LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, November 10, 2026 – 6:00 P.M.
REO Town Depot – Board of Water & Light Headquarters
1203 S. Washington Ave., Lansing, MI 48910

Finance Committee: Tony Mullen, Committee Chairperson; Beth Graham, Chris Harkins, Semone James; Alternates: David Price, Dale Schrader

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

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

1. Approval of the Finance Committee Meeting Minutes of September 15, 2026 ..... **TAB 1**

2. Baker Tilly External Audit Report. ..... **TAB 2**
   a. Audit Overview
   b. Report to Governing Body
   c. Lansing BWL Audited Financial Statements
   d. Defined Benefit (DB) Plan Audited Financial Statements
   e. Defined Contribution (DC) Plan Audited Financial Statements
   f. Post-Retirement Benefit Plan (VEBA) Audited Financial Statements
   g. FY2026 Audited Financial Statement of the Enterprise Fund & Pension Fiduciary Funds Resolution

3. YTD Financial Summary ..... **TAB 3**
   a. Capital Report

4. Proposed Finance Committee Governance Review Form..... **TAB 4**

5. Internal Audit Status Report..... **TAB 5**

6. Board Governance Management Software Update..... **Info Only**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
September 15, 2026

Finance Committee: Tony Mullen, Committee Chairperson; Beth Graham, Chris Harkins, Semone James; Alternates: David Price, Dale Schrader.

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1203 S. Washington Ave., Lansing, MI, on Tuesday, September 15, 2026.

Finance Committee Chairperson Tony Mullen called the meeting to order at 5:30 p.m. and asked the Acting Corporate Secretary to call the roll.

Present: Commissioners Beth Graham, and Tony Mullen; Alternates: Commissioners David Price, and Dale Schrader. Also Present: Commissioner Sandra Zerkle.
Absent: Commissioner Chris Harkins and Semone James.

Acting Corporate Secretary Lilly Speers declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham, to approve the Finance Committee Meeting minutes of July 21, 2026, as presented.
Action: Motion Carried. The minutes were approved.

YTD Financial Summary
Manager of Accounting, Finance, and Planning(MAFP) Ying Yan presented the Preliminary Financial Summary for FY2026, reporting that days cash on hand are in a good position at 218 days compared to the target of 170 days. She noted that retail revenue is 1% over budget due to stronger commercial sales volume, she also stated BWL is 14% over budget for wholesale revenue. MAFP, Ying stated that the BWL finished FY2026 with $36,954,830 net income which is $12,171,661 over budget, finishing the year strong. She then presented the O&M and Capital Budget. MAFP, Ying stated the CIP Capital Budget was $35,024,627 over budget driven by the DEP overhaul on CTG2 and 3. The new energy budget was $63,541,066 under budget due to the DEP Battery Project and Watertown Solar Project that was put on hold. Return on assets outperforms the 4.02% target at 4.39%.

Commissioner Mullen questioned if the values provided in the Financial Summary were for the budget for the whole FY2026?

MAFP, Ying responded that the Financial Summary covered the full 12 months for FY2026.

(inaudible)

Commissioner Schrader asked for clarification on what caused the new energy capital budget to be under budget?

MAFP, Ying responded that the difference in budget to actual was due to the delay in the DEP Battery Project and the Watertown Solar Project.

GM Peffley stated the DEP Battery Project is on hold due to tariffs.

MAFP, Ying continued to present the Financial Summary ratios, she stated metrics outperformed industry benchmarks except Debt to Total Assets ratio due to the outstanding revenue bonds. She stated this ratio will decrease as the BWL pays off those bonds. Employee headcount is under budget by 57 employees, with 26 full-time temporary employees supplementing the vacancies. MAFP, Ying presented the payroll data and benefits cost. Benefit costs came in 1% over budget due to higher healthcare claims. MAFP, Ying also shared some financial highlights for the first month of FY2027.

Commissioner Mullen questioned why the health and Rx benefits cost were over budget when the expectation was there would be a cost savings with the new union contract and all bargaining employees switching insurance plans?

MAFP, Ying responded that this is due to timing. We continue to process runout claim payments for bargaining-unit employees under their previous plan. The cost savings has been reflected in the FY2027 budget.

FY2026 Environmental Compliance Audit Results

Director of Internal Audit(DIA), Elisha Franco presented an update on the FY2026 Environmental Compliance Audit Results. The scope of the audit was to evaluate whether BWL has an effective process for maintaining compliance with applicable environmental regulations and internal sustainability policies. The audit was carried out in compliance with the Global Internal Audit Standards. DIA, Franco, reviewed the scope exclusions that were not reviewed in the audit. DIA, Franco, reviewed three main objectives with this environmental audit. She reviewed who was responsible for environmental compliance, if the BWL was compliant with all regulations, permits and environmental laws, and any internal controls, reporting and training.

DIA, Franco presented the four audit themes including establishing compliance oversight, sustainability and compliance agreement, decentralized compliance management, and documentation and knowledge transfer. The audit identified five areas of improvement, all being process improvements. DIA, Franco reviewed the five improvement recommendations with the committee along with the solution.

Commissioner Schrader asked the consequences of the audit findings?

DIA Franco responded by providing an example of a process improvement audit finding stating some documentation storage just needed a better process, no consequences were needed.

DIA, Franco, stated the overall opinion rating of the audit was sufficient with no critical or high-level risk areas identified. Controls are generally effective, with minor improvements needed and limited risk exposure. DIA, Franco, stated the full report was provided via email in July, and a hard copy was available in tonight's information packet.

FY2026 Internal Audit Strategy Update

DIA, Franco, presented the FY2026 Internal Audit Strategy Update which includes a plan for improving the Internal Audit Department as well as the results of the departments FY2026 Performance Review. DIA, Franco stated the department made meaningful process in FY2026 while identifying a few areas of improvement. DIA, Franco provided an internal audit cycle graphic on how the department works alongside the IIA Global Internal Audit Standards. She presented the Internal Audit Department Strategy which is a multi-year forward looking roadmap that outlines key strategic initiatives Internal Audit will pursue. She stated the strategy is organized around three areas Governance, Methodology, and Technology. DIA, Franco went into detail on the Internal Audit Departments progress for each strategy areas and where the department is headed in FY2027. For the technology strategy, the department plans to use Optro to assist in document retention which will expand Optro analytics usage in FY2027. DIA, Franco also stated she will be attending an Internal Audit AI Bootcamp which includes research into how AI is currently being used in internal audit functions, ways it can support work and how to use AI appropriately. She stated she is working with BWL management to understand how the BWL plans to utilize AI and what guidelines are in place.

Commissioner Schrader asked DIA Franco to elaborate on what Optro Analytics was and its functions.

DIA, Franco responded that Optro is a function within the Optro software system to analyze data. She stated you can build the build your own parameters within the program and Optra will review the data you have collected and search for those parameters.

Commissioner Price asked if the Optro Program was AI?

DIA, Franco responded there is currently not AI capabilities within Optro that have been purchased. It is available for an extra cost, but BWL does not have that functionality currently.

DIA, Franco continues with the Internal Audit Strategy plan for FY2028-FY2029 which included an External Quality Assurance Assessment. She presented a FY2027 roadmap with a detailed plan for the first 30, 60, and 120 days of FY2027.

(inaudible)

FY2026 Quality Assurance and Improvement Program (QAIP) Update

DIA, Franco presented the FY2026 Quality Assurance and Improvement Program Evaluation. QAIP is a continuous program designed to evaluate and improve Internal Audits effectiveness and value to the organization. It includes three key components, ongoing monitoring, periodic self-assessment, and External Quality Assessment. Ongoing Monitoring Evaluates Internal Audit's effectiveness and value through annual performance measurements evaluations. Periodic Self-Assessment evaluates Internal Audit's conformance with the Global Internal Audit Standards through a comprehensive self-assessment. External Quality Assurance Assessment evaluates Internal Audit's conformance with the Global Internal Audit Standards through an independent assessment conducted at least once every five years.

DIA Franco reviewed the 16 performance measures that were tracked in FY2026. There were 14 measures that were on track, 1 measure at risk, and 1 measure off track. DIA Franco reviewed the performance measures in detail stating that management accepted the audit recommendations, audit hours remained close to budget, training requirements were met, and high-risk areas were covered.

Commissioner Mullen questioned the use of AI in the data analytical tools the Internal Audit Department uses. He questioned the strain AI might have on operations due to the amount of data it will be able to review. He stated a lot of people are not comfortable with AI and the more the BWL discusses how they plan to use AI the better. He stated that Optro might not have AI capabilities, but it could in the near future. He stated AI is the future, and he would like to discuss sooner than later how involved with AI the BWL plans to become.

GM Peffley stated that management and the Internal Audit Department work alongside each other to review the scope of the audit findings and an acceptable timeframe for those audit findings to be solved.

DIA Franco stated she plans to attend the Internal Audits IA bootcamp to understand how others are using AI to assist their companies as well as work with management and review their AI parameters for Internal Audit use of AI. She also stated the Optro does have an AI capability, but they have functionality turned off.

Commissioner Schrader stated he understood AI could create a burden, generating more data to analysis but that people can be trained on how to effectively use AI.

Commissioner Zerkle stated that it is important to stay updated on AI as it can be very dangerous.

GM Peffley responded that the Information Technology(IT) Department at the BWL reviews and studies AI and continues to provide updates on how it affects the company and its employees.

DIA, Franco, continued to review the At-Risk and Off-Track performance measures. The average post-audit feedback was 77.76% compared to the 80% target. For the Data Analytics Usage measure, none of the six FY2026 audits utilized data analytics tools. Opportunities to use Optro Analytics were considered during development of the FY2027 Internal Audit Work plan.

DIA, Franco presented the Internal Audit Department Maturity Level provided but the IIA. It consists of five ratings from ineffective to optimized. This is an overall view of how established the department's processes are. For FY2026 the Internal Audit Department was rated partially effective, in FY2027 it was rated Effective, and for FY2028 the target is sustainable.

Commissioner Price questioned when the Internal Audit Department will have an external review?

DIA, Franco, stated the external review for the department will take place in FY2028.

Internal Audit Status Report

DIA, Franco presented the Internal Audit Status Report which included the completion of the FY2026 Billing Audit and FY2026 Environmental Audit. The FY2027 Accounts Payable Audit is currently in progress with 30 procedures to perform. DIA, Franco, presented a budget update on hours worked by Plante Moran and BWL Staff on the two complete audits. She provided an issues status update with 7 open issues.

DIA, Franco provided an update on the FY2027 audit work plan with accounts payable kicking off in July. She noted that due to BWL reorganization the Enterprise Risk Management audit and Vendor Selection audit may switch in the schedule. DIA, Franco provided an update on the department with the AI Boot Camp coming up in FY2027.

Board Approval of July/August 2026 Business Meal Expense Forms

Committee Chairperson Tony Mullen presented four Business Meal Expense forms for review and approval consideration by the Finance Committee, as opposed to the designated Commissioners, due to a delay in the established processing procedure.
(Inaudible)

Acting Corporate Secretary(ACS), Speers added per BWL Business Meal Expense Policy, approval for the purchase of business meals must be signed off by the Finance Chair and one Finance Committee Member prior to the business meal date. Due to the changing of the chairperson, the forms were not able to be signed off prior to the event. The Corporate Secretary is requesting the Finance Committee review and approve the forms to be signed off post business meal date.

Commissioner Price commented that double approval seems redundant since the Board approves the budget for the Office of Corporate Secretary in the beginning of the year and must sign off on each meal approval as well as the Monthly P-Card Report.

(inaudible)

Commissioner Mullen stated that receiving approval for business meals is a common practice.

ACS, Speers stated that the Business Meal Expense Form Policy is required by all BWL Employees.

Commissioner Mullen stated that if this is the BWL Policy then the Board of Commissioners will follow it.

(Inaudible)

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham, to allow the July/August Business Meal Expense Forms to be signed off post business meal.
Action: Motion Carried. Business Meal Expense Forms will be sent to the designated individuals for required signatures.

(Inaudible)

Commissioner Schrader followed with comments on the multiple layers of approval in place.

AGM Shawa stated that the Business Meal Expense Policy was put in place to support responsible meal costs. . She stated when these changes were brought to the Board and they opted to follow the same policy as BWL Employees. AGM Shawa confirmed only one signature is required for Business Meal Expenses and if they wanted to change the process they could.

Commissioner Mullen stated it's important to follow the BWL Business Meal Expense Policy. However, requiring two signatures on the Business Meal Expense Form seems unnecessary.

Commissioner Graham states she thinks the business meal expense form should still require two people.

(inaudible)

DIA Franco stated it would be beneficial to have a process and timeframe for Finance Chair approvals during the transition from one Finance Committee Chair to the next.

Commissioner Zerkle stated that they did not want to overcomplicate the situation.

AGM Shawa clarified that pre-approval for Business Meals is required for employee meal purchases only to substantiate that the employee is giving up their personal lunch period for a business reason.

Commissioner Mullen reiterated the need to table this discussion until November. He also stated he wanted to discuss the documents regarding Proposed Finance Committee Governance Review Form that were sent by Commissioner James to the Finance Committee. He stated he does not believe he has the time as Committee Chairperson to complete the requested documentation. He stated he assumes the BWL is already following most of these requests. He stated he would like to discuss these requests in November as well.

Commissioner Zerkle stated the forms were unnecessary and the time to complete said requests would be costly.

Commissioner Price stated that he believes Commissioner James was requesting additional documentation in response to a few public comments during the public rate hearings.

(inaudible)

Commissioner Mullen suggested making a public disclaimer stating the Board is prohibited from responding to public comment(s) at Committee and Regular Board Meetings, though there are hours of review and discussion.

Commissioner Price stated the review, and discussion happens during the committee meetings.

Commissioner Schrader reiterated the requested documentation should not be required and stated he wished to discuss this further with Commissioner James present.

(inaudible)

Commissioner Price stated, as chairperson, during the voting of the resolutions he will add a disclaimer that the corresponding resolution was reviewed during the specific committee meeting.

Commissioner Mullen reiterated that the Business Meal Expense Approval Form signature requirements and the requested additional Finance Committee documentation suggested by Commissioner James will be discussed in more detail at the November Finance Committee Meeting.

Other

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham for excused absences for Commissioners Chris Harkins and Semone James.
Action: Motion Carried.

Adjourn

Chairperson Tony Mullen adjourned the meeting at 6:44 P.M.

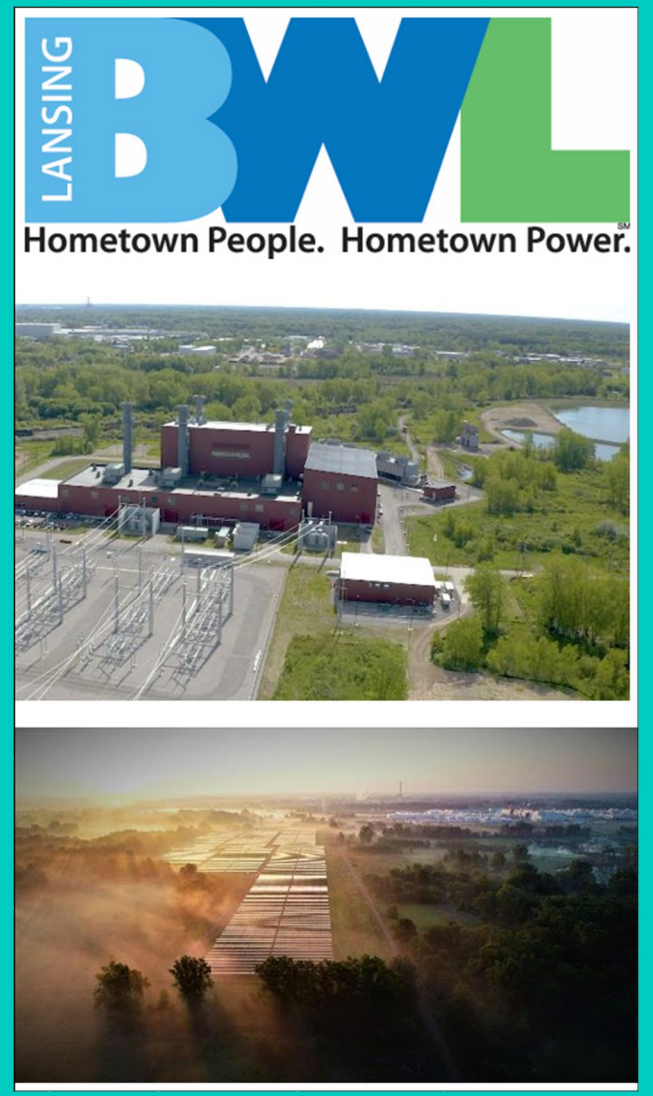
Respectfully submitted,
Tony Mullen, Chairperson
Finance Committee

bakertilly

Board of Water & Light
City of Lansing, Michigan

Finance Committee Meeting
FY 2026 Audit Presentation

November 10, 2026



Agenda

01 / Audit Review

02 / Observations & Recommendations

03 / Required Communication to Governing Body

Audit overview

Audit performed in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*



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



Financial statements of BWL received an *Unmodified Opinions*

Audit overview (continued)

Financial Statements Include	Auditors' report
	Management discussion and analysis
	Enterprise fund statements
	Pension and OPEB trust statements
	Notes
	Required supplemental information
	Supplemental information

Audit overview (continued)



Audit assesses internal controls



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



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

Audit overview (continued)

Controls reviewed in key transaction areas	Disbursements
	Payroll
	Utility billings
	Cash and investments
	Capital assets
	Information technology
	Financial reporting

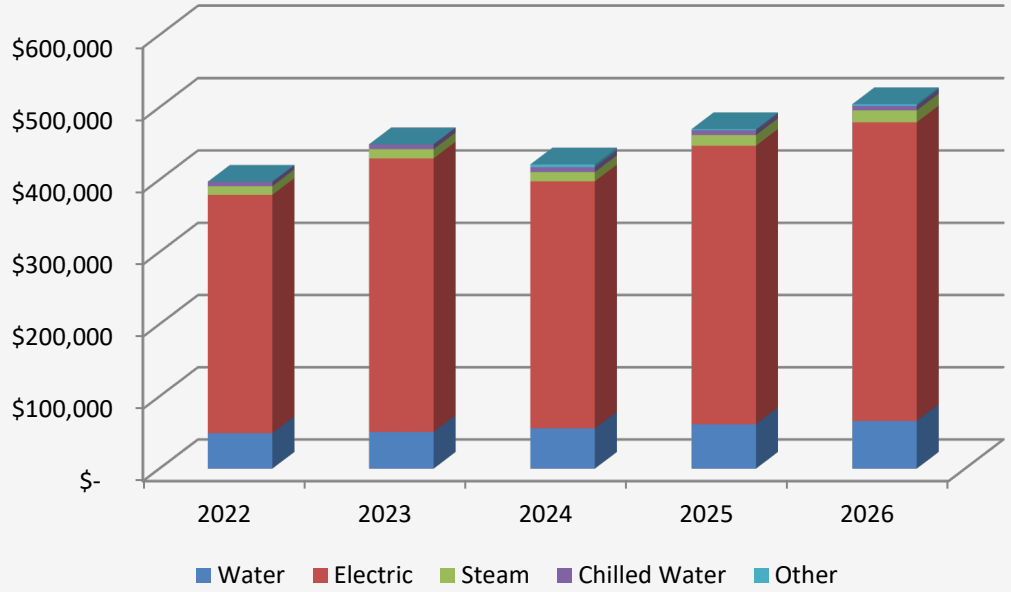
Observations & recommendations

Enterprise Fund

- Reported net income of $37,000,000
- Reported operating revenue of $504,400,000
- Reported total assets of $2,111,000,000 (incl. Deferred Outflows)
- Bond coverage was met in 2026
- There were no material weaknesses reported

Observations & recommendations
Enterprise Fund (continued)

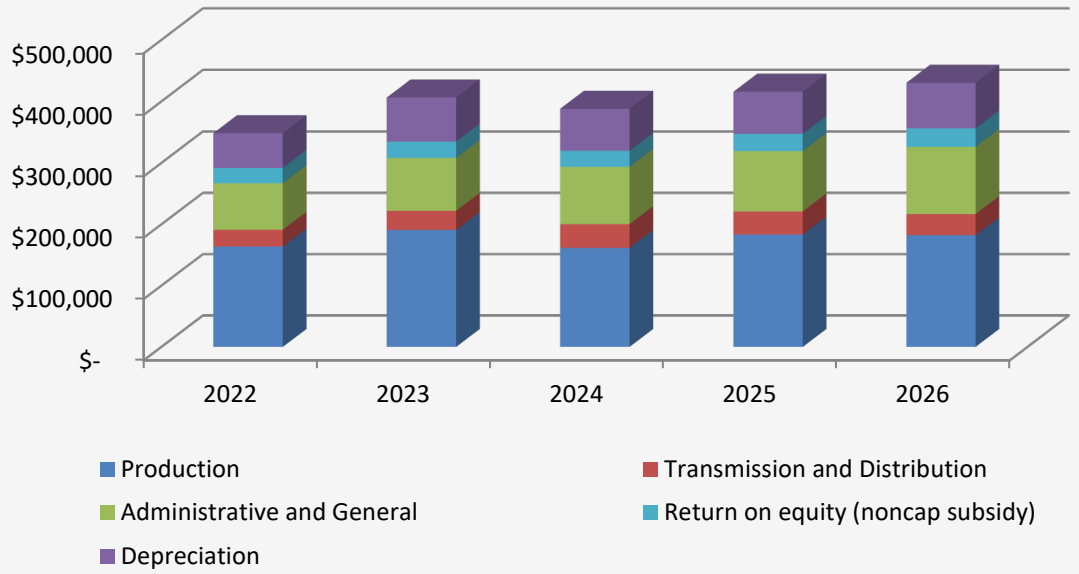
Operating Revenues – Five-year Comparison (in thousands)



	2022	2023	2024	2025	2026
Water	$ 49,028	$ 50,684	$ 55,757	$ 61,456	$ 66,002
Electric	330,053	378,792	341,976	385,524	413,285
Steam	11,935	12,661	12,786	14,692	16,521
Chilled Water	6,133	6,740	6,915	6,776	6,232
Other	-	-	3,600	1,381	2,321
Operating Revenue	$ 397,149	$ 448,877	$ 421,034	$ 469,829	$ 504,361

Observations & recommendations
Enterprise Fund (continued)

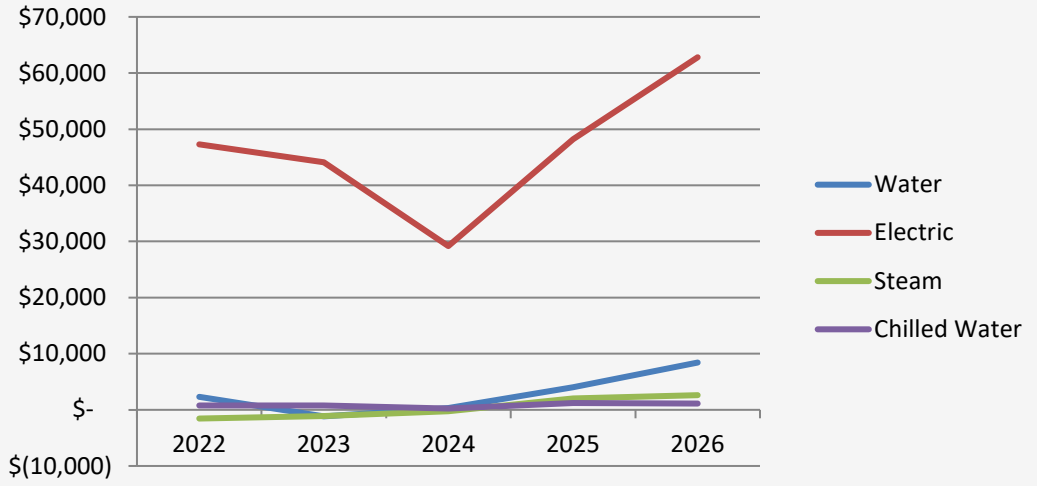
Operating Expenses & noncapital subsidies – Five-year Comparison (in thousands)



	2022	2023	2024	2025	2026
Production	$ 163,647	$ 190,745	$ 161,509	$ 183,330	$ 182,217
Transmission and Distribution	27,355	31,260	38,691	37,632	34,524
Administrative and General	75,850	86,060	93,398	98,253	109,318
Return on equity (noncap subsidy)	25,000	26,429	26,029	28,057	30,122
Depreciation	56,503	71,760	68,303	68,415	74,027
Operating Expenses & noncapital subsidies	$ 348,355	$ 406,254	$ 387,930	$ 415,687	$ 430,208

Observations & recommendations
Enterprise Fund (continued)

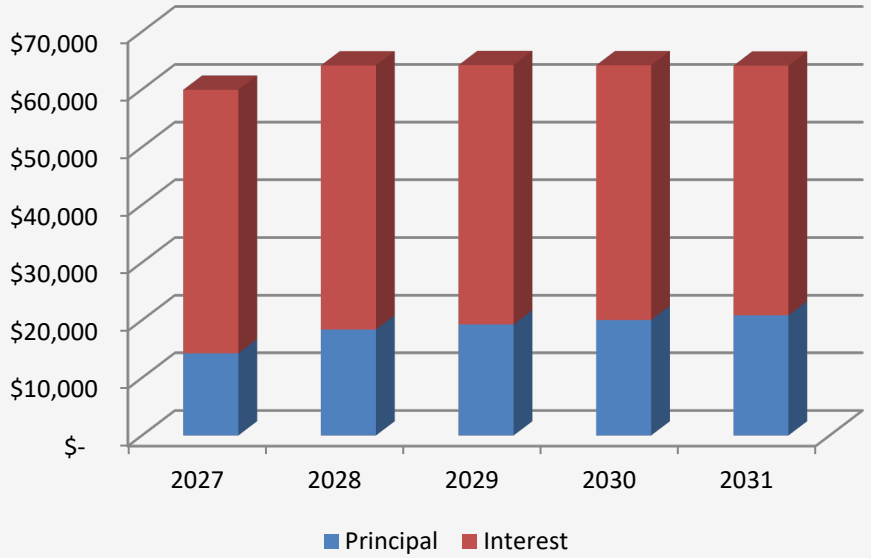
Operating Income & noncapital subsidies – Five-year Comparison (in thousands)



	2022	2023	2024	2025	2026
Water	$ 2,298	$ (1,163)	$ 331	$ 4,047	$ 8,424
Electric	47,292	44,083	29,172	48,205	62,808
Steam	(1,552)	(1,096)	(229)	2,046	2,612
Chilled Water	756	800	230	1,212	1,126
Operating Income & noncapital subsidies	$ 48,794	$ 42,624	$ 29,504	$ 55,510	$ 74,970

Observations & recommendations
Enterprise Fund (continued)

Future Debt Service Requirements (in thousands)



	2027	2028	2029	2030	2031
Principal	$ 14,250	$ 18,370	$ 19,245	$ 20,010	$ 20,835
Interest	45,676	45,772	44,954	44,161	43,278
Total	$ 59,926	$ 64,142	$ 64,199	$ 64,171	$ 64,113

Observations & recommendations

EBP Plans

- Separate financial statements issued for each EBP plan
- All three plans received unmodified audit opinions
- Defined Benefit plan is fully funded
- VEBA plan is fully funded

Observations & recommendations

Current year implemented accounting standards

- GASB Statement No. 103, *Financial Reporting Model Improvements*– effective for fiscal year 2026
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*– effective for fiscal year 2026

Observations & recommendations

Future accounting standards

– GASB Statement No. 105, *Subsequent Events* – effective for fiscal year 2027

Auditor communication to those charged with governance

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

Thank you.

