



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS  
FINANCE COMMITTEE MEETING  
Thursday, November 6, 2025 – 6:00 P.M.  
Board of Water & Light Headquarters – REO Town Depot  
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham; Chris Harkins; and David Price;  
Alternates: Tony Mullen, Semone James; Non-Voting: J. R. Beauboeuf, Brian Ross, Robert Worthy

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 9, 2025..... **TAB 1**
- 2. Baker Tilly External Audit Report ..... **TAB 2**
  - a. Audit Overview ..... **TAB 2a**
  - b. Report to Governing Body ..... **TAB 2b**
  - c. Lansing BWL Audited Financial Statements..... **TAB 2c**
  - d. Defined Benefit (DB) Plan Audited Financial Statements ..... **TAB 2d**
  - e. Defined Contribution (DC) Plan Audited Financial Statements..... **TAB 2e**
  - f. Post-Retirement Benefit Plan (VEBA) Audited Financial Statements ..... **TAB 2f**
  - g. FY2025 Audited Financial Statement of the Enterprise Fund & Pension  
Fiduciary Funds Resolution..... **TAB 2g**
- 3. YTD Financial Summary ..... **TAB 3**
  - a. Capital Report ..... **TAB 3a**
- 4. Bond Issuance Summary ..... **TAB 4**
  - a. Bond Issuance Resolution..... **TAB 4a**
- 5. Approval of Corporate Secretary and Board of Commissioners FY2026 Quarter One Budget  
& Expense Reports ..... **INFORMATION ONLY**
- 6. Disaster Recovery Audit Results..... **TAB 5**
- 7. Payroll Audit Results..... **TAB 6**
- 8. Internal Audit Status Report..... **TAB 7**

Other

Adjourn

**FINANCE COMMITTEE**  
**Meeting Minutes**  
**September 9, 2025**

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price; Alternates: Tony Mullen, Semone James; Non-Voting: Commissioners J. R. Beauboeuf, Brian Ross, Robert Worthy.

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, September 9, 2025.

Finance Committee Chairperson Dale Schrader called the meeting to order at 6:40 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Dale Schrader, Chris Harkins, and David Price; Also Present: Commissioners Semone James (Alternate), DeShon Leek and Sandra Zerkle; and Non-Voting Commissioners J. R. Beauboeuf (East Lansing) and Bob Worthy (Delta Township)  
Absent: Commissioner Beth Graham, Tony Mullen (Alternate); Non-Voting Commissioner Brian Ross (DeWitt Township)

Corporate Secretary LaVella Todd declared a quorum.

**Public Comments**

There were no public comments.

**Approval of Minutes**

**Motion** by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to approve the Finance Committee Meeting minutes of July 8, 2025.

**Action:** Motion Carried. The minutes were approved.

**Financial Summary YTD**

Accounting, Finance & Planning Manager Ying Yan presented the Financial Summary YTD. Financials are marked as preliminary because year-end audit is still in progress and the Financial Statements are yet to be finalized, however, we don't expect any material changes. The Days Cash on Hand is higher than target which is driven by the timing of new energy project spending and will fluctuate during the construction period. Retail revenue is 4% higher than budget due to fuel cost adjustments, higher power factor and transmission revenue. Wholesale revenue is under budget due to generation outages and lower market price. One driver of the lower market price is the delayed closure of coal plants which provided excess generation to the energy market. Operating expenses are lower due to fuel and purchase power costs. Non-operating income and expenses are lower due to stronger investment performance. Net income is \$15m higher primarily due to higher retail revenue and investment income. O&M is lower due to lower benefit claims. Capital Improvement Plan (CIP) spending was on budget. New Energy spending is higher than budget due to timing. Return on assets is higher primarily due to higher net income. The

Debt to Total Assets ratio is low due to outstanding revenue bonds but will balance out as the debt is paid. Days Sales Outstanding is 2 days lower compared to prior year due to later building cycles and lower unbilled revenue, no concerns at this point. Payroll costs are higher due to the May 2025 storm restoration efforts. Benefit costs are under budget due to lower than anticipated healthcare and workers comp claims.

Commissioner Harkins asked for further information on the new energy budget overage due to timing. Ms. Yan responded that the overage is driven by the RICE project, we plan to bring this project online earlier than Dec 2026 to serve the customers sooner.

### **Bond Issuance Update**

Accounting, Finance & Planning Manager Ying Yan presented the Bond Issuance Update. A bond refinancing transaction is being prepared to address outstanding 2021B put bond in the amount of \$71 million. Two resolutions are typically presented to the Board; the first resolution is Notice of Intent. It communicates our intent to issue and reimburse ourselves for eligible costs, we only need this for new money, once the resolution is approved, we put it in newspapers for public notice. The second one is the authorization to issue bonds; this authorizes the CFO to work with the banks and external parties to have the bonds issued. Since this is a refinancing only, we don't need to publish anything in the paper, we will only need the authorization to issue. More details will be presented in the November 2025 meeting.

### **Approval of Corporate Secretary and Board of Commissioners 2025 Quarterly Budget & Expense Reports**

**Motion** by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to approve the Corporate Secretary and Board of Commissioners 2025 Quarterly Budget & Expense Reports and forward them to the Full Board for consideration.

**Action:** Motion Carried.

### **Internal Audit Risk Assessment Results**

Director of Internal Audit Elisha Franco presented the Internal Audit Risk Assessment Results. The assessment consisted of an overview; the objectives of risk identification and rating, audit planning and resource allocation, compliance with global standards and support of BWL governance & strategic alignment; risk assessment approach and methodology; and results. Ms. Franco stated that a report will be sent to the Commissioners with more detailed information at a later date and is requesting feedback from General Counsel on the best method to provide it to the Commissioners. In the results the top 10 inherent risks were in staff acquisition, economy, reputational, legislation, leadership, customer billing, operational, strategic, budget management, and cybersecurity.

### **Internal Audit Strategy**

Director of Internal Audit Elisha Franco presented the Internal Audit Strategy. The internal audit strategy is a requirement of the Global Internal Audit Standards and it is what the internal audit goals over the next 5 years. The strategy consists of governance, methodology and technology and the objectives are quality assurance, risk assessment, aligned enterprise assurance and AuditBoard Analytics.

Commissioner Schrader commented that the data management is in a computer now rather than in boxes and Ms. Franco affirmed.

Commissioner Harkins thanked Ms. Franco for the audit department manual, and for the response that if there was additional feedback from the Commissioners, it would be added to the manual.

Commissioner Beauboeuf asked if there were any risks that required the Commissioners' immediate attention. Ms. Franco responded no, there were none at this time. Commissioner Beauboeuf also asked whether there was a document retention risk plan and counsel for what is not needed. Ms. Franco responded that there is a documentation retention policy within the BWL corporation. Everything is electronic and when documentation requests are made, the data is uploaded to the system and there is access control to the data.

Commissioner James commended Ms. Franco on the audit reports presented. Commissioner James stated that with AI coming to the forefront, she is a proponent for data being kept and available long term. Ms. Franco responded that the storage room contains a lot of data. Ms. Franco added that the legal department is planning to update the Documentation Retention policy.

#### **Post-Audit Feedback Survey Results**

Director of Internal Audit Elisha Franco presented the Post-Audit Feedback Survey Results. Ms. Franco stated after every audit, a survey is sent to all the audit participants asking for feedback on how the audit was completed. The feedback indicates that there has been improvement with the audits being completed.

Commissioner Harkins asked what the goals are when feedback is received and are there industry standards for the self-evaluation? Ms. Franco responded that the goal is to improve and receive as close to 5 rating as possible on the audits and there are no industry standards. Ms. Franco added that adjustments are made to audits in alignment with the expectations feedback.

#### **Internal Audit Status Report**

Director of Internal Audit Elisha Franco presented the internal audit status report. The internal audit status report consisted of an audit update of progress and budget, an issue status update of whether the issue was pending or closed, the FY2026 Audit Work Plan and other items. Ms. Franco introduced Co-Op student Jake Rober who will be working on the Internal Audit team and stated that Gillian Croteau is working as a temporary Administrative Assistant.

Chairperson Schrader commented on the receipt of the agenda items and Commissioners' feedback and noticed the trending upward of the ratings on the audits completed.

#### **Other**

**Motion** by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, for an excused absence for Commissioners Beth Graham and Brian Ross.

**Action:** Motion Carried.

**Adjourn**

Chairperson Dale Schrader adjourned the meeting at 7:28 p.m.

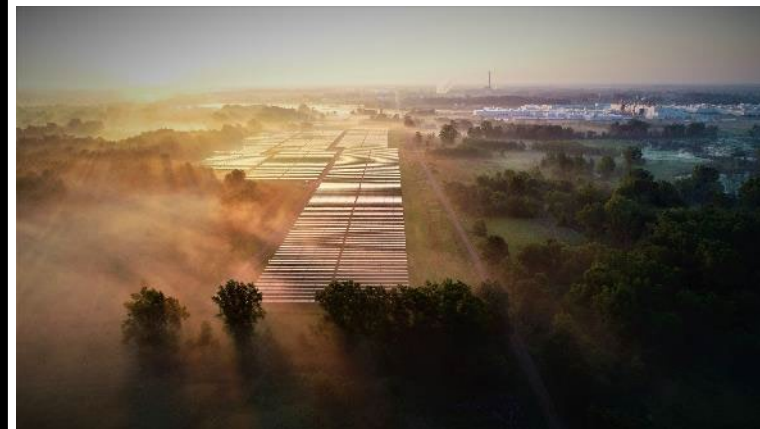
Respectfully submitted,  
Dale Schrader, Chairperson  
Finance Committee



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

## Finance Committee Meeting - 2025 Audit Presentation

November 6, 2025



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



# Agenda

Audit overview

Observations and  
Recommendations

Required Communication to  
Governing Body

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



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

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### Financial Statements Include

Auditors' report

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Management discussion and analysis

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Enterprise fund statements

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Pension and OPEB trust statements

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Notes

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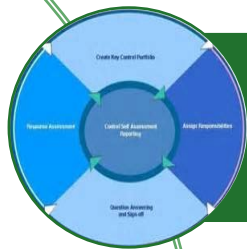
Required supplemental information

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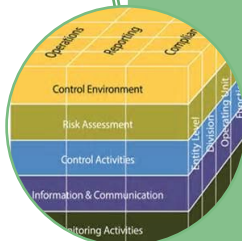
Supplemental information

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




Audit assesses internal controls



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



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



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

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Controls  
reviewed in  
key  
transaction  
areas

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Disbursements

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Payroll

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Utility billings

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Cash and investments

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Capital assets

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Information technology

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Financial reporting

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

### Observations and recommendations

### Enterprise Fund

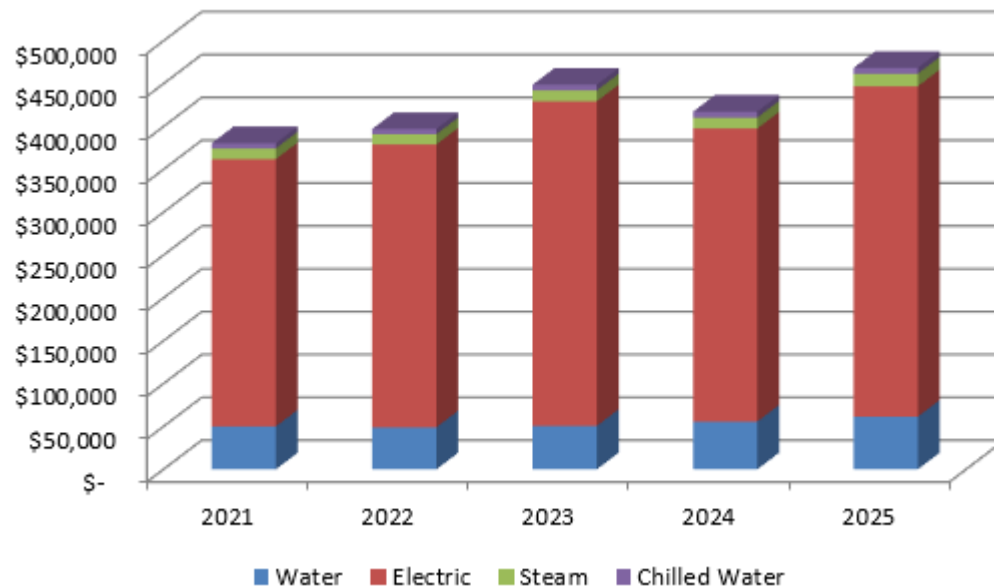
- Reported net income of \$27,600,000
- Reported operating revenue of \$468,400,000
- Reported total assets of \$2,100,000,000
- Bond coverage was met in 2025
- There were no material weaknesses reported

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

## Observations and recommendations

### Enterprise Fund

Operating Revenues – Five-year Comparison (in thousands)



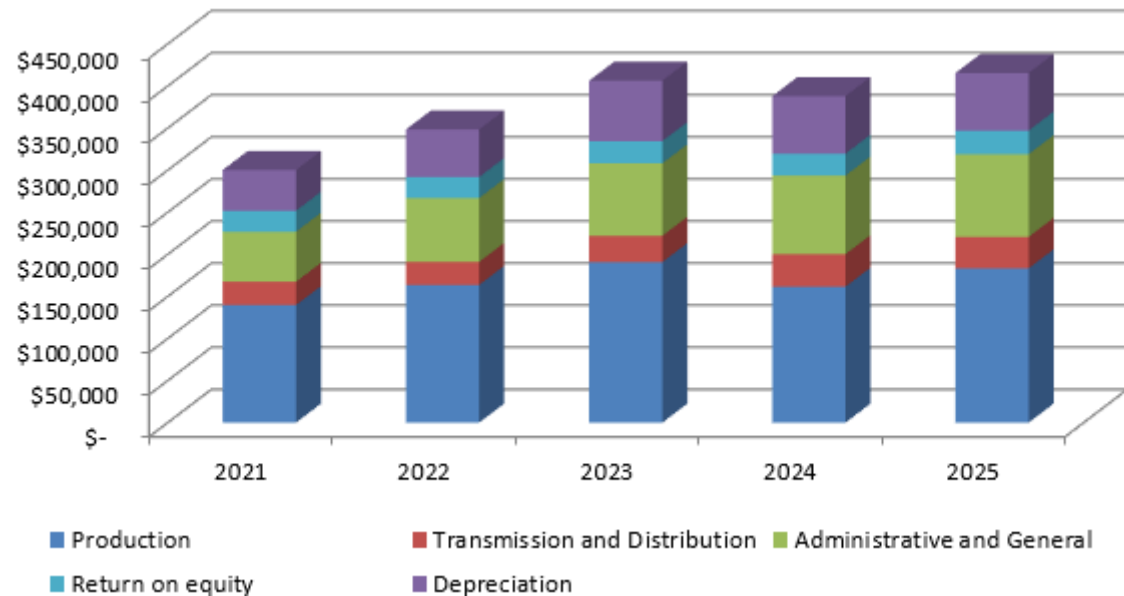
	2021	2022	2023	2024	2025
Water	\$ 50,030	\$ 49,028	\$ 50,684	\$ 55,757	\$ 61,456
Electric	311,944	330,053	378,792	341,976	385,525
Steam	12,569	11,935	12,661	12,786	14,692
Chilled Water	6,036	6,133	6,740	6,915	6,776
<b>Operating Revenue</b>	<b>\$ 380,579</b>	<b>\$ 397,149</b>	<b>\$ 448,877</b>	<b>\$ 417,434</b>	<b>\$ 468,449</b>

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

## Observations and recommendations

### Enterprise Fund

Operating Expenses – Five-year Comparison (in thousands)



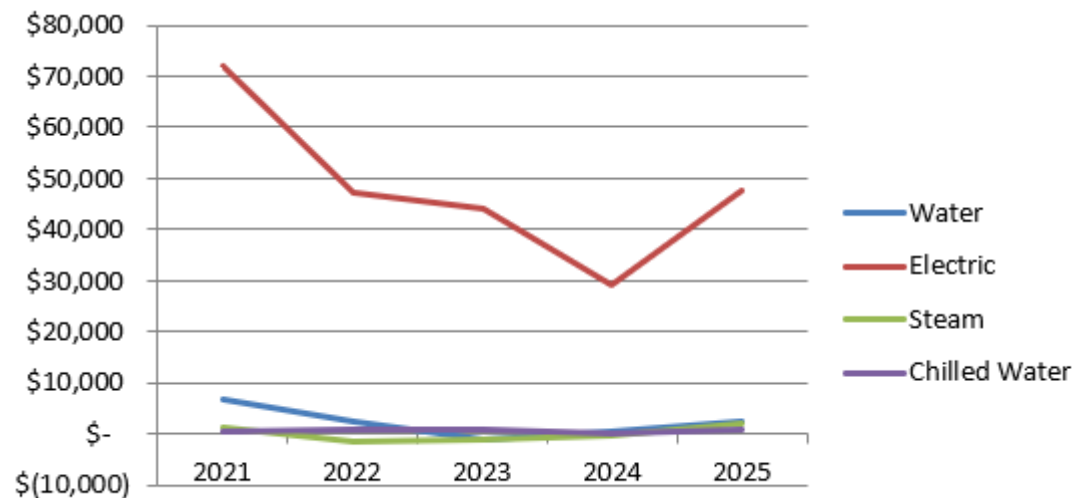
	2021	2022	2023	2024	2025
Production	\$ 139,682	\$ 163,647	\$ 190,745	\$ 161,509	\$ 183,330
Transmission and Distribution	27,674	27,355	31,260	38,691	37,363
Administrative and General	59,408	75,850	86,060	93,398	98,253
Return on equity	25,000	25,000	26,429	26,029	28,057
Depreciation	48,429	56,503	71,760	68,303	68,415
<b>Operating Expenses</b>	<b>\$ 300,193</b>	<b>\$ 348,355</b>	<b>\$ 406,254</b>	<b>\$ 387,930</b>	<b>\$ 415,418</b>

