL Net Pension Asset, Ending	<u>\$ (8,646)</u>	<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>
Plan Net Position as a % of Total Pension Liability	122%	115%	111%	106%	127%	106%	112%	112%	116%	107%
Covered Employee Payroll	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
BWL's Net Pension Asset as a % of Covered Employee Payroll	(3,250%)	(2,473%)	(2,020%)	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)

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>2025</u>	<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>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	<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>
Covered Employee Payroll	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

See notes to required supplementary information

**Postretirement 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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	\$ 4,479	\$ 4,201	\$ 3,452	\$ 3,299	\$ 3,396	\$ 3,245	\$ 4,403	\$ 4,827	\$ 3,130
Interest	10,640	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	11,189	(801)	4,770	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281
Changes in assumptions	2,901	-	-	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
Net Change in Total OPEB Liability	19,646	4,574	7,421	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036
Total OPEB Liability, Beginning	168,403	163,829	156,410	147,644	154,603	148,550	203,487	205,624	194,588
Total OPEB Liability, Ending	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624
Trust Net Position									
Contributions, employer	62	65	68	13,493	8,344	9,157	9,278	10,395	9,574
Net investment income	24,832	24,300	21,226	(19,247)	49,387	4,158	11,688	11,039	18,040
Administrative expenses	(370)	(259)	(336)	(354)	(449)	(512)	(569)	(634)	(705)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
Net change in Net Position Held in Trust	14,961	14,925	10,330	(19,601)	48,938	3,646	11,119	10,405	17,335
Trust Fiduciary Net Position, Beginning	253,396	238,471	228,142	247,743	198,805	195,159	184,040	173,635	156,300
Trust Fiduciary Net Position, Ending	268,357	253,396	238,472	228,142	247,743	198,805	195,159	184,040	173,635
BWL Net OPEB Liability (Asset), Ending	<u>\$ (80,308)</u>	<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>
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	142.71%	150.47%	145.56%	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%
Covered Employee Payroll	\$ 82,440	\$ 77,109	\$ 69,744	\$ 62,976	\$ 60,269	\$ 58,198	\$ 56,785	\$ 55,650	\$ 54,383
BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll	(97.41%)	(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 2016 is not available and this schedule will be presented on a prospective basis.

See notes to required supplementary information

**Postretirement Benefit Plan and Trust for
Eligible Employees of Lansing Board of Water and Light**

Required Supplemental Information (Unaudited)
Schedule of Employer Contributions
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
	Required	Actual			
6/30/2016	\$ 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%
6/30/2025	-	62	62	82,440	0%

See notes to required supplementary information

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

1. Defined Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2025, based on roll-forward of February 28, 2025 valuation
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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, 2024, based on roll-forward of February 29, 2024 valuation
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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.

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

Significant Changes

June 30, 2025

- Difference between actual and expected experience - The \$352.4K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2025 is primarily attributable to favorable demographic experience.
- Assumption change - None.
- Investment gain - The plan experienced a \$1.63M gain on plan assets during the fiscal year ending June 30, 2025 due to the actual return on assets equaling 9.52% vs. an expected return of 6.00%.

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.

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

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

June 30, 2019

- Difference between actual and expected experience - The \$.74MM gain on the Total Pension Liability for the fiscal year ending June 30, 2019 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$1.21MM loss due to the change of the mortality assumption from the RP-2014 Total Dataset Mortality adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUB-2010 General Employees Mortality, projected generationally using the MP-2018 improvement scale.

June 30, 2018

- Difference between actual and expected experience - The \$230,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2018 is primarily attributable to participant deaths.
- Assumption change - Assumptions for the discount rate and expected return on assets were decreased from 7.50% to 7.00% to reflect the expected long term rate of return on the trust.

June 30, 2017

- Difference between actual and expected experience - The \$383,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2017 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$.86MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2016 Improvement Scale.

June 30, 2016

- Difference between actual and expected experience - The \$299,000 loss on the Total Pension Liability for the fiscal year ending June 30, 2016 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$1.47MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2015 Improvement Scale.

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

2. Postretirement Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2025, based on roll-forward of February 28, 2025 valuation
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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	23 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, 2024, based on roll-forward of February 29, 2024 valuation
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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	24 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

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

Significant Changes:

June 30, 2025

- Difference between actual and expected experience - The \$11.2M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2025 is primarily attributable to higher than expected 2025 per capita claims cost. The 2025 Humana premiums for post-65 participants increased 46% when compared to premiums for 2024.
- Assumption Change - The \$2.9M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2025 is attributable to updating the medical trend assumptions to those described in the Michigan Uniform Assumptions for 2025.
- Investment gain - The \$8.7M investment gain during the fiscal year ending June 30, 2025 is attributable an actual return on assets of 9.99% vs. an expected return of 6.50%.