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



bakertilly

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. The name Baker Tilly and its associated logo is used under license from Baker Tilly International limited. ©2026 Baker Tilly Advisory Group, LP

Questions?

Contact Information



Jodi Dobson, CPA

Principal

jodi.dobson@bakertilly.com

+1 608 240 2469



Ryan O’Donnell, CPA

Principal

ryan.odonnell@bakertilly.com

+1 608 240 2606

Reporting and insights from 2026 audit:

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

June 30th, 2026

Executive summary

October 2, 2026

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

We have completed our audit of the financial statements of the Lansing Board of Water and Light including the Pension and OPEB Trust Funds (collectively referred to as BWL) for the year ended June 30, 2026, and have issued our report thereon dated October 2, 2026. This letter presents communications required by our professional standards.

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

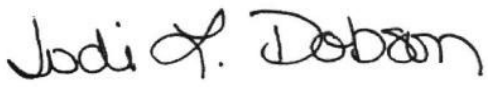
Additionally, we have included information on key risk areas the BWL should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

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

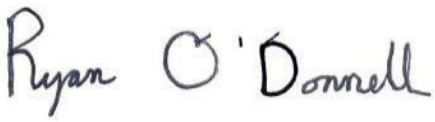
- Jodi Dobson, Principal: jodi.dobson@bakertilly.com or +1 (608) 240 2469
- Ryan O'Donnell, Principal: ryan.odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP



Jodi Dobson, Principal



Ryan O'Donnell, Principal

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

BAKER TILLY ADVISORY GROUP, LP AND BAKER TILLY US, LLP, TRADING AS BAKER TILLY, ARE MEMBERS OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES. BAKER TILLY US, LLP IS A LICENSED CPA FIRM THAT PROVIDES ASSURANCE SERVICES TO ITS CLIENTS. BAKER TILLY ADVISORY GROUP, LP AND ITS SUBSIDIARY ENTITIES PROVIDE TAX AND CONSULTING SERVICES TO THEIR CLIENTS AND ARE NOT LICENSED CPA FIRMS. NONATTEST SERVICES ARE PROVIDED BY BAKER TILLY ADVISORY GROUP, LP.

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the BWL's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Commissioners:
    - Are free from material misstatement
    - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by Government Auditing Standards
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) about the entity's compliance with requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of its major federal programs.
- Our audit does not relieve management or the Board of Commissioners of their responsibilities.

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

- Internal control matters
- Qualitative aspects of the BWL's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management

- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

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

Audit approach and results

Planned scope and timing

Audit focus

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

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

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

Key areas of focus and significant findings

Significant risks of material misstatement

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

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

Other areas of emphasis

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

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

Internal control matters

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

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

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

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

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by BWL's are described in Note 1 to the financial statements. As described in Note 1, the BWL adopted GASB Statement No. 103, Financial Reporting Model Improvements in 2026. Accordingly, the accounting change has been retrospectively applied to the prior period presented. Further, the BWL adopted GASB Statement No. 104, Disclosure of Certain Capital Assets in 2026, which resulted in enhancements to the related footnotes. We noted no other transactions entered into by the BWL during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

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

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

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

Significant unusual transactions

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

Significant difficulties encountered during the audit

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

Disagreements with management

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

Audit report

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

Audit consultations outside the engagement team

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

Uncorrected misstatements and corrected misstatements

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

Other audit findings or issues

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

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

Other information in documents containing audited basic financial statements

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

Management's consultations with other accountants

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

Written communications between management and Baker Tilly

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

Compliance with laws and regulations

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

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

Fraud

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

Going concern

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

Independence

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

Related parties

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

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation assistance
- Grant pursuit support
- Support related to the pursuit of Federal Renewable Energy Tax Credits as part of the Inflation Reduction Act 2022 and Form 990 filing services

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

Audit committee resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

To explore more trending topics and regulatory updates, visit our resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.



Capital project oversight

Public sector capital projects face increasing pressure from cost escalation, supply chain disruption, regulatory complexity and heightened scrutiny around transparency and accountability. Strong planning, governance and controls are critical across the full project life cycle, from feasibility and funding strategy through execution and closeout.

Independent oversight helps chart a clear course from planning to delivery. Our teams work alongside leadership to strengthen governance, establish financial and contractual controls, align funding with project goals and monitor performance throughout execution, helping projects stay on schedule, within budget and aligned with community priorities.



Succession planning

An aging workforce, rising retirement rates and competition for specialized talent make succession planning a fiscal and operational a priority for public sector organizations.

By identifying critical roles, assessing workforce risk, building internal talent pipelines and integrating succession planning with broader workforce strategies, Baker Tilly helps organizations preserve institutional knowledge and maintain continuity, today and into the future.



Economic development

Successful economic development depends on disciplined planning, sound financial analysis and coordinated execution. Public sector leaders must balance incentives, infrastructure investment, funding opportunities and stakeholder priorities while maintaining fiscal responsibility.

Baker Tilly's supports local governments with strategic and financial planning, incentive structuring and negotiation, tax increment financing administration, project financing, grant strategy, and economic and fiscal impact analysis. This integrated approach helps leaders move from vision to action, strengthening communities and advancing sustainable, long-term growth.

Management representation letter

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

LANSING BWL
Hometown People. Hometown Power.

October 2, 2026

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

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the basic financial statements of the Lansing Board of Water and Light (BWL); including the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (Defined Benefit Plan and Trust), the Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (Defined Contribution Plan and Trust 1), and the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (Post-Retirement Benefit Plan and Trust) (collectively, the Employee Benefit Plans), as of June 30, 2026 and 2025 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the business type activities, the fiduciary activities and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. GAAP. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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

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

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 18, 2025 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the BWL required by U.S. GAAP to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7) All events subsequent to the date of the financial statements and for which U.S. GAAP require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the BWL is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of Board of Commissioners and the Pension Fund Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.

e) Plan documents, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.

12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

a) Management,

b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

20) The BWL has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.

21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

22) There are no:

a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by U.S. GAAP.

c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

e) Other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions, loans or leases in default, or events that may jeopardize the tax status) that legal counsel has advised us must be disclosed.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

23) We have made all management decisions and performed all management functions in relation to the nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, as identified in the engagement letter or an addendum to the engagement letter. We have designated Scott Taylor, CFO, an employee with suitable skill, knowledge, and/or experience to oversee the services received. Furthermore, we have established and maintained internal controls, including monitoring activities related to the nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, and we have evaluated and accepted responsibility for the adequacy and results of the nonattest services received.

    The nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, are listed below.

    a) Financial statement preparation assistance
    b) Grant pursuit support
    c) Support Related to the Pursuit of Federal Renewable Energy Tax Credits as part of the Inflation Reduction Act 2022 and Form 990 services

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

24) The BWL has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The BWL has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

26) The financial statements properly classify all funds and activities. All cash and bank accounts and all other properties and assets of the entity of which we are aware are included in the financial statements. All borrowings and financial obligations of the entity of which we are aware are included in the financial statements as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

27) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

28) The BWL has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

29) Provisions for uncollectible receivables, if any, have been properly identified and recorded. Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

30) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

31) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

32) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

33) We believe that the estimate made for the pollution remediation liability is in accordance with GASB Statement No. 49 and reflects all known available facts at the time it was recorded.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

34) Tax-exempt bonds issued have retained their tax-exempt status.

35) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.

36) We have appropriately disclosed the BWL's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

37) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

38) With respect to the supplementary information, (SI):

    a) We acknowledge our responsibility for presenting the SI in accordance with U.S. GAAP, and we believe the SI, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

39) We assume responsibility for, and agree with, the findings of specialists in evaluating the self-insurance reserves, net OPEB asset and related deferrals, and net pension asset and related deferrals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

40) We agree with the restatement presented in the current year's financial statements.

41) We have implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with this Standard.

42) We have implemented GASB Statement No. 104, *Disclosure of Certain Capital Assets*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with this Standard.

43) There have been no changes to our assessment or applicability in regards to all previously effective GASB Statements that were deemed immaterial or did not impact the BWL at the time the statements went into effect.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

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

The following representations relate specifically to the Employee Benefit Plans:

45) We have properly recorded or disclosed in the financial statements any amendments to the plan documents, if any.

46) The Defined Benefit Plan and Trust obtained its latest determination letter on November 4, 2011, in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the appropriate requirements of the Internal Revenue Code (IRC). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

47) The Post-Retirement Benefit Plan and Trust received a letter from the Internal Revenue Service dated February 8, 2000 confirming its status as exempt from tax under the IRC. We believe the exemption letter remains valid.

48) The Defined Contribution Plan and Trust 1 is entitled to rely on an opinion letter dated June 30, 2020 (the IRS Letter), which the Internal Revenue Service issued to Nationwide Financial Services, Inc. with regard to its Non-Standardized Pre-approved Money Purchase/Profit Sharing Plan (the Prototype Plan). The IRS Letter stated that the Prototype Plan, as then designed, was acceptable as to form under Section 401 of the IRC and that employers adopting the Prototype Plan may generally rely on the IRS Letter with respect to qualification of their plans under Code Section 401(a) (to the extent described in Revenue Procedure 2017-41). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

49) We have no intentions to terminate any of the Employee Benefit Plans.

50) Related to the Defined Benefit Plan and Trust:

    a) There were no omissions from the participants' data provided to the plan's actuary for the purpose of determining the total pension liability and other actuarially determined amounts in the financial statements.

    b) The plan administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the plan's net pension asset and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the plan's actuary.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

51) Related to the Post-Retirement Benefit Plan and Trust:

a) There were no omissions from the participants' data provided to the plan's actuary for the purpose of determining the total pension liability and other actuarially determined amounts in the financial statements.

b) The plan administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the plan's actuarial accrued liability and total OPEB liability (under GASB Statement No. 74) and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the plan's actuary.

52) The following have been properly recorded or disclosed in the financial statements:

a) The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.

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

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

54) All required filings with the appropriate agencies have been made.

55) With respect to federal award programs:

a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).

b) We acknowledge our responsibility for preparing and presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.

d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement relating to federal awards.

j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.

l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

m) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

o) We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

Docusign Envelope ID: 50ED42AE-2461-8AD1-8069-D08B13D2FEF2

r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

s) We have charged costs to federal awards in accordance with applicable cost principles.

t) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

u) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Sincerely,

Lansing Board of Water and Light

Signed: Signed by: Lisa M. Neumann F13294C39BB7406... Title: Supervisor, Accounting, Finance and Planning

Signed: DocuSigned by: Ying Yan 4B9F49AC08B64C6... Title: Manager, Accounting, Finance and Planning

Signed: DocuSigned by: Scott Taylor 8AB0EFC60F4C427... Title: CFO and Chair of the Retirement Plan Committee

Signed: Signed by: Heather Shawa 94AB6D8F35994C1... Title: Assistant General Manager

Accounting changes relevant to Lansing Board of Water and Light

Future accounting standards update

GASB statement number	Description	Potentially impacts you	Effective date
105	Subsequent events	✓	6/30/27

Further information on upcoming GASB pronouncements.

Updated guidance for the financial reporting of subsequent events

GASB Statement No. 105, Subsequent Events, which supersedes GASB Statement No. 56, is intended to enhance consistency in the application of requirements for subsequent events.

The Statement defines subsequent events as transactions or other events that occur after year end but before the date the financial statements are available to be issued. The date the financial statements are available to be issued is the date at which (a) the financial statements are complete in a form and format that complies with generally accepted accounting principles (GAAP) and (b) approvals necessary for issuance have been obtained, or typically the opinion date. The definition of subsequent events in this Statement modifies the subsequent events time frame throughout the GASB literature.

The Statement also clarifies:

- The different types of subsequent events (recognized and nonrecognized events)
- When note disclosures are required
- The information that should be included in those note disclosures

Two-way audit communications

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

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

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

    - Identify types of potential misstatements
    - Consider factors that affect the risks of material misstatement
    - Design tests of controls, when applicable and substantive procedures

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with Government Auditing Standards, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with Government Auditing Standards and the Uniform Guidance, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance and the Uniform Guidance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

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

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.

c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that the BWL will receive an unmodified opinion on its financial statements

e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audit of the financial statements?

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

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

b. The detection or the possibility of fraud?

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

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of April – June. Our final financial fieldwork is scheduled during the summer to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork but may vary depending on a number of factors.

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

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



bakertilly

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. ©2026 Baker Tilly Advisory Group, LP.



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

Financial Report

With Additional Information

June 30, 2026 and 2025

	Page
Independent Auditors' Report	1
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Statements of Fiduciary Net Position - Pension and OPEB Trust Funds	20
Statements of Changes in Fiduciary Net Position - Pension and OPEB Trust Funds	21
Notes to Financial Statements	22
Required Supplementary Information (Unaudited)	
Schedule of Changes in the BWL's Net Pension Asset and Related Ratios	66
Schedule of Employer Contributions to the Net Pension Asset	67
Schedule of Changes in BWL's Net OPEB Liability (Asset) and Related Ratios	68
Schedule of Employer Contributions to the Net OPEB Liability (Asset)	69
Notes to Required Supplementary Information	70
Supplementary Information	
Income Available for Revenue Bond Debt Retirement	77
Detail of Statements of Revenues and Expenses	78
Detail of Statements of Changes in Net Position	79
Detail of Statements of Fiduciary Net Position - Pension and OPEB Trust Funds	80
Detail of Statement of Changes in Fiduciary Net Position - Pension Trust and OPEB Funds	81

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, 2026 and 2025, 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, 2026 and 2025, 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.*

Emphasis of Matter

As discussed in Note 1, the BWL adopted the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, effective July 1, 2025. Accordingly, the accounting changes have been retroactively applied to prior periods presented. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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 2, 2026 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 2, 2026

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) 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. It should be read with the basic financial statements, the notes to financial statements, and the required supplemental information that follow for a complete understanding of the financial and operational results for the years ended June 30, 2025 and 2026.

OVERVIEW OF THE BUSINESS

The BWL owns and operates an electric system which generates, purchases and distributes electric energy to approximately 99,700 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 61% 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with generally accepted accounting principles (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the Statements of Net Position present the BWL's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the end of the fiscal year. The Statements of Net Position report net position as the difference between (a) the sum of total assets plus deferred outflows of resources and (b) the sum of total liabilities plus deferred inflows of resources. The components of net position are classified as net investment in capital assets, restricted for debt service, restricted for pension, restricted for OPEB, and unrestricted. Net funds categorized as unrestricted indicate they are available for use in operating activities.

The Statements of Revenues, Expenses and Changes in Net Position present operating results, noncapital subsidies, and nonoperating results separately. Operating revenues and expenses are presented to highlight the revenue generated from the sale of goods and services and the costs incurred in providing those goods and services. Operating expenses are presented by major cost categories. Revenues in excess of operating expenses are available to service debt, finance capital expenditures, and cover contingencies.

Subsidies are defined as resources received from or provided to another party for which the entity does not provide or receive goods or services and that directly or indirectly affect the entity's current or future fees and charges. Accordingly, the BWL's return on equity payments to the City of Lansing are considered noncapital subsidies and are presented separately in the noncapital subsidies section. Nonoperating revenues and expenses are subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses.

The Statements of Cash Flows present cash flows from operating activities, capital and related financing activities, and investing activities. These statements also separately list the noncash financing activities.

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report the combined asset and liabilities and plan activity associated with the BWL Pension and OPEB Trust Funds. These statements combine the financials for the BWL's three retirement plans (collectively "Employee Benefit Plans"): the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (Defined Benefit Plan), the Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (Defined Contribution Plan), and the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (VEBA Plan). The Employee Benefit Plans are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with U.S. GAAP. Contributions and income are recorded when earned and benefits and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flow.

Adoption of GASB Statement No. 103 - GASB Statement No. 103 introduced additional presentation requirements for the MD&A, provided guidance for the classification of operating and nonoperating revenues and expenses, and enhanced the presentation of financial information to provide users with a more accessible and transparent analysis of the BWL's activities and changes in financial position. There was no impact on total net position as a result of the restatement of fiscal year 2025 or 2024. Refer to Note 1 for additional information related to the restatement from GASB Statement No. 103.

FINANCIAL SUMMARY FOR REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Dollars in millions)

	For the Year Ended June 30			% Change	% Change
	2026	2025 (restated)	2024 (restated)	2025 to 2026	2024 to 2025
Operating revenues	$ 504.4	$ 469.8	$ 421.0	7.4 %	11.6 %
Operating expenses					
Production	182.2	183.3	161.5	(0.6) %	13.5 %
Transmission and distribution	34.6	37.6	38.7	(8.0) %	(2.8) %
Administrative and general	109.3	98.3	93.4	11.2 %	5.2 %
Depreciation	74.0	68.4	68.3	8.2 %	0.1 %
Total operating expenses	400.1	387.6	361.9	3.2 %	7.1 %
Noncapital subsidies	(29.3)	(26.7)	(26.0)	(9.7) %	(2.7) %
Operating income (loss) and noncapital subsidies	75.0	55.5	33.1	35.1 %	67.7 %
Other nonoperating income (loss) - net	(38.0)	(27.9)	(23.2)	(36.2) %	(20.3) %
Income before other changes in net position	37.0	27.6	9.9	34.1 %	178.8 %
Change in net position	37.0	27.6	9.9	34.1 %	178.8 %
Net position - beginning	750.4	722.8	712.9	3.8 %	1.4 %
Net position - ending	**$ 787.4**	**$ 750.4**	**$ 722.8**	**4.9 %**	**3.8 %**

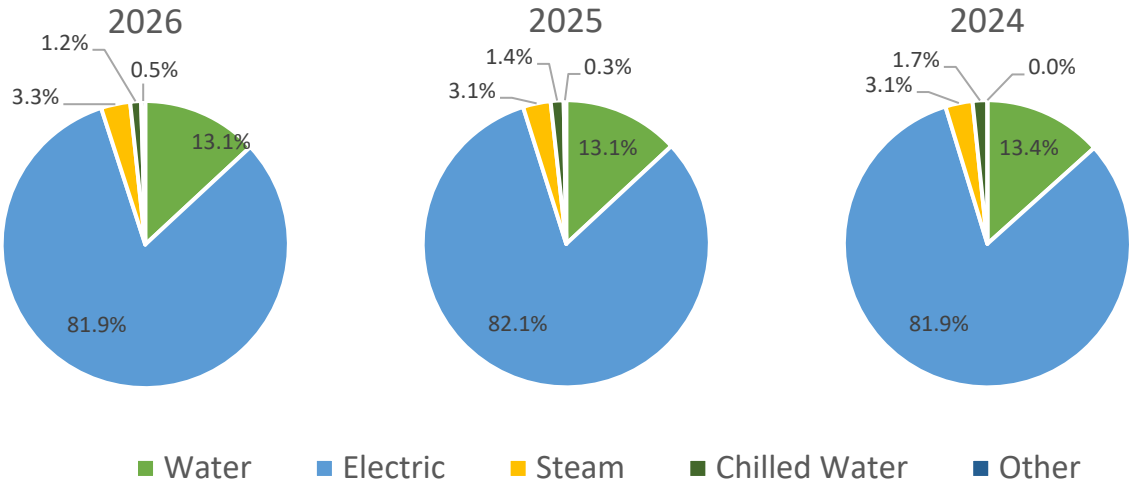
DETAILED ANALYSIS

Total Operating Revenues

FY2026 - Total operating revenues of $504.4 million increased by $34.6 million, or 7.4%, compared to FY2025. This increase was primarily due to higher electric retail revenue from rate increases and higher sales volumes.

FY2025 - Total operating revenues of $469.8 million increased by $48.8 million, or 11.6%, compared to FY2024. This increase was primarily due to an increase in electric wholesale revenue because of higher market prices and sales volumes.

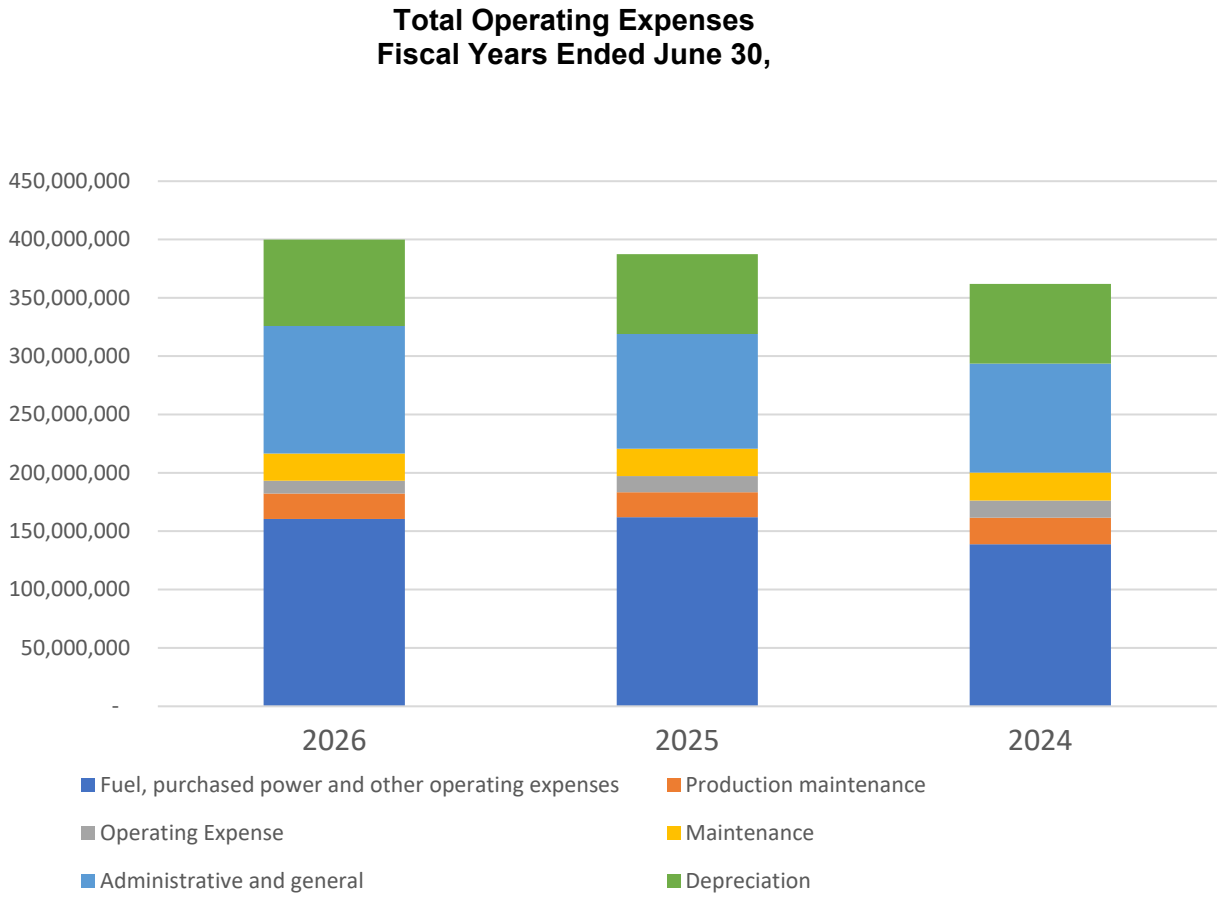
Total Operating Revenues
Fiscal Years Ended June 30,



Total Operating Expenses

FY2026 - Total operating expenses of $400.1 million increased by $12.5 million, or 3.2%, compared to FY2025. This increase was primarily due to increased general and administrative costs attributable to wage increases, benefit cost increases, and inflation.

FY2025 - Total operating expenses of $387.6 million increased by $25.7 million, or 7.1%, compared to FY2024. This increase was primarily due to $23.3 million in increased fuel costs associated with higher production for market sales and $4.9 million higher general and administrative costs attributable to wage increases and inflation, offset by $2.5 million lower contract services costs driven by operational efficiencies.



Noncapital Subsidies

FY2026 - Noncapital subsidy expense of $29.3 million was 9.7% higher than FY2025 due to $2.1 million higher return on equity payment to the City of Lansing driven by increased retail revenue.

FY2025 - Noncapital subsidy expense of $26.7 million was 2.7% higher than FY2024 due to a $2.0 million higher return on equity payment to the City of Lansing because of increased wholesale revenue in FY2025.

Other Nonoperating Income (Loss)

FY2026 - Other nonoperating loss of ($38.0) million increased by 36.2%, or $10.1 million, compared to FY2025. The increase was due to $6.8 million lower investment earnings, $2.5 million greater loss from disposal of capital assets, and $0.8 million of higher financing expense.

FY2025 - Other nonoperating loss of ($27.9) million increased by 20.3%, or $4.7 million, compared to FY2024. $8.9 million was attributable to higher interest expenses associated with new debt, offset by $3.9 million higher investment earnings and $0.3 million lower loss from fixed asset disposal.