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

## Observations and recommendations

### Enterprise Fund

Operating  
Income –  
Five-year  
Comparison  
(in thousands)



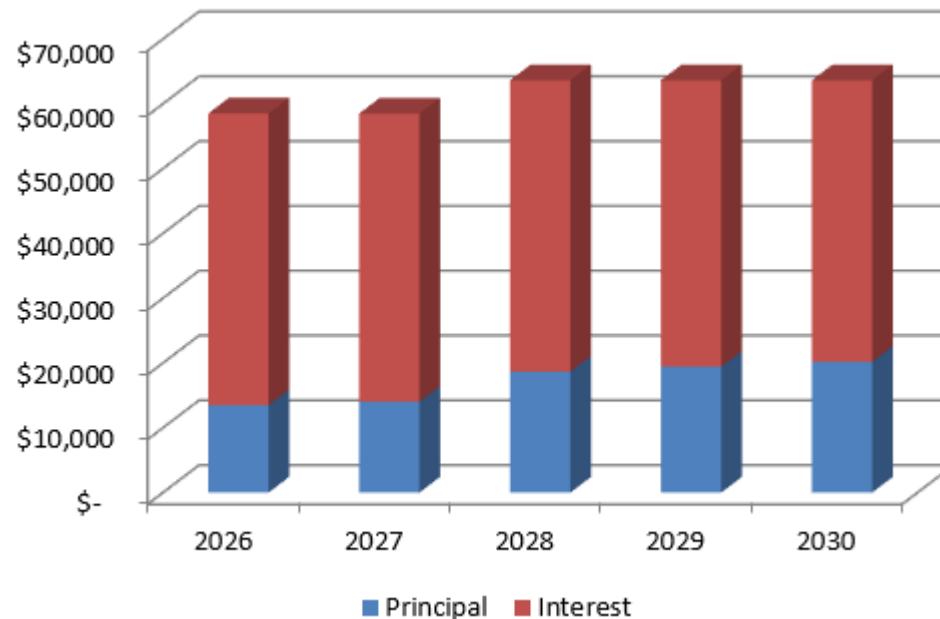
	2021	2022	2023	2024	2025
Water	\$ 6,874	\$ 2,298	\$ (1,163)	\$ 331	\$ 2,386
Electric	71,783	47,292	44,083	29,172	47,597
Steam	1,105	(1,552)	(1,096)	(229)	2,044
Chilled Water	623	756	800	230	1,002
<b>Operating Income</b>	<b>\$ 80,385</b>	<b>\$ 48,794</b>	<b>\$ 42,624</b>	<b>\$ 29,504</b>	<b>\$ 53,029</b>

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

## Observations and recommendations

### Enterprise Fund

Future Debt  
Service  
Requirements  
(in thousands)



	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Principal	\$ 13,495	\$ 14,025	\$ 18,665	\$ 19,435	\$ 20,180
Interest	45,007	44,468	44,966	44,191	43,443

*Debt service after 2030 includes remaining principal payments of approximately \$922,790,000 and interest payments of \$669,172,000 through 2055.*



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

### Observations and 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

Board of Water & Light – City of Lansing, Michigan  
Observations and recommendations


## Future 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

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

## Auditor communication to those charged with governance

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



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

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

Board of Water & Light – City of Lansing, Michigan



Questions?



## Audit summary

Aaron Worthman, Principal

Baker Tilly US, LLP

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# Reporting and insights from the fiscal year 2025 audit:

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

June 30, 2025

# Executive summary

October 3, 2025

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, 2025, and have issued our report thereon dated October 3, 2025. This letter presents communications required by our professional standards.

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

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

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

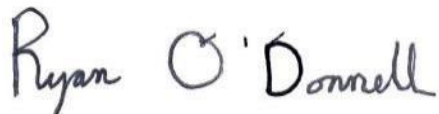
- Aaron Worthman, Principal: [aaron.worthman@bakertilly.com](mailto:aaron.worthman@bakertilly.com) or +1 (512) 975 7281
- Ryan O'Donnell, Director: [ryan.odonnell@bakertilly.com](mailto:ryan.odonnell@bakertilly.com) or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP



Aaron Worthman, CPA, Principal



Ryan O'Donnell, Director

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# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the BWL's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing opinions based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Commissioners:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- 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

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

## Key areas of focus and significant findings

### Significant risks of material misstatement

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

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

### Other areas of emphasis

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

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB net 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 opinions on the financial statements. We are not expressing an opinion on the effectiveness of the BWL's internal control.

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

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

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

# Required communications

## Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the BWL are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during fiscal year 2025. We noted no transactions entered into by the BWL during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension asset and related deferrals	Key assumptions set by management with the assistance of a third-party actuary	Reasonable in relation to the financial statements as a whole
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 prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

## **Management's consultations with other accountants**

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

## **Written communications between management and Baker Tilly**

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

## Non-attest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Grant pursuit support
- Support related to the pursuit of Federal Renewable Energy Tax Credits as part of the Inflation Reduction Act 2022

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

*\*Non-attest services are provided by Baker Tilly Advisory Group, LP.*

# 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>.



## Funding evaluation and pursuit

Public sector organizations may be eligible for grants, tax credits and other financial incentives through funding opportunities such as the Inflation Reduction Act, the Clean Communities Investment Accelerator, and the Infrastructure Investment and Jobs Act.

Baker Tilly can help you navigate, understand and pursue various federal and state funding sources through grant research and tracking, advising and writing, and management and compliance services.



## Digital transformation

Digitizing public services can be a game changer for governments. Streamlining inefficient processes, providing digital access and delivery of services to meet public expectations, implementing technology to protect constituent data, leveraging information to make data-driven decisions and migrating outdated on-premises systems to the cloud are crucial to an entity's success.

Through these types of digital services, Baker Tilly can help you scale with future demand and be better positioned to rapidly respond to changing demands.



## Cybersecurity

Public sector organizations face significant challenges from cyber threats and IT regulations. It can feel like you are on the defense keeping up with the latest risks, regulations and emerging trends. To mitigate risk, you must understand your organization's unique vulnerabilities, cybersecurity processes and controls.

Baker Tilly can help enhance your cybersecurity posture and ensure compliance, with solutions in IT compliance and security and cybersecurity and data protection to safeguard your data and navigate complex risk environments.

# Management representation letter



October 3, 2025

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, the Lansing Board of Water and Light Defined Contribution Plan and Trust 1, and the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (collectively, the "Employee Benefit Plans"), as of June 30, 2025 and 2024 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 May 6, 2021 and the related amendments dated August 31, 2022 and October 7, 2024, 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.
- 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.
- 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.



- 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

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.
- 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 are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.



- 41) We have assessed the impact of GASB Statement No. 101, *Compensated Absences*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard
- 42) We assessed the impact of GASB Statement No. 102, *Certain Risk Disclosures* and believe that the standard has no impact to us.
- 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.
- 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 Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions obtained its latest determination letter on November 4, 2011, in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the appropriate requirements of the Internal Revenue Code (IRC). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.
- 47) The Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light received a letter from the Internal Revenue Service dated February 8, 2000 confirming its status as exempt from tax under the IRC. We believe the exemption letter remains valid.
- 48) The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 is entitled to rely on an opinion letter dated June 30, 2020 (the "IRS Letter"), which the Internal Revenue Service issued to Nationwide Financial Services, Inc. with regard to its Non-Standardized Pre-approved Money Purchase/Profit Sharing Plan (the "Prototype Plan"). The IRS Letter stated that the Prototype Plan, as then designed, was acceptable as to form under Section 401 of the IRC and that employers adopting the Prototype Plan may generally rely on the IRS Letter with respect to qualification of their plans under Code Section 401(a) (to the extent described in Revenue Procedure 2017-41). We believe the plan is currently designed and being operated in compliance with the applicable requirements of the IRC.
- 49) We have no intentions to terminate any of the Employee Benefit Plans.
- 50) Related to the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions:
  - 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.
- 51) Related to the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light:
- 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.
- 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.
- 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: DocuSigned by: *Lisa Neumann* \_\_\_\_\_ Title: Supervisor, Reports Property and Accounting  
F13294C39B97406...

Signed: DocuSigned by: *Ying Yan* \_\_\_\_\_ Title: Manager, Accounting, Finance and Planning  
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Signed: DocuSigned by: *Scott Taylor* \_\_\_\_\_ Title: CFO and Chair of the Retirement Plan Committee  
8AB0EFC90F4C427...

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

# Accounting changes relevant to Lansing Board of Water and Light

## Future accounting standards update

GASB statement number	Description	Potentially impacts you	Effective date
103	Financial reporting model improvements	✓	6/30/26
104	Disclosure of certain capital assets	✓	6/30/26

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

## Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.
- Unusual or infrequent items (previously known as extraordinary and special items) - The new statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.
- Presentation of the proprietary fund statement of revenues, expenses and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.
- Major component unit information, and budgetary comparison information - Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.

## Revisions to disclosures for certain capital assets

Governments are required to provide information on capital assets in the footnotes to the financial statements as outlined in GASB Statement No. 34. Recent standards have impacted the accounting and reporting for capital assets and as a result GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* to provide enhanced disclosures for certain capital assets, including

- (a) Lease assets reported under Statement No. 87, intangible right-to-use assets reported under Statement No. 94 and subscription assets reported under Statement No. 96 should all be disclosed separately, and by major class of underlying asset. In addition, if there are any other intangible assets reported they should also be disclosed separately.
- (b) Capital assets that are held for sale should have the ending balance with separate disclosure for historical cost and related accumulated depreciation as well as any outstanding debt for which the asset is pledged as collateral disclosed by major class of asset. Assets held for sale are defined as those for which the government has decided to pursue the sale, and it is probable that the sale will be finalized within one year of the financial statement date.

While these changes are focused on footnote disclosures it is important to plan ahead to ensure the required information is available for implementation.

# 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 unmodified opinions on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

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

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

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

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of April - June. 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.



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

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

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

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June 30, 2025 and 2024

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## **Independent Auditors' Report**

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

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

#### ***Opinions***

We have audited the financial statements of the business-type activities and fiduciary activities of the Lansing Board of Water and Light (BWL), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the BWL's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the BWL as of June 30, 2025 and 2024, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

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

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

### ***Required Supplementary Information***

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

### **Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2025 on our consideration of the BWL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BWL's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BWL's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
October 3, 2025

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

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## Management's Discussion and Analysis

June 30, 2025 and 2024

This section explains the general financial condition and results of operations for the Lansing Board of Water & Light (BWL). The BWL includes the consolidated operations of the electric, water, steam and chilled water utilities. The notes to financial statements following this section are essential reading for a complete understanding of the financial and operational results for the years ended June 30, 2024 and 2025.

### Overview of Business

The BWL owns and operates an electric system which generates, purchases and distributes electric energy to approximately 99,600 retail customers in the greater Lansing area, and wholesale customers through participation in the Midcontinent Independent System Operator, Inc. (MISO), which is BWL's regional electric grid. The BWL generated 60% of its retail and wholesale sales from existing generation assets. Additional electric generation was supplied through BWL's membership in the Michigan Public Power Agency, which includes BWL's partial ownership of Detroit Edison's Belle River Plant, through MISO, and renewable energy purchase power agreements. The BWL maintains a diversified generation portfolio which includes wind and solar. The combination of current and planned renewable energy generation puts BWL on a path to meet state legislative requirements of 50% renewable energy by 2030 as well as move towards its own internal goal of carbon neutrality by 2040.

The BWL owns and operates water wells, a raw water transmission system, water conditioning facilities and an extensive water distribution system serving potable water to approximately 58,100 residential, commercial and industrial customers in the greater Lansing area.

The BWL owns and operates steam generation boilers, a steam transmission and distribution system serving 139 customers. The BWL's chilled water facility and distribution system serves 19 customers in the City of Lansing.

### Capital Expenditures

Capital expenditures are driven by the need to replace, expand, or maintain the generation, transmission, and distribution systems of the BWL to meet customer utility needs and to maintain a high level of service reliability. The BWL invests essentially all revenues not paid out for operations and maintenance expense, nonoperating expenses, or debt service back into capital improvements for its water, electric, steam and chilled water systems. Gross capital expenditures were \$202.8 million in fiscal year 2025, \$191.3 million in fiscal year 2024 and \$112.2 million in fiscal year 2023.

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

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

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

## Management's Discussion and Analysis

June 30, 2025 and 2024

### Condensed Financial Information (Dollars in Millions)

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

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

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

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

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

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

June 30, 2025 and 2024

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

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

### **Budget**

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

### **Financing Activities**

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

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

### **Contacting Management**

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

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

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

See notes to financial statements

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

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

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, 2025 and 2024

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

See notes to financial statements

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

### Statements of Cash Flows

Years Ended June 30, 2025 and 2024

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

See notes to financial statements

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

## Statements of Cash Flows

Years Ended June 30, 2025 and 2024

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

See notes to financial statements

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

Statements of Fiduciary Net Position -

Pension and OPEB Trust Funds

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Receivable, investment interest receivable	\$ 815,712	\$ 14,641
Participant notes receivable	3,422,732	3,532,182
Cash and cash equivalents	25,768,448	28,368,369
Investments at fair value:		
Mutual funds, bonds	100,482,077	96,482,199
Mutual funds, equity	364,809,221	333,580,797
Real estate trust investment	40,244,890	42,233,893
Self-directed brokerage account:		
Equity securities/stocks	18,377,421	12,507,716
Certificates of deposit (negotiable)	-	100,039
Mutual funds, equity	827,483	598,099
	<u>554,747,984</u>	<u>517,417,935</u>
Total assets		
<b>Liabilities</b>		
Trade payable, due to broker/other	812,171	317,309
Reimbursement for benefits paid by employer	5,011,279	2,448,357
	<u>5,823,450</u>	<u>2,765,666</u>
Net position, held in trust for pension and other employee benefits	<u>\$ 548,924,534</u>	<u>\$ 514,652,269</u>

See notes to financial statements

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

Statements of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

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

See notes to financial statements

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

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Notes to Financial Statements

June 30, 2025 and 2024

## 1. Significant Accounting Policies

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

### Reporting Entity

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

### Fund Accounting

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

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

*Fiduciary funds:*

1. The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 and Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions, which accumulate resources for benefit payments to participants.
2. The Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light, a Voluntary Employees' Beneficiary Association (VEBA), which accumulates funds for future payment of retiree benefits.

### Basis of Accounting

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

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

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

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Notes to Financial Statements

June 30, 2025 and 2024

## System of Accounts

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

## Rate Matters

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

## Operating Classification

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

## Report Presentation

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

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

## Specific Balances and Transactions

### Cash and Cash Equivalents

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

## Designated Cash and Investments

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

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

## Accounts Receivable

Accounts receivable are stated at net invoice amounts. A general valuation allowance is established based on an analysis of the aged receivables and historical loss experience. All amounts deemed to be uncollectible are charged to expense in the period that determination is made. Accounts receivables are not deemed uncollectible until they are approximately 425 days past due and have remained completely unpaid throughout the BWL's collection policy. The components of accounts receivable for 2025 and 2024 are as follows:

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

## Unbilled Accounts Receivable and Revenue

Unbilled accounts receivable at June 30, 2025 and 2024 represent the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period). Accordingly, the current year revenue from customers whose billing period ends after June 30 for services rendered prior to July 1 will be recognized in the current period.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## Special Deposit

In 2018, the BWL contracted with Consumer's Energy to install a new gas pipeline. Under the terms of the contract, the BWL was expected to make installment payments totaling up to \$52,000,000 throughout the construction period. Based on usage of the new pipeline, the BWL is eligible to recover all but \$10,000 of the installment payments. The BWL has made installment payments totaling \$46,280,000. During 2025 and 2024, the BWL recovered \$7,585,534 and \$6,103,762, respectively, back due to pipeline usage. The BWL estimates it will recover the remaining installment payments based on expected usage. The long-term other asset for the Consumer's Energy deposit recorded was \$17,603,563 in 2025 and \$25,189,097 in 2024. The BWL has \$41,165 of miscellaneous other deposits as of June 30, 2025 and 2024.