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.
- Investment gain - The \$9.1M investment gain during the fiscal year ending June 30, 2024 is attributable an actual return on assets of 10.39% vs. an expected return of 6.50%.

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%.

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

June 30, 2021

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

June 30, 2020

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

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

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

- 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

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

Income Available for Revenue Bond Debt Retirement

Years Ended June 30, 2025 and 2024

	2025	2024
Income, Before Capital Contributions Per Statement of Revenues, Expenses and Changes in Net Position	\$ 27,611,097	\$ 9,892,222
Adjustments to Income		
Depreciation	68,414,785	68,302,725
Interest on long-term debt:		
Notes	502,882	35,748
Revenue bonds	40,773,265	32,361,141
Total additional income	109,690,932	100,699,614
Income Available for Revenue Bonds and Interest Redemption	137,302,029	110,591,836
Debt Retirement Pertaining to Revenue Bonds		
Principal	13,495,000	13,890,000
Interest	28,420,898	26,892,515
Total	\$ 41,915,898	\$ 40,782,515
Percent Coverage of Revenue Bonds and Interest Requirements	328%	271%

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

Detail of Statements of Revenues and Expenses

Years Ended June 30, 2025 and 2024

	Combined		Water		Electric		Steam		Chilled Water	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Operating Revenues										
Water	\$ 61,455,925	\$ 55,757,309	\$ 61,455,925	\$ 55,757,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electric:										
Retail	339,811,950	320,953,423	-	-	339,811,950	320,953,423	-	-	-	-
Sales for resale	45,712,660	21,022,840	-	-	45,712,660	21,022,840	-	-	-	-
Steam	14,691,575	12,785,927	-	-	-	-	14,691,575	12,785,927	-	-
Chilled water	6,775,779	6,915,341	-	-	-	-	-	-	6,775,779	6,915,341
Total operating revenues	468,447,889	417,434,840	61,455,925	55,757,309	385,524,610	341,976,263	14,691,575	12,785,927	6,775,779	6,915,341
Operating Expenses										
Production:										
Fuel, purchased power and other operating expenses	162,042,369	138,777,452	13,104,702	11,937,645	143,170,294	120,777,854	3,544,070	3,748,279	2,223,303	2,313,674
Maintenance	21,288,260	22,732,499	4,914,461	4,829,509	14,408,264	16,417,358	977,292	847,694	988,243	637,938
Transmission and distribution:										
Operating expenses	13,841,237	14,757,338	2,109,194	1,723,667	11,459,984	12,824,290	272,059	209,381	-	-
Maintenance	23,522,155	23,933,835	5,344,811	4,318,783	17,600,971	18,930,788	576,373	684,264	-	-
Administrative and general	98,253,370	93,398,015	20,791,617	20,268,440	73,130,801	67,809,873	3,058,116	3,331,409	1,272,836	1,988,293
Return on equity	28,057,140	26,028,591	3,458,385	3,052,498	23,417,418	21,813,339	798,642	793,022	382,695	369,732
Depreciation	68,414,785	68,302,725	9,346,893	9,296,051	54,739,935	54,230,343	3,420,854	3,400,940	907,103	1,375,391
Total operating expenses	415,419,316	387,930,455	59,070,063	55,426,593	337,927,667	312,803,845	12,647,406	13,014,989	5,774,180	6,685,028
Operating income	53,028,573	29,504,385	2,385,862	330,716	47,596,943	29,172,418	2,044,169	(229,062)	1,001,599	230,313
Nonoperating Income (Expenses)										
Investment income (loss)	18,181,899	14,264,806	1,897,918	1,155,936	15,306,399	12,267,458	767,911	619,445	209,671	221,967
Other (expense) income	(2,323,228)	(1,480,080)	1,951,263	736,040	(3,226,442)	(2,470,239)	(1,263,259)	28,970	215,210	225,149
Bonded debt interest expense	(40,773,265)	(32,361,141)	(1,290,088)	(1,383,139)	(37,766,806)	(28,982,836)	(1,645,586)	(1,818,781)	(70,785)	(176,385)
Other interest expense	(502,882)	(35,748)	(84,546)	(3,682)	(417,722)	(32,026)	(614)	(40)	-	-
Total nonoperating expense	(25,417,476)	(19,612,163)	2,474,547	505,155	(26,104,571)	(19,217,643)	(2,141,548)	(1,170,406)	354,096	270,731
Net income (loss)	\$ 27,611,097	\$ 9,892,222	\$ 4,860,409	\$ 835,871	\$ 21,492,372	\$ 9,954,775	\$ (97,379)	\$ (1,399,468)	\$ 1,355,695	\$ 501,044