FINANCIAL SUMMARY FOR STATEMENT OF NET POSITION

	As of June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Assets					
Current assets	$ 393.9	$ 373.5	$ 340.3	5.5 %	9.8 %
Other assets	175.3	311.5	426.7	(43.7) %	(27.0) %
Utility plant, net	1,508.4	1,398.3	1,273.9	7.9 %	9.8 %
Total assets	2,077.6	2,083.3	2,040.9	(0.3) %	2.1 %
Deferred outflow of resources	33.3	19.7	11.8	69.0 %	66.9 %
Total assets plus deferred outflows of resources	$ 2,110.9	$ 2,103.0	$ 2,052.7	0.4 %	2.5 %
Liabilities					
Current liabilities	$ 133.6	$ 148.5	$ 141.5	(10.0) %	4.9 %
Other long-term liabilities	55.9	65.6	35.4	(14.8) %	85.6 %
Long-term debt, net, less current portion	1,098.2	1,121.6	1,132.0	(2.1) %	(0.9) %
Total liabilities	1,287.7	1,335.7	1,308.9	(3.6) %	2.1 %
Deferred inflow of resources	35.8	16.9	21.0	111.8 %	(19.5) %
Total liabilities plus deferred inflows of resources	$ 1,323.5	$ 1,352.6	$ 1,329.9	(2.2) %	1.7 %
Net position					
Net investment in capital assets	$ 428.8	$ 408.9	$ 389.6	4.9 %	5.0 %
Restricted for debt service	71.2	70.1	80.0	1.6 %	(12.4) %
Restricted for pension	11.2	8.6	6.5	30.2 %	32.3 %
Restricted for OPEB	70.5	80.3	85.0	(12.2) %	(5.5) %
Unrestricted	205.7	182.5	161.7	12.7 %	12.9 %
Net position	787.4	750.4	722.8	4.9 %	3.8 %
Total liabilities plus deferred inflows of resources plus net position	**$ 2,110.9**	**$ 2,103.0**	**$ 2,052.7**	**0.4 %**	**2.5 %**

DETAILED ANALYSIS

Current Assets

FY2026 - Current assets totaled $393.9 million, an increase of $20.4 million, or 5.5%, compared to FY2025. The variance was driven by $8.4 million increase in Operations Maintenance fund from business operations and $4.8 million increase in fuel and inventory stock.

FY2025 - Current assets totaled $373.5 million, an increase of $33.2 million, or 9.8%, compared to FY2024. The variance was driven by $32.3 million increase in Operations Maintenance fund due to operational and financing activities.

Other Assets

FY2026 - Other assets totaled $175.3 million, a decrease of ($136.2) million, or 43.7% compared to FY2025. The variance was driven by the drawdown of the 2024A bond for eligible capital projects.

FY2025 - Other assets totaled $311.5 million, a decrease of ($115.2) million, or 27.0%, compared to FY2024. The variance was driven by the drawdown of 2024A bond for eligible expenditures.

Deferred Outflows of Resources

FY2026 - Deferred outflows of resources totaled $33.3 million, an increase of $13.6 million, or 69.0%, compared to FY2025. The variance was driven by higher projected healthcare costs for the OPEB retirement plan.

FY2025 - Deferred outflows of resources totaled $19.7 million, an increase of $7.9 million, or 66.9%, compared to FY2024. The variance was driven by higher projected healthcare costs for the OPEB retirement plan.

Current Liabilities

FY2026 - Current liabilities totaled $133.6 million, a decrease of ($14.9) million, or 10.0%, compared to FY2025. The variance was primarily driven by decreases in accounts payable due to the timing of expenses.

FY2025 - Current liabilities totaled $148.5 million, an increase of $7.0 million, or 4.9%, compared to FY2024. The variance was primarily due to $6.4 million increase in accounts payable and $1.2 million increase in accrued interest, offset by lower accrued payroll liability.

Other Liabilities

FY2026 - Other liabilities totaled $55.9 million, a decrease of ($9.7) million, or 14.8%, compared to FY2025. The variance was driven by $13.9 million decreased environmental liability related to Erickson Groundwater Remediation project due to an updated project cost estimate, partially offset by a $3.6 million increase in long-term GASB96 subscription liabilities, and $0.6 million increase in miscellaneous other.

FY2025 - Other liabilities totaled $65.6 million, an increase of $30.2 million, or 85.6%, compared to FY2024. The variance was primarily driven by $29.2 million increase in environmental liability related to Erickson Groundwater Remediation project.

Deferred Inflows of Resources

FY2026 - Deferred inflows of resources totaled $35.8 million, an increase of $18.9 million, or 111.8%, compared to FY2025. The variance was primarily driven by the net difference between projected and actual earnings from the employee benefit plans' investments, and $8.6 million gain on bond refunding.

FY2025 - Deferred inflows of resources totaled $16.9 million, a decrease of ($4.1) million, or 19.5%, compared to FY2024. The variance was due to changes of assumptions within the employee benefit plans.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Utility Plant, Net

FY2026 - Net Utility Plant totaled $1,508.4 million, an increase of $110.1 million, or 7.9% compared to FY2025. The variance was driven by $48.2 million in continued construction of the 110 MW reciprocating internal combustion engine plant. Additional asset increases were due to $8.5 million attributable to substation upgrades, equipment overhauls, and capital improvement projects; $35.0 million for transmission and distribution assets; $15.3 million for water assets; and $3.0 million in chilled water assets. To improve operational efficiency, the BWL has designed and begun construction of a hot water system that will eventually replace its existing steam heating system. The conversion project is expected to take approximately 15 years to complete. In FY2026, the BWL spent $1 million on the project, net of grant funding received.

FY2025 - Net Utility Plant totaled $1,398.3 million, an increase of $124.4 million, or 9.8%, compared to FY2024. $101.9 million increase is associated with the construction of a 110 MW reciprocating internal combustion engine plant, $13.0 million is driven by electric transmission and distribution assets, $8.0 million is driven by water assets, and $0.1 million increase in steam assets.

Long-term Debt

FY2026 - Long-term debt totaled $1,098.2 million, a $23.4 million decrease, or 2.1%, compared to FY2025. The variance was primarily driven by $22.0 million reduction on bond payables, $1.6 million reduction in unamortized bond premium, partially offset by an increase of $0.2 million in other long-term loans. During FY2026, BWL issued $124.1 million bonds across two 5.00% coupon series (2026A and 2026B) to refund and tender various outstanding bonds. See Note 5 for additional details.

FY2025 - Long-term debt totaled $1,121.6 million, a $10.4 million decrease, or 0.9% compared to FY2024. The variance was primarily driven by $4.9 million reduction on bond payables, $4.7 million reduction in unamortized bond premium, and $0.8 million decrease in other long-term loans.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Strategic Plan

The BWL’s 2026 Strategic Plan, approved by its Board of Commissioners, sets forth priorities for the organization’s success for fiscal years 2026-2030 and emphasizes the following five priorities: Customer and Community, Workforce Development and Diversity, Climate and Environment, Operational Resiliency and Continuous Improvement, and Financial Stability. Complete details of the BWL’s Strategic Plan are accessible on the company’s website.

Clean Energy Program - An Update to the 2020 Integrated Resource Plan

Integrated Resource Planning and Clean Energy Strategy - Utilities use Integrated Resource Planning (IRP) to evaluate projected system needs against customer demand and to identify resources that will provide reliable and affordable energy while minimizing cost, operational, and environmental risks. The IRP process analyzes multiple future resource portfolios, considering factors such as cost, risk, reliability, operational flexibility, resilience, and environmental impact. The outcome of this analysis provides recommendations for meeting future electric and capacity requirements.

The BWL completed its most recent IRP in 2026 (2026 IRP). The 2026 IRP aims to balance reliability, affordability, and sustainability for customers while considering the implications of Michigan Public Act 235 of 2023, which requires utilities in the state to achieve 50% renewable energy by 2030, 60% renewable energy by 2035, 80% clean energy (defined as renewable, nuclear, or carbon capture) by 2035, and 100% clean energy by 2040. Our current investments and projects in development are on track to achieve 50% renewable energy by 2030. The 2026 IRP recommended increased investment in renewable generation as the most cost-effective way to meet projected customer demand and legislative requirements. In February 2025, BWL filed their first renewable energy plan with the Michigan Public Service Commission (MPSC), which showed that its upcoming tranche of planned renewable projects will ensure compliance with PA 235 until 2035.

Clean and Renewable Energy Portfolio Update - The BWL continues to execute a long-term strategy to transition its power supply portfolio to cleaner resources, maintaining reliability and affordability, and achieving new state mandates for clean and renewable energy.

The BWL’s planned portfolio of generation resources will incorporate a mix of renewable resources, energy waste reduction, and modern, flexible natural gas generation designed to support reliability during the energy transition. Planned additions through 2027 include approximately 25 MW of local solar, 115 MW of regional solar, 149 MW of regional wind, 1 MW of demand response, and 110 MW of new reciprocating internal combustion engine capacity capable of operating with future low-carbon fuels such as hydrogen, to help achieve the goals for clean and renewable energy included in PA 235.

Looking ahead, the BWL is actively evaluating additional clean energy opportunities to support future resource needs, including emerging technologies. As part of the 2026 IRP, the BWL has assessed the potential future role of advanced nuclear technologies, carbon capture and storage, and long-duration energy storage as possible components of a future clean energy portfolio. These technologies, while not currently part of the BWL’s resource mix, may support long-term PA 235 compliance and offer pathways to achieve reliable, affordable, and fully clean energy supply over the coming decades.

In addition to supply-side resources, the BWL continues to expand demand-side and customer-focused programs that support efficient energy use. The BWL’s Energy Waste Reduction programs and demand response initiatives help reduce system peaks, optimize usage, and empower customers to participate in the clean energy transition. Together, these programs enhance the value of the BWL’s overall portfolio by reducing the need for incremental capacity additions and extending the useful life of existing resources.

Load Growth - Many utilities in the United States experienced flat or declining load growth for years. Underlying growth rates of 1% were historically offset by energy efficiency programs, which kept energy sales flat. The BWL has experienced this since 2010. However, recent industrial developments in the City have led, and are expected to continue to lead, to significant growth. Additionally, the rise in data center deployments is driving new load growth across the country. The BWL has received interest from multiple such customers. The BWL is committed to providing a high level of reliable service to all customers desiring to locate within its territory, however, has not yet entered into any contractual arrangements with these customers. Given their size relative to the existing customer base, the BWL intends to move forward only with all necessary protective contractual provisions in place including, but not limited to, long-term commitments, minimum billing requirements, exit fees, advance payment for construction, and financial security, with the intent of ensuring only beneficial impact to existing customers.

Energy Risk Management - The purpose of the BWL's Energy Risk Management Program is to secure power supply that is adequate to meet expected retail load while maintaining sufficient reserves and minimizing costs. Additionally, the program is responsible for helping the BWL achieve the following objectives:

- Minimizing risk of wholesale price volatility to better manage budget results
- Optimizing resources and the value of BWL assets
- Minimizing the risk of high energy input costs
- Minimizing BWL's operational and financial exposure

Under this program, the BWL consistently and significantly minimizes its exposure to the volatile natural gas market while also generating significant fuel cost savings over time. The value-based triggers allow for gas purchase commitments to be made up to five years in advance of consumption in various quantities based on a comparison of current and historical market prices as well as the amount of time until the gas will be consumed.

Grant Awards

BWL consistently pursues federal, state, and local funding opportunities to support capital improvements and ongoing operations and maintenance needs across all utilities. BWL submits multiple applications annually, targeting both unique grant opportunities and recurring funding sources, such as the Drinking Water and Clean Water State Revolving Funds (DWSRF/CWSRF), which provide a dependable source of funding for water infrastructure, as well as funding available through the State of Michigan's appropriation process.

In August 2026 (FY2027), the BWL was awarded $5.9 million in grants. There are currently $69.3 million of outstanding grant applications.

Federal Developments and Tax Credits

In August 2022, Congress passed the Inflation Reduction Act (IRA). The IRA included several energy tax provisions including extensions to the Production Tax Credit (PTC) and Investment Tax Credit (ITC), along with many others. The ITC was expanded to additional types of renewable energy, and the IRA expanded eligibility for tax incentives to existing nuclear, energy efficiency, electric vehicles, among other provisions. The IRA gives tax-exempt entities access to refundable direct pay tax credits.

As the BWL continues to increase renewable energy in our generation portfolio, the Investment Tax Credit (ITC) under IRA section 48 and 48E allows the BWL to file for direct pay tax credits for establishing clean energy generation sites. The BWL plans to file for direct pay ITC for solar generation sites that will be placed in service during FY 2027.

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.

Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Assets		
Current Assets		
Restricted cash and investments (Notes 2 and 3)	$ 93,709,604	$ 92,638,741
Cash and investments (Notes 1 and 2)	99,203,425	90,782,942
Designated cash and investments (Notes 1 and 2)	97,172,504	94,430,067
Accounts receivable, net (Note 1)	50,076,538	49,175,782
Estimated unbilled accounts receivable (Note 1)	24,259,475	22,768,968
Inventories (Note 1)	24,886,268	20,102,028
Prepayments (Note 1)	4,627,487	3,654,910
Total current assets	393,935,301	373,553,438
Other Assets		
Restricted assets:		
Net pension asset (Note 8)	11,200,344	8,646,252
Net OPEB asset (Note 8)	70,527,004	80,308,338
Restricted cash and investments (Notes 2 and 3)	40,748,622	144,247,959
Recoverable environmental remediation (Note 6)	33,480,511	52,492,879
Recoverable energy asset (Note 6)	6,700,608	5,858,054
Special deposit (Note 1)	10,007,519	17,644,728
Other (Note 1)	2,626,223	2,274,002
Total other assets	175,290,831	311,472,212
Utility Plant (Notes 1 and 4)		
Water	420,753,120	396,343,074
Electric	1,410,340,312	1,334,862,264
Steam	100,947,575	101,724,692
Chilled water	37,716,387	34,105,305
Common facilities	131,099,134	128,601,988
Subscription-based assets	14,247,886	10,479,987
Total plant in service	2,115,104,414	2,006,117,310
Less accumulated depreciation	905,889,540	852,321,134
Net plant in service	1,209,214,874	1,153,796,176
Construction in progress	299,186,211	244,531,511
Total utility plant	1,508,401,085	1,398,327,687
Total assets	2,077,627,217	2,083,353,337
Deferred Outflows of Resources		
Bond refunding loss being amortized (Note 1)	-	1,456,198
OPEB deferred outflows (Note 8)	33,349,636	18,300,807
Total deferred outflows of resources	33,349,636	19,757,005

See notes to financial statements

	2026	2025
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 79,541,074	$ 96,242,700
Accrued payroll and related taxes	5,626,664	5,171,456
Customer deposits	3,360,128	3,354,208
Accrued compensated absences (Note 1)	7,545,833	6,920,515
Accrued interest	47,388	58,984
Current portion of long-term debt (Note 5)	712,205	766,153
Current liabilities payable from restricted assets:		
Current portion of long-term debt (Note 5)	14,250,000	13,495,000
Accrued interest	22,518,250	22,529,392
Total current liabilities	133,601,542	148,538,408
Compensated Absences, Net of Current Portion (Note 1)	6,838,587	7,018,163
Other Long-Term Liabilities		
Workers' compensation (Note 12)	1,550,000	1,700,000
Environmental remediation liability (Note 9)	32,113,803	46,056,766
Arbitrage rebate requirement (Notes 11)	5,383,005	4,403,955
Other	10,001,575	6,417,042
Total other long-term liabilities	49,048,383	58,577,763
Long-Term Debt, Net, Less Current Portion (Note 5)	1,098,190,526	1,121,605,301
Total liabilities	1,287,679,038	1,335,739,635
Deferred Inflows of Resources		
Revenue intended to cover future costs (Note 6)	2,962,134	4,398,098
Bond refunding gain being amortized (Note 5)	7,911,764	-
Pension deferred inflows (Note 8)	2,956,116	744,696
OPEB deferred inflows (Note 8)	22,055,874	11,770,821
Total deferred inflows of resources	35,885,888	16,913,615
Net Position (Note 1)		
Net investment in capital assets	428,797,417	408,931,543
Restricted for debt service	71,191,354	70,109,349
Restricted for pension	11,200,344	8,646,252
Restricted for OPEB	70,527,004	80,308,338
Unrestricted	205,695,808	182,461,610
Total net position	$ 787,411,927	$ 750,457,092

See notes to financial statements

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 Restated
Operating Revenues (Note 1)		
Water	$ 66,002,487	$ 61,455,925
Electric	413,284,961	385,524,610
Steam	16,520,622	14,691,575
Chilled water	6,232,425	6,775,779
Other	2,320,791	1,380,671
Total operating revenues	504,361,286	469,828,560
Operating Expenses		
Production:		
Fuel, purchased power and other operating expenses	160,447,992	162,042,369
Maintenance	21,768,928	21,288,260
Transmission and distribution:		
Operating expenses	11,038,448	13,841,237
Maintenance	23,485,428	23,790,959
Administrative and general	109,318,240	98,253,370
Depreciation (Note 1)	74,027,098	68,414,785
Total operating expenses	400,086,134	387,630,980
Operating income	104,275,152	82,197,580
Noncapital Subsidies		
Return on equity (Note 7)	(30,122,430)	(28,057,140)
Investment tax credit	343,238	-
Intergovernmental revenues	473,688	1,370,000
Total noncapital subsidies	(29,305,504)	(26,687,140)
Operating income and noncapital subsidies	74,969,648	55,510,440
Other Nonoperating Revenues and Expenses		
Investment earnings	11,352,343	18,181,899
Resources from (used in) the disposal of capital assets and inventory	(7,276,744)	(4,805,095)
Expenses related to financing	(42,090,412)	(41,276,147)
Total other nonoperating income (expenses)	(38,014,813)	(27,899,343)
Net income (changes in net position)	36,954,835	27,611,097
Net Position, Beginning	750,457,092	722,845,995
Net Position, Ending	$ 787,411,927	$ 750,457,092

See notes to financial statements

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

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 Restated
Cash Flows From Operating Activities		
Cash received from customers	$ 504,358,361	$ 484,618,109
Cash paid to suppliers	(244,794,120)	(222,722,225)
Cash paid to employees	(95,606,287)	(92,865,169)
Cash from customer deposits	5,920	(166,818)
Other interest expense	(159,259)	(475,376)
Net cash flows from operating activities	163,804,615	168,388,521
Cash Flows From Capital and Related Financing Activities		
Planned, bonded, and annual construction	(177,888,192)	(190,030,684)
Principal payments on debt	(14,261,154)	(14,667,438)
Proceeds from new borrowings net of premium received	4,582,333	8,590,875
Principal payments on subscription-based IT arrangements	(4,564,976)	(3,425,213)
Interest on debt	(44,610,087)	(44,515,081)
Net cash flows from capital and related financing activities	(236,742,076)	(244,047,541)
Cash Flows From Noncapital Financing Activities		
Return on equity (Note 7)	(30,122,430)	(28,057,140)
Proceeds from intergovernmental revenue	441,994	1,242,968
Net cash provided by noncapital financing activities	(29,680,436)	(26,814,172)
Cash Flows From Investing Activities		
Proceeds from the sale and maturity of investments	88,662,858	171,911,917
Interest received	11,784,474	17,182,857
Purchase of investments	(41,840,682)	(38,566,382)
Net cash flows from investing activities	58,606,650	150,528,392
Net change in cash and cash equivalents	(44,011,247)	48,055,200
Cash and Cash Equivalents, Beginning	253,023,823	204,968,623
Cash and Cash Equivalents, Ending	$ 209,012,576	$ 253,023,823

See notes to financial statements

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 Restated
Reconciliation of Cash and Cash Equivalents to Statement of Net Position		
Restricted cash and investments	$ 93,709,604	$ 92,638,741
Cash and investments	99,203,425	90,782,942
Designated cash and investments	97,172,504	94,430,067
Noncurrent restricted cash and investments	40,748,622	144,247,959
Total cash and investments	330,834,155	422,099,709
Less noncash investments	(121,821,579)	(169,075,886)
Cash and cash equivalents, ending	$ 209,012,576	$ 253,023,823
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	$ 104,275,152	$ 82,197,580
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	74,027,098	68,414,785
Other nonoperating	-	(5,491,670)
Customer deposits	(159,259)	(475,376)
Decrease (increase) in assets:		
Accounts receivable (Note 1)	(900,756)	1,631,981
Unbilled accounts receivable (Note 1)	(1,490,507)	798,793
Inventories	(4,784,240)	(1,678,470)
Other postemployment benefits asset and deferrals	5,017,558	(6,598,586)
Special deposit	7,637,209	7,585,534
Net pension asset	(2,554,092)	(2,166,653)
Prepayments	(6,141,654)	3,114,985
Regulatory asset	19,012,368	(31,639,603)
(Decrease) increase in liabilities and deferred		
Accounts payable and other accrued expenses	(35,910,061)	34,905,621
Customer deposits	5,920	(166,818)
Net pension asset deferrals	2,211,420	949,608
Deferred inflows, energy cost adjustments	2,538,341	18,350,445
Other	1,020,118	(1,343,635)
Total adjustments	59,529,463	86,190,941
Net cash provided by operating activities	$ 163,804,615	$ 168,388,521
Noncash Capital and Financing Activities		
Increase (decrease) in noncash investment valuations	$ (432,131)	$ 5,878,373
Subscription-based IT arrangements	$ 8,492,747	$ 751,683
Amortization of bond premium	$ 4,713,114	$ 4,471,397
Bond proceeds placed directly to escrow in refunding	$ 137,415,986	$ -

See notes to financial statements

Statements of Fiduciary Net Position -
Pension and OPEB Trust Funds
June 30, 2026 and 2025

	2026	2025
Assets		
Receivable, investment interest receivable	$ 377,449	$ 815,712
Participant notes receivable	3,552,062	3,422,732
Cash and cash equivalents	27,947,546	25,768,448
Investments at fair value:		
Equity securities/stocks	18,495,321	-
Mutual funds, bonds	110,475,504	100,482,077
Mutual funds, equity	372,994,985	364,809,221
Real estate trust investment	39,402,908	40,244,890
Self-directed brokerage account:		
Equity securities/stocks	13,233,918	11,083,814
Exchange-traded funds	9,247,202	7,293,607
Mutual funds, equity	1,040,061	827,483
Total assets	596,766,956	554,747,984
Liabilities		
Trade payable, due to broker/other	1,183,091	812,171
Reimbursement for benefits paid by employer	5,680,162	5,011,279
Net position, held in trust for pension and other employee benefits	$ 589,903,703	$ 548,924,534

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, 2026 and 2025

	2026	2025
Increases		
Investment income:		
Net appreciation in fair value of investments	$ 58,281,408	$ 45,644,769
Interest and dividend income	10,509,918	10,024,968
Net investment income	68,791,326	55,669,737
Employer contributions	9,394,330	9,032,259
Interest from participant notes receivable	234,951	226,953
Other	-	68,662
Total increases	78,420,607	64,997,611
Decreases		
Retiree benefits paid	36,599,040	30,021,653
Participants' note and administrative fees	644,225	703,693
Other	198,173	-
Total decreases	37,441,438	30,725,346
Change in net position held in trust	40,979,169	34,272,265
Net Position Held in Trust for Pension and Other Employee Benefits		
Beginning	548,924,534	514,652,269
Ending	$ 589,903,703	$ 548,924,534

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

Basis of Accounting

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

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

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.

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.

FY2026 GASB Pronouncement Implementations

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement requires updates to the Management's Discussion and Analysis (MD&A), which precedes the basic financial statements, to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability.

As a business-type entity, the BWL implemented the changes required by GASB 103, including presentation changes to the Statements of Revenues, Expenses, and Changes in Net Position in both the MD&A and the basic financial statements. The MD&A was also updated to include defined sections, providing more descriptive analysis of year-over-year changes as well as greater detail and insight into significant business decisions and future planning.

The Statements of Revenues, Expenses, and Changes in Net Position were expanded to separately present noncapital subsidies and provide a more clearly defined section for nonoperating revenues and expenses. In addition, the MD&A presentation of the Statement of Revenues, Expenses, and Changes in Net Position was updated to provide more detailed groupings of operating expenses. As required by GASB 103, revenue and expense items that did not meet the criteria for classification as nonoperating were reclassified to operating revenues and expenses.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease Assets recognized in accordance with Statement No. 87 and intangible right-to-use assets recognized in accordance with Statement No. 94 are required to be disclosed separately by major asset class. Subscription assets recognized in accordance with Statement No. 96 must also be disclosed separately. In addition, any other intangible assets, outside of those three categories, must be disclosed separately by major class. Statement No. 104 also requires additional disclosures for capital assets held for sale, if applicable.

In implementing this Statement, the BWL enhanced the disclosures in Note 4 to provide additional detail regarding subscription-based assets.

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.

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	
	2026	2025
Designated purpose:		
Litigation, environmental and uninsured losses	$ 22,679,035	$ 22,091,779
Future water facilities	4,645,103	4,459,209
Subtotal	27,324,138	26,550,988
Special purpose, future construction	69,848,366	67,879,079
Total	$ 97,172,504	$ 94,430,067

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 2026 and 2025 are as follows:

	2026	2025
Customer receivables	$ 34,431,779	$ 32,060,580
Sewerage collections	3,086,055	2,805,555
Wholesale sales receivables	995,077	4,174,924
Grant receivables	5,084,698	4,999,576
Miscellaneous	8,978,929	7,635,147
Less allowance for doubtful accounts	(2,500,000)	(2,500,000)
Net	$ 50,076,538	$ 49,175,782

Unbilled Accounts Receivable and Revenue

Unbilled accounts receivable at June 30, 2026 and 2025 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.

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 2026 and 2025, the BWL recovered $7,637,209 and $7,585,534, 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 $9,966,354 in 2026 and $17,603,563 in 2025. The BWL has $41,165 of miscellaneous other deposits as of June 30, 2026 and 2025.