## Inventories

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

	<u>2025</u>	<u>2024</u>
Gas	\$ 2,168,849	\$ 1,225,790
Materials and supplies	17,933,179	17,197,768
	<u>\$ 20,102,028</u>	<u>\$ 18,423,558</u>

## Prepayments

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

## Utility Plant

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

## Depreciation

Depreciation of the utility plant is computed using the straight-line method based on estimated useful lives. The resulting provisions for depreciation in 2025 and 2024, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

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

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

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Notes to Financial Statements

June 30, 2025 and 2024

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

## Accrued Compensated Absences

The BWL records liabilities that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the BWL and its employees, such as FMLA, Bereavement, or Jury Duty. This liability is accrued as employees earn the rights to such benefits. A portion of the current liability is included in accrued payroll for earned and used but unpaid vacation and sick time. The BWL estimates the total current and noncurrent portions of the accrued compensated absence liability to be \$13,938,678 and \$14,312,169 as of June 30, 2025 and 2024, respectively.

## Capital Contributions

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

## Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BWL has three items that qualify for reporting in this category. The deferred outflows of resources relate to deferred losses on refunding, pension related deferrals under GASB 68, OPEB related deferrals under GASB 75.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The BWL has the following items that qualify for reporting in this category: the deferred inflows of resources related to costs that have been recovered from customers and will be applied to customers in the future related to the renewable energy plan and energy optimization, chiller plant and Wise Road items described in Note 6, pension related deferrals under GASB 68 and OPEB related deferrals under GASB 75.

## Net Position

Equity is classified as net position and displayed in four components:

- **Net Investment in Capital Assets** - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted for Debt Service** - Consists of net position with constraints placed on their use by revenue bond resolution.
- **Restricted for Pension and OPEB** - Consists of net position with constraints placed on their use as this balance must be used to fund employee benefits.

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

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Notes to Financial Statements

June 30, 2025 and 2024

- **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

## **Net Position Flow Assumption**

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

## **Net Pension Asset**

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

## **Other Assets**

Other assets consists of the Net Pension Asset, Net OPEB Asset, Restricted Cash and Investments and a deposit held with the Michigan Public Power Agency (MPPA) related to the Belle River project.

## **Long-Term Obligations**

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

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

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

## **Inter-Utility Transactions**

The water, electric, steam and chilled water operations of the BWL bill each other for services provided and these services are reported as revenue to the generating operation and expense to the consuming operation. Such internal billings aggregated \$7,083,455 and \$6,281,268 in 2025 and 2024, respectively, and are not eliminated in the statement of revenues, expenses and changes in net position.

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

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Notes to Financial Statements

June 30, 2025 and 2024

## Use of Estimates

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

## Reclassifications

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

## 2. Cash, Investments and Fair Value Disclosure

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

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

Michigan Cooperative Liquid Assets Securities System (MI CLASS) reports the fair value of its underlying assets annually. Participants in the MI CLASS have the right to withdraw their funds in total on one day's notice. At June 30, 2025 and 2024, the fair value of the MI CLASS' assets were substantially equal to the BWL's share. MI CLASS is rated AAAM by Standard and Poor's. The BWL also has cash and investments with Governments of Michigan Investing Cooperatively (GovMIC). The GovMIC cash and investments are recorded at amortized cost which approximates fair value.

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

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

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the BWL's deposits may not be returned to it. The BWL requires that financial institutions must meet minimum criteria to offer adequate safety to the BWL. At June 30, 2025 and 2024, the BWL had \$19,286,941 and \$20,225,479, respectively, of bank deposits that were uninsured and uncollateralized. The BWL evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the BWL will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the investments and securities under custodial care are owned by the BWL and only held by independent, third-party custodians for safekeeping. The BWL's investment policy has addressed custodial credit risk by owning all investments and registering each in the name of the government.

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

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

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

Type of Investment	Fair Value	How Held
U.S. agency bond or notes	\$ 45,719,291	Counterparty
U.S. treasury bonds	277,330,789	Counterparty
State and local bonds	553,117	Counterparty

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The BWL's investment policy restricts investments to a maximum weighted average life of five years unless matched to a specific cash flow.

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

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

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

Investment	Fair Value	Less Than 1 Year	1-5 Years	6+ Years
Pooled investment funds	\$ 108,854,651	\$ 108,854,651	\$ -	\$ -
U.S. treasury bonds	277,330,789	129,439,631	147,891,158	-
State and local bonds	553,117	553,117	-	-
U.S. agency bonds/notes	45,719,291	6,030,413	31,421,906	8,266,972
Supra national agency bonds	247,122	247,122	-	-
Mutual funds, bonds	51,134,416	-	51,134,416	-
Total	\$ 483,839,386	\$ 245,124,934	\$ 230,447,480	\$ 8,266,972

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

Notes to Financial Statements

June 30, 2025 and 2024

## Credit Risk

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

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

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

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

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

## Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The Board's policy limits the amount of investments with an individual issuer, with the exception of the U.S. government. As of June 30, 2025 and 2024, the BWL's investment portfolio was concentrated as follows:

Investment	2025	2024
Freddie Mac	12 %	7 %

## Fair Value

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

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

Notes to Financial Statements

June 30, 2025 and 2024

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

	<b>June 30, 2025</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
<b>Total investments at fair value level</b>	<b>\$ -</b>	<b>\$ 207,350,964</b>	<b>\$ -</b>	<b>\$ 207,350,964</b>

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

## Fiduciary Fund Investments

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plans' deposits may not be returned to them. The Plans require that financial institutions must meet minimum criteria to offer adequate safety to the Plans. At June 30, 2025 and 2024, the BWL had \$1,043,398 and \$2,245,772, respectively, of bank deposits that were uninsured and uncollateralized. The Plans evaluate each financial institution with which they deposit funds and only those institutions meeting minimum established criteria are used as depositories.

### Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plans will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The Plans' investment policies addresses this risk by requiring the Plans to hold all investments subject to custodial credit risk in their name.

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

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

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

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

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

### Credit Risk - Pension and OPEB Trust Funds

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plans have no investment policy that would further limit its investment choices. As of June 30, 2025, the credit quality ratings of debt securities (other than the U.S. government) subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	\$ 100,482,077	Not rated	Not rated

As of June 30, 2024, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

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

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plans have no investments subject to concentration of credit risk as of June 30, 2025 and June 30, 2024.

## Fair Value - Pension Trust Funds

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

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024:

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

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

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

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

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

Notes to Financial Statements

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

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

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

Investment Type	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Mutual funds, bonds	\$ 17,497,649	\$ 78,984,550	\$ -	\$ 96,482,199
Mutual funds, equities	279,521,028	54,059,769	-	333,580,797
Self-directed brokerage account, equities	12,507,716	-	-	12,507,716
Self-directed brokerage account, mutual funds, equity	598,099	-	-	598,099
Certificates of deposit	-	100,039	-	100,039
Total investments by fair value level	\$ 310,124,492	\$ 133,144,358	\$ -	\$ 443,268,850
Investments measured at the net asset value (NAV):				
Real estate fund investments				42,233,893
Total investments measured at fair value				<u>\$ 485,502,743</u>

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

Notes to Financial Statements  
June 30, 2025 and 2024

### 3. Restricted Assets

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

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

The carrying value in excess of the required value for the current portion is reported as cash and cash equivalents or investments for the years ended 2025 and 2024.

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

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

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

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

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

### 4. Utility Plant

The tables below reflect the capital asset activity of the utility plant categories for the years ended June 30, 2025 and 2024:

#### Capital Asset Activity for Year Ended June 30, 2025

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

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

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## Accumulated Depreciation for Year Ended June 30, 2025

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

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

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

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

## Accumulated Depreciation for Year Ended June 30, 2024

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

**Nondepreciable Assets** - Included in the table above are nondepreciable assets of \$2,204,045 for water, \$17,449,965 for electric, \$124,099 for steam, \$412,339 for common facilities and \$142,601,832 for AUC

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

Notes to Financial Statements

June 30, 2025 and 2024

## 5. Long-Term Debt

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

	<u>2025</u>	<u>2024</u>
Water Supply, Steam, Chilled Water and Electric Utility System Revenue and revenue refunding Bonds, Series 2024A, due in annual principal installments beginning July 1, 2025, and continuing through July 1, 2054, plus interest at rates ranging from 5.00% to 5.25%. Original amount of issue \$364,625,000.	\$ 364,625,000	\$ 364,625,000
Utility System Junior Lien Revenue Bonds, Series 2023, due in annual principal installments beginning October 1, 2026, and continuing through October 1, 2066, plus interest at a rate of 1.875%. Original amount of issue \$8,590,875 as of June 30, 2025.	8,590,875* (1)	-
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Taxable Bonds, Series 2021B, due in annual principal installments beginning July 1, 2026 and continuing through July 1, 2051, initial term rate is 2%, with an assumed interest rate of 3.5% following the mandatory tender in 2026. Original amount of issue \$70,875,000	70,875,000	70,875,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Taxable Bonds, Series 2021A, due in annual principal installments beginning July 1, 2025 and continuing through July 1, 2051, plus interest at a rate of 5.00%. Original amount of issue \$56,020,000.	56,020,000	56,020,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Taxable Bonds, Series 2019B, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2041, plus interest at rates ranging from 1.95% to 3.53%. Original amount of issue \$251,995,000. During fiscal year 2024 \$45,625,000 of the 2019B original issuance was tendered as part of the 2024A issuance.	187,010,000	193,605,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2019A, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2048, plus interest at rates ranging from 4.00% to 5.00%. Original amount of issue \$319,875,000.	310,425,000	313,730,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2017A, due in annual principal installments beginning July 1, 2019 and continuing through July 1, 2032, plus interest at a rate of 5.00%. Original amount of issue \$30,365,000.	19,635,000	21,625,000

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

Notes to Financial Statements  
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2013A, due in annual principal installments beginning July 1, 2014 through July 1, 2026, plus interest at rates ranging from 2.00% to 5.00%. Original amount of issue \$21,085,000. During fiscal year 2024, \$4,330,000 of the 2013A original issuance was refunded as part of the 2024A issuance.	\$ -	\$ 2,000,000
Promissory note, due to the City of Lansing in semi-annual installments through October 1, 2031, plus interest at a rate of 2.50%. Original amount of issue \$13,225,385.	2,717,630*	3,368,762*
Charter Township of Lansing Special Assessment pertaining to the Groesbeck II Park Drain. Due in annual installments ranging from \$132,000 to \$291,000 with final payment in 2044.	<u>2,526,107*</u>	<u>2,652,412*</u>
Total	1,022,424,612	1,028,501,175
Less current portion	(14,261,153)	(14,667,438)
Plus unamortized premium	<u>113,441,842</u>	<u>118,160,932</u>
Total	<u>\$ 1,121,605,301</u>	<u>\$ 1,131,994,669</u>

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

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

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

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

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 13,495,000	\$ 44,790,523	\$ 58,285,523
2027	14,025,000	44,772,718	58,797,718
2028	18,665,000	44,636,718	63,301,718
2029	19,435,000	43,877,996	63,312,996
2030	20,180,000	43,112,406	63,292,406
2031-2035	113,910,000	202,195,630	316,105,630
2036-2040	140,035,000	175,363,616	315,398,616
2041-2045	172,985,000	141,411,528	314,396,528
2046-2050	219,740,000	93,368,750	313,108,750
2051-2055	<u>276,120,000</u>	<u>35,678,788</u>	<u>311,798,788</u>
Total	<u>\$ 1,008,590,000</u>	<u>\$ 869,208,673</u>	<u>\$ 1,877,798,673</u>

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

Notes to Financial Statements

June 30, 2025 and 2024

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

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 766,153	\$ 165,789	\$ 931,942
2027	712,205	147,609	859,814
2028	658,250	130,396	788,646
2029	575,934	114,230	690,164
2030	423,896	99,906	523,802
2031-2035	844,244	374,508	1,218,752
2036-2040	631,527	227,170	858,697
2041-2045	631,528	85,189	716,717
Total	<u>\$ 5,243,737</u>	<u>\$ 1,344,797</u>	<u>\$ 6,588,534</u>

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

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

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

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

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

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

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Notes to Financial Statements

June 30, 2025 and 2024

The 2019A Bonds are payable in annual installments in the years 2022 through 2048, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2028 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2028 at par plus accrued interest to the fixed date for redemption.

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

The 2013A Bonds are payable in annual installments in the years 2014 to 2025, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2025 shall be subject to redemption at the option of the BWL on or after July 1, 2024 as a whole or in part at any time and by lot within a maturity at par plus accrued interest to the redemption date. During fiscal year 2024, \$4,330,000 of the 2013A original issuance was refunded as part of the 2024A issuance.

### **Current Refunding**

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

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2013A Bonds and a portion of the 2019B Bonds. As a result, the 2013A Bonds and a portion of the 2019B Bonds are considered defeased and the liability for these bonds has been removed from the Statement of Net Position.

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

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

The BWL has pledged substantially all revenue, net of operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction of the utility plant. The bonds are payable solely from the net revenues of the BWL. In fiscal year 2025, the remaining principal and interest to be paid on the bonds total \$1,877,798,673. During fiscal year 2025, net revenues of the BWL were \$137,302,035 compared to the annual debt requirements of \$41,915,898. In fiscal year 2024, the remaining principal and interest to be paid on the bonds total \$1,935,516,206. During fiscal year 2024, net revenues of the BWL were \$106,854,384 compared to the annual debt requirements of \$41,859,344.

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

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

## 6. Costs/Credits Recoverable in Future Years

### Environmental Remediation

During the fiscal year ended June 30, 2004, the GASB 49 environmental remediation liability related to a landfill site operated by the BWL was approved for regulatory accounting under GASB 62. The balance of the regulatory asset related to this first landfill site at June 30, 2025 and 2024 was \$470,113 and \$0, respectively. During the fiscal year ended June 30, 2006, the GASB 49 environmental remediation liability related to a second landfill was approved for regulated entity accounting under GASB 62. The balance of the regulatory asset at June 30, 2025 and 2024 was \$98,899 and \$0, respectively. The BWL reviews the adequacy of its rates to recover its cost of service on an annual basis. During the year ended June 30, 2009, regulatory accounting as per GASB 62 was authorized by the Board of Commissioners to collect rates for all environmental remediation sites. The balance as of June 30, 2025 and 2024 for additional sites was \$51,923,867 and \$20,853,276 respectively. The increase in environmental liabilities is primarily driven by a groundwater remediation project. During fiscal 2025, the BWL received information regarding potential remedies that may be used at the site.

### Recoverable Cost Adjustments

During the year ended June 30, 2005, the Board of Commissioners approved the use of regulatory accounting as per GASB 62 in accounting for the BWL's power supply cost recovery (PSCR) adjustment, power chemical adjustment (PCA), fuel cost adjustment (FCA) and chilled water fuel cost adjustment (CWFCFA). These affect the amount to be billed to retail electric, water, steam and chilled water customers to reflect the difference between the BWL's actual material costs and the amounts incorporated into rates. This resulted in recoverable assets of \$5,858,054 and \$26,154,048 at June 30, 2025 and 2024, respectively. This amount represents costs to be billed (credited) to customers in future years because actual costs of providing utilities were higher (lower) than the costs incorporated into the BWL's rates.

### Renewable Energy Plan (REP) and Energy Optimization (EO)

During the year ended June 30, 2010, the Board of Commissioners approved the implementation of regulatory accounting as per GASB 62 to account for Public Act 295 of 2008 (PA. 295). PA. 295 set forth requirements for all Michigan utilities to meet the new renewable energy standards and undertake energy optimization programs. As a municipally owned electric utility, the BWL was required to file a proposed energy plan with the Michigan Public Service Commission (MPSC) and this plan was approved on July 1, 2009. These changes will affect the amount to be billed to electric customers. This resulted in deferred inflow of resources of \$549,482 and \$1,292,134 as of June 30, 2025 and 2024, respectively.

### Chiller Plant

During the year ended June 30, 2010, the BWL chose to use regulatory accounting as per GASB 62 to recognize the contribution in aid of construction (CIAC) for the development of a new chilled water plant. The remaining recoverable inflow of resources of \$0 and \$220,271 as of June 30, 2025 and 2024, respectively. The BWL will recognize this as revenue monthly over the life of the new chilled water plant to offset depreciation expense.

### Wise Road

During the year ended June 30, 2012, the BWL chose to use regulatory accounting as per GASB 62 to recognize the insurance proceeds for the damaged equipment at the Wise Road Water Conditioning Plant (see Note 13). The remaining recoverable inflow of resources as of June 30, 2025 and 2024 was \$3,848,616 and \$4,831,242, respectively.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

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

### Operations

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

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of \$1,313,699 and \$1,333,054 in 2025 and 2024, respectively, included in other income.