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

Detail of Statements of Changes in Net Position

Years Ended June 30, 2025 and 2024

	<u>Combined</u>	<u>Water</u>	<u>Electric</u>	<u>Steam</u>	<u>Chilled Water</u>
Net Position, June 30, 2023	\$ 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>
Net Position, June 30, 2024	722,845,995	104,020,642	622,507,086	(15,894,134)	12,212,401
Income (loss) before contributions	<u>27,611,097</u>	<u>4,860,409</u>	<u>21,492,372</u>	<u>(97,379)</u>	<u>1,355,695</u>
Net Position, June 30, 2025	<u><u>\$ 750,457,092</u></u>	<u><u>\$ 108,881,051</u></u>	<u><u>\$ 643,999,458</u></u>	<u><u>\$ (15,991,513)</u></u>	<u><u>\$ 13,568,096</u></u>

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

Detail of Fiduciary Statements of Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	2025			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable, investment interest receivable	\$ -	\$ 116,055	\$ 699,657	\$ 815,712
Cash and cash equivalents	24,667,291	605,254	495,903	25,768,448
Investments at fair value:				
Mutual funds, bonds	18,283,837	22,554,739	59,643,501	100,482,077
Mutual funds, equity	166,998,488	21,790,236	176,020,497	364,809,221
Real estate fund investment	-	3,038,367	37,206,523	40,244,890
Self-directed brokerage account				
Equity securities/stocks	18,377,421	-	-	18,377,421
Mutual funds, equity	827,483	-	-	827,483
Participants note receivable	3,422,732	-	-	3,422,732
Total assets	232,577,252	48,104,651	274,066,081	554,747,984
Liabilities				
Trade payable, due to broker/other	-	114,244	697,927	812,171
Reimbursement for benefits paid by employer	-	-	5,011,279	5,011,279
Net Position, Held in Trust for Pension and Other Employee Benefits	\$ 232,577,252	\$ 47,990,407	\$ 268,356,875	\$ 548,924,534
	2024			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable, investment interest receivable	\$ -	\$ -	\$ 14,641	\$ 14,641
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
	-	-	-	-
Total assets	212,722,512	48,591,897	256,103,526	517,417,935
Liabilities				
Trade payable, due to broker/other	-	58,122	259,187	317,309
Reimbursement for benefits paid by employer	-	-	2,448,357	2,448,357
Net Position, Held in Trust for Pension and Other Employee Benefits	\$ 212,722,512	\$ 48,533,775	\$ 253,395,982	\$ 514,652,269

Lansing 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, 2025 and 2024

	2025			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in				
fair value of investments	\$ 22,795,649	\$ 3,355,509	\$ 19,493,611	\$ 45,644,769
Interest and dividend income	3,648,273	1,037,880	5,338,815	10,024,968
Net investment income	26,443,922	4,393,389	24,832,426	55,669,737
Employer contributions	8,970,407	-	61,852	9,032,259
Interest from participant notes receivable	226,953	-	-	226,953
Other	480,908	-	-	480,908
Total increases	36,122,190	4,393,389	24,894,278	65,409,857
Decreases				
Retiree benefits paid	15,686,771	4,771,884	9,562,998	30,021,653
Loan defaults	412,246	-	-	412,246
Participants' note and administrative fees	168,433	164,873	370,387	703,693
Total decreases	16,267,450	4,936,757	9,933,385	31,137,592
Change in net position held in trust	19,854,740	(543,368)	14,960,893	34,272,265
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning	212,722,512	48,533,775	253,395,982	514,652,269
Ending	<u>\$ 232,577,252</u>	<u>\$ 47,990,407</u>	<u>\$ 268,356,875</u>	<u>\$ 548,924,534</u>

Lansing 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, 2025 and 2024

	2024			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
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
Decreases				
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	127,598	259,201	539,761
Total decreases	14,009,795	5,123,139	9,439,881	28,572,815
Change in net position held in trust	21,766,000	(989,458)	14,925,411	35,701,953
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning	190,956,512	49,523,233	238,470,571	478,950,316
Ending	<u>\$ 212,722,512</u>	<u>\$ 48,533,775</u>	<u>\$ 253,395,982</u>	<u>\$ 514,652,269</u>