Inventories

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

	2026	2025
Natural Gas	$ 4,346,998	$ 2,168,849
Materials and supplies	20,539,270	17,933,179
Total	$ 24,886,268	$ 20,102,028

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 2026 and 2025, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

	Life (Years)	Average Rate (Percent) 2026	2025
Classification of utility plant:			
Water	4-100	1.9	2.0
Electric	4-50	3.5	3.5
Steam	5-50	2.9	2.9
Chilled water	5-50	2.3	2.2
Common facilities	2-50	5.5	5.3
Subscription-based assets	3-10	24.0	23.8

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 $14,384,420 and $13,938,678 as of June 30, 2026 and 2025, 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, deferred gains from bond refundings, 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, Recoverable Environmental Remediation Asset 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.

Post-Employment Benefits Other Than Pensions (OPEB)

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

Inter-Utility Transactions

The water, electric, steam and chilled water operations of the BWL bill each other for services provided and these services are reported as revenue to the generating operation and expense to the consuming operation. Such internal billings aggregated $7,899,288 and $7,083,455 in 2026 and 2025, 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.

Accounting Principle Changes

The BWL adopted GASB Statement No. 103 in fiscal year 2026 and restated the impacted balances in the comparative Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows for the fiscal year ending June 30, 2025. As a result of adopting GASB Statement No. 103, a noncapital subsidies section was added to follow operating income. Revenues received from the City of Lansing for managing their sewer billing and collections were shifted to operating revenues, along with a few other smaller recurring revenue lines that are not part of our primary business activities resulting in an increase of operating revenues by $1.4 million. Operating expense decreased by $27.8 million due to reclassifying return on equity payments to the City of Lansing to noncapital subsidies. There were no changes to the net position reflected with the fiscal year 2025 restatement.

Due to the adoption of GASB Statement No. 103 in fiscal year 2026, the BWL has restated amounts of the affected balances within the financial statements for the fiscal year ending June 30, 2025 as follows:

Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2025

	Previously Reported	As Restated	Restatement Effect
Operating Revenues			
Other	$ -	$ 1,380,671	$ 1,380,671
Total operating revenues	468,447,889	469,828,560	1,380,671
Operating Expenses			
Maintenance	23,522,155	23,790,959	268,804
Return on equity	28,057,140	-	(28,057,140)
Total operating expenses	415,419,316	387,630,980	(27,788,336)
Operating income	53,028,573	82,197,580	29,169,007
Noncapital Subsidies			
Return on equity	-	(28,057,140)	(28,057,140)
Intergovernmental revenues	-	1,370,000	1,370,000
Total noncapital subsidies	-	(26,687,140)	(26,687,140)
Operating income and noncapital subsidies	-	55,510,440	55,510,440
Other Nonoperating Revenues and Expenses			
Other expense	(2,323,228)	-	2,323,228
Resources from the disposal of capital assets and inventory	-	(4,805,095)	(4,805,095)
Bonded debt and interest expense	(40,773,265)	-	40,773,265
Other interest expense	(502,882)	-	502,882
Expenses related to financing	-	(41,276,147)	(41,276,147)
Total other nonoperating revenues and expenses	(25,417,476)	(27,899,343)	(2,481,867)
Change in net position	$ 27,611,097	$ 27,611,097	$ -

Statement of Cash Flows - Year Ended June 30, 2025

	Previously Reported	As Restated	Restatement Effect
Cash Flows From Operating Activities			
Cash received from customers	$ 486,405,880	$ 484,618,109	$ (1,787,771)
Cash paid to suppliers	(223,267,028)	(222,722,225)	544,803
Return on equity	(28,057,140)	-	28,057,140
Net cash flows from operating activities	141,574,349	168,388,521	26,814,172
Cash Flows From Capital and Related Financing Activities			
Interest on debt	(44,012,199)	(44,515,081)	(502,882)
Net cash flows from capital and related financing activities	(243,544,659)	(244,047,541)	(502,882)
Cash Flows From Noncapital Financing Activities			
Return on equity	-	(28,057,140)	(28,057,140)
Proceeds from intergovernmental revenue	-	1,242,968	1,242,968
Net cash flows from noncapital financing activities	-	(26,814,172)	(26,814,172)
Cash Flows From Investing Activities			
Interest received	16,679,975	17,182,857	502,882
Net cash flows from investing activities	150,025,510	150,528,392	502,882
Net change in cash and cash equivalents	48,055,200	48,055,200	-
Cash and Cash Equivalents, Beginning	204,968,623	204,968,623	-
Cash and Cash Equivalents, Ending	$ 253,023,823	$ 253,023,823	$ -

Reconciliation of Operating Income to Net Cash From Operating Activities - Year Ended June 30, 2025

	Previously Reported	As Restated	Restatement Effect
Operating income	$ 53,028,573	$ 82,197,580	$ 29,169,007
Other nonoperating	(3,636,927)	(5,491,670)	(1,854,743)
Sewerage collection fees	1,313,699	-	(1,313,699)
Prepayments	2,301,378	3,114,985	813,607
Total adjustments	88,545,776	86,190,941	(2,354,835)
Net cash provided by operating activities	$ 141,574,349	$ 168,388,521	$ 26,814,172

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, 2026 and 2025, 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, 2026 and 2025, the BWL had $16,998,340 and $19,286,941, respectively, of bank deposits that were uninsured and uncollateralized. The BWL evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the BWL will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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 has addressed custodial credit risk by owning all investments and registering each in the name of the government.

At June 30, 2026, 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	$ 42,219,510	Counterparty
U.S. treasury bonds	79,602,069	Counterparty

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

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, 2026, the average maturities of investments are as follows:

Investment	Fair Value	Less Than 1 Year	1-5 Years	6+ Years
Pooled investment funds	$ 159,217,532	$ 159,217,532	$ -	$ -
U.S. treasury bonds	79,602,069	9,652,824	69,949,245	-
U.S. agency bonds/notes	42,219,510	4,968,812	31,670,245	5,580,453
Total	$ 281,039,111	$ 173,839,168	$ 101,619,490	$ 5,580,453

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	$ 269,365,480	$ 163,333,625	$ 99,652,200	$ 6,379,655

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, 2026, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	$ 159,217,532	AAAm	S&P
U.S. treasury bonds	79,602,069	AA+ (Aa1)	S&P (Moody's)
U.S. agency bonds/notes	42,219,510	AA+ (Aa1)	S&P (Moody's)

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)

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, 2026 and 2025, the BWL's investment portfolio was concentrated as follows:

Investment	2026	2025
Freddie Mac	25 %	12 %
Federal Home Loan Bank	6	-

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.

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

	June 30, 2026			
	Level 1	Level 2	Level 3	Total
U.S. treasury bonds	$ -	$ 79,602,069	$ -	$ 79,602,069
Federal agency mortgage-backed security	-	30,472,507	-	30,472,507
Federal agency collateralized mortgage obligation	-	1,593,773	-	1,593,773
Federal agency bond/note	-	10,153,230	-	10,153,230
Total investments at fair value level	$ -	$ 121,821,579	$ -	$ 121,821,579

	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

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, 2026 and 2025, the BWL had $1,157,875 and $1,043,398, 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.

At June 30, 2026, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity (in Years)
Mutual fund, bonds	$ 110,475,504	8.5

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

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, 2026, 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	$ 110,475,504	Not rated	Not rated

As of June 30, 2025, 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	$ 100,482,077	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, 2026 and June 30, 2025.

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, 2026 and 2025:

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.

Exchange-Traded Funds - Valued at the closing price reported on the active market on which the individual securities are traded. Exchange-traded funds are registered investment companies whose shares are traded on a national securities exchange. The exchange-traded funds held by the Plan are deemed to be actively traded.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2026 and 2025:

	June 30, 2026			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities/stocks	$ 18,495,321	$ -	$ -	$ 18,495,321
Mutual funds, bonds	110,475,504	-	-	110,475,504
Mutual funds, equities	306,924,641	66,070,344	-	372,994,985
Self-directed brokerage account, equities	13,233,918	-	-	13,233,918
Self-directed brokerage account, Exchange-traded funds	9,247,202	-	-	9,247,202
Self-directed brokerage account, mutual funds, equity	1,040,061	-	-	1,040,061
Total investments by fair value level	$ 459,416,647	$ 66,070,344	$ -	525,486,991
Investments measured at the net asset value (NAV):				
Real estate fund investments				39,402,908
Total investments measured at fair value				$ 564,889,899

	June 30, 2025			
Investment Type	**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				$ 524,741,092

3. Restricted Assets

Restricted assets are required under the 2017A, 2019A, 2019B, 2021A, 2021B, 2023 Junior Lien, 2024A, 2026A, and 2026B Revenue Bond resolutions and the related Nonarbitrage and Tax Compliance Certificates. These assets are segregated into the following funds:

	Carrying Value	
	2026	2025
Operations and maintenance fund	$ 55,709,835	$ 39,230,603
Bond and interest redemption fund	37,999,769	53,408,138
Construction Fund	40,748,622	144,247,959
Total	$ 134,458,226	$ 236,886,700

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 2026 and 2025.

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 2017A, 2019A, 2019B, 2021A, 2021B, 2023 Junior Lien, 2024A, 2026A, and 2026B 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, 2026 and 2025:

Capital Asset Activity for Year Ended June 30, 2026

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	$ 397,156,681	$ 24,582,265	$ -	$ (985,826)	$ 420,753,120
Electric	1,334,862,264	93,138,056	-	(17,660,008)	1,410,340,312
Steam	101,724,692	(699,482)	-	(77,635)	100,947,575
Chilled	34,105,305	3,795,134	-	(184,052)	37,716,387
Common	127,788,381	4,364,028	-	(1,053,275)	131,099,134
Subscription-based assets	10,479,987	-	8,492,747	(4,724,848)	14,247,886
AUC	244,531,511	(125,180,001)	179,977,044	(142,343)	299,186,211
Total	$ 2,250,648,821	$ -	$ 188,469,791	$ (24,827,987)	$ 2,414,290,625

Accumulated Depreciation for Year Ended June 30, 2026

	Accumulated Depreciation FY Start	Depreciation Transfers	Depreciation / Amortization and Impairment for Year	Depreciation Retirement	Accumulated Depreciation FY End
Water	$ (151,877,030)	$ 30,080	$ (9,090,133)	$ 613,186	$ (160,323,897)
Electric	(557,992,949)	(1,719,638)	(47,211,599)	10,956,709	(595,967,477)
Steam	(35,341,769)	674,252	(2,895,912)	6,970	(37,556,459)
Chilled	(20,363,840)	-	(814,332)	184,052	(20,994,120)
Common	(81,519,083)	32,681	(7,121,427)	1,027,629	(87,580,200)
Subscription-based assets	(5,226,463)	-	(2,965,772)	4,724,848	(3,467,387)
Total	$ (852,321,134)	$ (982,625)	$ (70,099,175)	$ 17,513,394	$ (905,889,540)

Nondepreciable Assets - Included in the table above are nondepreciable assets of $2,204,045 for water, $18,758,847 for electric, $124,099 for steam, $412,339 for common facilities and $299,186,211 for AUC.

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	122,203,002	11,056,016	-	(5,470,637)	127,788,381
Subscription-based assets	9,728,306	-	751,681	-	10,479,987
AUC	142,601,832	(94,879,093)	197,628,220	(819,448)	244,531,511
Total	$ 2,067,841,943	$ -	$ 199,193,508	$ (16,386,630)	$ 2,250,648,821

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	(79,746,125)	(135,444)	(7,104,355)	5,466,841	(81,519,083)
Subscription-based assets	(2,819,385)		(2,407,078)		(5,226,463)
Total	$ (793,981,863)	$ -	$ (67,932,384)	$ 9,593,113	$ (852,321,134)

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.

5. Long-Term Debt

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

	2026	2025
Water Supply, Steam, Chilled Water and Electric Utility System Revenue and revenue refunding Bonds, Series 2026B, due in annual principal installments beginning July 1, 2027, and continuing through July 1, 2042, plus interest at a rate of 5.00%. Original amount of issue $59,645,000.	$ 59,645,000	$ -
Water Supply, Steam, Chilled Water and Electric Utility System Revenue and revenue refunding Bonds, Series 2026A, due in annual principal installments beginning July 1, 2026, and continuing through July 1, 2051, plus interest at a rate of 5.00%. Original amount of issue $64,460,000.	64,460,000	-
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.	361,910,000	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, 2064, plus interest at a rate of 1.875%. Original amount of issue $12,220,000 as of June 30, 2026.	12,220,000*	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. During fiscal year 2026, $70,875,000 of the 2021B original issuance was refunded as part of the 2026A issuance.	-	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.	55,870,000	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 2026, $21,335,000 of the 2019B original issuance was refunded as part of the 2026B issuance.	160,595,000	187,010,000
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. During fiscal year 2026, $39,750,000 of the 2019A original issuance was refunded as part of the 2026B issuance.	267,205,000	310,425,000

	2026	2025
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. During fiscal year 2026, $3,505,000 of the 2017A original issuance was refunded as part of the 2026B issuance.	$ 14,050,000	$ 19,635,000
Promissory note, due to the City of Lansing in semi-annual installments through October 1, 2031, plus interest at a rate of 2.50%.	2,977,042*(2)	2,717,630*
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.	2,399,801*	2,526,107*
Total	1,001,331,843	1,022,424,612
Less current portion	(14,962,205)	(14,261,153)
Plus unamortized premium	111,820,888	113,441,842
Total	$ 1,098,190,526	$ 1,121,605,301

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, 2026, $32,220,000 has been drawn down. The repayment schedule was determined during FY26 and future debt service requirements are included in the current repayment schedule below.

(2) - During 2026, the BWL is sharing the benefits of a Clean Water State Revolving Fund (CWSRF) loan with the City of Lansing. As of June 30, 2026, the BWL's portion of the loan is $899,260. The repayment schedule will be determined upon project completion or upon disbursement of the total authorized amount. The repayment schedules will reflect CWSRF 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:

Years Ending June 30:	Principal	Interest	Total
2027	$ 14,250,000	$ 45,675,811	$ 59,925,811
2028	18,370,000	45,772,170	64,142,170
2029	19,245,000	44,953,662	64,198,662
2030	20,010,000	44,161,515	64,171,515
2031	20,835,000	43,277,630	64,112,630
2032-2036	118,540,000	210,271,782	328,811,782
2037-2041	146,290,000	183,130,804	329,420,804
2042-2046	182,075,000	147,024,043	329,099,043
2047-2051	227,825,000	94,807,462	322,632,462
2052-2056	225,515,000	24,330,212	249,845,212
2057-2061	2,105,000	183,985	2,288,985
2062-2064	895,000	16,828	911,828
Total	$ 995,955,000	$ 883,605,904	$ 1,879,560,904

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

Years Ending June 30:	Principal	Interest	Total
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	231,132	89,197	320,329
2032-2036	739,418	342,104	1,081,522
2037-2041	631,527	198,774	830,301
2042-2046	505,221	56,792	562,013
Total	$ 4,477,583	$ 1,179,008	$ 5,656,591

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 2026B Bonds or portions thereof in multiples of $5,000 maturing in the years 2027 through 2037, are subject to optional redemption prior to their maturity date, 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 business day on or after July 1, 2036 at par plus accrued interest to the date fixed for redemption, without premium.

The Series 2026A Bonds or portions thereof in multiples of $5,000 in the initial term interest rate period are subject to optional redemption or purchase prior to their stated purchase date or their maturity date, 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 business day on or after January 1, 2031 (the Par Call Date) at par plus accrued interest to the date fixed for redemption, without premium.

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. During fiscal year 2026, $70,875,000 of the 2021B original issuance was refunded as part of the 2026A issuance.

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 2026, $21,335,000 of the 2019B original issuance was refunded as part of the 2026B issuance.

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. During fiscal year 2026, $39,750,000 of the 2019A original issuance was refunded as part of the 2026B issuance.

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. During fiscal year 2026, $3,505,000 of the 2017A original issuance was refunded as part of the 2026B issuance.

Current Refunding

On February 17, 2026, BWL issued $124,105,000 in bonds, $64,460,000 refunding bonds in series 2026A and $59,645,000 tender bonds in 2026B, with a total premium of $14,442,802, at a rate of 5.00%.

Series 2026A is a refunding of its $70,875,000 mandatory 2021B put bonds. The cash flow requirements on the old bonds prior to the refunding were $207,146,549 through July 2051. The cash flow requirements for the new bonds are $179,455,931 through July 2051. The refunding resulted in net present value saving of $19,839,797. The economic gain of this refunding is $4,601,420.

Series 2026B is to tender $3,505,000 in outstanding 2017A Bonds, $39,750,000 in outstanding 2019A Bonds and $21,335,000 in outstanding 2019B Bonds. The cash flow requirements on the old bonds prior to the tender were $95,436,311 through July 1, 2042. The cash flow requirements for the new bonds are $90,587,810 through July 1, 2042. The current tender resulted in net present value savings of $3,738,700. The economic gain of this tender is $4,096,827.

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 2021B Bonds and a portion of the 2017A, 2019A/B Bonds. As a result, the 2021B Bonds and a portion of the 2017A, 2019A/B Bonds are considered defeased and the liability for these bonds has been removed from the Statement of Net Position.

The long-term debt activity for the year ended June 30, 2026 is as follows:

	Revenue Bonds (Net of Unamortized Premiums)	Other Notes	Total
Beginning Balance	$ 1,130,622,717	$ 5,243,737	$ 1,135,866,454
Additions	127,734,125	899,260	128,633,385
Reductions	(150,580,954)	(766,154)	(151,347,108)
Ending Balance	$ 1,107,775,888	$ 5,376,843	$ 1,113,152,731
Due within one year	$ 14,250,000	$ 712,205	$ 14,962,205

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 2026, the remaining principal and interest to be paid on the bonds total $1,879,560,904. During fiscal year 2026, net revenues of the BWL were $152,750,365 compared to the annual debt requirements of $51,712,061. 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.

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	$ 1,130,622,717	$ 5,243,737	$ 1,135,866,454
Due within one year	$ 13,495,000	$ 766,153	$ 14,261,153

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, 2026 and 2025 was $930,792 and $470,113, 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, 2026 and 2025 was $97,792 and $98,899, 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, 2026 and 2025 for additional sites was $32,451,927 and $51,923,867, respectively. The decrease in environmental liabilities is primarily driven by a groundwater remediation project identified in 2025. During fiscal 2026, the BWL received information regarding more economical 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 (CWFCA). These affect the amount to be billed to retail electric, water, steam and chilled water customers to reflect the difference between the BWL's actual material costs and the amounts incorporated into rates. This resulted in recoverable assets of $1,883,752 and $5,858,054 at June 30, 2026 and 2025, 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 $96,143 and $549,482 as of June 30, 2026 and 2025, respectively.

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, 2026 and 2025 was $2,865,991 and $3,848,616, respectively.

OPEB Deferred Asset

During the year ended June 30, 2026, the Board of Commissioners approved the application of regulatory accounting in accordance with GASB 62 for Other Post Employment Benefit Plan (OPEB) costs. Under this regulatory accounting treatment, qualifying OPEB costs will be deferred and amortized over a 25-year period, consistent with the expected recovery of these costs through future rates. This treatment is intended to mitigate significant fluctuations in OPEB expenses resulting from investment performance and changes in actuarial assumptions. The annual expense is made up of both current year expenses and deferred inflows and outflows of resources. The BWL anticipates significant fluctuations in relatively short-term deferred outflows of resources due to long-term forecasted changes in assumptions, claims, and overall plan expenses. This does not accurately reflect current fiscal year expenses in the BWL's financials. Therefore, all current year expenses and current year changes in actuals and assumptions will be recognized over a 25-year period. This resulted in a deferral of OPEB expenses of $4,816,856 in 2026, which is included in the recoverable energy assets on the Statement of Net Position.

7. Transactions With the City of Lansing, Michigan

Operations

The BWL recognized revenue of $12,450,774 and $10,301,584 in 2026 and 2025, respectively, for water, electric and steam services provided to the City. The BWL incurred expenses for sewerage services purchased from the City of $740,043 and $2,250,103 in 2026 and 2025, respectively.

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of $1,530,429 and $1,313,699 in 2026 and 2025, respectively, included in other operating revenues.

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. In fiscal year 2026 the agreement was updated and the payment was confirmed to be the higher of 6% of budgeted operating revenues or 6% actual operating revenues. Under terms of these agreements, the BWL paid to the City $30,122,430 and $28,057,140 for 2026 and 2025, 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 post-retirement 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, 2026 and 2025.

Employees Covered by Benefit Terms

At February 28, 2026 and February 28, 2025 (the most recent actuarial valuation for funding purposes), Defined Benefit Plan membership consisted of the following:

	2026	2025
Inactive plan members or beneficiaries currently receiving benefits	224	236
Inactive plan members entitled to but not yet receiving benefits	0	1
Active plan members	3	3
Total	227	240

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, 2025 and 2026. Plan documents do not require participant contributions.

Net Pension Asset

The components of the net pension asset of the BWL at June 30, 2026 and June 30, 2025 were as follows (in thousands):

	2026	2025
Total pension liability	$ 35,758	$ 39,344
Plan fiduciary net pension	46,958	47,990
Net pension liability (asset)	$ (11,200)	$ (8,646)
Plan fiduciary net position, as a percentage of the total pension liability/(asset)	131.32 %	121.98 %

The BWL has chosen to use June 30, 2026 as its measurement date for fiscal year 2026. The June 30, 2026 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2026. The June 30, 2026 total pension liability was determined by an actuarial valuation as of February 28, 2026, which used update procedures to roll forward the estimated liability to June 30, 2026.

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.

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

	In Thousands		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance, 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)
Balances, June 30, 2025	39,344	47,990	(8,646)
Changes for the year:			
Service cost	32	-	32
Interest	2,209	-	2,209
Differences between expected and actual experience	170	-	170
Changes in assumptions	(879)	-	(879)
Net investment income	-	4,229	(4,229)
Benefit payments, including refunds	(5,118)	(5,118)	-
Administrative expenses	-	(143)	143
Miscellaneous other charges	-	-	-
Net changes	(3,586)	(1,032)	(2,554)
Balance, June 30, 2026	$ 35,758	$ 46,958	$ (11,200)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2026, the BWL recognized pension expense of ($342,672). At 2026, the BWL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 2,956,116

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

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

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:	
2027	$ (1,139,285)
2028	(889,263)
2029	(626,514)
2030	(301,054)
Total	$ (2,956,116)

Actuarial Assumptions

The total pension liability in the June 30, 2026 and June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2026	2025
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-2016 General Mortality Table using the 2024 Adjusted MP-2021 Improvement Scale for the June 30, 2026 valuations. Mortality rates were based on the PUB-2010 General Mortality Table with MP-2021 Improvement Scale for the June 30, 2025 valuations.

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered three active participants in fiscal year 2026 and fiscal year 2025, 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 2026 and 2025. 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.

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, 2026 and 2025 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	2026 Long-Term Expected Real Rate of Return	2025 Long-Term Expected Real Rate of Return
Core bonds	2.50 %	2.52 %
Multi-sector	-	3.44
Liquid absolute return	-	3.25
U.S. large cap equity	7.17	7.20
U.S. small cap equity	8.30	8.59
Non-U.S. equity	8.11	8.20
Core real estate	6.41	6.45

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, 2026, 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	$ (7,584,896)	$ (11,200,344)	$ (12,355,337)

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)

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.

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, 2026 and 2025, the BWL contributed $9,335,182 and $8,970,407, respectively. The BWL's contributions are recognized in the period that the contributions are due.

Basis of Accounting

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

Valuation of Investments and Income Recognition

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

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

Regulatory Status

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

Retiree Benefit Plan (OPEB)

Plan Description

The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (Retiree Benefit Plan) is a single-employer retiree benefit plan. The Plan provides medical, dental and life insurance benefits in accordance with Section 5-203 of the City Charter. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while actively employed full-time by working for the BWL. There were 753 participants eligible to receive benefits at June 30, 2026 and 748 participants eligible at June 30, 2025.

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, 2026 and 2025, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was $59,148 and $61,852, of which respectively, was incurred as direct costs of benefits.

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

Benefits Provided

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

Employees covered by benefit terms. At June 30, 2026, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	781
Disabled participants	62
Retired participants	542
Surviving spouses	149
Total	1,534

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
Total	1,539

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, 2026 and 2025, the actual contribution rates of the BWL were 0.07% and 0.08% of covered-employee payroll, respectively.

Net OPEB Liability (Asset)

The BWL has chosen to use June 30, 2026 as its measurement date for fiscal year 2026. The June 30, 2026 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2026. The June 30, 2026 total OPEB liability was determined by an actuarial valuation as of February 28, 2026, which used update procedures to roll forward the estimated liability to June 30, 2026.

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.

Actuarial Assumptions

The total OPEB liability in the June 30, 2026 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

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

Healthcare cost trend rates:

	Medical / RX			
FYE	Pre-65	Post-65	Part B	Dental
2026	7.75%	6.50%	4.25%	4.00%
2027	7.50	6.25	4.50	4.00
2028	7.25	6.00	4.75	4.00
2029	7.00	5.75	5.00	4.00
2030	6.75	5.50	5.00	4.00
2031	6.50	5.25	5.00	4.00
2032	6.25	5.00	5.00	4.00
2033	6.00	4.75	5.00	4.00
2034	5.75	4.50	5.00	4.00
2035	5.50	4.50	5.00	4.00
2036	5.25	4.50	5.00	4.00
2037	5.00	4.50	5.00	4.00
2038	4.75	4.50	5.00	4.00
2039+	4.50	4.50	5.00	4.00

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:

	Medical / RX			
FYE	Pre-65	Post-65	Part B	Dental
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

2026 Mortality rates were based on the PUBH-2016 General Employee Mortality Table, male and female, projected generationally using the 2024 Adjusted MP-2021 improvement scale. 2025 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, 2026 and 2025:

Asset Class	2026 Target Allocation	2025 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, 2026 and 2025 are summarized in the following table:

Asset Class	2026 Long-Term Expected Real Rate of Return	2025 Long-Term Expected Real Rate of Return
Core bonds	2.50 %	2.52 %
Multi-sector	3.40	3.44
Liquid absolute return	3.00	3.25
U.S. large cap equity	7.17	7.20
U.S. small cap equity	8.30	8.59
Non-U.S. equity	8.11	8.20
Core real estate	6.41	6.45
Value add real estate	7.91	7.95

For the June 30, 2026 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, 2026 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	4.16 %	4.71 %
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, 2026 and 2025. 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 OPEB 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)

	In Thousands		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (Asset) (a)-(b)**
Balance, June 30, 2025	$ 188,049	$ 268,357	$ (80,308)
Changes for the year:			
Service cost	4,313	-	4,313
Interest	11,870	-	11,870
Change in benefit terms	-	-	-
Differences between expected and actual experience	20,097	-	20,097
Changes in assumptions	3,254	-	3,254
Contributions, employer	-	59	(59)
Contributions, employee	-	-	-
Net investment income	-	30,037	(30,037)
Benefit payments	(11,026)	(11,026)	-
Administrative expenses	-	(343)	343
Net changes	28,508	18,727	9,781
Balance, June 30, 2026	$ 216,557	$ 287,084	$ (70,527)

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, 2026:

	June 30, 2026		
	1% Decrease	**Current Discount Rate**	**1% Increase**
NET OPEB liability (asset)	$ (44,483,036)	$ (70,527,004)	$ (92,336,535)

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 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, 2026:

	June 30, 2026		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	$ (94,167,857)	$ (70,527,004)	$ (41,778,867)

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)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light June 30, 2026 GASB 74/75 Report, issued July 27, 2026.