### Return on Equity

Effective July 1, 1992, the BWL entered into an agreement with the City to provide payment of a return on equity in accordance with a formula based on net billed retail sales from its water, steam heat and electric utilities for the preceding 12-month period ending May 31 of each year. Effective March 1, 2002, the formula to calculate the amount owed to the City was modified to include wholesale revenue generated from the BWL's electric, water, steam and chilled water utilities for the preceding 12-month period ending May 31 of each year. Subject to the provisions of Act 94 Public Acts of 1933, as amended, and the BWL's various bond covenants, this amount is payable to the City in semi-annual installments. Effective July 1, 2020, the BWL and the City agreed to pay a flat amount for fiscal years 2021 through 2022. In fiscal year 2023, a flat percentage of 6% was applied to reported operating revenues, excluding inter-utility sales from providing retail water, electric, steam and chilled water services. In fiscal year 2024 and 2025, a flat percentage of 6% was applied to budgeted operating revenues, excluding inter-utility sales from providing retail water, electric, steam and chilled water services. Under terms of these agreements, the BWL paid to the City \$28,057,140 and \$26,028,591 for 2025 and 2024, respectively, of operational cash flow in excess of debt service requirements.

## 8. Retirement Plans

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

### Defined Benefit Plan

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

The Defined Benefit Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Effective July 1, 1999, the Defined Benefit Plan was amended to include a medical benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries. The funding of the medical benefit component is limited to the amount of excess pension plan assets available for transfer, as determined by the actuary. No medical benefits were paid by the Defined Benefit Plan during the years ended June 30, 2025 and 2024.

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

Notes to Financial Statements

June 30, 2025 and 2024

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

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

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

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

Payments will either be nonincreasing or increase only as follows: (a) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics; (b) To the extent of the reduction in the amount of the employee's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Subsection 8 dies or is no longer the employee's beneficiary pursuant to a qualified domestic relations order within the meaning of Internal Revenue Code Section 414(p); (c) To provide cash refunds of employee contributions upon the employee's death; or (d) To pay increased benefits that result from a plan amendment.

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the BWL retains an independent, external actuary to determine the annual contribution. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2024 and 2025. Plan documents do not require participant contributions.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

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

	In Thousands		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance, June 30, 2023</b>	\$ 44,514	\$ 49,523	\$ (5,009)
Changes for the year:			
Service cost	31	-	31
Interest	2,523	-	2,523
Differences between expected and actual experience	(18)	-	(18)
Changes in assumptions	-	-	-
Net investment income	-	4,134	(4,134)
Benefit payments, including refunds	(4,996)	(4,996)	-
Administrative expenses	-	(127)	127
Miscellaneous other charges	-	-	-
Net changes	(2,460)	(989)	(1,471)
<b>Balances, June 30, 2024</b>	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)
<b>Balance, June 30, 2025</b>	\$ 39,344	\$ 47,990	\$ (8,646)

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

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

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

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

### Years Ending June 30:

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

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

	<u>2025</u>	<u>2024</u>
Inflation	2.25 %	2.25 %
Salary increases	3.50	3.50
Investment rate of return	6.00	6.00

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

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered 3 active participants in fiscal year 2025 and fiscal year 2024, assumptions like termination, retirement and disability have an immaterial impact on the results and have not been changed.

**Discount Rate** - The discount rate used to measure the total pension liability was 6.0% in 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

### **Projected Cash Flows**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

The long-term expected rate of return on Defined Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2025 and 2024 for each major asset class included in the Defined Benefit Plan's target asset allocation, as disclosed in the Defined Benefit Plan's financial statements, are summarized in the following table:

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

**Sensitivity of the Net Pension Asset to Changes in the Discount Rate** - The following presents the net pension asset of the BWL at June 30, 2025, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

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

The following presents the net pension asset of the BWL at June 30, 2024, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

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

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

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

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Notes to Financial Statements

June 30, 2025 and 2024

## Defined Contribution Plan

The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (Defined Contribution Plan) was established by the BWL in 1997 under Section 5-203.10 of the City Charter. The Defined Contribution Plan covers substantially all full-time employees hired after December 31, 1996. In addition, 602 employees hired before January 1, 1997 elected to convert their retirement benefits from the Defined Benefit Plan effective December 1, 1997.

The Defined Contribution Plan issues a publicly available financial report. That report may be obtained by writing to the Lansing Board of Water and Light Defined Contribution Plan and Trust 1, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

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

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

During the years ended June 30, 2025 and 2024, the BWL contributed \$8,970,407 and \$9,435,006, respectively. The BWL's contributions are recognized in the period that the contributions are due.

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

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

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

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

## Retiree Benefit Plan (OPEB)

**Plan Description** - The Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (Retiree Benefit Plan) is a single-employer retiree benefit plan. The Plan provides medical, dental and life insurance benefits in accordance with Section 5-203 of the City Charter. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while actively employed full-time by working for the BWL. There were 748 participants eligible to receive benefits at June 30, 2025 and 755 participants eligible at June 30, 2024.

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

Notes to Financial Statements  
June 30, 2025 and 2024

In October 1999, the BWL formed a Voluntary Employee Benefit Administration (VEBA) trust for the purpose of accumulating assets sufficient to fund retiree healthcare insurance costs in future years. During the years ended June 30, 2025 and 2024, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was \$61,852 and \$65,286, of which respectively, was incurred as direct costs of benefits.

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

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

Employees covered by benefit terms. At June 30, 2025, the following employees were covered by the benefit terms:

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

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

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

**Contributions** - Section 5-203 of the City Charter grants the authority to establish and amend the contribution requirement to the BWL. The BWL establishes its minimum contribution based on an actuarially determined rate. For the years ended June 30, 2025 and 2024, the actual contribution rates of the BWL were 0.08% of covered-employee payroll.

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

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

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

Notes to Financial Statements  
June 30, 2025 and 2024

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

Inflation: 2.25%

Payroll Growth: 9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit/productivity increases.

Investment rate of return: 6.5%, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates:

FYE	Medical / RX			
	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

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

Inflation: 2.25%

Payroll Growth: 9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit/productivity increases.

Investment rate of return: 6.5%, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates:

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

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

Notes to Financial Statements

June 30, 2025 and 2024

2025 and 2024 Mortality rates were based on the PUBH-2010 General Employee Mortality Table fully generational using Scale MP-2021.

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

BWL's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of the Board of Commissioners. It is the policy of the BWL to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of June 30, 2025 and 2024:

<b>Asset Class</b>	<b>2025 Target Allocation</b>	<b>2024 Target Allocation</b>
Core bonds	15.00 %	15.00 %
Multi-sector	5.00	5.00
Liquid absolute return	5.00	5.00
U.S. large cap equity	25.00	25.00
U.S. small cap equity	15.00	15.00
Non-U.S. equity	20.00	20.00
Core real estate	8.00	8.00
Value add real estate	7.00	7.00

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 and 2024 are summarized in the following table:

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

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

Notes to Financial Statements

June 30, 2025 and 2024

For the June 30, 2025 valuation, the long-term expected rate of return was 6.50%. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown. The final equivalent single discount rate used for the June 30, 2025 valuation was 6.50% with the expectation that BWL will continue contributing the actuarially determined contribution and/or paying for the pay-go cost.

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

**Discount Rate** - The discount rate used to measure the total OPEB liability was 6.50% for June 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

	In Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
<b>Balance, June 30, 2024</b>	\$ 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
<b>Balance, June 30, 2025</b>	<b>\$ 188,049</b>	<b>\$ 268,357</b>	<b>\$ (80,308)</b>

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

Notes to Financial Statements  
June 30, 2025 and 2024

	In Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
<b>Balance, June 30, 2023</b>	\$ 163,829	\$ 238,471	\$ (74,642)
Changes for the year:			
Service cost	4,201	-	4,201
Interest	10,355	-	10,355
Change in benefit terms	-	-	-
Differences between expected and actual experience	(801)	-	(801)
Changes in assumptions	-	-	-
Contributions, employer	-	65	(65)
Contributions, employee	-	-	-
Net investment income	-	24,300	(24,300)
Benefit payments	(9,181)	(9,181)	-
Administrative expenses	-	(259)	259
<b>Net changes</b>	<b>4,575</b>	<b>14,925</b>	<b>(10,350)</b>
<b>Balance, June 30, 2024</b>	<b>\$ 168,403</b>	<b>\$ 253,396</b>	<b>\$ (84,993)</b>

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

## Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2025:

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

## Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2024:

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

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

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

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

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

### Years Ending June 30:

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

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

Notes to Financial Statements

June 30, 2025 and 2024

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

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

## Other Postretirement Benefits

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

## 9. Commitments and Contingencies

At June 30, 2025 and 2024, the BWL has two letters of credit in the amounts of \$817,000 issued to the Michigan Department of Natural Resources. The letters of credit were issued to satisfy requirements of the Michigan Department of Natural Resources to provide financial assurance to the State of Michigan for the cost of closure and post closure monitoring and maintenance of a landfill site operated by the BWL.

Through monitoring tests performed on the landfill sites operated by the BWL, it has been discovered that the sites are contaminating the groundwater. The contamination does not pose a significant health risk but does lower the quality of the groundwater. The BWL received landfill closure approval as well as interim remediation approval. The BWL has estimated the total cost for remediation, including closure and post closure cost of the landfills, and has recorded a liability of \$5,451,766 and \$5,389,412 for the years ended June 30, 2025 and 2024, respectively. Certain remediation activities have commenced and are in progress. The landfill sites are no longer receiving waste products. Landfill closure and post closure requirements are associated with the Michigan Department of Environmental Quality. Annual post closure costs of these landfill sites are not expected to exceed \$380,000 annually and are included in the liability above. Estimates will be revised as approvals are received from the State. In accordance with the regulatory basis of accounting as per GASB 62 (see Note 1), the BWL recorded a corresponding regulatory asset (see Note 6).

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

The BWL is involved in various other legal actions which have arisen in the normal course of business. Such actions are usually brought for claims in excess of possible settlement or awards, if any, that may result. After taking into consideration legal counsel's evaluation of pending actions, management has recorded litigation reserve of \$1,350,000 as of June 30, 2025, and \$1,300,000 as of June 30, 2024 in regard to specific pending legal cases.

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

Notes to Financial Statements

June 30, 2025 and 2024

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately \$311,018,326 and \$382,841,704 at June 30, 2025 and 2024, respectively. These projects will be funded through operational cash flow, revenue bonds and grant funding, including the project funds reported as other assets.

## 10. Power Supply Purchase

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

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

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

In addition to the above required payments, the BWL must pay for fuel, other operating costs and transmission costs related to any kilowatt hours (KWHs) purchased under these contracts.

The BWL recognized expenses for 2025 and 2024 of \$45,472,716 and \$41,402,193, respectively, to purchase power under the terms of this contract. The price of this power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and capital costs.

## 11. Estimated Liability for Excess Earnings on Water Supply and Electric Utility System Revenue Bonds

In accordance with Section 148(f)(2) of the IRC of 1986, as amended, the BWL is required on each anniversary date (July 1) of the Water Supply, Electric Utility and Steam Utility System Revenue Bonds, Series 2013A, 2017A, 2019A, 2021A, 2021B and 2024A to compute amounts representing the cumulative excess earnings on such bonds. That amount essentially represents a defined portion of any excess of interest earned on funds borrowed over the interest cost of the tax-exempt borrowings. Expense is charged (credited) annually in an amount equal to the estimated increase (decrease) in the cumulative excess earnings for the year. On every fifth anniversary date and upon final maturity of the bonds, the BWL is required to remit to the Internal Revenue Service the amount of any cumulative excess earnings computed on the date of such maturity plus an amount equal to estimated interest earned on previous years' segregated funds. The estimated liability for excess earnings was \$4,403,955 and \$0 at 2025 and 2024, respectively. In accordance with the requirements of the bond indenture, the BWL is required to set aside any current year additions to this estimated liability in a rebate fund within 60 days of the anniversary date of the bonds.

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

Notes to Financial Statements

June 30, 2025 and 2024

### 12. Risk Management and Insurance

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

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

	Workers' Compensation			Health Insurance		
	2025	2024	2023	2025	2024	2023
Unpaid claims, beginning	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 1,893,351	\$ 1,686,723	\$ 1,773,595
Incurred claims, including claims incurred but not reported	52,674	49,474	24,127	26,150,581	23,176,317	20,178,663
Claim payments	(52,674)	(49,474)	(24,127)	(25,952,169)	(22,969,689)	(20,265,535)
Liability reduction	(500,000)	-	-	-	-	-
Unpaid claims ending	<u>\$ 1,700,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,091,763</u>	<u>\$ 1,893,351</u>	<u>\$ 1,686,723</u>

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

### 13. Upcoming Pronouncements

GASB has approved, Statement No. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*. When they become effective, application of these standards may restate portions of these financial statements.

### 14. Subsequent Events

The Board evaluated subsequent events through October 3, 2025, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements. There are no subsequent events warranting disclosures.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>										
Service cost	\$ 32	\$ 31	\$ 29	\$ 26	\$ 26	\$ 42	\$ 60	\$ 50	\$ 113	\$ 223
Interest	2,382	2,523	2,721	2,974	3,212	3,566	3,691	4,031	4,317	4,625
Differences between expected and actual experience	(352)	(18)	(981)	179	(968)	(919)	(743)	(230)	(383)	299
Changes in assumptions	-	-	-	1,730	(366)	1,555	1,210	1,419	(857)	(1,468)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
<b>Net Change in Total Pension Liability</b>	(2,710)	(2,460)	(3,373)	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)
<b>Total Pension Liability, Beginning</b>	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178	65,395
<b>Total Pension Liability, Ending</b>	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178
<b>Plan Net Position</b>										
Net investment income	4,393	4,134	4,134	(5,399)	11,853	1,658	4,381	3,112	8,272	47
Administrative expenses	(165)	(128)	(127)	(134)	(123)	(145)	(183)	(255)	(317)	(388)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
Other	-	-	-	-	-	(477)	-	-	-	-
<b>Net change in Net Position Held in Trust</b>	(544)	(990)	(1,135)	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482	(8,237)
<b>Net Position Restricted for Pensions, Beginning</b>	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442	73,679
<b>Net Position Restricted for Pensions, Ending</b>	47,990	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442
<b>BWL Net Pension Asset, Ending</b>	\$ (8,646)	\$ (6,480)	\$ (5,009)	\$ (2,772)	\$ (13,214)	\$ (3,388)	\$ (6,596)	\$ (6,616)	\$ (9,029)	\$ (4,264)
<b>Plan Net Position as a % of Total Pension Liability</b>	122%	115%	111%	106%	127%	106%	112%	112%	116%	107%
<b>Covered Employee Payroll</b>	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
<b>BWL's Net Pension Asset as a % of Covered Employee Payroll</b>	(3,250%)	(2,473%)	(2,020%)	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)

See notes to required supplementary information

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

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
<b>Contributions as a Percentage of Covered Employee Payroll</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

See notes to required supplementary information

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>									
Service cost	\$ 4,479	\$ 4,201	\$ 3,452	\$ 3,299	\$ 3,396	\$ 3,245	\$ 4,403	\$ 4,827	\$ 3,130
Interest	10,640	10,355	9,827	9,871	10,535	10,804	14,920	15,039	14,226
Changes in benefit terms	-	-	-	-	-	-	(415)	-	-
Differences between expected and actual experience	11,189	(801)	4,770	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281
Changes in assumptions	2,901	-	-	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
<b>Net Change in Total OPEB Liability</b>	19,646	4,574	7,421	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036
<b>Total OPEB Liability, Beginning</b>	168,403	163,829	156,410	147,644	154,603	148,550	203,487	205,624	194,588
<b>Total OPEB Liability, Ending</b>	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624
<b>Trust Net Position</b>									
Contributions, employer	62	65	68	13,493	8,344	9,157	9,278	10,395	9,574
Net investment income	24,832	24,300	21,226	(19,247)	49,387	4,158	11,688	11,039	18,040
Administrative expenses	(370)	(259)	(336)	(354)	(449)	(512)	(569)	(634)	(705)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
<b>Net change in Net Position Held in Trust</b>	14,961	14,925	10,330	(19,601)	48,938	3,646	11,119	10,405	17,335
<b>Trust Fiduciary Net Position, Beginning</b>	253,396	238,471	228,142	247,743	198,805	195,159	184,040	173,635	156,300
<b>Trust Fiduciary Net Position, Ending</b>	268,357	253,396	238,472	228,142	247,743	198,805	195,159	184,040	173,635
<b>BWL Net OPEB Liability (Asset), Ending</b>	<u>\$ (80,308)</u>	<u>\$ (84,993)</u>	<u>\$ (74,641)</u>	<u>\$ (71,732)</u>	<u>\$ (100,099)</u>	<u>\$ (44,202)</u>	<u>\$ (46,609)</u>	<u>\$ 19,447</u>	<u>\$ 31,989</u>
<b>Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)</b>	142.71%	150.47%	145.56%	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%
<b>Covered Employee Payroll</b>	\$ 82,440	\$ 77,109	\$ 69,744	\$ 62,976	\$ 60,269	\$ 58,198	\$ 56,785	\$ 55,650	\$ 54,383
<b>BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll</b>	(97.41%)	(110.22%)	(107.02%)	(113.90%)	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%

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

See notes to required supplementary information

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

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

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
	Required	Actual			
6/30/2016	\$ 5,788	\$ 9,423	\$ 3,635	\$ 53,893	17%
6/30/2017	7,508	9,574	2,066	54,383	18%
6/30/2018	7,535	10,395	2,860	55,650	19%
6/30/2019	7,031	9,278	2,247	56,785	16%
6/30/2020	-	9,157	9,157	58,198	16%
6/30/2021	220	8,344	8,124	60,269	14%
6/30/2022	-	13,493	13,493	62,976	21%
6/30/2023	-	68	68	69,744	0%
6/30/2024	-	65	65	77,109	0%
6/30/2025	-	62	62	82,440	0%

See notes to required supplementary information

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

## 1. Defined Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2025, based on roll-forward of February 28, 2025 valuation
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Methods and assumptions used to determine contribution rates:

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

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2024, based on roll-forward of February 29, 2024 valuation
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Methods and assumptions used to determine contribution rates:

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

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

### Significant Changes

#### June 30, 2025

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

#### June 30, 2024

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

#### June 30, 2023

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

#### June 30, 2022

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

#### June 30, 2021

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

#### June 30, 2020

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

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

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

### **June 30, 2019**

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

### **June 30, 2018**

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

### **June 30, 2017**

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

### **June 30, 2016**

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

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

### 2. Postretirement Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2025, based on roll-forward of February 28, 2025 valuation
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	23 years
Inflation	2.25%
Salary increases	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	6.5% per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2021 scale

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2024, based on roll-forward of February 29, 2024 valuation
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	24 years
Inflation	2.25%
Salary increases	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	6.5% per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2021 scale

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

### Significant Changes:

#### June 30, 2025

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

#### June 30, 2024

- Difference between actual and expected experience - The \$800.9K actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2024 is attributable to the combination of favorable demographic experience and lower than expected per capita claims cost.
- Assumption change - None.
- Investment gain - The \$9.1M investment gain during the fiscal year ending June 30, 2024 is attributable an actual return on assets of 10.39% vs. an expected return of 6.50%.