For the year ended June 30, 2026, the Plan recognized OPEB expense of 5,076,706. At June 30, 2026, 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	$ 26,701,176	$ 1,238,343
Changes of assumptions	6,648,460	257,764
Net difference between projected and actual earnings on OPEB plan investments	-	20,559,767
Total	$ 33,349,636	$ 22,055,874

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:	
2027	$ (644,168)
2028	233,426
2029	1,371,599
2030	2,922,291
2031	5,071,227
Thereafter	2,339,387
Total	$ 11,293,762

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

Other Post-Retirement Benefits

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

9. Commitments and Contingencies

At June 30, 2026 and 2025, the BWL has two letters of credit in the amounts of $1,817,000 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 $5,413,803 and $5,451,766 for the years ended June 30, 2026 and 2025, 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. The remaining $26,700,000 and $40,605,000 as of June 30, 2026 and 2025, respectively, are estimates associated with post closure and ground water pollution remediation activities for the Erickson and Eckert Power Plants. 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 $1,500,000 as of June 30, 2026, and $1,350,000 as of June 30, 2025 in regard to specific pending legal cases.

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately $192,086,017 and $311,018,326 at June 30, 2026 and 2025, 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
2027	$ 4,619,294	$ 16,394,391	$ 21,013,685
2028	4,622,340	17,355,004	21,977,344
2029	4,493,557	18,161,818	22,655,375
2030	4,301,093	19,378,537	23,679,630
2031	4,297,641	19,826,518	24,124,159

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 2026 and 2025 of $36,224,756 and $45,472,716, 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 2017A, 2019A, 2021A, 2021B, 2023 Junior Lien, 2024A, 2026A, and 2026B 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 $5,383,005 and $4,403,955 at 2026 and 2025, 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.

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		
	2026	2025	2024	2026	2025	2024
Unpaid claims, beginning	$ 1,700,000	$ 2,200,000	$ 2,200,000	$ 2,091,763	$ 1,893,351	$ 1,686,723
Incurred claims, including claims incurred but not reported	15,053	52,674	49,474	27,012,394	26,150,581	23,176,317
Claim payments	(15,053)	(52,674)	(49,474)	(26,801,787)	(25,952,169)	(22,969,689)
Liability reduction	(150,000)	(500,000)	-	-	-	-
Unpaid claims ending	$ 1,550,000	$ 1,700,000	$ 2,200,000	$ 2,302,370	$ 2,091,763	$ 1,893,351

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

13. Upcoming Pronouncements

GASB has approved Statement No. 105, *Subsequent Events,* which provides guidance for distinguishing between recognized and unrecognized subsequent events. This Statement becomes effective for fiscal years beginning after June 15, 2026. The BWL will adopt Statement No. 105 in the fiscal year ending June 30, 2027.

14. Subsequent Events

The Board evaluated subsequent events through October 2, 2026, 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)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability										
Service cost	$ 32	$ 32	$ 31	$ 29	$ 26	$ 26	$ 42	$ 60	$ 50	$ 113
Interest	2,209	2,382	2,523	2,721	2,974	3,212	3,566	3,691	4,031	4,317
Differences between expected and actual experience	170	(352)	(18)	(981)	179	(968)	(919)	(743)	(230)	(383)
Changes in assumptions	(879)	-	-	-	1,730	(366)	1,555	1,210	1,419	(857)
Benefit payments, including refunds	(5,118)	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)
Net change in total pension liability	(3,586)	(2,710)	(2,460)	(3,373)	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)
Total Pension Liability, Beginning	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178
Total Pension Liability, Ending	35,758	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895
Plan Net Position										
Net investment income	4,229	4,393	4,134	4,134	(5,399)	11,853	1,658	4,381	3,112	8,272
Administrative expenses	(143)	(165)	(128)	(127)	(134)	(123)	(145)	(183)	(255)	(317)
Benefit payments, including refunds	(5,118)	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)
Other	-	-	-	-	-	-	(477)	-	-	-
Net change in net position held in trust	(1,032)	(544)	(990)	(1,135)	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482
Net Position Restricted for Pensions, Beginning	47,990	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442
Net Position Restricted for Pensions, Ending	46,958	47,990	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924
BWL Net Pension Asset, Ending	$ (11,200)	$ (8,646)	$ (6,480)	$ (5,009)	$ (2,772)	$ (13,214)	$ (3,388)	$ (6,596)	$ (6,616)	$ (9,029)
Plan Net Position as a % of Total Pension Liability	131%	122%	115%	111%	106%	127%	106%	112%	112%	116%
Covered Employee Payroll	$ 278	$ 266	$ 262	$ 248	$ 238	$ 237	$ 240	$ 406	$ 603	$ 586
BWL's Net Pension Asset as a % of Covered Employee Payroll	(4,029%)	(3,250%)	(2,473%)	(2,020%)	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)

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)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 278	$ 266	$ 262	$ 248	$ 238	$ 237	$ 240	$ 406	$ 603	$ 586
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

See notes to required supplementary information

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability										
Service cost	$ 4,313	$ 4,479	$ 4,201	$ 3,452	$ 3,299	$ 3,396	$ 3,245	$ 4,403	$ 4,827	$ 3,130
Interest	11,870	10,640	10,353	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	20,097	11,189	(801)	4,770	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281
Changes in assumptions	3,254	2,901	-	-	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)
Benefit payments, including refunds	(11,026)	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
Net change in total OPEB liability	28,508	19,646	4,572	7,421	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036
Total OPEB Liability, Beginning	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624	194,588
Total OPEB Liability, Ending	216,557	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624
Trust Net Position										
Contributions, employer	59	62	65	68	13,493	8,344	9,157	9,278	10,395	9,574
Net investment income	30,037	24,832	24,300	21,226	(19,247)	49,387	4,158	11,688	11,039	18,040
Administrative expenses	(343)	(370)	(259)	(336)	(354)	(449)	(512)	(569)	(634)	(705)
Benefit payments, including refunds	(11,026)	(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	18,727	14,961	14,925	10,330	(19,601)	48,938	3,646	11,119	10,405	17,335
Trust Fiduciary Net Position, Beginning	268,357	253,396	238,471	228,142	247,743	198,805	195,159	184,040	173,635	156,300
Trust Fiduciary Net Position, Ending	287,084	268,357	253,396	238,472	228,142	247,743	198,805	195,159	184,040	173,635
BWL Net OPEB Liability (Asset), Ending	$ (70,527)	$ (80,308)	$ (84,993)	$ (74,641)	$ (71,732)	$ (100,099)	$ (44,202)	$ (46,609)	$ 19,447	$ 31,989
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	132.57%	142.71%	150.47%	145.56%	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%
Covered Employee Payroll	$ 85,138	$ 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	(82.84%)	(97.41%)	(110.22%)	(107.02%)	(113.90%)	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%

See notes to required supplementary information

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

Required Supplemental Information (Unaudited)
Schedule of Employer Contributions to
the Net OPEB Liability (Asset)
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			
6/30/2017	$ 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%
6/30/2026	-	59	59	85,138	0%

See notes to required supplementary information

1. Defined Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2026, based on roll-forward of February 28, 2026 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 13-year closed period
Remaining amortization period	13 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-2016 General Mortality Table with 2024 Adjusted MP-2021 Improvement Scale
Changes to assumptions:	Mortality assumptions were updated based on changes due to the use of the PUB-2016 General Mortality Table.

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

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

Significant Changes

June 30, 2026

- Difference between actual and expected experience - The $169.7K actuarial loss on the Total Pension Liability for the fiscal year ending June 30, 2026 is attributable to unfavorable demographic experience.

- Assumption change - The $879.5K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2026 is attributable to updating the mortality assumption to the PUB-2016 General Mortality Table, male and female, and the 2024 Adjusted MP-2021 mortality improvement scale.

- Investment gain - The plan experienced a $1.51M gain on plan assets during the fiscal year ending June 30, 2026 due to the actual return on assets equaling 9.31% vs. an expected return of 6.00%.

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.

- 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.

2. Post-Retirement Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2026, based on roll-forward of February 28, 2026 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	22 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-2016 General Employees Mortality Table projected generationally using the 2024 Adjusted MP-2021 improvement scale

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	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 improvement scale

Significant Changes:

June 30, 2026

- Difference between actual and expected experience - The $20.1M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2026 is primarily attributable to higher than expected 2026 per capita claims cost. The 2026 premiums for pre-65 non-union participants and union participants hired prior to January 1, 2009 increased 61% when compared to premiums for 2025. Beginning in 2026, the pre-65 coverage for union participants hired on or after January 1, 2009 is provided through the Family Medical Care Plan. The 2026 Humana premiums for post-65 participants increased 13% when compared to the premiums for 2025. This increase also contributed to the actuarial loss.

- Assumption Change - The $3.3M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2026 is attributable to updating the mortality and medical trend assumptions to those described in the Michigan Uniform Assumptions for 2026.

- Investment gain - The $13.0M investment gain during the fiscal year ending June 30, 2026 is attributable an actual return on assets of 11.43% vs. an expected return of 6.50%.

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%.

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.

- 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 an $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, 2026 and 2025

	2026	2025
Net Income Per Statement of Revenues, Expenses and Changes in Net Position	$ 36,954,835	$ 27,611,097
Adjustments to Income		
Depreciation	73,864,377	68,414,785
Interest on long-term debt:		
Notes	21,442	502,882
Revenue bonds	41,909,711	40,773,265
Total additional income	115,795,530	109,690,932
Income Available for Revenue Bonds and Interest Redemption	152,750,365	137,302,029
Debt Retirement Pertaining to Revenue Bonds		
Principal	14,255,000	13,495,000
Interest	37,457,061	28,420,898
Total	$ 51,712,061	$ 41,915,898
Percent Coverage of Revenue Bonds and Interest Requirements	295%	328%

In order to follow a consistent methodology in calculating the adjustments to income, individual accounts are reviewed and used rather than the expense categories from the financial statements.

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

Detail of Statements of Revenues and Expenses
Years Ended June 30, 2026 and 2025

	Combined		Water		Electric		Steam		Chilled Water	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Operating Revenues										
Water	$ 66,002,487	$ 61,455,925	$ 66,002,487	$ 61,455,925	$ -	$ -	$ -	$ -	$ -	$ -
Electric:										
Retail	371,044,326	339,811,950	-	-	371,044,326	339,811,950	-	-	-	-
Sales for resale	42,240,635	45,712,660	-	-	42,240,635	45,712,660	-	-	-	-
Steam	16,520,622	14,691,575	-	-	-	-	16,520,622	14,691,575		-
Chilled water	6,232,425	6,775,779	-	-	-	-		-	6,232,425	6,775,779
Other	2,320,791	1,380,671	1,361,957	1,200,958	1,084,066	(32,659)	(125,231)	2,056	(1)	210,316
Total operating revenues	504,361,286	469,828,560	67,364,444	62,656,883	414,369,027	385,491,951	16,395,391	14,693,631	6,232,424	6,986,095
Operating Expenses										
Production:										
Fuel, purchased power and other operating expenses	160,447,992	162,042,369	11,244,381	13,104,702	143,427,871	143,170,294	4,008,735	3,544,070	1,767,005	2,223,303
Maintenance	21,768,928	21,288,260	5,097,403	4,914,461	14,335,759	14,408,264	1,731,419	977,292	604,347	988,243
Transmission and distribution:										
Operating expenses	11,038,448	13,841,237	2,352,911	2,109,194	8,381,443	11,459,984	304,094	272,059	-	-
Maintenance	23,485,428	23,790,959	7,275,601	5,344,811	15,869,489	17,869,775	319,440	576,373	20,898	-
Administrative and general	109,318,240	98,253,370	19,415,326	20,791,617	85,338,167	73,023,549	3,187,800	3,165,368	1,376,947	1,272,836
Depreciation	74,027,098	68,414,785	9,595,156	9,346,893	60,045,311	54,847,188	3,422,748	3,313,601	963,883	907,103
Total operating expenses	400,086,134	387,630,980	54,980,778	55,611,678	327,398,040	314,779,054	12,974,236	11,848,763	4,733,080	5,391,485
Operating income	104,275,152	82,197,580	12,383,666	7,045,205	86,970,987	70,712,897	3,421,155	2,844,868	1,499,344	1,594,610
Noncapital Subsidies										
Return on equity (Note 7)	(30,122,430)	(28,057,140)	(3,960,149)	(3,458,385)	(24,797,099)	(23,417,418)	(991,237)	(798,642)	(373,945)	(382,695)
Investment tax credit	343,238	-	-	-	343,238	-	-	-	-	-
Intergovernmental revenues	473,688	1,370,000	-	460,000	291,281	910,000	182,407	-	-	-
Total noncapital subsidies	(29,305,504)	(26,687,140)	(3,960,149)	(2,998,385)	(24,162,580)	(22,507,418)	(808,830)	(798,642)	(373,945)	(382,695)
Operating income and noncapital subsidies	74,969,648	55,510,440	8,423,517	4,046,820	62,808,407	48,205,479	2,612,325	2,046,226	1,125,399	1,211,915
Other Nonoperating Revenues and Expenses										
Investment earnings	11,352,343	18,181,899	930,363	1,897,918	9,444,220	15,306,399	778,654	767,911	199,106	209,671
Resources from the disposal of capital assets and inventory (Note 4)	(7,276,744)	(4,805,095)	(359,084)	290,306	(6,846,893)	(3,834,979)	(70,740)	(1,265,316)	(27)	4,894
Expenses related to financing	(42,090,412)	(41,276,147)	(1,410,235)	(1,374,634)	(38,885,108)	(37,766,805)	(1,716,379)	(2,063,309)	(78,690)	(71,399)
Total nonoperating expense	(38,014,813)	(27,899,343)	(838,956)	813,590	(36,287,781)	(26,295,385)	(1,008,465)	(2,560,714)	120,389	143,166
Net income (loss)	$ 36,954,835	$ 27,611,097	$ 7,584,561	$ 4,860,410	$ 26,520,626	$ 21,910,094	$ 1,603,860	$ (514,488)	$ 1,245,788	$ 1,355,081

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

Detail of Statements of Changes in Net Position
Years Ended June 30, 2026 and 2025

	Combined	Water	Electric	Steam	Chilled Water
Net Position, June 30, 2024	$ 722,845,995	$ 104,020,642	$ 622,507,086	$ (15,894,134)	$ 12,212,401
Income (loss) before contributions	27,611,097	4,860,410	21,910,094	(514,488)	1,355,081
Net Position, June 30, 2025	750,457,092	108,881,052	644,417,180	(16,408,622)	13,567,482
Income (loss) before contributions	36,954,835	7,584,561	26,520,626	1,603,860	1,245,788
Net Position, June 30, 2026	$ 787,411,927	$ 116,465,613	$ 670,937,806	$ (14,804,762)	$ 14,813,270

Detail of Fiduciary Statements of Net Position -
Pension and OPEB Trust Funds
Years Ended June 30, 2026 and 2025

	2026			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable, investment interest receivable	$ -	$ 63,723	$ 313,726	$ 377,449
Cash and cash equivalents	23,575,221	558,489	3,813,836	27,947,546
Investments at fair value:				
Equity securities/stocks	-	-	18,495,321	18,495,321
Mutual funds, bonds	16,944,273	23,163,404	70,367,827	110,475,504
Mutual funds, equity	188,268,458	20,753,032	163,973,495	372,994,985
Real estate fund investment	-	2,480,664	36,922,244	39,402,908
Self-directed brokerage account				
Equity securities/stocks	13,233,918	-	-	13,233,918
Exchange-traded funds	9,247,202	-	-	9,247,202
Mutual funds, equity	1,040,061	-	-	1,040,061
Participants note receivable	3,552,062	-	-	3,552,062
Total assets	255,861,195	47,019,312	293,886,449	596,766,956
Liabilities				
Trade payable, due to broker/other	-	60,953	1,122,138	1,183,091
Reimbursement for benefits paid by employer	-	-	5,680,162	5,680,162
Net Position, Held in Trust for Pension and Other Employee Benefits	$ 255,861,195	$ 46,958,359	$ 287,084,149	$ 589,903,703

	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	11,083,814	-	-	11,083,814
Exchange-traded funds	7,293,607	-	-	7,293,607
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

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, 2026 and 2025

	2026			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in fair value of investments	$ 30,604,095	$ 3,200,448	$ 24,476,865	$ 58,281,408
Interest and dividend income	3,920,992	1,028,710	5,560,216	10,509,918
Net investment income	34,525,087	4,229,158	30,037,081	68,791,326
Employer contributions	9,335,182	-	59,148	9,394,330
Interest from participant notes receivable	234,951	-	-	234,951
Total increases	44,095,220	4,229,158	30,096,229	78,420,607
Decreases				
Retiree benefits paid	20,454,536	5,118,120	11,026,384	36,599,040
Participants' note and administrative fees	158,568	143,086	342,571	644,225
Other	198,173	-	-	198,173
Total decreases	20,811,277	5,261,206	11,368,955	37,441,438
Change in net position held in trust	23,283,943	(1,032,048)	18,727,274	40,979,169
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning	232,577,252	47,990,407	268,356,875	548,924,534
Ending	$ 255,861,195	$ 46,958,359	$ 287,084,149	$ 589,903,703

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, 2026 and 2025

	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	68,662	-	-	68,662
Total increases	35,709,944	4,393,389	24,894,278	64,997,611
Decreases				
Retiree benefits paid	15,686,771	4,771,884	9,562,998	30,021,653
Participants' note and administrative fees	168,433	164,873	370,387	703,693
Total decreases	15,855,204	4,936,757	9,933,385	30,725,346
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	$ 232,577,252	$ 47,990,407	$ 268,356,875	$ 548,924,534

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

Financial Statements and
Required Supplementary Information

June 30, 2026 and 2025

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

Table of Contents
June 30, 2026 and 2025

	Page
Independent Auditors' Report	1
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3
Financial Statements	
Statements of Plan Fiduciary Net Position	7
Statements of Changes in Plan Fiduciary Net Position	8
Notes to Financial Statements	9
Required Supplementary Information (Unaudited)	
Schedule of Changes in the BWL's Net Pension Asset and Related Ratios	19
Schedule of Employer Contributions	20
Notes to Required Supplementary Information	21
Schedule of Investment Returns	22

Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pension (the Plan), a fiduciary fund of the Lansing Board of Water and Light, as of and for the years ended June 30, 2026 and 2025, and the related notes to the 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 fiduciary net position of the Plan as of June 30, 2026 and 2025, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Plan is presenting only the financial statements of the Plan and does not purport to, and does not, present fairly the financial position of the Lansing Board of Water and Light, as of June 30, 2026 and 2025, and the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



Madison, Wisconsin
October 2, 2026

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions' (Plan) financial position and changes in fiduciary net position for the years ended June 30, 2026, and 2025. It should be read in conjunction with the basic financial statements, the notes to the financial statements, and the required supplementary information that follows.

OVERVIEW OF THE PLAN

The BWL administers the Plan; it is a closed, noncontributory single-employer defined benefit pension plan for employees of the company. Refer to Note 2 for further details.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statements of Fiduciary Net Position present the Plan's assets and liabilities as of June 30. The difference between assets and liabilities is reported as fiduciary net position restricted for retiree benefits.

The Statements of Changes in Fiduciary Net Position present additions, consisting principally of investment income and employer contributions; deductions, consisting principally of retiree benefits and administrative expenses; and the resulting annual change in fiduciary net position.

The financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Investment income is recognized when earned, employer contributions are recognized when due pursuant to legal requirements, benefits and refunds are recognized when due and payable under the Plan, and other expenses are recognized when liabilities are incurred.

Adoption of GASB Statement No. 103 - GASB Statement No. 103 provides guidance for presentation changes to the overall format of the MD&A, instruction for designating operating and nonoperating revenues and expenses, and support for providing a more easily read analysis of activities and changes for the users of these financial statements. The following MD&A was restructured and expanded under GASB Statement No. 103.

FINANCIAL SUMMARY - CHANGES IN FIDUCIARY NET POSITION

	For the Year Ended June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Additions	$ 4,229,158	$ 4,393,389	$ 4,133,681	(3.7) %	6.3 %
Deductions					
Benefits payments	5,118,120	4,771,884	4,995,541	7.3 %	(4.5) %
Administrative fees	143,086	164,873	127,598	(13.2) %	29.2 %
Total deductions	5,261,206	4,936,757	5,123,139	6.6 %	(3.6) %
Change in net position	(1,032,048)	(543,368)	(989,458)	(89.9) %	45.1 %
Net position - beginning	47,990,407	48,533,775	49,523,233	(1.1) %	(2.0) %
Net position - ending	**$ 46,958,359**	**$ 47,990,407**	**$ 48,533,775**	(2.2) %	(1.1) %

DETAILED ANALYSIS

Total Additions

FY2026 - Total additions decreased $0.2 million, or 3.7%, compared to FY2025, due to lower investment returns. The Plan's money-weighted return was 9.31% compared with 9.52% in FY2025.

FY2025 - Total additions increased $0.3 million, or 6.3%, compared to FY2024, due to stronger investment performance. The Plan's money-weighted return was 9.52% compared with 8.79% in FY2024.

Total Deductions

FY2026 - Total deductions increased $0.3 million, or 6.6%, compared to FY2025 due to a lump sum benefit payout.

FY2025 - Total deductions decreased by $0.2 million, or 3.6%, compared to FY2024 due to lower benefit payments because of declining participant numbers.

FINANCIAL SUMMARY - FIDUCIARY NET POSITION

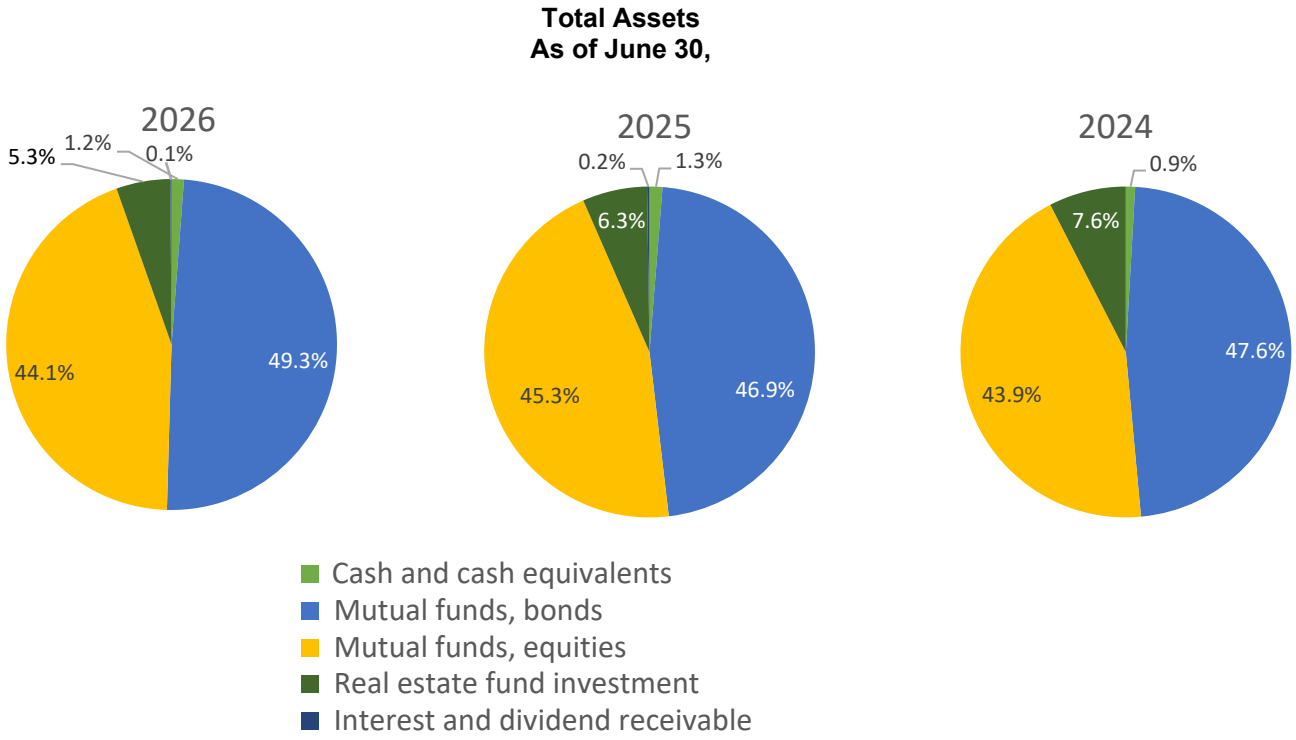
	As of June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Assets					
Cash and cash equivalents	$ 558,489	$ 605,254	$ 437,821	(7.7) %	38.2 %
Mutual funds, bonds	23,163,404	22,554,739	23,149,441	2.7 %	(2.6) %
Mutual funds, equities	20,753,032	21,790,236	21,335,946	(4.8) %	2.1 %
Real estate fund investment	2,480,664	3,038,367	3,668,689	(18.4) %	(17.2) %
Interest and dividend receivable	63,723	116,055	-	(45.1) %	New
Total assets	47,019,312	48,104,651	48,591,897	(2.3) %	(1.0) %
Liabilities					
Total liabilities	60,953	114,244	58,122	(46.6) %	96.6 %
Fiduciary net position restricted for pension	**$ 46,958,359**	**$ 47,990,407**	**$ 48,533,775**	(2.2) %	(1.1) %

DETAILED ANALYSIS

Assets

FY2026 - Total assets decreased $1.1 million, or 2.3%, compared to FY2025: investments decreased $1.0 million, cash decreased $0.05 million, and the investment interest/dividend receivable decreased $0.05 million. Benefit and administrative deductions exceeded investment income by $1.0 million, producing the decline in plan fiduciary net position.