#### June 30, 2023

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

#### June 30, 2022

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

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

### June 30, 2021

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

### June 30, 2020

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

### June 30, 2019

- Difference between actual and expected experience - The \$5.2 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2019 is primarily due to favorable demographic experience. The favorable experience is mainly attributable to terminations of active participants and deaths of participants with and without beneficiaries.

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

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Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

- Assumption changes - (1) The plan experienced a \$54.4 million gain on the Total OPEB Liability due to a change of the assumed per capita claims cost. The Board changed the Plan's insurance provider for Medicare eligible participants from The Hartford and Envision Insurance to Humana. Doing so resulted in a dramatic decrease in both the medical and prescription drug monthly premiums from the prior fiscal year (\$98.99 per month vs. \$219.54 per month for medical coverage and \$213.47 per month vs. \$305.00 per month for prescription drug coverage); (2) The Plan experienced a \$3.8 million loss on the mortality assumption change. The mortality assumption was updated from the RPH-2014 Total Dataset mortality, adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUBH-2010 General Employees mortality, projected generationally using the MP-2018 improvement scale; and (3) The Plan experienced a \$8.7 million gain on a change to the medical and prescription drug trend assumptions. The trend assumptions were changed to those prescribed under the Michigan Uniform Assumptions for the 2019 fiscal year.
- Change in benefit terms - The Plan experienced a \$.4 million gain due to an expected increase in the retiree contribution percentage for employees hired on or after January 1, 2009. The expected contribution percentage was increased from 14% to 20% of the premium charged to active employees.

### June 30, 2018

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

**SUPPLEMENTARY INFORMATION**

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

Income Available for Revenue Bond Debt Retirement  
Years Ended June 30, 2025 and 2024

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

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

Detail of Statements of Revenues and Expenses

Years Ended June 30, 2025 and 2024

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

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

Detail of Statements of Changes in Net Position

Years Ended June 30, 2025 and 2024

	<u>Combined</u>	<u>Water</u>	<u>Electric</u>	<u>Steam</u>	<u>Chilled Water</u>
<b>Net Position, June 30, 2023</b>	\$ 712,953,773	\$ 103,184,771	\$ 612,552,311	\$ (14,494,666)	\$ 11,711,357
Income (loss) before contributions	<u>9,892,222</u>	<u>835,871</u>	<u>9,954,775</u>	<u>(1,399,468)</u>	<u>501,044</u>
<b>Net Position, June 30, 2024</b>	722,845,995	104,020,642	622,507,086	(15,894,134)	12,212,401
Income (loss) before contributions	<u>27,611,097</u>	<u>4,860,409</u>	<u>21,492,372</u>	<u>(97,379)</u>	<u>1,355,695</u>
<b>Net Position, June 30, 2025</b>	<u><u>\$ 750,457,092</u></u>	<u><u>\$ 108,881,051</u></u>	<u><u>\$ 643,999,458</u></u>	<u><u>\$ (15,991,513)</u></u>	<u><u>\$ 13,568,096</u></u>

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

Detail of Fiduciary Statements of Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	<b>2025</b>			
	<b>Defined Contribution Plan</b>	<b>Defined Benefit Plan</b>	<b>VEBA</b>	<b>Total</b>
<b>Assets</b>				
Receivable, investment interest receivable	\$ -	\$ 116,055	\$ 699,657	\$ 815,712
Cash and cash equivalents	24,667,291	605,254	495,903	25,768,448
Investments at fair value:				
Mutual funds, bonds	18,283,837	22,554,739	59,643,501	100,482,077
Mutual funds, equity	166,998,488	21,790,236	176,020,497	364,809,221
Real estate fund investment	-	3,038,367	37,206,523	40,244,890
Self-directed brokerage account				
Equity securities/stocks	18,377,421	-	-	18,377,421
Mutual funds, equity	827,483	-	-	827,483
Participants note receivable	3,422,732	-	-	3,422,732
<b>Total assets</b>	<b>232,577,252</b>	<b>48,104,651</b>	<b>274,066,081</b>	<b>554,747,984</b>
<b>Liabilities</b>				
Trade payable, due to broker/other	-	114,244	697,927	812,171
Reimbursement for benefits paid by employer	-	-	5,011,279	5,011,279
<b>Net Position, Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 232,577,252</b>	<b>\$ 47,990,407</b>	<b>\$ 268,356,875</b>	<b>\$ 548,924,534</b>
	<b>2024</b>			
	<b>Defined Contribution Plan</b>	<b>Defined Benefit Plan</b>	<b>VEBA</b>	<b>Total</b>
<b>Assets</b>				
Receivable, investment interest receivable	\$ -	\$ -	\$ 14,641	\$ 14,641
Cash and cash equivalents	26,073,272	437,821	1,857,276	28,368,369
Investments at fair value:				
Mutual funds, bonds	17,497,649	23,149,441	55,835,109	96,482,199
Mutual funds, equity	152,413,555	21,335,946	159,831,296	333,580,797
Real estate fund investment	-	3,668,689	38,565,204	42,233,893
Self-directed brokerage account				
Equity securities/stocks	12,507,716	-	-	12,507,716
Certificates of deposit (negotiable)	100,039	-	-	100,039
Mutual funds, equity	598,099	-	-	598,099
Participants note receivable	3,532,182	-	-	3,532,182
<b>Total assets</b>	<b>212,722,512</b>	<b>48,591,897</b>	<b>256,103,526</b>	<b>517,417,935</b>
<b>Liabilities</b>				
Trade payable, due to broker/other	-	58,122	259,187	317,309
Reimbursement for benefits paid by employer	-	-	2,448,357	2,448,357
<b>Net Position, Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 212,722,512</b>	<b>\$ 48,533,775</b>	<b>\$ 253,395,982</b>	<b>\$ 514,652,269</b>

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

Detail of Statement of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

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

Detail of Statement of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	2024			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
<b>Increases</b>				
Investment income:				
Net appreciation in				
fair value of investments	\$ 22,518,517	\$ 2,980,011	\$ 19,047,703	\$ 44,546,231
Interest and dividend income	3,363,114	1,153,670	5,252,303	9,769,087
Net investment income	25,881,631	4,133,681	24,300,006	54,315,318
Employer contributions	9,435,006	-	65,286	9,500,292
Interest from participant notes receivable	189,210	-	-	189,210
Other	269,948	-	-	269,948
Total increases	35,775,795	4,133,681	24,365,292	64,274,768
<b>Decreases</b>				
Retiree benefits paid	13,525,681	4,995,541	9,180,680	27,701,902
Loan defaults	331,152	-	-	331,152
Participants' note and administrative fees	152,962	127,598	259,201	539,761
Total decreases	14,009,795	5,123,139	9,439,881	28,572,815
Change in net position held in trust	21,766,000	(989,458)	14,925,411	35,701,953
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>				
Beginning	190,956,512	49,523,233	238,470,571	478,950,316
Ending	\$ 212,722,512	\$ 48,533,775	\$ 253,395,982	\$ 514,652,269

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

Financial Statements and  
Required Supplementary Information

June 30, 2025 and 2024

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

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June 30, 2025 and 2024

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## Independent Auditors' Report

To the Honorable Mayor, Members of the City Council and Commissioners of 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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.

## **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 3, 2025

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

Management's Discussion and Analysis  
June 30, 2025 and 2024  
(Unaudited)

## Using this Annual Report

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

## Condensed Financial Information

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 605,254	\$ 437,821	\$ 778,163
Mutual funds, bonds	22,554,739	23,149,441	18,695,086
Mutual funds, equities	21,790,236	21,335,946	26,132,357
Real estate fund investment	3,038,367	3,668,689	3,932,003
Interest and dividend receivables	116,055	-	1,100
	<u>\$ 48,104,651</u>	<u>\$ 48,591,897</u>	<u>\$ 49,538,709</u>
Liabilities, accrued liabilities	\$ 114,244	\$ 58,122	\$ 15,476
Net position restricted for pension	<u>47,990,407</u>	<u>48,533,775</u>	<u>49,523,233</u>
Total liabilities and net position	<u>\$ 48,104,651</u>	<u>\$ 48,591,897</u>	<u>\$ 49,538,709</u>
<b>Changes in net position:</b>			
Net investment income (loss)	\$ 4,393,389	\$ 4,133,681	\$ 4,133,847
Benefits payments	(4,771,884)	(4,995,541)	(5,142,408)
Administrative fees	(164,873)	(127,599)	(126,978)
	<u>\$ (543,368)</u>	<u>\$ (989,459)</u>	<u>\$ (1,135,539)</u>

## Investment Results

The fiscal year ended June 30, 2025 saw a net investment gain of \$4.4 million. The fiscal year 2024 had a net investment gain of \$4.1 million, fiscal year 2023 had a net investment gain of \$4.1 million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Lansing Board of Water & Light's ("BWL") actuarially determined contribution (ADC) as determined by the BWL's actuary was \$0 in fiscal years 2025, 2024 and 2023.

The discount rate was 6.0% in fiscal years 2025, 2024 and 2023.

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

Management's Discussion and Analysis  
June 30, 2025 and 2024  
(Unaudited)

## Investment Objectives and Asset Allocation

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

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>
Core bonds	25 %
Multi-sector	15
Liquid absolute return fixed income	10
U.S. large cap equity	20
U.S. small/mid cap equity	10
Non-U.S. Equity	15
Core real estate	5
	<hr/>
Total	100 %

## Future Events

The Plan is currently overfunded, with a funded ratio (fiduciary net position divided by total pension liability) of 122%. This funding level results in an actuarially determined contribution of \$0 for fiscal year 2026. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2026.

The Plan expects to make an annual withdrawal of approximately \$4,600,000 to cover participant benefits in fiscal year 2026.

## Contacting the Plan's Management

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

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

Statements of Plan Fiduciary Net Position  
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 605,254	\$ 437,821
Investments at fair value:		
Mutual funds, bonds	22,554,739	23,149,441
Mutual funds, equities	21,790,236	21,335,946
Real estate fund investment	3,038,367	3,668,689
	<u>47,383,342</u>	<u>48,154,076</u>
Total investments at fair value		
Receivable, investment interest receivable	116,055	-
	<u>48,104,651</u>	<u>48,591,897</u>
Total assets		
<b>Liabilities</b>		
Trade payable, due to broker/other	114,244	58,122
	<u>114,244</u>	<u>58,122</u>
Net position restricted for pensions	<u>\$ 47,990,407</u>	<u>\$ 48,533,775</u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Additions</b>		
Investment income:		
Net appreciation in fair value of investments	\$ 3,355,509	\$ 2,980,011
Interest and dividend income	1,037,880	1,153,670
	<u>4,393,389</u>	<u>4,133,681</u>
<b>Deductions</b>		
Retiree benefits paid	4,771,884	4,995,541
Administrative expenses	164,873	127,598
	<u>4,936,757</u>	<u>5,123,139</u>
Net decrease in net position	(543,368)	(989,458)
<b>Net Position Restricted for Pensions, Beginning</b>	<u>48,533,775</u>	<u>49,523,233</u>
<b>Net Position Restricted for Pensions, Ending</b>	<u><u>\$ 47,990,407</u></u>	<u><u>\$ 48,533,775</u></u>

See notes to financial statements

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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 a liability is incurred, regardless of the timing of related cash flows. Employer contributions to the Plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

### Report Presentation

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

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

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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## 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

### 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, 2025 and February 29, 2024 (the most recent actuarial valuation for funding purposes), Plan membership consisted of the following:

	<u>2025</u>	<u>2024</u>
Inactive Plan members or beneficiaries currently receiving benefits	236	255
Inactive Plan members entitled to but not yet receiving benefits	1	1
Active Plan members	<u>3</u>	<u>3</u>
Total	<u>240</u>	<u>259</u>

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

### Benefits Provided

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

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

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Notes to Financial Statements  
June 30, 2025 and 2024

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, 2025 and 2024. 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).

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

Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 2025 and 2024, the BWL had \$208,638 and \$324,269, 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, 2025, the average maturities of investments are as follows:

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

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

Investment	Fair Value	Weighted Average Maturity
Mutual funds, bonds	\$ 23,149,441	9.8 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, 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

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

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Notes to Financial Statements  
June 30, 2025 and 2024

As of June 30, 2024, the credit quality ratings of investments subject to credit risk are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds, bonds	\$ 23,149,441	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, 2025 and June 30, 2024. 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, 2025 and 2024, 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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 2025 and 2024:

Asset Class	2025 Target Allocation	2024 Target Allocation
Core bonds	25 %	25 %
Multi-sector	15	15
Liquid absolute return	10	10
U.S. large cap equity	20	20
U.S. small cap equity	10	10
Non-U.S. equity	15	15
Core real estate	5	5

### Rate of Return

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%. For the year ended June 30, 2024, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.79%. 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, 2025 and 2024 were as follows (in thousands):

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

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## Actuarial Assumptions

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 June 30, 2024 total pension liability was determined by an actuarial valuation as of February 29, 2024, which used updated procedures to roll forward the estimated liability to June 30, 2024. The total pension liability is determined by the Plan's independent actuary and is that amount that results from applying actuarial assumptions to adjust the total pension liability to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. Benassist Retirement Consulting, LLC was the actuary for the February 28, 2025 and February 29, 2024 valuations, respectively. The inflation rate used was 2.25% for the February 28, 2025 and February 29, 2024 valuations. Salary increase used was 3.5% for both the February 28, 2025 and February 29, 2024 valuations, respectively. The most recent experience review was completed in 2014. Since the Plan only covered 17 active participants in fiscal year 2014, assumptions like termination, retirement and disability have an immaterial impact on the results and have not been changed.

The mortality table was based on the PUB-2010 General Mortality Table, Male and Female, projected generationally using the MP-2021 projection scale for the June 30, 2025 and June 30, 2024 valuations.