FY2025 - Total assets decreased $0.5 million: investments decreased $1.0 million, cash increased $0.2 million, and the investment interest/dividend receivable increased $0.1 million. Benefit and administrative deductions exceeded investment income by $0.5 million, producing the decline in plan fiduciary net position.



Liabilities

FY2026 - Total liability decreased $53,291 due to pending trade purchases.

FY2025 - Total liability increased $56,122 due to pending trade purchases.

Funded Status

FY2026 - Compared to FY2025, the Plan's total pension liability decreased $3.6 million, and its fiduciary net position decreased $1.0 million. This resulted in 131.32% funded ratio, 9.34% higher than the 121.98% funded ratio in FY2025. The liability decrease is attributable to $5.1 million pension benefit payments, $0.7 million actuarial assumption gain, partly offset by a $2.2 million interest and service cost.

FY2025 - Compared to FY2024, the Plan's total pension liability decreased $2.8 million, and its fiduciary net position decreased $0.5 million. This resulted in 121.98% funded ratio, 6.57% higher than the 115.41% funded ratio in FY2024. The liability decrease is attributable to $4.8 million pension benefit payments, $0.4 million actuarial assumption gain, partly offset by a $2.4 million interest and service cost.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

On March 24, 2026, the Board of Commissioners approved Resolution 2026-03-01 - Revised Defined Benefit Plan Statement of Investment Policies, Procedures and Objectives, authorizing the Plan's adoption of the Liability Driven Investing (LDI) strategy, which is an investment strategy that manages portfolio assets primarily in relation to the fund's future liabilities, seeking to match or hedge the duration, cash flows, and interest rate sensitivity of pension obligations. This should reduce funded status volatility and improve the likelihood of meeting benefit payments as they come due. The implementation of the LDI strategy will be completed in fiscal year 2027.

The Plan is currently overfunded, with a funded ratio of 131.32%. This funding level results in an actuarially determined contribution of $0 for fiscal year 2027. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2027.

The Plan expects to make an annual withdrawal of approximately $4,400,000 to cover participant benefits in fiscal year 2027.

Investment Objectives and Asset Allocation

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

The BWL has selected the following target asset allocation strategy:

Asset Class	Target Asset Allocation
Core Fixed Income	80 %
U.S. large cap equity	8
U.S. small/mid cap equity	4
Non-U.S. Equity	6
Core real estate	2
Total	100 %

CONTACTING MANAGEMENT

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

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

Statements of Plan Fiduciary Net Position
June 30, 2026 and 2025

	2026	2025
Assets		
Cash and cash equivalents	$ 558,489	$ 605,254
Investments at fair value:		
Mutual funds, bonds	23,163,404	22,554,739
Mutual funds, equities	20,753,032	21,790,236
Real estate fund investment	2,480,664	3,038,367
Total investments at fair value	46,397,100	47,383,342
Receivable, investment interest receivable	63,723	116,055
Total assets	47,019,312	48,104,651
Liabilities		
Trade payable, due to broker/other	60,953	114,244
Fiduciary net position restricted for pensions	$ 46,958,359	$ 47,990,407

See notes to financial statements

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

Statements of Changes in Plan Fiduciary Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 3,200,448	$ 3,355,509
Interest and dividend income	1,028,710	1,037,880
Total investment income	4,229,158	4,393,389
Deductions		
Retiree benefits paid	5,118,120	4,771,884
Administrative expenses	143,086	164,873
Total deductions	5,261,206	4,936,757
Net decrease in fiduciary net position	(1,032,048)	(543,368)
Fiduciary Net Position Restricted for Pensions, Beginning	47,990,407	48,533,775
Fiduciary Net Position Restricted for Pensions, Ending	$ 46,958,359	$ 47,990,407

See notes to financial statements

1. Summary of Significant Accounting Policies

Reporting Entity

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

Accounting and Reporting Principles

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

Basis of Accounting

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

Report Presentation

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

Investment Valuation and Income Recognition

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

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

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

Expenses

Substantially all Plan expenses are paid by the Plan.

Use of Estimates

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

Regulatory Status

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

FY2026 GASB Pronouncement Implementations

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement requires updates to the Management's Discussion and Analysis (MD&A), which precedes the basic financial statements, to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability.

Due to the basis and nature of the Plan's financial statements, there were no changes to the Statements of Changes in Plan Fiduciary Net Position for changes to the classification of nonoperating revenues and expenses. The MD&A representation of the Statement of Changes in Fiduciary Net Position was updated to display both the beginning and ending fiduciary net position, in addition to the year-over-year change in fiduciary net position.

2. Plan Description

Plan Administration

The BWL administers the Plan - a noncontributory single-employer defined benefit pension plan for employees of the BWL. The benefit terms were established by the BWL and may be amended by future BWL actions.

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

Plan Membership

At February 28, 2026 and February 28, 2025 (the most recent actuarial valuation for funding purposes), Plan membership consisted of the following:

	2026	2025
Inactive Plan members or beneficiaries currently receiving benefits	224	236
Inactive Plan members entitled to but not yet receiving benefits	0	1
Active Plan members	3	3
Total	227	240

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

Benefits Provided

The Plan provides retirement, early retirement, disability, termination and death benefits. The Plan provides for an annual benefit upon normal retirement age equal to the product of the employee's pension service credit (service credited on an elapsed time basis) multiplied by a percentage equal to 1.80% of the employee's annual pay (base pay plus bonus received during the year in which the base pay was the highest within the last ten years of employment), paid in equal monthly installments.

Payments will either be nonincreasing or increase only as follows: (a) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics; (b) to the extent of the reduction in the amount of the employee's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Section 9 of the Plan document dies or is no longer the employee's beneficiary pursuant to a qualified domestic relations order within the meaning of Internal Revenue Code Section 414(p); (c) to provide cash refunds of employee contributions upon the employee's death; or (d) to pay increased benefits that result from a Plan amendment.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the BWL retains an independent, external actuary to determine the annual contribution. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2026 and 2025. Plan documents do not require participant contributions.

Plan Termination

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

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

3. Cash and Cash Equivalents, Investments

The Plan's deposits and investment policies are in accordance with PA 196 of 1997; the Plan has authorized the investments according to Michigan PA 314 of 1965, as amended. Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest bearing and noninterest bearing).

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. At June 30, 2026 and 2025, the Plan had $308,489 and $208,638, respectively, of bank deposits that were uninsured and uncollateralized. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy addresses this risk by requiring the Plan to hold all investments subject to custodial credit risk in its name. At year-end, all investments of the Plan were held in the name of the Plan and are therefore not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with maturities 270 days or less.

At June 30, 2026, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds, bonds	$ 23,163,404	8.9 years

At June 30, 2025, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds, bonds	$ 22,554,739	9.7 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of June 30, 2026, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	$ 23,163,404	Not rated	Not rated

As of June 30, 2025, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	$ 22,554,739	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 Plan has no investments subject to concentration of credit risk as of June 30, 2026 and June 30, 2025. The Plan's investment policy does not address concentration of credit risk.

4. 401(h) Account

Effective July 1, 1999, the Plan was amended to include a medical-benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries in accordance with Section 401(h) of the Internal Revenue Code (IRC). A separate account has been established and maintained in the Plan for the net assets related to the medical-benefit component 401(h) account. In accordance with IRC Section 401(h), the Plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. Employer contributions or qualified transfers to the 401(h) account are determined annually and are at the discretion of the Plan sponsor. At June 30, 2026 and 2025, there were no excess Plan assets available for transfer.

5. Tax Status

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

6. Plan Investments - Policy and Rate of Return

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of its members. It is the policy of the board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the BWL's adopted asset allocation policy as of June 30, 2026 and 2025:

Asset Class	2026 Target Allocation	2025 Target Allocation
Core Fixed Income	80 %	25 %
Multi-sector	-	15
Liquid absolute return	-	10
U.S. large cap equity	8	20
U.S. small cap equity	4	10
Non-U.S. equity	6	15
Core real estate	2	5

Rate of Return

For the year ended June 30, 2026, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 9.31%. For the year ended June 30, 2025, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Net Pension Asset of the BWL

The components of the net pension asset of the BWL at June 30, 2026 and 2025 were as follows (in thousands):

	2026	2025
Total pension liability	$ 35,758	$ 39,344
Plan fiduciary net position	46,958	47,990
Plan's net pension asset	$ (11,200)	$ (8,646)
Plan fiduciary net position as a percentage of the total pension liability	131.32 %	121.98 %

Actuarial Assumptions

The June 30, 2026 total pension liability was determined by an actuarial valuation as of February 28, 2026, which used updated procedures to roll forward the estimated liability to June 30, 2026. The June 30, 2025 total pension liability was determined by an actuarial valuation as of February 28, 2025, which used updated procedures to roll forward the estimated liability to June 30, 2025. The total pension liability is determined by the Plan's independent actuary and is the amount that results from applying actuarial assumptions to adjust the total pension liability to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. Benassist Retirement Consulting, LLC was the actuary for the February 28, 2026 and February 28, 2025 valuations, respectively. The inflation rate used was 2.25% for the February 28, 2026 and February 28, 2025 valuations. Salary increase used was 3.5% for both the February 28, 2026 and February 28, 2025 valuations. The most recent experience review was completed in 2014. Since the Plan only covered 17 active participants in fiscal year 2014, assumptions like termination, retirement and disability have an immaterial impact on the results and have not been changed.

The mortality table was based on the PUB-2016 General Mortality Table, male and female, projected generationally using the 2024 Adjusted MP-2021 mortality improvement scale for the June 30, 2026 valuation. For the June 30 2025 valuation the mortality table was based on the PUB-2010 General Mortality, male and female, projected generationally using the MP-2021 mortality improvement scale.

Discount Rate

The discount rate used to measure the total pension liability was 6.0% for June 30, 2026 and June 30, 2025. The projection of cash flows used to determine the discount rate in both years assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows Section

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

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2026 and 2025 for each major asset class included in the Plan's target asset allocation, as disclosed in Note 6, are summarized in the following table:

Asset Class	2026 Long-Term Expected Real Rate of Return	2025 Long-Term Expected Real Rate of Return
Core bonds	2.50 %	2.52 %
Multi-sector	-	3.44
Liquid absolute return	-	3.25
U.S. large cap equity	7.17	7.20
U.S. small/mid cap equity	8.30	8.59
Non-U.S. equity	8.11	8.20
Core real estate	6.41	6.45

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, 2026, 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	$ (7,584,896)	$ (11,200,344)	$ (12,355,337)

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)

8. Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

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

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, 2026 and 2025:

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

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 fair value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2026 and 2025:

	2026			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds, bonds	$ -	$ 23,163,404	$ -	$ 23,163,404
Mutual funds, equity	13,152,609	7,600,423	-	20,753,032
Total investments by fair value level	$ 13,152,609	$ 30,763,827	$ -	43,916,436
Investments measured at the net asset value (NAV):				
Real estate fund investment				2,480,664
Total investments measured at fair value				$ 46,397,100

	2025			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds, bonds	$ -	$ 22,554,739	$ -	$ 22,554,739
Mutual funds, equity	14,164,838	7,625,398	-	21,790,236
Total investments by fair value level	$ 14,164,838	$ 30,180,137	$ -	44,344,975
Investments measured at the net asset value (NAV):				
Real estate fund investment				3,038,367
Total investments measured at fair value				$ 47,383,342

9. Risks and Uncertainties

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

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

10. Subsequent Events

The Plan has evaluated subsequent events occurring through October 2, 2026, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability										
Service cost	$ 32	$ 32	$ 31	$ 29	$ 26	$ 26	$ 42	$ 60	$ 50	$ 113
Interest	2,209	2,382	2,523	2,721	2,974	3,212	3,566	3,691	4,031	4,317
Differences between expected and actual experience	170	(352)	(18)	(981)	179	(968)	(919)	(743)	(230)	(383)
Changes in assumptions	(879)	-	-	-	1,730	(366)	1,555	1,210	1,419	(857)
Benefit payments, including refunds	(5,118)	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)
Net Change in Total Pension Liability	(3,586)	(2,710)	(2,460)	(3,373)	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)
Total Pension Liability, Beginning	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178
Total Pension Liability, Ending	35,758	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895
Plan Net Position										
Net investment income	4,229	4,393	4,134	4,134	(5,399)	11,853	1,658	4,381	3,112	8,272
Administrative expenses	(143)	(165)	(128)	(127)	(134)	(123)	(145)	(183)	(255)	(317)
Benefit payments, including refunds	(5,118)	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)
Other		-	-	-	-	-	(477)	-	-	-
Net Change in Net Position Held in Trust	(1,032)	(544)	(990)	(1,135)	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482
Net Position Restricted for Pensions, Beginning	47,990	48,534	49,524	50,659	61,658	55,586	60,422	62,367	65,924	65,442
Net Position Restricted for Pensions, Ending	46,958	47,990	48,534	49,524	50,659	61,658	55,586	60,422	62,367	65,924
BWL Net Pension Asset, Ending	$ (11,200)	$ (8,646)	$ (6,480)	$ (5,010)	$ (2,772)	$ (13,214)	$ (3,388)	$ (6,596)	$ (6,616)	$ (9,029)
Plan Net Position as a % of Total Pension Liability	131%	122%	115%	111%	106%	127%	106%	112%	112%	116%
Covered Employee Payroll	$ 278	$ 266	$ 262	$ 248	$ 238	$ 237	$ 240	$ 406	$ 603	$ 586
BWL's Net Pension Asset as a % of Covered Employee Payroll	(4,029%)	(3,250%)	(2,473%)	(2,020%)	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)

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)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 278	$ 266	$ 262	$ 248	$ 238	$ 237	$ 240	$ 406	$ 603	$ 586
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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 Investment Returns
Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return net of investment expense	9.31%	9.52%	8.79%	8.59%	(9.18%)	22.42%	2.90%	7.39%	4.97%	12.10%

See notes to required supplementary information

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2026, based on roll-forward of February 28, 2026 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 13-year closed period
Remaining amortization period	13 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-2016 General Mortality Table with 2024 Adjusted MP-2021 Improvement Scale

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

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

Significant Changes

June 30, 2026

- *Difference between actual and expected experience* - The $169.7K actuarial loss on the Total Pension Liability for the fiscal year ending June 30, 2026 is attributable to unfavorable demographic experience.

- *Assumption change* - The $879.5K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2026 is attributable to updating the mortality assumption to the PUB-2016 General Mortality Table, male and female and the 2024 Adjusted MP-2021 mortality improvement scale.

- *Investment gain* - The plan experienced a $1.51M gain on plan assets during the fiscal year ending June 30, 2026 due to the actual return on assets equaling 9.31% vs. an expected return of 6.00%.

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 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 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 loss on the Total Pension Liability for the fiscal year ending June 30, 2022 is primarily attributable to the difference between actual experience and demographic assumptions.

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

June 30, 2021

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

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

June 30, 2020

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

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

June 30, 2019

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

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

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.

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

Financial Statements

June 30, 2026 and 2025

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

Table of Contents
June 30, 2026 and 2025

	Page
Independent Auditors' Report	1
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3
Financial Statements	
Statements of Fiduciary Net Position	6
Statements of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8

Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (the Plan), a fiduciary fund of the Lansing Board of Water and Light, as of and for the years ended June 30, 2026 and 2025, and the related notes to the 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 fiduciary net position of the Plan as of June 30, 2026 and 2025, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Plan is presenting only the financial statements of the Plan and does not purport to, and does not, present fairly the financial position of the Lansing Board of Water and Light, as of June 30, 2026 and 2025, and the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



Madison, Wisconsin
October 2, 2026

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the Lansing Board of Water and Light Defined Contribution Plan and Trust 1's (Plan) financial position and changes in fiduciary net position for the years ended June 30, 2026, and 2025. It should be read in conjunction with the basic financial statements, the notes to the financial statements, and the required supplementary information that follows.

OVERVIEW OF THE PLAN

The Defined Contribution Plan is a participant directed, defined contribution pension plan for employees of the BWL. For additional details, reference Note 2 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statements of Fiduciary Net Position present the Plan's assets and liabilities as of June 30. The difference between assets and liabilities is reported as fiduciary net position restricted for retiree benefits.

The Statements of Changes in Fiduciary Net Position present additions, consisting principally of investment income and employer contributions; deductions, consisting principally of retiree benefits and administrative expenses; and the resulting annual change in fiduciary net position.

The financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Investment income is recognized when earned, employer contributions are recognized when due pursuant to legal requirements, benefits and refunds are recognized when due and payable under the Plan, and other expenses are recognized when a liability is incurred.

Adoption of GASB Statement No. 103 - GASB Statement No. 103 provides guidance for presentation changes to the overall format of the MD&A, instruction for designating operating and nonoperating revenues and expenses, and support for providing a more easily read analysis of activities and changes for the users of these financial statements. The following MD&A was restructured and expanded under GASB Statement No. 103.

FINANCIAL SUMMARY - CHANGES IN FIDUCIARY NET POSITION

	For the Year Ended June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Additions					
Net investment income/(loss)					
Net appreciation in fair value of investments	$ 30,604,095	$ 22,795,649	$ 22,518,517	34.3 %	1.2 %
Interest and dividend income	3,920,992	3,648,273	3,363,114	7.5 %	8.5 %
Total investment income/(loss)	34,525,087	26,443,922	25,881,631	30.6 %	2.2 %
Employer contributions	9,335,182	8,970,407	9,435,006	4.1 %	(4.9) %
Interest from participant notes receivable	234,951	226,953	189,210	3.5 %	19.9 %
Other	-	68,662	-	(100.0) %	0.0 %
Total additions	44,095,220	35,709,944	35,505,848	23.5 %	0.6 %
Deductions					
Benefits payments	20,454,536	15,686,771	13,525,681	30.4 %	16.0 %
Participants' note and administrative fees	158,568	168,433	152,962	(5.9) %	10.1 %
Other	198,173	-	61,205	0.0 %	(100.0) %
Total deductions	20,811,277	15,855,204	13,739,848	31.3 %	15.4 %
Change in net position	23,283,943	19,854,740	21,766,000	17.3 %	(8.8) %
Net position - beginning	232,577,253	212,722,512	190,956,512	9.3 %	11.4 %
Net position - ending	**$ 255,861,196**	**$ 232,577,253**	**$ 212,722,512**	10.0 %	9.3 %

DETAILED ANALYSIS

Total Additions

FY2026 - Total additions increased $8.4 million, or 23.5%, compared to FY2025. Net appreciation increased $7.8 million attributable to investment gains, interest and dividends increased $0.3 million, and employer contributions increased $0.3 million.

FY2025 - Total additions increased $0.2 million, or 0.6%, compared to FY2024, primarily attributable to investment income.

During the years ended June 30, 2026 and 2025, the BWL contributed $9,335,182 and $8,970,407, respectively.

Total Deductions

FY2026 - Total deductions increased $4.9 million, or 31.3%, compared to FY2025, driven by a $4.8 million increase in benefits payments, partly offset by $0.1 million in FY2026 miscellaneous other.

FY2025 - Total deductions increased $2.1 million, or 15.4%, compared to FY2024, driven by a $2.2 million increase in benefits payments.

FINANCIAL SUMMARY - FIDUCIARY NET POSITION

	For the Year Ended June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Assets					
Cash and cash equivalents	$ 23,575,221	$ 24,667,291	$ 26,073,272	(4.4) %	(5.4) %
Participant-directed investments (Note 2):					
Mutual funds, bonds	16,944,273	18,283,837	17,497,649	(7.3) %	4.5 %
Mutual funds, equity	188,268,458	166,998,488	152,413,555	12.7 %	9.6 %
Self-directed brokerage account					
Equity securities/stocks	13,233,918	11,083,814	6,264,090	19.4 %	76.9 %
Mutual funds, equity	1,040,061	827,483	598,099	25.7 %	38.4 %
Certificates of deposit (negotiable)	-	-	100,039	0.0 %	(100.0) %
Exchange-traded funds	9,247,202	7,293,607	6,243,626	26.8 %	16.8 %
Participant notes receivable and other	3,552,062	3,422,732	3,532,182	3.8 %	(3.1) %
Total assets	255,861,195	232,577,252	212,722,512	10.0 %	9.3 %
Fiduciary net position restricted for pension	**$ 255,861,195**	**$ 232,577,252**	**$ 212,722,512**	10.0 %	9.3 %

DETAILED ANALYSIS

FY2026 - Total assets increased $23.3 million, or 10.0%, compared to FY2025. Participant-directed investments increased $24.2 million attributable to investment gains and employer contributions, cash decreased $1.1 million, and participant notes receivable increased $0.1 million.

FY2025 - Total assets increased $19.9 million, or 9.3%, compared to FY2024. Participant-directed investments increased $21.4 million due to investment gains and employer contributions, cash decreased $1.4 million, and participant notes receivable decreased $0.1 million.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Future Events

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

CONTACTING MANAGEMENT

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

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

Statements of Fiduciary Net Position
June 30, 2026 and 2025

	2026	2025
Assets		
Cash and cash equivalents	$ 23,575,221	$ 24,667,291
Participant-directed investments (Note 2):		
Mutual funds, bonds	16,944,273	18,283,837
Mutual funds, equity	188,268,458	166,998,488
Self-directed brokerage account:		
Equity securities/stocks	13,233,918	11,083,814
Exchange-traded funds	9,247,202	7,293,607
Mutual funds, equity	1,040,061	827,483
Total participant-directed investments	228,733,912	204,487,229
Participant notes receivable	3,552,062	3,422,732
Fiduciary net position restricted for pensions	$ 255,861,195	$ 232,577,252

See notes to financial statements

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

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 30,604,095	$ 22,795,649
Interest and dividend income	3,920,992	3,648,273
Total investment income	34,525,087	26,443,922
Employer contributions (Note 2)	9,335,182	8,970,407
Interest from participant notes receivable	234,951	226,953
Other	-	68,662
Total additions	44,095,220	35,709,944
Deductions		
Benefits paid to participants	20,454,536	15,686,771
Participants' note and administrative fees	158,568	168,433
Other	198,173	-
Total deductions	20,811,277	15,855,204
Net increase in net position	23,283,943	19,854,740
Fiduciary Net Position Restricted for Pensions, Beginning	232,577,252	212,722,512
Fiduciary Net Position Restricted for Pensions, Ending	$ 255,861,195	$ 232,577,252

See notes to financial statements

1. Summary of Significant Accounting Policies

Accounting and Reporting Principles

The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (Plan) follows accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition

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

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

Participant Notes Receivable

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

Expenses

Substantially all Plan expenses are paid by Plan participants.

Regulatory Status

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

FY2026 GASB Pronouncement Implementations

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement requires updates to the Management's Discussion and Analysis (MD&A), which precedes the basic financial statements, to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing an entity's accountability.

Due to the basis and nature of the Plan's financial statements, there was no need to update the Statements of Changes in Fiduciary Net Position for changes to the classification of nonoperating revenues and expenses. The MD&A representation of the Statement of Changes in Fiduciary Net Position was updated to display both the beginning and ending fiduciary net position, in addition to the year-over-year change in fiduciary net position.

Comparative Data

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

2. Plan Description

The following description of the Plan provides only general information. Participants should refer to the Plan Documents, in conjunction with the Plan Adoption Agreement, for a more complete description of the Plan's provisions.

General

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

Nationwide Retirement Solutions (Nationwide) serves as the Plan recordkeeper, administrator and processor of participant investments.

Contributions

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

Participant Accounts

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

As of June 30, 2026, there were 1,141 participants in the Plan, of which 747 were active employees. As of June 30, 2025, there were 935 participants in the Plan, of which 865 were active employees.

Vesting

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

Investment Options

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

Stable Value

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

Balanced

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

Growth

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

International

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

Stock Funds

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

Bond and Equity Funds

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

Self-Directed Brokerage Account

Participants meeting minimum balance and transaction requirements may transfer funds to a self-directed brokerage account providing access to additional investment options including a large selection of mutual funds, exchange-trade funds (ETFs) and individual stocks.

Participant Notes Receivable

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

Payment of Benefits

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

3. Cash and Cash Equivalents, Investments and Fair Value Disclosure

The Plan is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, bonds, mutual funds, collective investment funds, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles. Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest bearing and noninterest bearing).

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. As of June 30, 2026 and 2025, the Plan has $805,491 and $588,857, respectively, of bank deposits that were uninsured and uncollateralized. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy addresses this risk by requiring the Plan to hold all investments subject to custodial credit risk in its name. At year-end, all investments of the Plan were held in the name of the Plan and are therefore not subject to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The plan has no investment policy that would further limit its investment choices. As of June 30, 2026, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bond funds	$ 16,944,273	Not rated	Not rated

As of June 30, 2025, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bond funds	$ 18,283,837	Not rated	Not rated

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's investment policy does not address this risk. At June 30, 2026, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds, bond funds	$ 16,944,273	8.6 years

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

Investment	Fair Value	Weighted Average Maturity
Mutual funds, bond funds	$ 18,283,837	3.1 years

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 Plan has no investments subject to concentration of credit risk as of June 30, 2026 and June 30, 2025. The Plan's investment policy does not address concentration of credit risk.

4. Plan Termination

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

5. Tax Status

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

6. Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

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

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, 2026 and 2025:

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 fair value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Exchange-Traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded. Exchange-traded funds are registered investment companies whose shares are traded on a national securities exchange. The exchange-traded funds held by the Plan are deemed to be actively traded.

Self-Directed Brokerage Account: The self-directed brokerage account allows participants of the Plan the option of selecting a more personalized and broad range of investment choices. The investments within the account consist of corporate stocks, which are valued at the most recent closing price reported on the market on which individual securities are traded, certificates of deposits (negotiable), valued at cost, mutual funds and exchange-traded funds (see above).