## Discount Rate

The discount rate used to measure the total pension liability was 6.0% for June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate in both years assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

## Projected Cash Flows Section

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

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

Notes to Financial Statements  
June 30, 2025 and 2024

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

### Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the BWL at June 30, 2025, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

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

The following presents the net pension asset of the BWL at June 30, 2024, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

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

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 2025 and 2024:

*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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

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

Investment Type	2025			Total
	Level 1	Level 2	Level 3	
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

Investment Type	2024			Total
	Level 1	Level 2	Level 3	
Mutual funds, bonds	\$ -	\$ 23,149,441	\$ -	\$ 23,149,441
Mutual funds, equity	14,259,485	7,076,461	-	21,335,946
Total investments by fair value level	\$ 14,259,485	\$ 30,225,902	\$ -	44,485,387
Investments measured at the net asset value (NAV):				
Real estate fund investment				3,668,689
Total investments measured at fair value				\$ 48,154,076

### 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 3, 2025, 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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>										
Service cost	\$ 32	\$ 31	\$ 29	\$ 26	\$ 26	\$ 42	\$ 60	\$ 50	\$ 113	\$ 223
Interest	2,382	2,523	2,721	2,974	3,212	3,566	3,691	4,031	4,317	4,625
Differences between expected and actual experience	(352)	(18)	(981)	179	(968)	(919)	(743)	(230)	(383)	299
Changes in assumptions	-	-	-	1,730	(366)	1,555	1,210	1,419	(857)	(1,468)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
<b>Net Change in Total Pension Liability</b>	(2,710)	(2,460)	(3,373)	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)
<b>Total Pension Liability, Beginning</b>	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178	65,395
<b>Total Pension Liability, Ending</b>	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178
<b>Plan Net Position</b>										
Net investment income	4,393	4,134	4,134	(5,399)	11,853	1,658	4,381	3,112	8,272	47
Administrative expenses	(165)	(128)	(127)	(134)	(123)	(145)	(183)	(255)	(317)	(388)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
Other	-	-	-	-	-	(477)	-	-	-	-
<b>Net Change in Net Position Held in Trust</b>	(544)	(989)	(1,136)	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482	(8,237)
<b>Net Position Restricted for Pensions, Beginning</b>	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442	73,679
<b>Net Position Restricted for Pensions, Ending</b>	47,990	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442
<b>BWL Net Pension Asset, Ending</b>	\$ (8,646)	\$ (6,480)	\$ (5,009)	\$ (2,772)	\$ (13,214)	\$ (3,388)	\$ (6,596)	\$ (6,616)	\$ (9,029)	\$ (4,264)
<b>Plan Net Position as a % of Total Pension Liability</b>	122%	115%	111%	106%	127%	106%	112%	112%	116%	107%
<b>Covered Employee Payroll</b>	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
<b>BWL's Net Pension Asset as a % of Covered Employee Payroll</b>	(3,250%)	(2,473%)	(2,020%)	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)

See notes to required supplementary information

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
<b>Contribution Deficiency (Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Covered Employee Payroll</b>	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
<b>Contributions as a Percentage of Covered Employee Payroll</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

See notes to required supplementary information

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

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Notes to Required Supplementary Information (Unaudited)  
Year Ended June 30, 2025 and 2024

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

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

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

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

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Notes to Required Supplementary Information (Unaudited)  
Year Ended June 30, 2025 and 2024

## Significant Changes

### June 30, 2025

- *Difference Between Actual and Expected Experience* - The \$352.4K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2025 is 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.

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

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Notes to Required Supplementary Information (Unaudited)  
Year Ended June 30, 2025 and 2024

### 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.

### June 30, 2016

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

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

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return net of investment expense	9.52%	8.79%	8.59%	(9.18%)	22.42%	2.90%	7.39%	4.97%	12.10%	(0.49%)

*See notes to required supplementary information*

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

Financial Statements

June 30, 2025 and 2024

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

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June 30, 2025 and 2024

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Management's Discussion and Analysis	3
<b>Financial Statements</b>	
Statements of Fiduciary Net Position	5
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Notes to Financial Statements	7

## **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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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.

## **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 3, 2025

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

Management's Discussion and Analysis  
June 30, 2025 and 2024  
(Unaudited)

## Using this Annual Report

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

## Condensed Financial Information

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets held in trust:			
Cash & cash equivalents	\$ 24,667,291	\$ 26,073,272	\$ 28,195,849
Participant-directed investments (Note 1):			
Mutual funds, bonds	18,283,837	17,497,649	17,745,597
Mutual funds, equity	166,998,488	152,413,555	130,774,490
Self-directed brokerage account:			
Equity securities/stocks	18,377,421	12,507,716	9,997,083
Mutual funds, equity	827,483	598,099	454,285
Certificates of deposit (negotiable)	-	100,039	349,683
Participant notes receivable and other	3,422,732	3,532,182	3,439,525
Net position	<u>\$ 232,577,252</u>	<u>\$ 212,722,512</u>	<u>\$ 190,956,512</u>
Changes in plan assets:			
Net investment income (loss)	\$ 26,443,922	\$ 25,881,631	\$ 18,054,588
Employer and participant contributions	9,678,268	9,894,164	11,864,060
Benefits paid to participants	(15,686,771)	(13,525,681)	(21,900,248)
Loan defaults and other changes	<u>(580,679)</u>	<u>(484,114)</u>	<u>(546,425)</u>
Changes in net position	<u>\$ 19,854,740</u>	<u>\$ 21,766,000</u>	<u>\$ 7,472,975</u>

## Investment Objectives

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

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

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

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Management's Discussion and Analysis  
June 30, 2025 and 2024  
(Unaudited)

## **Investment Results**

The fiscal year ended June 30, 2025 saw a net investment gain of \$26.4 million. Fiscal year 2024 had a net investment gain of \$25.9 million, fiscal year 2023 had a net investment gain of \$18.1 million. Total assets held in trust were \$233 million at the end of fiscal year 2025, \$213 million at the end of fiscal year 2024, \$191 million at the end of fiscal year 2023.

## **Future Events**

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

## **Contacting the Plan's Management**

The financial report is intended to provide a general overview of the Plan's finances and to demonstrate accountability for the funds it administers. Questions about this report should be submitted to Lansing Board of Water and Light 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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 24,667,291	\$ 26,073,272
Participant-directed investments (Note 1):		
Mutual funds, bonds	18,283,837	17,497,649
Mutual funds, equity	166,998,488	152,413,555
Self-directed brokerage account:		
Equity securities/stocks	18,377,421	12,507,716
Mutual funds, equity	827,483	598,099
Certificates of deposit (negotiable)	-	100,039
	<u>204,487,229</u>	<u>183,117,058</u>
Participant notes receivable	<u>3,422,732</u>	<u>3,532,182</u>
Net position restricted for pensions	<u>\$ 232,577,252</u>	<u>\$ 212,722,512</u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Additions</b>		
Investment income:		
Net appreciation in fair value of investments	\$ 22,795,649	\$ 22,518,517
Interest and dividend income	3,648,273	3,363,114
	<u>26,443,922</u>	<u>25,881,631</u>
Total investment income	26,443,922	25,881,631
Employer contributions (Note 1)	8,970,407	9,435,006
Interest from participant notes receivable	226,953	189,210
Other	480,908	269,948
	<u>36,122,190</u>	<u>35,775,795</u>
Total additions	36,122,190	35,775,795
<b>Deductions</b>		
Benefits paid to participants	15,686,771	13,525,681
Loan defaults	412,246	331,152
Participants' note and administrative fees	168,433	152,962
	<u>16,267,450</u>	<u>14,009,795</u>
Total deductions	16,267,450	14,009,795
Net increase in net position	19,854,740	21,766,000
<b>Net Position Restricted for Pensions, Beginning</b>	<u>212,722,512</u>	<u>190,956,512</u>
<b>Net Position Restricted for Pensions, Ending</b>	<u>\$ 232,577,252</u>	<u>\$ 212,722,512</u>

See notes to financial statements

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 1. Plan Description

The following description of Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (Plan) provides only general information. Participants should refer to the Plan 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, 2025, there were 935 participants in the Plan, of which 865 were active employees. As of June 30, 2024, there were 921 participants in the Plan, of which 821 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.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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 is 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.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

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

### Use of Estimates

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

### Valuation of Investments and Income Recognition

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

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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.

## 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.

### 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, 2025 and 2024, the Plan has \$588,857 and \$314,227, 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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 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

As of June 30, 2024, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bond funds	\$ 17,497,649	Not rated	Not rated
Certificates of deposit (negotiable)	100,039	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, 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

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

Investment	Fair Value	Weighted Average Maturity
Mutual funds, bond funds	\$ 17,497,649	6.9 years
Certificates of deposit (negotiable)	100,039	0.6 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, 2025 and June 30, 2024. 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.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 2025 and 2024:

*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.

*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 and mutual funds (see above).

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

Notes to Financial Statements  
June 30, 2025 and 2024

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

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

Investment Type	2025			
	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	<u>\$ 204,487,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,487,229</u>
Investment Type	2024			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 17,497,649	\$ -	\$ -	\$ 17,497,649
Equity funds	152,413,555	-	-	152,413,555
Self-directed brokerage account:				
Equities	12,507,716	-	-	12,507,716
Mutual funds	598,099	-	-	598,099
Certificates of deposit (negotiable)	-	100,039	-	100,039
Total investments by fair value level	<u>\$ 183,017,019</u>	<u>\$ 100,039</u>	<u>\$ -</u>	<u>\$ 183,117,058</u>

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## **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 3, 2025, 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.

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

Financial Statements and  
Required Supplementary Information

June 30, 2025 and 2024

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

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June 30, 2025 and 2024

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## **Independent Auditors' Report**

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

### **Opinion**

We have audited the financial statements of the Postretirement 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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.

## **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 3, 2025

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

Management's Discussion and Analysis  
June 30, 2025 and 2024  
(Unaudited)

## Using This Annual Report

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

## Condensed Financial Information

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 495,903	\$ 1,857,276	\$ 338,130
Mutual funds, bonds	59,643,501	55,835,109	53,353,849
Mutual funds, equity	176,020,497	159,831,296	144,658,390
Real estate fund investment	37,206,523	38,565,204	42,471,497
Interest and dividend receivable	<u>699,657</u>	<u>14,641</u>	<u>13,772</u>
Total plan assets	274,066,081	256,103,526	240,835,638
<b>Liabilities:</b>			
Trade payable, due to broker	697,927	259,187	-
Reimbursement for benefits paid by employer	<u>5,011,279</u>	<u>2,448,357</u>	<u>2,365,067</u>
Net position restricted for pensions	<u>\$ 268,356,875</u>	<u>\$ 253,395,982</u>	<u>\$ 238,470,571</u>
<b>Changes in net position:</b>			
Net investment income	\$ 24,832,426	\$ 24,300,066	\$ 21,225,768
Employer contributions	61,852	65,286	68,076
Retiree benefits paid	(9,562,998)	(9,180,680)	(10,627,788)
Administrative fees	<u>(370,387)</u>	<u>(259,200)</u>	<u>(335,579)</u>
Net change in net position	<u>\$ 14,960,893</u>	<u>\$ 14,925,412</u>	<u>\$ 10,330,477</u>

## Investment Results

The fiscal year ended June 30, 2025 saw a net investment gain of \$24.8 million. The fiscal year 2024 had a net investment gain of \$24.3 million, fiscal year 2023 had a net investment gain of \$21.2 million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Lansing Board of Water & Light ("BWL") actuarially determined contribution ("ADC") as determined by the BWL's actuary was \$0 in fiscal years 2025, 2024 and 2023.

The discount rate was 6.5% in fiscal year 2025, 2024 and 2023.

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

Management's Discussion and Analysis  
June 30, 2025 and 2024  
(Unaudited)

## Investment Objectives and Asset Allocation

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

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>
Core fixed income	15 %
Multi-sector	5
Liquid absolute return	5
U.S. large cap equity	25
U.S. small/mid cap equity	15
Non-U.S. equity	20
Real estate	15
Total	<u>100 %</u>

## Future Events

The Plan is currently overfunded, with a funded status (fiduciary net position divided by total pension liability) of 143%. This funding level results in an actuarially determined contribution of \$0 for fiscal year 2026. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2026.

## 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 Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

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

Statements of Fiduciary Net Position  
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 495,903	\$ 1,857,276
Investments, fair value:		
Mutual funds, bonds	59,643,501	55,835,109
Mutual funds, equities	176,020,497	159,831,296
Real estate fund investment	37,206,523	38,565,204
	<u>272,870,521</u>	<u>254,231,609</u>
 Total investments at fair value	 272,870,521	 254,231,609
 Investment interest and dividend receivable	 <u>699,657</u>	 <u>14,641</u>
 Total assets	 <u>274,066,081</u>	 <u>256,103,526</u>
<b>Liabilities</b>		
Trade payable, due to broker/other	697,927	259,187
Reimbursement for benefits paid by employer	5,011,279	2,448,357
	<u>5,709,206</u>	<u>2,707,544</u>
 Total liabilities	 5,709,206	 2,707,544
 Net position restricted for retiree benefits	 <u>\$ 268,356,875</u>	 <u>\$ 253,395,982</u>

See notes to financial statements

**Postretirement 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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Additions</b>		
Investment income:		
Net appreciation in fair value of investments	\$ 19,493,611	\$ 19,047,703
Interest and dividend income	5,338,815	5,252,303
	<u>24,832,426</u>	<u>24,300,006</u>
Employer contributions	61,852	65,286
	<u>24,894,278</u>	<u>24,365,292</u>
<b>Deductions</b>		
Retiree benefits paid	9,562,998	9,180,680
Administrative expenses	370,387	259,200
	<u>9,933,385</u>	<u>9,439,880</u>
Net increase in net position	14,960,893	14,925,412
<b>Net Position Restricted for Retiree Benefits, Beginning</b>	<u>253,395,982</u>	<u>238,470,571</u>
<b>Net Position Restricted for Retiree Benefits, Ending</b>	<u><u>\$ 268,356,875</u></u>	<u><u>\$ 253,395,982</u></u>

See notes to financial statements

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 1. Summary of Significant Accounting Policies

### Reporting Entity

The Lansing Board of Water & Light (BWL) sponsors the Postretirement 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 (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

### Basis of Accounting

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

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

### Report Presentation

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

### Investment Valuation and Income Recognition

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

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

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

### Expenses

Substantially all Plan expenses are paid by the Plan.

### Use of Estimates

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

### 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.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## Reimbursement for Benefits Paid by Employer

This balance represents amounts due from the Plan to the Lansing Board of Water & Light (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 748 participants eligible to receive benefits at June 30, 2025 and 755 participants eligible at June 30, 2024.

### Trustees

Each voting member of the BWL Board of Commissioners is a Trustee during the term of office as a commissioner. The Trustees had appointed Fifth Third Bank as custodian of the Plan's assets for a portion of FY 2024. Effective March 1, 2024, this role was transitioned to the Northern Trust Company.

### Agreement

The Lansing Board of Water & Light (the Employer) entered into an Administrative Services Agreement (the Agreement) with the Trust for Postretirement 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.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 2025 and 2024, BWL incurred \$61,852 and \$65,286 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, 2025 and 2024, the contribution rates of the employer were 0.08% and 0.08% of covered-employee payroll, respectively.

## Participation

Participation is determined in accordance with the terms of 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. At June 30, 2024, there were 778 active participants (not yet eligible to receive benefits), 67 disabled participants, 532 retired participants and 156 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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

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, 2025 and 2024, the Plan had \$245,903 and \$1,607,276, 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, 2025, the average maturities of investments are as follows:

Investment	Fair Value	Average Weighted Maturity
Mutual funds, bonds	\$ 59,643,501	9.2 years

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

Investment	Fair Value	Average Weighted Maturity
Mutual funds, bonds	\$ 55,835,109	9.1 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, 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

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

Notes to Financial Statements  
June 30, 2025 and 2024

As of June 30, 2024, the credit quality ratings of investments subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	\$ 55,835,109	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, 2025 and June 30, 2024. 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

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, 2025 and 2024:

Asset Class	2025 Target Allocation	2024 Target Allocation
Core bonds	15.00 %	15.00 %
Multi-sector	5.00	5.00
Liquid absolute return	5.00	5.00
U.S. large cap equity	25.00	25.00
U.S. small/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, 2025 and 2024 the annual money-weighted rate of return on investments, net of investment expense, was 9.99% and 10.39%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## 6. Net OPEB Liability (Asset) of BWL

The components of the net OPEB liability (asset) for BWL at June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Total OPEB liability	\$ 188,048,537	\$ 168,403,443
Plan fiduciary net position	<u>268,356,875</u>	<u>253,395,981</u>
BWL's net OPEB liability (asset)	<u>\$ (80,308,338)</u>	<u>\$ (84,992,538)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	142.71 %	150.47 %

### 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

### Actuarial Assumptions

The June 30, 2024 total OPEB liability was determined by an actuarial valuation as of June 30, 2024, based on a roll-forward of February 29, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Payroll growth	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases
Long-term expected rate of return	6.5%
Healthcare cost trend rates	7.25% for 2024, decreasing 0.25% per year to an ultimate rate of 4.50% in 2036 and later years

For the June 30, 2025 and 2024 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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

For the June 30, 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, 2025 are as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core bonds	2.52 %
Multi-sector	3.44
Liquid absolute return	3.25
U.S. large cap equity	7.20
U.S. small/mid cap equity	8.59
Non-U.S. equity	8.20
Core real estate	6.45
Value add real estate	7.95

For the June 30, 2024 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, 2024 are as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core bonds	2.56 %
Multi-sector	3.50
Liquid absolute return	3.25
U.S. large cap equity	7.15
U.S. small/mid cap equity	8.58
Non-U.S. equity	8.26
Core real estate	6.49
Value add real estate	7.99

### Discount Rate

The discount rate used to measure the total OPEB liability was 6.5% for June 30, 2025 and 2024. 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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

## 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:

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

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

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

## Sensitivity of the Net OPEB Liability (Asset) to Changes in the 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 and 2024:

	2025		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (101,368,187)	\$ (80,308,338)	\$ (54,595,655)
	2024		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (102,871,148)	\$ (84,992,538)	\$ (63,323,723)

## 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.

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

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Notes to Financial Statements  
June 30, 2025 and 2024

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, 2025 and 2024:

*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.