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, 2026 and 2025:

	2026			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Bond funds	$ 16,944,273	$ -	$ -	$ 16,944,273
Equity funds	185,705,050	2,563,408	-	188,268,458
Self-directed brokerage account:				
Equity securities/stocks	13,233,918	-	-	13,233,918
Exchange-traded funds	9,247,202	-	-	9,247,202
Mutual funds, equity	1,040,061	-	-	1,040,061
Total investments by fair value level	$ 226,170,504	$ 2,563,408	$ -	$ 228,733,912

	2025			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Bond funds	$ 18,283,837	$ -	$ -	$ 18,283,837
Equity funds	166,998,488	-	-	166,998,488
Self-directed brokerage account:				
Equity securities/stocks	18,377,421	-	-	18,377,421
Mutual funds, equity	827,483	-	-	827,483
Total investments by fair value level	$ 204,487,229	$ -	$ -	$ 204,487,229

7. Risks and Uncertainties

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

8. Subsequent Events

The Plan has evaluated subsequent events occurring through October 2, 2026, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

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

Financial Statements and
Required Supplementary Information

June 30, 2026 and 2025

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

Table of Contents
June 30, 2026 and 2025

	Page
Independent Auditors' Report	1
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3
Financial Statements	
Statements of Fiduciary Net Position	8
Statements of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10
Required Supplementary Information (Unaudited)	
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	21
Schedule of Employer Contributions	22
Schedule of Investment Returns	23
Notes to Required Supplementary Information	24

Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (the Plan), a fiduciary fund of the Lansing Board of Water and Light, as of and for the years ended June 30, 2026 and 2025, and the related notes to the 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 fiduciary net position of the Plan as of June 30, 2026 and 2025, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Plan is presenting only the financial statements of the Plan and does not purport to, and does not, present fairly the financial position of the Lansing Board of Water and Light, as of June 30, 2026 and 2025, and the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Baker Tilly US, LLP

Madison, Wisconsin
October 2, 2026

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light's (Plan) financial position and changes in fiduciary net position for the years ended June 30, 2026 and 2025. It should be read in conjunction with the basic financial statements, the notes to the financial statements, and the required supplementary information that follows.

OVERVIEW OF THE PLAN

The Plan is a single-employer retiree benefit plan. Refer to Note 2 for further details.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statements of Fiduciary Net Position present the Plan's assets and liabilities as of June 30. The difference between assets and liabilities is reported as fiduciary net position restricted for retiree benefits.

The Statements of Changes in Fiduciary Net Position present additions, consisting principally of investment income and employer contributions; deductions, consisting principally of retiree benefits and administrative expenses; and the resulting annual change in fiduciary net position.

The financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Investment income is recognized when earned, employer contributions are recognized when due pursuant to legal requirements, benefits and refunds are recognized when due and payable under the Plan, and other expenses are recognized when liabilities are incurred.

Adoption of GASB Statement No. 103 - GASB Statement No. 103 provides guidance for presentation changes to the overall format of the MD&A, instruction for designating operating and nonoperating revenues and expenses, and support for providing a more easily read analysis of activities and changes for the users of these financial statements. The following MD&A was restructured and expanded under GASB Statement No. 103.

FINANCIAL SUMMARY - CHANGES IN FIDUCIARY NET POSITION

	For The Year Ended June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Additions					
Net investment income/(loss)					
Net appreciation in fair value of investments	$ 24,476,865	$ 19,493,611	$ 19,047,703	25.6 %	2.3 %
Interest and dividend income	5,560,216	5,338,815	5,252,303	4.1 %	1.6 %
Total investment income/(loss)	30,037,081	24,832,426	24,300,006	21.0 %	2.2 %
Employer contributions	59,148	61,852	65,286	(4.4) %	(5.3) %
Total additions	30,096,229	24,894,278	24,365,292	20.9 %	2.2 %
Deductions					
Retiree benefits paid	11,026,384	9,562,998	9,180,680	15.3 %	4.2 %
Administrative expenses	342,571	370,387	259,200	(7.5) %	42.9 %
Total deductions	11,368,955	9,933,385	9,439,880	14.5 %	5.2 %
Change in net position	18,727,274	14,960,893	14,925,412	25.2 %	0.2 %
Net position - beginning	268,356,875	253,395,982	238,470,571	5.9 %	6.3 %
Net position - ending	**$287,084,149**	**$ 268,356,875**	**$253,395,982**	7.0 %	5.9 %

DETAILED ANALYSIS

Total Additions

FY2026 - Total additions increased $5.2 million, or 20.9%, compared to FY2025, primarily because net appreciation increased $5.0 million; interest and dividend income increased $0.2 million. The Plan's money-weighted return was 11.43% in FY2026 versus 9.99% in FY2025.

FY2025 - Total additions increased $0.5 million, or 2.2%, compared to FY2024, primarily due to investment gains.

The fiscal year ended June 30, 2026 saw a net investment gain of $30.0 million. The FY2025 had a net investment gain of $24.8 million, FY2024 had a net investment gain of $24.3 million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

Total Deductions

FY2026 - Total deductions increased $1.4 million, or 14.5%, compared to FY2025. Retiree benefits paid increased $1.5 million, or 15.3%. This is attributable to the higher premiums in FY2026. Administrative expenses decreased approximately $28,000, or 7.5%.

FY2025 - Total deductions increased $0.5 million, or 5.2%, compared to FY2024. Retiree benefits paid increased $0.4 million, or 4.2%. This is attributable to premium increases in FY2025. Administrative expenses increased $0.1m, or 42.9% due to higher professional services fees.

FINANCIAL SUMMARY - FIDUCIARY NET POSITION

	As of June 30			% Change	% Change
	2026	2025	2024	2025 to 2026	2024 to 2025
Assets					
Cash and cash equivalents	$ 3,813,836	$ 495,903	$ 1,857,276	669.1 %	(73.3) %
Investments, fair value					
Equity securities/stocks	18,495,321	-	-	New	0.0 %
Mutual funds, bonds	70,367,827	59,643,501	55,835,109	18.0 %	6.8 %
Mutual funds, equities	163,973,495	176,020,497	159,831,296	(6.8) %	10.1 %
Real estate fund investment	36,922,244	37,206,523	38,565,204	(0.8) %	(3.5) %
Total investments at fair value	289,758,887	272,870,521	254,231,609	6.2 %	7.3 %
Investment interest and dividend receivable	313,726	699,657	14,641	(55.2) %	4,678.8 %
Total assets	293,886,449	274,066,081	256,103,526	7.2 %	7.0 %
Liabilities					
Trade payable, due to broker/other	1,122,138	697,927	259,187	60.8 %	169.3 %
Reimbursement for benefits paid by employer	5,680,162	5,011,279	2,448,357	13.3 %	104.7 %
Total Liabilities	6,802,300	5,709,206	2,707,544	19.1 %	110.9 %
Fiduciary net position restricted for retiree benefits	**$ 287,084,149**	**$ 268,356,875**	**$ 253,395,982**	7.0 %	5.9 %

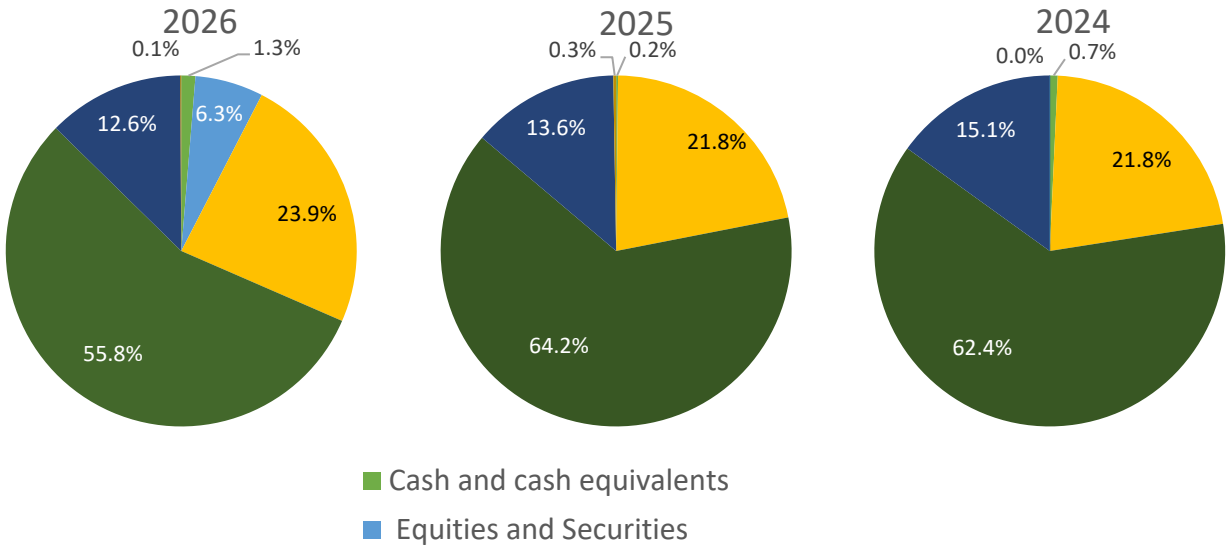
DETAILED ANALYSIS

Assets

FY2026 - Total assets increased $19.8 million, or 7.2%. Investments increased $16.9 million attributable to investment gains, cash increased $3.3 million, partly offset by a $0.4 million decrease in investment interest and dividends receivable. In 2026, the Plan added a new investment manager to manage its U.S. small- and mid-cap investments. As a result, $18.5 million of investments in equities and securities were newly allocated to the plan.

FY2025 - Total assets increased $18.0 million, or 7.0%. Investments increased $18.6 million due to strong investment performance, investment interest and dividends receivable increased $0.7 million, offset by $1.3 million decrease in cash.

Total Asset Breakdown
Fiscal Years Ending June 30,



Liabilities

FY2026 - Liabilities totaled $6.8 million as of June 30, 2026, an increase of 19.1% compared to June 30, 2025. The variance was driven primarily by the higher benefit reimbursement to the employer and higher broker fees.

FY2025 - Liabilities totaled $5.7 million as of June 30, 2025, an increase of $3.0 million or 110.9% compared to June 30, 2024. The variance was driven by the higher benefit reimbursement to the employer.

Plan Funded Ratio:

The Plan's total OPEB liability increased $28.5 million, exceeding the $18.7 million increase in fiduciary net position. Consequently, BWL's net OPEB assets decreased $9.8 million, from $80.3 million to $70.5 million, and the fiduciary-net-position ratio declined from 142.71% to 132.57%. The is attributable to the liability increase driven by $20.1 million difference between actual and expected experience loss and a $3.3 million assumption loss.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Future Events

The Plan is currently overfunded, with a funded status (fiduciary net position divided by total OPEB liability) of 133%. This funding level results in an actuarially determined contribution of $0 for fiscal year 2027. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2027.

CONTACTING THE PLAN'S MANAGEMENT

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

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

Statements of Fiduciary Net Position
June 30, 2026 and 2025

	2026	2025
Assets		
Cash and cash equivalents	$ 3,813,836	$ 495,903
Investments, fair value:		
Equity securities/stocks	18,495,321	-
Mutual funds, bonds	70,367,827	59,643,501
Mutual funds, equities	163,973,495	176,020,497
Real estate fund investment	36,922,244	37,206,523
Total investments at fair value	289,758,887	272,870,521
Investment interest and dividend receivable	313,726	699,657
Total assets	293,886,449	274,066,081
Liabilities		
Trade payable, due to broker/other	1,122,138	697,927
Reimbursement for benefits paid by employer	5,680,162	5,011,279
Total liabilities	6,802,300	5,709,206
Fiduciary net position restricted for retiree benefits	$ 287,084,149	$ 268,356,875

See notes to financial statements

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

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 24,476,865	$ 19,493,611
Interest and dividend income	5,560,216	5,338,815
Total investment income	30,037,081	24,832,426
Employer contributions	59,148	61,852
Total additions	30,096,229	24,894,278
Deductions		
Retiree benefits paid	11,026,384	9,562,998
Administrative expenses	342,571	370,387
Total deductions	11,368,955	9,933,385
Net increase in net position	18,727,274	14,960,893
Fiduciary Net Position Restricted for Retiree Benefits, Beginning	268,356,875	253,395,982
Fiduciary Net Position Restricted for Retiree Benefits, Ending	$ 287,084,149	$ 268,356,875

See notes to financial statements

1. Summary of Significant Accounting Policies

Reporting Entity

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

Accounting and Reporting Principles

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

Basis of Accounting

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

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

Report Presentation

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

Investment Valuation and Income Recognition

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

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

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

Expenses

Substantially all Plan expenses are paid by the Plan.

Use of Estimates

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

FY2026 GASB Pronouncement Implementations

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement requires updates to the Management's Discussion and Analysis (MD&A), which precedes the basic financial statements, to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability.

Due to the basis and nature of the retirement plan's financial statements, there was no need to update the Statement of Changes in Fiduciary Net Position for changes to the classification of nonoperating revenues and expenses. The MD&A representation of the Statement of Changes in Fiduciary Net Position was updated to display both the beginning and ending fiduciary net position, in addition to the year-over-year change in fiduciary net position.

Reimbursement for Benefits Paid by Employer

This balance represents amounts due from the Plan to the BWL to reimburse the BWL for benefits paid on behalf of the Plan.

2. Plan Description

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

General

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

The Plan provides medical, dental and life insurance benefits to eligible Participants. Substantially all BWL employees may become eligible Participants of the Plan if they reach normal retirement age while actively employed full-time by the BWL. There were 753 participants eligible to receive benefits at June 30, 2026 and 748 participants eligible at June 30, 2025.

Trustees

Each voting member of the BWL Board of Commissioners is a Trustee during the term of office as a commissioner. The Trustees have appointed Northern Trust Company as custodian of the Plan's assets effective March 1, 2024.

Agreement

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

Benefits

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

Contributions

Section 5-203 of the City Charter grants the authority to establish and amend the contribution requirement of the City and Plan members to BWL. The retiree benefits are paid by BWL's general cash flow to the third-party administrators who process participant claims. These payments represent contributions to the Plan. Employer contribution amounts are quantified in the statement of changes in net position. During the years ended June 30, 2026 and 2025, BWL incurred $59,148 and $61,852 in contributions to the Plan, respectively.

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

Contributions are recognized when due and when the amount to be contributed is committed by the BWL. For the years ended June 30, 2026 and 2025, the contribution rates of the employer were 0.07% and 0.08% of covered-employee payroll, respectively.

Participation

Participation is determined in accordance with the terms of the Plan. At June 30, 2026, there were 781 active participants (not yet eligible to receive benefits), 62 disabled participants, 542 retired participants and 149 surviving spouses participating in the Plan. At June 30, 2025, there were 791 active participants (not yet eligible to receive benefits), 65 disabled participants, 534 retired participants and 149 surviving spouses participating in the Plan.

Vesting

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

Termination

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

3. Cash, Cash Equivalents and Investments

The Plan is authorized through Public Act 149 of 1999 to invest in accordance with Public Act 314. Public Act 314 of 1965, as amended, allows the Plan to invest in certain reverse repurchase agreements, stocks, bonds, mutual funds, collective investment funds, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles. Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest bearing and noninterest bearing).

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. At June 30, 2026 and 2025, the Plan had $43,895 and $245,903, respectively, of bank deposits that were uninsured and uncollateralized. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy addresses this risk by requiring the Plan to hold all investments subject to custodial credit risk in its name. At year-end, all investments of the Plan were held in the name of the Plan and are therefore not subject to custodial credit risk.

Interest Rate Risk

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

At June 30, 2026, the average maturities of investments are as follows:

Investment	Fair Value	Average Weighted Maturity
Mutual funds, bonds	$ 70,367,827	8.3 years

At June 30, 2025, the average maturities of investments are as follows:

Investment	Fair Value	Average Weighted Maturity
Mutual funds, bonds	$ 59,643,501	9.2 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices.

As of June 30, 2026, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	$ 70,367,827	Not rated	Not rated

As of June 30, 2025, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	$ 59,643,501	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 plan has no investments individually exceeding 5% of the investment portfolio as of June 30, 2026. The plan has no investments subject to credit risk as of June 30, 2025. The Plan's investment policy does not address concentration of credit risk.

4. Tax Status

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

5. Plan Investments - Policy and Rate of Return

The BWL's policy regarding the allocation of invested assets is established and may be amended by the BWL Board by a majority vote of its members. It is the policy of the BWL Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2026 and 2025:

Asset Class	2026 Target Allocation	2025 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/mid 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

Rate of Return

For the years ended June 30, 2026 and 2025 the annual money-weighted rate of return on investments, net of investment expense, was 11.43% and 9.99%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

6. Net OPEB Liability (Asset) of BWL

The components of the net OPEB liability (asset) for BWL at June 30, 2026 and 2025 were as follows:

	2026	2025
Total OPEB liability	$ 216,557,145	$ 188,048,537
Plan fiduciary net position	287,084,149	268,356,875
BWL's net OPEB liability (asset)	$ (70,527,004)	$ (80,308,338)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	132.57 %	142.71 %

Actuarial Assumptions

The June 30, 2026 total OPEB liability was determined by an actuarial valuation as of June 30, 2026, based on a roll-forward of February 28, 2026 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Payroll growth	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases
Long-term expected rate of return	6.5%
Healthcare cost trend rates	7.75% for 2026, decreasing 0.25% per year to an ultimate rate of 4.50% in 2039 and later years

Actuarial Assumptions

The June 30, 2025 total OPEB liability was determined by an actuarial valuation as of June 30, 2025, based on a roll-forward of February 28, 2025 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Payroll growth	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases
Long-term expected rate of return	6.5%
Healthcare cost trend rates	7.50% for 2025, decreasing 0.25% per year to an ultimate rate of 4.50% in 2037 and later years

For the June 30, 2026 valuation, the mortality assumption was updated to the PUBH-2016 General Mortality Table, male and female, and the 2024 Adjusted MP-2021 mortality improvement scale. For the June 30, 2025 valuation, mortality rates were based on the PUBH-2010 General Mortality Table projected generationally using MP-2021 scale.

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

For the June 30, 2026 and 2025 valuation, the long-term expected rate of return was 6.5%. The rate was determined using a building-block method where expected future real rates of return are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2026 and 2025 are as follows:

Asset Class	2026 Target Allocation	2025 Target Allocation
Core bonds	2.50 %	2.52 %
Multi-sector	3.40	3.44
Liquid absolute return	3.00	3.25
U.S. large cap equity	7.17	7.20
U.S. small cap equity	8.30	8.59
Non-U.S. equity	8.11	8.20
Core real estate	6.41	6.45
Value add real estate	7.91	7.95

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5% for June 30, 2026 and 2025. The discount rate is based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate (6.5%) as of June 30, 2026:

	2026		
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability (asset)	$ (44,483,036)	$ (70,527,004)	$ (92,336,535)

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:

	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 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, 2026 and 2025:

	2026		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	$ (94,167,857)	$ (70,527,004)	$ (41,778,867)

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

7. Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2026 and 2025:

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

Exchange-Traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded. Exchange-traded funds are registered investment companies whose shares are traded on a national securities exchange. The exchange-traded funds held by the Plan are deemed to be actively 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 fair value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2026 and 2025:

	2026			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities/stock	$ 18,495,321	$ -	$ -	$ 18,495,321
Mutual funds, bonds	70,367,827	-	-	70,367,827
Mutual funds, equities	97,903,151	66,070,344	-	163,973,495
Total investments by fair value level	$ 186,766,299	$ 66,070,344	$ -	252,836,643
Investments measured at the net asset value (NAV):				
Real estate fund investment				36,922,244
Total investments measured at fair value				$ 289,758,887

	2025			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds, bonds	$ 59,643,501	$ -	$ -	$ 59,643,501
Mutual funds, equities	121,118,627	54,901,870	-	176,020,497
Total investments by fair value level	$ 180,762,128	$ 54,901,870	$ -	235,663,998
Investments measured at the net asset value (NAV):				
Real estate fund investment				37,206,523
Total investments measured at fair value				$ 272,870,521

8. Risks and Uncertainties

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

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

9. Subsequent Events

The Plan has evaluated subsequent events occurring through October 2, 2026, the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability										
Service cost	$ 4,313	$ 4,479	$ 4,201	$ 3,452	$ 3,299	$ 3,396	$ 3,245	$ 4,403	$ 4,827	$ 3,130
Interest	11,870	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	20,097	11,189	(801)	4,770	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281
Changes in assumptions	3,254	2,901	-	-	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)
Benefit payments, including refunds	(11,026)	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
Net Change in Total OPEB Liability	28,508	19,646	4,574	7,421	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036
Total OPEB Liability, Beginning	188,049	168,403	163,829	156,410	147,644	154,603	148,550	203,487	205,624	194,588
Total OPEB Liability, Ending	216,557	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624
Trust Net Position										
Contributions, employer	59	62	65	68	13,493	8,344	9,157	9,278	10,395	9,574
Net investment income	30,037	24,832	24,300	21,226	(19,247)	49,387	4,158	11,688	11,039	18,040
Administrative expenses	(343)	(370)	(259)	(336)	(354)	(449)	(512)	(569)	(634)	(705)
Benefit payments, including refunds	(11,026)	(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	18,727	14,961	14,925	10,330	(19,601)	48,938	3,646	11,119	10,405	17,335
Trust Fiduciary Net Position, Beginning	268,357	253,396	238,471	228,142	247,743	198,805	195,159	184,040	173,635	156,300
Trust Fiduciary Net Position, Ending	287,084	268,357	253,396	238,472	228,142	247,743	198,805	195,159	184,040	173,635
BWL Net OPEB Liability (Asset), Ending	$ (70,527)	$ (80,308)	$ (84,993)	$ (74,641)	$ (71,732)	$ (100,099)	$ (44,202)	$ (46,609)	$ 19,447	$ 31,989
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	132.57%	142.71%	150.47%	145.56%	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%
Covered Employee Payroll	$ 85,138	$ 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	(82.84%)	(97.41%)	(110.22%)	(107.02%)	(113.90%)	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%

See notes to required supplementary information

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

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

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
	Required	Actual			
6/30/2017	$ 7,508	$ 9,574	$ 2,066	$ 54,383	17.60%
6/30/2018	7,535	10,395	2,860	55,650	18.68%
6/30/2019	7,031	9,278	2,247	56,785	16.34%
6/30/2020	-	9,157	9,157	58,198	15.73%
6/30/2021	220	8,344	8,124	60,269	13.84%
6/30/2022	-	13,493	13,493	62,976	21.43%
6/30/2023	-	68	68	69,744	0.10%
6/30/2024	-	65	65	77,109	0.08%
6/30/2025	-	62	62	82,440	0.08%
6/30/2026	-	59	59	85,138	0.07%

See notes to required supplementary information

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	11.43%	9.99%	10.39%	9.52%	(7.77%)	24.87%	2.13%	6.36%	6.37%	10.01%

See notes to required supplementary information

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2026, based on roll-forward of February 28, 2026 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 22-year closed period
Remaining amortization period	22 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-2016 General Employees Mortality Table projected generationally using 2024 Adjusted MP-2021 improvement scale.

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	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 Mortality Table projected generationally using MP-2021 scale.

Significant Changes

June 30, 2026

- *Difference between actual and expected experience* - The $20.1M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2026 is primarily attributable to higher than expected 2026 per capita claims cost. The 2026 premiums for pre-65 nonunion participants and union participants hired prior to January 1, 2009 increased 61% when compared to premiums for 2025. Beginning in 2026, the pre-65 coverage for union participants hired on or after January 1, 2009 is provided through the Family Medical Care Plan. The 2026 Humana premiums for post-65 participants increased 13% when compared to the premiums for 2025. This increase also contributed to the actuarial loss.

- *Assumption change* - The $3.3M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2026 is attributable to updating the mortality and medical trend assumptions to those described in the Michigan Unform Assumptions for 2026.

- *Investment gain* - The $13.0M investment gain during the fiscal year ending June 30, 2026 is attributable an actual return on assets of 11.43% vs. an expected return of 6.50%.

June 30, 2025

- *Difference between actual and expected experience* - The $11.2M actuarial gain 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 2024 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 $1.08M 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 $10.17M 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-2022 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 $.38M actuarial loss. Updating the demographic assumptions resulted in a $1.73M actuarial loss. The remaining $8.06M of actuarial loss is attributable to decreasing the discount rate from 7.0% to 6.5%.

June 30, 2021

- *Difference between actual and expected experience* - The $8.79M 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. $3.94M 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 $4.85M 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 $3.75M 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-2021 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 $1.18M actuarial gain. The remaining $2.57M of the actuarial gain is attributable to reflecting the updated trend assumptions.

June 30, 2020

- D*ifference between actual and expected experience* - The $6.09M 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 $1.13M loss associated with demographic experience is mainly attributable to active participant retirements. The $7.22M gain due to a reduction in per capita claims cost is attributable a decrease in the Pre-65 medical and prescription drug premiums for 2020. The 2019 Pre-65 medical and Rx monthly premium for a retiree was $1,073.13. For 2020, the Pre-65 medical and Rx monthly premium for a retiree is $957.99, an 11% reduction in monthly premium. The combination of the demographic loss and the reduction in monthly premiums resulted in the overall $6.09M actuarial gain.

- *Assumption change* - The $7.25M 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 $.53M actuarial gain. Whereas, decreasing the discount rate resulted in a $7.78M actuarial loss. The combination of these changes resulted in the overall $7.25M actuarial loss.

June 30, 2019

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

- *Assumption change* - (1) The Plan experienced a $54.4M 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 $3.8M 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 an $8.7M 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 $.4M 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 $9.9M gain on the Total OPEB Liability for the fiscal year ending June 30, 2018 is attributable to a reduction in the per capita claims cost used in the 6/30/2018 valuation. Better than expected claims experience during the fiscal year resulted in a decrease in the projected claims when compared to those used in the 6/30/2017 valuation.

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

RESOLUTION 2026-XX-XX
Fiscal Year 2026 Audited Financial Statements
of the Enterprise Fund and Pension Fiduciary Funds

RESOLVED, that the fiscal year 2026 Audited Financial Statements of the Board of Water and Light have been reviewed and are hereby accepted as presented.