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

Notes to Financial Statements  
June 30, 2025 and 2024

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

Investment Type	2025			Total
	Level 1	Level 2	Level 3	
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	<u>\$ 180,762,128</u>	<u>\$ 54,901,870</u>	<u>\$ -</u>	235,663,998
Investments measured at the net asset value (NAV):				
Real estate fund investment				<u>37,206,523</u>
Total investments measured at fair value				<u>\$ 272,870,521</u>
Investment Type	2024			Total
	Level 1	Level 2	Level 3	
Mutual funds, bonds	\$ 55,835,109	\$ -	\$ -	\$ 55,835,109
Mutual funds, equities	112,847,988	46,983,308	-	159,831,296
Total investments by fair value level	<u>\$ 168,683,097</u>	<u>\$ 46,983,308</u>	<u>\$ -</u>	215,666,405
Investments measured at the net asset value (NAV):				
Real estate fund investment				<u>38,565,204</u>
Total investments measured at fair value				<u>\$ 254,231,609</u>

### 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 3, 2025, 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**

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>									
Service cost	\$ 4,479	\$ 4,201	\$ 3,452	\$ 3,299	\$ 3,396	\$ 3,245	\$ 4,403	\$ 4,827	\$ 3,130
Interest	10,640	10,355	9,827	9,871	10,535	10,804	14,920	15,039	14,226
Changes in benefit terms	-	-	-	-	-	-	(415)	-	-
Differences between expected and actual experience	11,189	(801)	4,770	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281
Changes in assumptions	2,901	-	-	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
<b>Net Change in Total OPEB Liability</b>	19,646	4,574	7,421	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036
<b>Total OPEB Liability, Beginning</b>	168,403	163,829	156,410	147,644	154,603	148,550	203,487	205,624	194,588
<b>Total OPEB Liability, Ending</b>	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624
<b>Trust Net Position</b>									
Contributions, employer	62	65	68	13,493	8,344	9,157	9,278	10,395	9,574
Net investment income	24,832	24,300	21,226	(19,247)	49,387	4,158	11,688	11,039	18,040
Administrative expenses	(370)	(259)	(336)	(354)	(449)	(512)	(569)	(634)	(705)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
<b>Net Change in Net Position Held in Trust</b>	14,961	14,925	10,330	(19,601)	48,938	3,646	11,119	10,405	17,335
<b>Trust Fiduciary Net Position, Beginning</b>	253,396	238,471	228,142	247,743	198,805	195,159	184,040	173,635	156,300
<b>Trust Fiduciary Net Position, Ending</b>	268,357	253,396	238,472	228,142	247,743	198,805	195,159	184,040	173,635
<b>BWL Net OPEB Liability (Asset), Ending</b>	\$ (80,308)	\$ (84,993)	\$ (74,641)	\$ (71,732)	\$ (100,099)	\$ (44,202)	\$ (46,609)	\$ 19,447	\$ 31,989
<b>Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)</b>	142.71%	150.47%	145.56%	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%
<b>Covered Employee Payroll</b>	\$ 82,440	\$ 77,109	\$ 69,744	\$ 62,976	\$ 60,269	\$ 58,198	\$ 56,785	\$ 55,650	\$ 54,383
<b>BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll</b>	(97.41%)	(110.22%)	(107.02%)	(113.90%)	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%

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

See notes to required supplementary information

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

Required Supplemental Information (Unaudited)

Schedule of Employer Contributions

Last Ten Fiscal Years

(In Thousands)

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered
	Required	Actual			
6/30/2015	\$ 5,762	\$ 9,671	\$ 3,909	\$ 50,885	19.01%
6/30/2016	5,788	9,423	3,635	53,893	17.48%
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%

See notes to required supplementary information

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	9.99%	10.39%	9.52%	(7.77%)	24.87%	2.13%	6.36%	6.37%	10.01%	0.32%

*See notes to required supplementary information*

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

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Notes to Required Supplementary Information  
Year Ended June 30, 2025 and 2024  
(Unaudited)

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

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	24 years
Inflation	2.25%
Salary increases	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	6.5% per year compounded annually
Mortality	PUBH-2010 General Mortality Table projected generationally using MP-2021 scale

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

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Notes to Required Supplementary Information  
Year Ended June 30, 2025 and 2024  
(Unaudited)

## Significant Changes

### 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%.

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

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Notes to Required Supplementary Information  
Year Ended June 30, 2025 and 2024  
(Unaudited)

### 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-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 \$.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-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 \$1.18MM actuarial gain. The remaining \$2.57MM of the actuarial gain is attributable to reflecting the updated trend assumptions.

### June 30, 2020

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

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

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Notes to Required Supplementary Information  
Year Ended June 30, 2025 and 2024  
(Unaudited)

### June 30, 2019

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

### June 30, 2018

- *Difference Between Actual and Expected Experience* - The \$9.9 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2018 is attributable to a reduction in the per capita claims cost used in the 6/30/2018 valuation. Better than expected claims experience during the fiscal year resulted in a decrease in the projected claims when compared to those used in the 6/30/2017 valuation.
- *Assumption Change* - The mortality improvement scale was updated to the MP-2017 scale.

**RESOLUTION 2025-XX-XX**  
**Fiscal Year 2025 Audited Financial Statements**  
**of the Enterprise Fund and Pension Fiduciary Funds**

RESOLVED, that the fiscal year 2025 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 2025 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than November 2025.

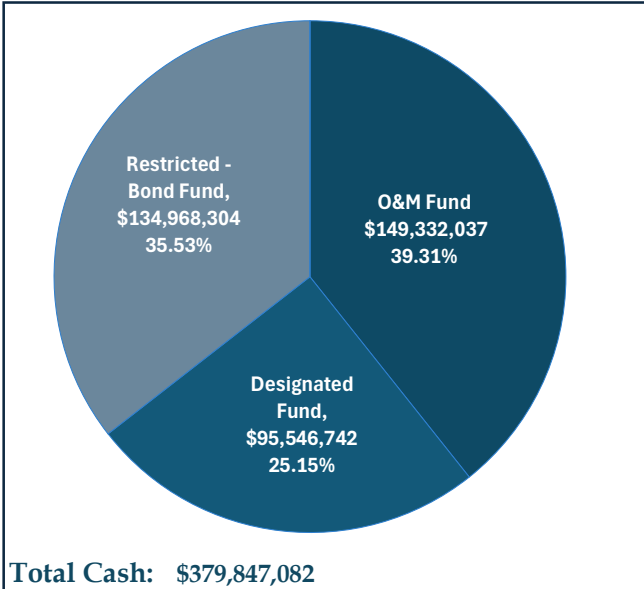
**Motion** by Commissioner \_\_\_\_\_, **Seconded** by Commissioner \_\_\_\_\_, to approve the Resolution for the acceptance of the Fiscal Year 2025 Audited Financial Statements of the Enterprise Fund and Pension Fiduciary Funds at a Board meeting held on November 18, 2025.

**Action:**

# Financial Summary - September 2025 - FY26



## Cash



	Month End	Target
Days Cash on Hand	211	> 170
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.21	> 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 YTD	Budget YTD	Difference	%
Retail	\$ 112,088,889	\$ 109,324,799	\$ 2,764,091	3%
Wholesale	\$ 14,772,108	\$ 12,383,108	\$ 2,388,999	19%
<b>Total Revenue</b>	<b>\$ 126,860,997</b>	<b>\$ 121,707,907</b>	<b>\$ 5,153,090</b>	<b>4%</b>
Operating Expenses	\$ 92,630,732	\$ 95,584,749	\$ (2,954,017)	-3%
Non Operating Income/(Exp)	\$ (13,750,488)	\$ (16,476,894)	\$ 2,726,406	-17%
<b>Net Income</b>	<b>\$ 20,479,777</b>	<b>\$ 9,646,264</b>	<b>\$ 10,833,512</b>	<b>112%</b>

**FY 2026 Budgeted Net Income** \$ 24,783,169

## Budget Status YTD

O&M Budget YTD (excluding fuel)				
FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 203,430,255	\$ 42,414,592	\$ 44,752,273	\$ (2,337,681)	-5%
% of Approved Budget	21%	22%		
Capital Budget YTD				
FY26 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
\$ 74,479,242	\$ 12,738,109	\$ 13,786,462	\$ (1,048,353)	-8%
% of Approved Budget	17%	19%		
FY26 New Energy Budget				
FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 132,470,182	\$ 10,393,489	\$ 25,901,856	\$ (15,508,367)	-60%
% of Approved Budget	8%	20%		
FY26 Steam to HW Budget				
FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 7,986,167	\$ 132,697	\$ 2,297,024	\$ (2,164,326)	-94%
% of Approved Budget	2%	29%		

## Return on Assets

FY26 ROA Budget	Actual YTD	Budget YTD	Target ROA*
4.02%	1.92%	1.30%	4.57%

Return on Assets =  $\frac{\text{YTD Net Income} + \text{YTD Interest Expense} - \text{YTD Interest Income}}{\text{Net Fixed Assets} + \text{Inventory}}$

\*BWL forecast to reach target in FY2028

# Financial Summary - September 2025 - FY26



## Ratios

### Operating Ratio

O&M Expense	\$ 76,296,140	=	0.60	APPA Median 0.78
Total Revenue	\$ 126,860,997			

Measures the proportion of revenues to cover the operations and maintenance costs

### Current Ratio

Current Assets	\$ 298,028,144	=	3.22	APPA Median 1.71
Current Liabilities	\$ 92,585,058			

Measures whether current assets are sufficient to pay current liabilities within one year

### Debt to Total Assets

LT Debt + Accrued Liabilities	\$ 1,287,753,587	=	0.63	APPA Median 0.54
Total Assets	\$ 2,058,690,466			

Measures the ability to meet current and long-term liabilities based on the availability of assets

### Days Sales Outstanding

Average Accounts Receivable	\$ 32,255,161	x 30 =	27	Prior Year 26
Base Retail Revenue	\$ 36,285,886			

Measures the average number of days it takes to collect payment after a sale is made

### Bad Debt

12 Month Bad Debt Exp	\$ 1,278,150	=	0.30%	Prior Year 0.63%
12 Month Retail Revenue	\$ 422,230,486			

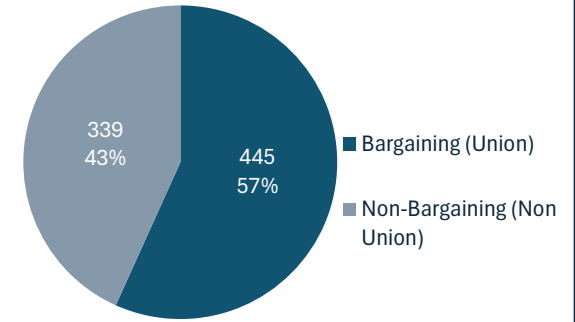
Measures the portion of each retail revenue dollar that will not be collected

## Employee Data

### Employee Count

Employee Count YTD	784
Budget YTD	822
Over/(Under) #	(38)

Full Time Equivalent	28
Temporary Employees	



### Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 19,771,696	\$ 20,111,185	\$ (339,489)	-1.7%	\$ 61.98
Overtime	\$ 1,617,317	\$ 1,820,821	\$ (203,504)	-11.2%	
Total	\$ 21,389,013	\$ 21,932,005	\$ (542,992)	-2.5%	
Total Hours Worked	336,726				
Labor \$/Hours Worked	\$ 63.52				

### Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 4,589,713	\$ 4,343,250	\$ 246,463
Rx	\$ 1,300,603	\$ 1,506,999	\$ (206,396)
Dental	\$ 309,954	\$ 351,117	\$ (41,163)
Life	\$ 82,103	\$ 174,501	\$ (92,398)
FICA	\$ 1,543,543	\$ 1,623,657	\$ (80,114)
Other	\$ 319,512	\$ 335,332	\$ (15,820)
Total	\$ 8,145,428	\$ 8,334,856	\$ (189,428)

\* 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 2025.

**October 2025 Report - Actuals through September 2025**

<b>Projects Sorted by the FY26 Projection (Highest to lowest costs)</b>											
		<b>FY 26</b>		<b>Total Project</b>				<b>Project Period</b>			
<b>Project Name</b>	<b>Current Phase<sup>1</sup></b>	<b>Budget</b>	<b>Projection</b>	<b>Designed Budget Amount</b>	<b>Current Projection</b>	<b>\$ Variance<sup>2</sup></b>	<b>% Variance<sup>2</sup></b>	<b>Total Cost Incurred To-Date</b>	<b>% Total Cost Incurred To-Date</b>	<b>Start Date</b>	<b>Projected Completion Date<sup>1</sup></b>
<b>Top Ten Planned Projects</b>											
South Reinforcement - Transmission Line	Phase 4 - Construction	\$ 17,859,874	\$ 14,970,881	\$ 43,503,927	\$ 41,788,558	\$ (1,715,369)	-3.94%	\$ 28,816,823	68.96%	09/20/2017	10/02/2026
Rundle Substation	Phase 3 - Design	\$ 2,950,000	\$ 2,783,395	NA	\$ 32,593,012	\$ -	0.00%	\$ 10,507,997	32.24%	02/27/2024	03/08/2029
Elevated Storage <sup>3</sup>	Phase 4 - Construction	\$ 1,857,619	\$ 1,669,675	\$ 16,063,520	\$ 15,715,779	\$ (347,741)	-2.16%	\$ 13,873,980	88.28%	05/08/2023	05/06/2026
Wise Rd. - Bus 2 Distribution	Phase 4 - Construction	\$ 986,254	\$ 1,345,253	\$ 2,550,770	\$ 2,576,890	\$ 26,120	1.02%	\$ 1,359,830	52.77%	11/22/2022	06/24/2026
REO STG Overhaul <sup>4</sup>	Phase 4 - Construction	\$ 1,300,000	\$ 1,137,405	\$ 965,153	\$ 2,593,714	\$ 1,628,561	168.74%	\$ 1,994,865	76.91%	05/14/2024	12/02/2025
Cedar Pump 4 Replacement	Phase 3 - Design	\$ 1,027,000	\$ 1,043,374	NA	\$ 1,149,118	\$ -	0.00%	\$ 75,118	6.54%	05/19/2022	08/21/2026
Magnolia Ave. - 4160V Sub Cutover and Retirement	Phase 3 - Design	\$ 1,348,914	\$ 1,014,705	NA	\$ 5,510,189	\$ -	0.00%	\$ 3,585,091	65.06%	08/17/2020	06/30/2027
LGR Substation	Phase 3 - Design	\$ 307,092	\$ 690,984	NA	\$ 22,554,574	\$ -	0.00%	\$ 5,790,849	25.67%	02/27/2024	02/23/2028
Chilled Water Control System Upgrade	Phase 3 - Design	\$ 41,082	\$ 589,578	NA	\$ 3,719,399	\$ -	0.00%	\$ 3,148,405	84.65%	10/02/2023	06/01/2026
Besoc Generator Replacement	Phase 3 - Design	\$ -	\$ 506,220	NA	\$ 531,856	\$ -	0.00%	\$ 302,343	56.85%	03/13/2025	11/04/2026
<b>Total Top Ten Planned Projects</b>		\$ 27,677,835	\$ 25,751,470		\$ 128,733,089			\$ 69,455,301			
<b>Project Watch List - Projects \$150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)</b>											
Dye Filter Controls Upgrade <sup>5</sup>	Phase 4 - Construction	\$ -	\$ 9,071	\$ 2,443,265	\$ 2,748,017	\$ 304,752	12.47%	\$ 2,743,717	99.84%	02/01/2021	11/26/2025
<b>Total Project Watch List</b>		\$ -	\$ 9,071		\$ 2,748,017			\$ 2,743,717			
<b>Remaining Planned</b>											
Electric		\$ 1,550,886	\$ 3,084,526								
Water		\$ 1,007,017	\$ 775,944								
Steam		\$ 103,085	\$ 105,305								
Chilled Water		\$ 119,699	\$ 76,512								
Common		\$ 116,904	\$ 204,785								
<b>Total Remaining Planned</b>		\$ 2,897,591	\$ 4,247,072								
<b>Annual</b>											
Electric		\$ 16,980,000	\$ 17,406,718			\$ 426,718	2.5%				
Water		\$ 18,736,794	\$ 20,279,159			\$ 1,542,365	8.2%				
Steam		\$ 2,064,000	\$ 1,926,323			\$ (137,677)	-6.7%				
Chilled Water		\$ 52,008	\$ 56,881			\$ 4,873	9.4%				
Common		\$ 5,955,701	\$ 5,909,830			\$ (45,871)	-0.8%				
<b>Total Annual</b>		\$ 43,788,503	\$ 45,578,911			\$ 1,790,408	4.1%				
<b>Management Reserve</b>											
Management Reserve		\$ 115,313	\$ 49,112								
<b>Grand Total</b>		\$ 74,479,242	\$ 75,635,636								

Notes:

- <sup>1</sup> For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin of error.
- <sup>1</sup> For projects that are in Stage Gates 1-3, the Expected Completion Date is subject to change as organizational priorities or project plans are reassessed.
- <sup>2</sup> Variances highlighted in red are over the \$200k and 15% thresholds.
- <sup>3</sup> Total project information excludes grant funding to better highlight project progress.
- <sup>4</sup> Resolution 2025-05-07 approved the REO STG Overhaul for a final total project cost of \$2,595,067.
- <sup>5</sup> Resolution 2024-03-01 approved the Dye Filter Controls Upgrade for a final total project cost of \$3,065,675.