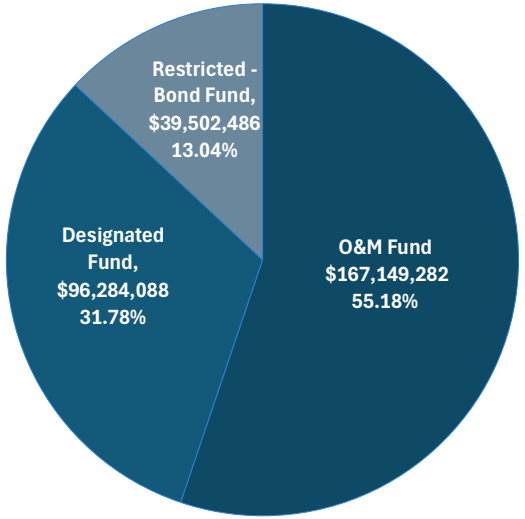
FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2026 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than November 2026.

Motion by Commissioner _____, **Seconded** by Commissioner _____, to approve the Resolution for the acceptance of the Fiscal Year 2026 Audited Financial Statements of the Enterprise Fund and Pension Fiduciary Funds at a Board meeting held on November 17, 2026.

Action: Motion

Financial Summary - September 2026 - FY27

Cash



Total Cash: $302,935,857

	Month End	Target
Days Cash on Hand	215	> 176
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.26	> 2.00

Days Cash on Hand:

$$\frac{\text{O\&M Fund - Portion Restricted By Bond Covenants + Designated Funds}}{\text{(Budgeted Operating Expenses - Depreciation + RoE to City) / 365}}$$

Debt Service Coverage:

$$\frac{\text{Projected Net Income + Depreciation Expense + Interest Expense}}{\text{Debt Principal + Debt Interest}}$$

Income Statement YTD

	Actual FY27	Budget FY27	Difference	%
Retail	$ 121,329,430	$ 118,824,310	$ 2,505,120	2%
Wholesale	$ 26,753,361	$ 15,265,183	$ 11,488,178	75%
Total Revenue	$ 148,082,790	$ 134,089,493	$ 13,993,297	10%
Operating Expenses	$ 110,766,735	$ 102,245,221	$ 8,521,515	8%
Non Operating Income/(Exp)	$ (17,051,748)	$ (16,370,243)	$ (681,505)	4%
Net Income	$ 20,264,308	$ 15,474,030	$ 4,790,278	31%

FY 2027 Budgeted Net Income	$ 29,235,891

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY27 Approved Budget	Actual FY27	Budget FY27	Difference	%
$ 201,831,612	$ 43,762,163	$ 47,820,123	$ (4,057,960)	-8%
% of Approved Budget	*22%*	*24%*		

Capital Budget YTD

FY27 Approved CIP Budget	Actual FY27	Budget FY27	Difference	%
$ 77,104,025	$ 12,563,991	$ 14,272,322	$ (1,708,331)	-12%
% of Approved Budget	*16%*	*19%*		

FY27 New Energy Budget	Actual FY27	Budget FY27	Difference	%
$ 31,856,755	$ 1,189,203	$ 10,326,325	$ (9,137,122)	-88%
% of Approved Budget	*4%*	*32%*		

FY27 Steam to HW Budget	Actual FY27	Budget FY27	Difference	%
$ 4,139,504	$ 724,972	$ 1,034,876	$ (309,904)	-30%
% of Approved Budget	*18%*	*25%*		

Return on Assets

FY27 ROA Budget	Actual FY27	Budget FY27	Target ROA*
4.03%	1.99%	1.56%	5.92%

*BWL forecast to reach target in FY2028

Return on Assets = $\frac{\text{YTD Net Income + YTD Interest Expense - YTD Interest Income}}{\text{Net Fixed Assets + Inventory}}$

Financial Summary - September 2026 - FY27

Ratios

Operating Ratio

O&M Expense	$	92,190,136	=	0.62	APPA Median 0.76
Total Revenue	$	148,082,790			

Measures the proportion of revenues to cover the operations and maintenance costs

Current Ratio

Current Assets	$	310,140,440	=	3.59	APPA Median 1.89
Current Liabilities	$	86,508,830			

Measures whether current assets are sufficient to pay current liabilities within one year

Debt to Total Assets

LT Debt + Accrued Liabilities	$	1,253,977,110	=	0.61	APPA Median 0.50
Total Assets	$	2,061,653,350			

Measures the ability to meet current and long-term liabilities based on the availability of assets

Days Sales Outstanding

Average Accounts Receivable x Days	$	32,583,937	x 30 =	24	Prior Year 27
Base Retail Revenue	$	40,026,507			

Measures the average number of days it takes to collect payment after a sale is made

Bad Debt

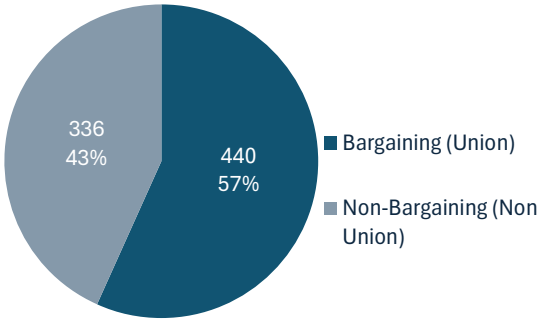
12 Month Bad Debt Exp	$	1,904,024	=	0.41%	Prior Year 0.30%
12 Month Retail Revenue	$	463,029,840			

Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	776
Budget YTD	815
Over/(Under) #	(39)
Full Time Equivalent Temporary Employees	22



Payroll Data

	Actual FY27	Budget FY27	Difference	%	Prior Year
Regular	$ 20,538,779	$ 20,115,895	$ 422,883	2.1%	$ 63.52
Overtime	$ 2,694,944	$ 1,776,844	$ 918,100	51.7%	
Total	$ 23,233,723	$ 21,892,740	$ 1,340,983	6.1%	
Total Hours Worked	346,258				
Labor $/Hours Worked	$ 67.10				

Benefits Cost

(Including Retirees)	Actual FY27	Budget FY27	Difference
Health & Rx	$ 5,982,839	$ 6,068,144	$ (85,305)
Dental	$ 381,821	$ 358,500	$ 23,321
Life	$ 85,522	$ 182,250	$ (96,728)
FICA	$ 1,705,306	$ 1,743,778	$ (38,472)
Other	$ 245,343	$ 343,333	$ (97,990)
Total	$ 8,400,832	$ 8,696,005	$ (295,173)

* All APPA Median Numbers Are For Utilities With Greater Than 100,000 Customers As Obtained From The Most Recent "APPA Financial And Operating Ratios Of Public Power Utilities Report" Published In 2026.

October 2026 Report - Actuals through September 2026

Projects Sorted by the FY27 Projection (Highest to lowest costs)		FY 27		Total Project						Project Period	
Project Name	**Current Phase[1]**	**Budget**	**Projection**	**Designed Budget Amount**	**Current Projection**	**$ Variance[2]**	**% Variance[2]**	**Total Cost Incurred To-Date**	**% Total Cost Incurred To-Date**	**Start Date**	**Projected Completion Date**
Top Ten Planned Projects											
LGR Substation	Phase 4 - Construction	$ 16,573,210	$ 15,979,339	$ 28,399,399	$ 28,434,214	$ 34,815	0.12%	$ 9,687,228	34.07%	02/24/2024	02/22/2028
RICE Overhauls - (Wartsila LTSA)	Not Started	$ 1,908,560	$ 2,284,360	NA	$ 1,908,560	$ -	0.00%	$ -	0.00%	03/01/2027	03/10/2028
Dye High Lift Pump #4 Project	Phase 3 - Design	$ 1,706,422	$ 1,649,621	NA	$ 1,649,621	$ -	0.00%	$ 275,978	16.73%	10/30/2025	09/02/2027
ADMS	Phase 2 - Preliminary Design	$ -	$ 1,490,863	NA	$ 2,100,000	$ -	0.00%	$ 297,619	14.17%	09/09/2026	01/22/2029
Budget System Upgrade/Replacement	Not Started	$ 1,322,000	$ 1,322,000	NA	$ 1,322,000	$ -	0.00%	$ -	0.00%	11/09/2026	07/01/2027
Magnolia Ave. - 4160V Sub Cutover and Retirement	Phase 3 - Design	$ 1,047,150	$ 1,233,967	NA	$ 5,575,746	$ -	0.00%	$ 4,567,614	81.92%	08/17/2020	06/30/2027
Rundle Substation	Phase 3 - Design	$ 860,000	$ 894,048	NA	$ 35,476,446	$ -	0.00%	$ 11,566,909	32.60%	04/01/2021	03/08/2029
Stanley Substation	Phase 1 - Initiation	$ 750,000	$ 766,621	NA	$ 36,977,125	$ -	0.00%	$ 3,077,611	8.32%	03/15/2021	07/01/2031
South Reinforcement - Transmission Line	Phase 5 - Closeout	$ 216,431	$ 443,625	$ 43,503,928	$ 40,745,613	$ (2,758,315)	-6.34%	$ 40,288,950	98.88%	09/20/2017	08/02/2027
Data Center Upgrade	Not Started	$ 307,801	$ 370,000	NA	$ 1,200,000	$ -	0.00%	$ -	0.00%	11/02/2026	06/17/2027
	Total Top Ten Planned Projects	$ 24,691,574	$ 26,434,444		$ 126,955,111			$ 60,074,680			
Project Watch List - Projects $150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
-	-	$ -	$ -	$ -	$ -	$ -	0.00%	$ -	0.00%		
	Total Project Watch List	$ -	$ -		$ -			$ -			
Remaining Planned											
Electric		$ 2,184,002	$ 1,054,359								
Water		$ 696,189	$ 927,551								
Steam		$ -	$ -								
Chilled Water		$ -	$ -								
Common		$ 1,319,324	$ 319,000								
	Total Remaining Planned	$ 4,199,515	$ 2,300,910								
Annual						**Annual Variance**					
Electric		$ 23,722,304	$ 24,328,653			$ 606,349	2.6%				
Water		$ 16,095,858	$ 15,644,837			$ (451,021)	-2.8%				
Steam		$ 2,067,000	$ 2,081,132			$ 14,132	0.7%				
Chilled Water		$ 52,008	$ 52,008			$ -	0.0%				
Common		$ 6,085,631	$ 5,741,429			$ (344,202)	-5.7%				
	Total Annual	$ 48,022,801	$ 47,848,059			$ (174,742)	-0.4%				
Management Reserve											
Management Reserve		$ 190,135	$ 190,135								
	Grand Total	$ 77,104,025	$ 76,773,548								

Notes:

[1] For projects that are in Stage Gates 1-3, the Current Projections are high level estimates that can have a significant margin of error.

[1] For projects that are in Stage Gates 1-3, the Projected Completion Date is subject to change as organizational priorities or project plans are reassessed.

[2] Variances highlighted in red are over the $200k and 15% thresholds.

Finance Committee Governance Review Form

Meeting Date: _____

Agenda Item: _____

Presenter/Department: _____

Board Action Requested: *(check all that apply)*

☐ Information only

☐ Discussion

☐ Resolution/Recommendation to Full Board

☐ Approval

☐ Other: _____

1. Purpose of the Item

What is being presented or requested?

_____

_____

_____

Why is this item before the Finance Committee now?

_____

_____

_____

2. Financial Assumptions

Key financial assumptions supporting this item:

Assumption	Amount / Estimate	Source / Basis
Revenue assumption	$_____	_____
Expense assumption	$_____	_____
Capital cost assumption	$_____	_____
Inflation assumption	_____%	_____
Interest rate / financing assumption	_____%	_____
Load / usage / customer growth assumption	_____	_____
Staffing / labor assumption	_____	_____
Other	_____	_____

Questions to ask:

- What assumptions are most important to the recommendation?

- Which assumptions are most uncertain?

- Has management performed a sensitivity or stress-test analysis?

- What happens if costs are higher, revenues are lower, or implementation is delayed?

3. Major Risks

Identify the major risks associated with this item:

Risk Area	Description	Mitigation Plan
Financial risk	_____	_____
Operational risk	_____	_____
Regulatory / compliance risk	_____	_____
Customer / affordability risk	_____	_____

Risk Area	Description	Mitigation Plan
Reputational / public trust risk	_____	_____
Cybersecurity / technology risk	_____	_____
Execution / project delivery risk	_____	_____

Questions to ask:

- What are the top three risks the Board should understand before approval?

- Are any risks being accepted rather than mitigated?

- Who owns each risk?

- What warning signs would indicate this item is not going as planned?

4. Customer Impact

How does this item impact customers?

Customer Impact Area	Expected Impact	Notes
Monthly bill impact	$_____ / _____%	_____
Low-income / vulnerable customers	☐ None ☐ Low ☐ Moderate ☐ Significant	_____
Residential customers	☐ None ☐ Low ☐ Moderate ☐ Significant	_____
Commercial customers	☐ None ☐ Low ☐ Moderate ☐ Significant	_____
Industrial customers	☐ None ☐ Low ☐ Moderate ☐ Significant	_____
Reliability / service quality	☐ Improves ☐ No change ☐ Declines	_____
Customer service experience	☐ Improves ☐ No change ☐ Declines	_____
Public communication needed	☐ Yes ☐ No	_____

Questions to ask:

- What is the direct and indirect customer impact?

- Has a bill impact analysis been completed?

- How does this item affect affordability?

- Are there protections, assistance programs, or communication plans for affected customers?

- How will customer complaints, arrearages, or service impacts be tracked?

5. Alternatives Considered

What alternatives were reviewed before making this recommendation?

Alternative	Description	Estimated Cost	Pros	Cons	Reason Not Selected
Option 1: Recommended option	_____	$_____	_____	_____	N/A
Option 2	_____	$_____	_____	_____	_____
Option 3	_____	$_____	_____	_____	_____
Delay / defer option	_____	$_____	_____	_____	_____
Do nothing option	_____	$_____	_____	_____	_____

Questions to ask:

- What alternatives were considered?

- Was a lower-cost or phased option available?

- What is the cost of delaying action?

- What is the risk of doing nothing?

- Why is the recommended option the best governance choice?

6. Accountability Measures After Approval

How will the Board know whether this item is successful?

Accountability Measure	Target / Metric	Reporting Frequency	Responsible Party
Budget performance	Within $_____ or _____%	☐ Monthly ☐ Quarterly ☐ Annually	_____
Project timeline	Completion by _____	☐ Monthly ☐ Quarterly ☐ Annually	_____
Customer impact	_____	☐ Monthly ☐ Quarterly ☐ Annually	_____
Risk mitigation	_____	☐ Monthly ☐ Quarterly ☐ Annually	_____
Audit / compliance follow-up	_____	☐ Monthly ☐ Quarterly ☐ Annually	_____
Board reporting	_____	☐ Monthly ☐ Quarterly ☐ Annually	_____

Questions to ask:

- What specific metrics will be reported back to the Board?

- When will the Board receive the first follow-up report?

- Who is accountable for implementation?

- What happens if the item exceeds budget, misses timelines, or fails to achieve intended results?

- Will Internal Audit, Finance, or another independent function validate the results?

7. Board Governance Checklist

Before recommending approval, the Finance Committee should be able to answer:

- Do we understand the financial assumptions?

- Do we understand the major risks?

- Do we understand the customer impact?

- Do we know what alternatives were considered?

- Do we understand why this recommendation was selected?

- Do we know who is accountable after approval?

- Do we know how success will be measured?

- Do we know when this item will come back to the Board?

- Are there any unanswered questions that should delay action?

- Is this decision consistent with BWL's strategic priorities and financial policies?

8. Recommended Committee Action

Based on the discussion, the Finance Committee should:

☐ Recommend approval to the Full Board

☐ Recommend approval with conditions

☐ Request additional information before action

☐ Defer action

☐ Reject recommendation

☐ Receive and place on file only

Conditions or requested follow-up:

_____

_____

_____

Requested return date for follow-up: _____

9. Summary Question for the Record

For this agenda item, what are the financial assumptions, major risks, customer impacts, alternatives considered, and accountability measures after approval?

Summary answer:

_____

_____

_____

Internal Audit Status Report

HOMETOWN PEOPLE. HOMETOWN POWER.

Finance Committee Meeting

November 2026

Overview

- Audit Update
- Audit Budget Update
- Issue Status Update
- FY2027 Audit Work Plan
- Other Items

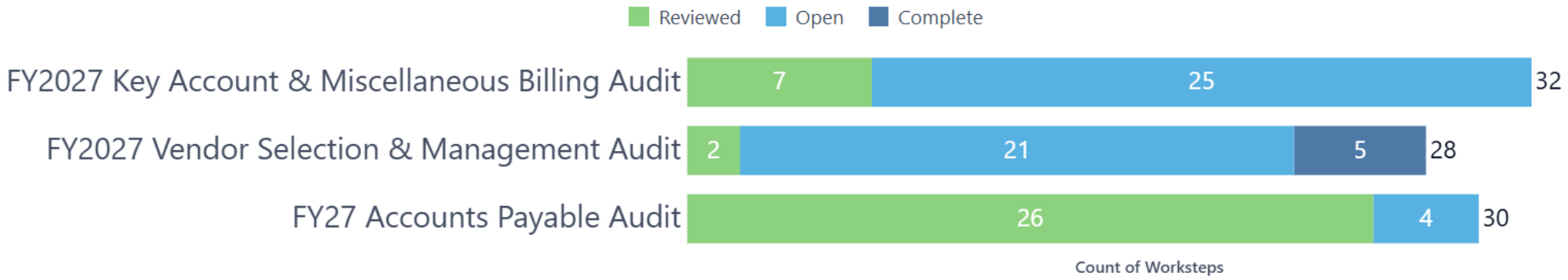
Office of the INTERNAL AUDITOR

Audit Update

Internal Audit Executive Overview

90	55.56%	44.44%
Total Worksteps	Percent (%) In Progress	Percent (%) Complete

Audit Status



Open: *Pending Completion*

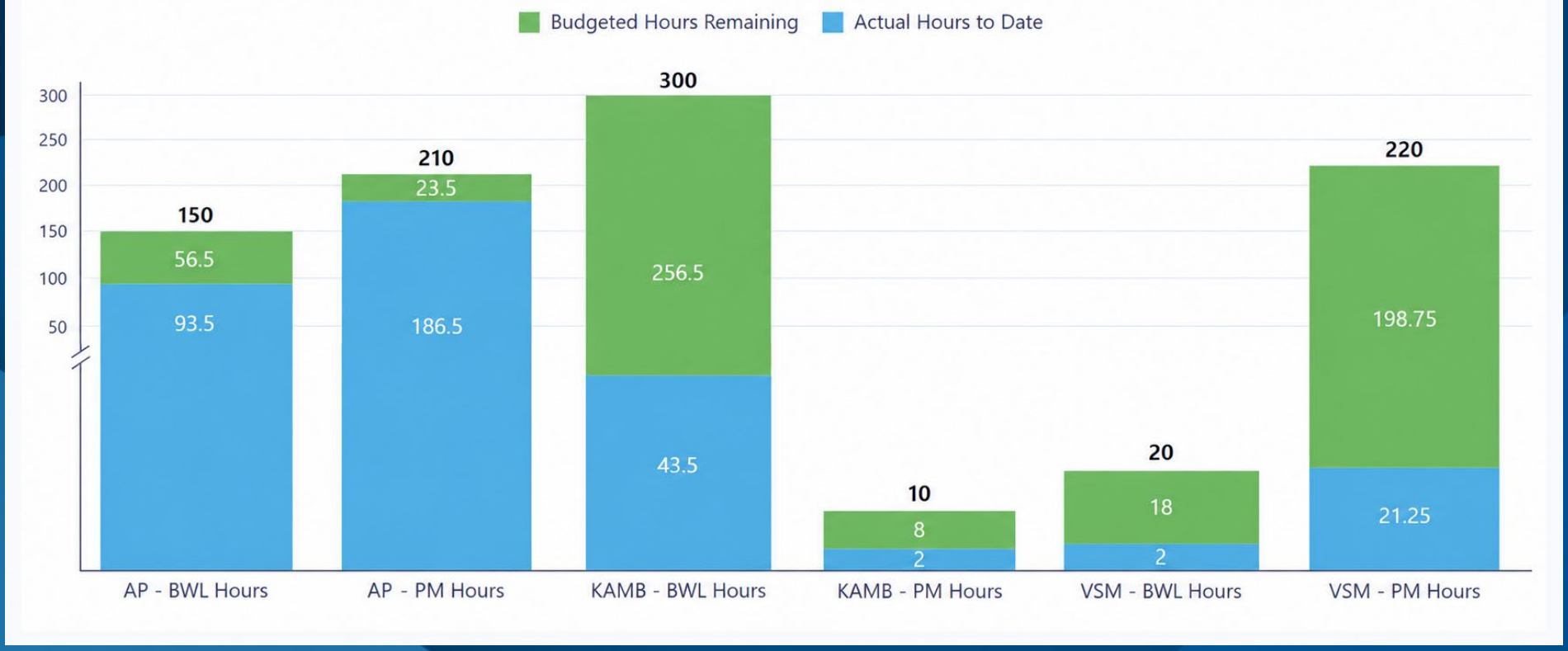
Complete: *Workstep has been completed, ready for review*

Reviewed: *Fully reviewed*

Office of the INTERNAL AUDITOR

Budget Update

3	0
Audits Within Budget	Audits Over Budget

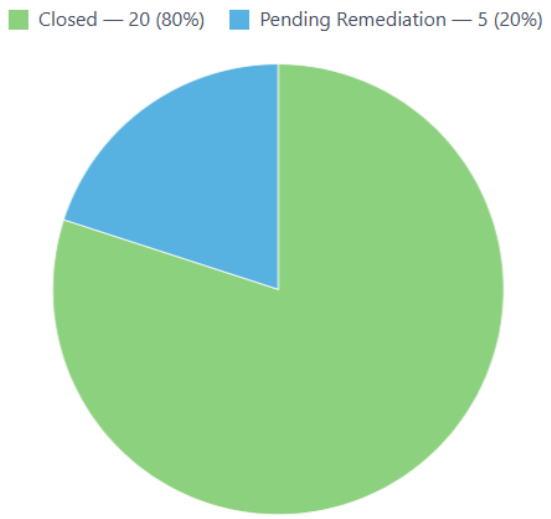


Office of the INTERNAL AUDITOR

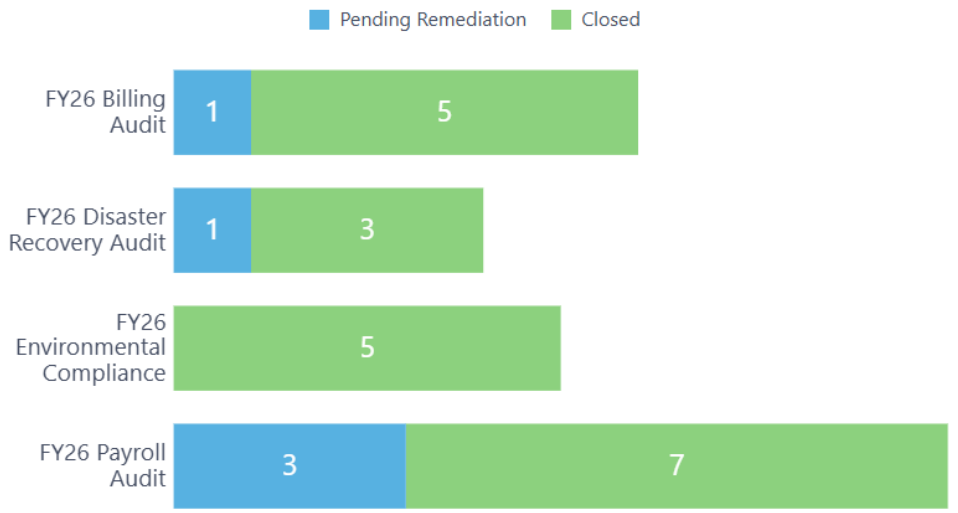
Issue Status Update

2	0	3
Due in < 30 Days	Due in 30-90 Days	Due in > 90 Days

Issue Status



Issue Status by Audit



Pending Remediation: *Pending Management's remediation*

Closed: *Fully remediated and reviewed by Internal Audit*

Office of the INTERNAL AUDITOR

FY 2027 Audit Plan



Accounts Payable

- Audit Kick-Off Meeting held on July 29, 2026
- Audit Closing Meeting held on October 19, 2026

Vendor Selection & Vendor Management

- Audit Kick-Off Meeting Held on October 12, 2026
- Fieldwork planned for completion on December 7, 2026

Key Accounts/ Miscellaneous Billing

- Audit Kick-Off Meeting held on October 13, 2026
- Fieldwork planned for completion on January 4, 2027

Safety Program Governance/ Corrective Action Tracking

- January 2027 – April 2027
- BWL led

Enterprise Risk Management

- January 2027 – April 2027

Fixed Assets

- March 2027 – May 2027

Office of the INTERNAL AUDITOR

Other Items

Audit Roadshow & Departmental Outreach:

- Internal Audit accompanied Mr. Peffley and the other BWL audit departments to safety meetings throughout October to increase awareness of Internal Audit and its role across the organization

Internal Audit Charter Update

- Internal Audit previously planned to bring charter updates to the November Finance Committee meeting
- Following further review, additional items require discussion with the Finance Committee
- Charter updates are now planned for the March 2027 Finance Committee meeting for review and approval

Other Items

Summer of 2027 Internship Candidate:

- The Internal Audit Department hired an intern for the May – August 2027 internship program
- The intern is from the Lansing area, attended Lansing Eastern High School and Lansing Community College, and is currently enrolled in the LCC 3+1 program

IIA – Chief Audit Executive Job Description:

- The IIA released a Chief Audit Executive job description aligned with the new Global Internal Audit Standards
- BWL's Director of Internal Audit job description has not been updated since 2023 and may warrant review for updated alignment

Other Items

Michigan Tech University Internal Audit Presentation:

- During November, Internal Audit will be attending an online meeting with students from Michigan Tech University to introduce them to the Internal Audit profession

Department Professional Development:

- The Director of Internal Audit attended the first Leadership Lansing session on October 20, 2026
- The Director completed three days of training through the Association of Certified Fraud Examiners
  - Earned 23 CPE credits toward the CIA continuing professional development requirement
  - Preparation for the Certified Fraud Examiner (CFE) exam
- The Staff Internal Auditor is continuing to pursue CPA licensure