# MILLER CANFIELD

## MEMORANDUM

TO: Lansing Board of Water and Light  
FROM: Jeffrey S. Aronoff  
RE: Fourth Supplemental Utility System Revenue Bond Resolution  
DATE: October 31, 2025

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Below is an executive summary of the Fourth Supplemental Utility System Revenue Bond Resolution (the “Supplemental Resolution”) presented for consideration by the Lansing Board of Water and Light (the “Board”).

### BACKGROUND INFORMATION:

- The Board issues revenue bonds under the Bond Resolution adopted by the Board on March 27, 2018, as amended on March 26, 2019 and November 17, 2020, and supplemented on November 19, 2019, July 20, 2023, and November 14, 2023.
- The Bond Resolution establishes the conditions for additional bonds of equal credit with outstanding bonds (that is, bonds of “equal standing and priority of lien on the Net Revenues of the Water Supply, Steam, Chilled Water and Electric Utility System”).
- Supplemental resolutions are adopted to authorize each series of additional bonds, including refunding bonds.

### THE SUPPLEMENTAL RESOLUTION:

- Authorizes up to \$340,000,000 in Refunding Bonds to refund some or all of the following outstanding bonds if doing so creates net present value savings:
  - Utility System Revenue Refunding Bonds, Series 2017A
  - Utility System Revenue Bonds, Series 2019A
  - Utility System Revenue Refunding Bonds, Series 2019B
  - Utility System Revenue Bonds, Series 2021B (Mandatory Put Bonds)
- Provides that the Refunding Bonds may be issued on a tax-exempt or taxable basis, or a combination of both, and may be issued in one or more series.
- Sets forth the overall use of proceeds of the Refunding Bonds.
  - The refunding of any Series 2017A, 2019A, and 2019B bonds would be accomplished through a tender invitation and repurchase of those bonds, which would be funded with the proceeds of the Refunding Bonds.
    - The tender/repurchase is an alternative to a traditional refunding. Under a traditional refunding, outstanding bonds are redeemed from bondholders pursuant to the bonds’ call provisions, meaning bondholders *must* sell their bonds back to the Board at par plus accrued interest.
    - In the case of a tender, the Board invites bondholders to sell back their bonds to the Board voluntarily at a market price—the Board is acting much like a purchaser on the open trading market.

- The Series 2019B bonds are taxable bonds; however it is possible that the Refunding Bonds issued to fund the tender and repurchase of the Series 2019B bonds may be issued on a tax-exempt basis.
- The refunding of the Series 2021B bonds would be accomplished through a traditional refunding, which involves depositing Refunding Bond proceeds into an escrow account to redeem the Series 2021B bonds sometime after their first call date of January 1, 2026, but likely before July 1, 2026, which is the mandatory purchase date—or “put date”—of the Series 2021B bonds. If the Series 2021B bonds are not refunded before their mandatory purchase date, the Board would be required to purchase the bonds back from holders or have them remarketed (essentially re-sold on the bond market), and if it did not do so, the interest rate on the bonds would escalate, first to 6%, then to 8% after ninety days.
- Authorizes the Chief Financial Officer (or in his absence, the Assistant General Manager or other designee) to take certain actions, including:
  - Deem final and approve the distribution of the Preliminary Official Statement on behalf of the Board, providing necessary disclosure about the Board and the Refunding Bonds.
  - Finalize the sale of the Refunding Bonds, approve final bond terms (subject to the parameters of the Supplemental Resolution) and execute and deliver all other documents necessary to accomplish the sale, including the bond purchase agreement and sale order.
  - Approve, execute and deliver all documents necessary to accomplish the tender and repurchase of the applicable Series 2017A, 2019A, and 2019B bonds.
  - Make any required filings to the State of Michigan, apply for ratings and take all other actions necessary to accomplish the sale of the Refunding Bonds.

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**RESOLUTION #2025-XX-XX**  
**Lansing Board of Water and Light**  
**FOURTH SUPPLEMENTAL UTILITY SYSTEM REVENUE BOND RESOLUTION**

A RESOLUTION TO AUTHORIZE:

- Utility System Revenue Refunding Bonds to produce net present value savings by refunding some or all of the Prior Bonds;
- The solicitation of tender offers and the repurchase of the Series 2017A Bonds, the Series 2019A Bonds and the Series 2019B Bonds;
- Chief Financial Officer to sell Utility System Revenue Refunding Bonds without further resolution;
- Other matters relative to issuance, sale and delivery of the Utility System Revenue Refunding Bonds.

WHEREAS, the City of Lansing (the “City”) provides in its City Charter that the Lansing Board of Water and Light (the “Board”) has general management over water, heat, steam and electric services and certain additional utility services of the City; and

WHEREAS, the Board operates facilities for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat (the “System”); and

WHEREAS, the Board issues bonds payable from revenues of the System under the provisions of Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”), and an Amended and Restated Utility System Revenue Bond Resolution adopted by the Board on March 27, 2018, as amended and supplemented from time to time (as amended and supplemented, including by this Fourth Supplemental Resolution, the “Bond Resolution”), and all terms not defined herein shall have the meanings set forth in the Bond Resolution; and

WHEREAS, PFM Financial Advisors, LLC (the “Municipal Advisor”), has advised the Board that it may be able to accomplish a net savings of debt service costs by refunding (including by repurchase, as applicable) all or a portion of the Board’s outstanding Utility System Revenue Refunding Bonds, Series 2017A, dated February 15, 2017 (the “Series 2017A Bonds”), the Utility System Revenue Bonds, Series 2019A, dated June 25, 2019 (the “Series 2019A Bonds”), the Utility System Revenue Refunding Bonds, Series 2019B (Federally Taxable), dated December 19, 2019 (the “Series 2019B Bonds”) and the Utility System Revenue Bonds, Series 2021B (Mandatory Put Bonds), dated January 26, 2021 (the “Series 2021B Bonds,” together with the Series 2017A Bonds, the Series 2019A Bonds and the Series 2019B Bonds, the “Prior Bonds”) through the issuance of one or more series of refunding bonds in an aggregate principal amount of not-to-exceed \$340,000,000 (the “Refunding Bonds” or the “Series 2026 Bonds”); and

WHEREAS, the Municipal Advisor has advised the Board, and the Board has determined, that it is in the best interest of the Board to authorize: (i) the extension of an invitation to the holders of all or a portion of the Series 2017A Bonds, the Series 2019A Bonds and the Series 2019B Bonds to tender such bonds to the Board (the "Invitation") for repurchase, cancellation or private purchase (such Series 2017A Bonds, Series 2019A Bonds and Series 2019B Bonds actually repurchased and cancelled by the Board pursuant to a tender or private purchase, collectively, the "Repurchased Bonds"), (ii) the repurchase and cancellation by the Board of the Repurchased Bonds, and (iii) the issuance of the Refunding Bonds to provide funds to pay all or a portion of the costs of repurchasing and cancelling the Repurchased Bonds; and

WHEREAS, Section 24(a) of the Bond Resolution authorizes the issuance of Additional Bonds of equal standing and priority of lien with the Outstanding Bonds if the actual or augmented Net Revenues of the System for the fiscal year of the System ending not more than 15 months prior to the sale of Additional Bonds shall be equal to at least 125% of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and on the Additional Bonds then being issued; and

WHEREAS, in order to take advantage of the most favorable market for sale of the Series 2026 Bonds, the Board wishes to authorize the Chief Financial Officer to sell the Series 2026 Bonds at a negotiated sale without further resolution of the Board.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Definitions. All terms not defined herein shall have the meanings set forth in the Bond Resolution, and whenever used in this Fourth Supplemental Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) "Additional Bonds" means any Additional Bonds of equal standing with the outstanding Senior Lien Bonds issued pursuant to Section 24 of the Bond Resolution adopted on March 27, 2018.
- (b) "Assistant General Manager" means the Board's Assistant General Manager.
- (c) "Bond Resolution" means the Amended and Restated Utility System Revenue Bond Resolution adopted by the Board on March 27, 2018, as amended on March 26, 2019 and November 17, 2020, and as supplemented on November 19, 2019, July 20, 2023, and November 14, 2023, and by this Fourth Supplemental Resolution, and any other resolution which amends or supplements the Bond Resolution.
- (d) "Bonds" or "Senior Lien Bonds" means the outstanding portion of the Board's Series 2017A Bonds, Series 2019A Bonds, Series 2019B Bonds, Utility System Revenue Bonds, Series 2021A, dated January 26, 2021, Series 2021B Bonds, Utility System Revenue and Revenue Refunding Bonds, Series 2024A, dated

January 31, 2024, Series 2026 Bonds, and any Additional Bonds of equal standing hereafter issued.

- (e) “Chief Financial Officer” means the Board’s Chief Financial Officer.
- (f) “Escrow Agreement” means, for purposes of this Fourth Supplemental Resolution, one or more escrow agreements described in this Fourth Supplemental Resolution to provide for payment of principal of and interest on the Prior Bonds being refunded.
- (g) “Escrow Fund” means, for purposes of this Fourth Supplemental Resolution, one or more escrow funds established pursuant to the Escrow Agreement to hold the cash and investments necessary to provide for payment of principal of and interest on the Prior Bonds being refunded.
- (h) “Fourth Supplemental Resolution” means this Fourth Supplemental Utility System Revenue Bond Resolution.
- (i) “Prior Bonds” means, for purposes of this Fourth Supplemental Resolution, the Series 2017A Bonds, the Series 2019A Bonds, the Series 2019B Bonds and the Series 2021B Bonds.
- (j) “Refunding Bonds” means, for purposes of this Fourth Supplemental Resolution, the Series 2026 Bonds, and all or any series of refunding bonds issued as Additional Bonds pursuant to this Fourth Supplemental Resolution.
- (k) “Series 2026 Bonds” means the Refunding Bonds issued in one or more series pursuant to this Fourth Supplemental Resolution.
- (l) “System” means the complete facilities of the Board for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, and all additions, extensions and improvements thereto existing or hereafter acquired by the Board.

Section 2. Conditions Permitting Issuance of Additional Bonds. Pursuant to Section 24(b) of the Bond Resolution, the Board hereby determines that the Series 2026 Bonds shall be issued as Additional Bonds that are Senior Lien Bonds of equal standing and priority of lien with the Outstanding Bonds only if, after giving effect to the refunding of the Prior Bonds, the maximum amount of Aggregate Debt Service in each future fiscal year shall be less than the Aggregate Debt Service in each future fiscal year prior to giving effect to the refunding.

The Board hereby determines that the Board is not in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

Section 3. Refunding Bonds Authorized. If, upon the advice of the Municipal Advisor, refunding all or a portion of the Prior Bonds will accomplish debt service savings, then in order to pay costs of the refunding, including the payment of the costs of legal, financial and other expenses incident thereto and incident to the issuance and sale of the Refunding Bonds, the City, acting by and through the Board, shall borrow the sum of not-to-exceed Three Hundred Forty Million Dollars (\$340,000,000), and issue the Refunding Bonds therefor in one or more series. The Refunding Bonds shall be designated as the "UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2026" or such other series designation as determined at the time of sale by the Chief Financial Officer to reflect the sequence and the year of sale or delivery of the series or to otherwise distinguish the series from other series of Bonds.

The Series 2026 Bonds shall be payable solely out of the Net Revenues of the System, and the City Council of the City shall not be requested to pledge the full faith and credit of the City for payment of the Series 2026 Bonds. The Series 2026 Bonds shall be sold and the proceeds applied in accordance with the provisions of Act 94.

Section 4. Series 2026 Bond Details. The Series 2026 Bonds shall be issued as fully registered bonds in the denomination of \$5,000 or integral multiples thereof and shall be numbered in consecutive order of registration or authentication from 1 upwards. The Series 2026 Bonds shall be dated as of the date of delivery thereof or such other date as determined at the time of sale of the Series 2026 Bonds, and shall mature as serial bonds or term bonds on such dates as shall be determined at the time of sale of the Series 2026 Bonds.

The Series 2026 Bonds shall be subject to optional and mandatory redemption prior to maturity at the times and prices as finally determined at the time of sale of the Series 2026 Bonds.

The Series 2026 Bonds shall bear interest at a rate or rates to be determined on sale thereof, payable on July 1, 2026, or such other date as provided at the time of sale of the Series 2026 Bonds, and semi-annually thereafter on January 1<sup>st</sup> and July 1<sup>st</sup> of each year.

The Series 2026 Bonds shall be executed by the manual or facsimile signature of the Chairperson and the Corporate Secretary of the Board. No Series 2026 Bond shall be valid until authenticated by an authorized representative of the Transfer Agent. The Series 2026 Bonds shall be delivered to the Transfer Agent for authentication and be delivered by the Transfer Agent to the purchaser in accordance with instructions from the Chief Financial Officer upon payment of the purchase price for the Series 2026 Bonds.

Section 5. Registration and Transfer. U.S. Bank Trust Company, National Association, Detroit, Michigan is hereby appointed to act as bond registrar, paying agent and transfer agent (the "Transfer Agent") for the Series 2026 Bonds. The Chief Financial Officer is hereby authorized to execute one or more agreements with the Transfer Agent on behalf of the Board. The Board reserves the right to replace the Transfer Agent at any time, provided written notice of such replacement is given to the registered owners of record of bonds not less than sixty (60) days prior to an interest payment date. Principal of and interest on the Series 2026

Bonds shall be payable by check or draft mailed by the Transfer Agent to the registered owner at the registered address as shown on the registration books of the Board maintained by the Transfer Agent. Interest shall be payable to the person or entity who or which is the registered owner of record as of the fifteenth (15th) day of the month prior to the payment date for each interest payment. The date of determination of the registered owner for purposes of payment of interest as provided in this paragraph may be changed by the Board to conform to market practice in the future.

The Series 2026 Bonds may be issued in book-entry-only form through The Depository Trust Company in New York, New York (“DTC”), and the Chief Financial Officer is authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Series 2026 Bonds in book-entry-only form and to make such changes in the form of the Series 2026 Bonds within the parameters of this resolution as may be required to accomplish the foregoing. Notwithstanding the foregoing, if the Series 2026 Bonds are held in book-entry-only form by DTC, payment of principal of and interest on the Series 2026 Bonds shall be made in the manner prescribed by DTC.

The Series 2026 Bonds may be transferred upon the books required to be kept by the Transfer Agent pursuant to this section by the person or entity in whose name it is registered, in person or by the registered owner’s duly authorized attorney, upon surrender of the bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any bond shall be surrendered for transfer, the Board shall execute, and the Transfer Agent shall authenticate and deliver a new bond of the same series in like aggregate principal amount, maturity and interest rate. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. Notwithstanding the foregoing, if Bonds are held by DTC in book-entry-only form, the transfer of Bonds shall be made in the manner prescribed by DTC.

Section 6. Refunding Bond Proceeds. From the proceeds of sale of the Refunding Bonds there first shall be immediately deposited in the Redemption Fund an amount equal to the accrued interest, if any, received on delivery of the Refunding Bonds, and the Board may take credit for the amount so deposited against the amount required to be deposited in the Redemption Fund for payment of the next maturing interest on the Refunding Bonds. All or a portion of any premium received upon delivery of the Refunding Bonds may be deposited in either the Redemption Fund or the Escrow Fund, as determined by the Chief Financial Officer in consultation with Bond Counsel.

There shall next be deposited in the Bond Reserve Account an amount, if any, designated by the Chief Financial Officer at the time of sale of the Refunding Bonds.

After any deposit to the Bond Reserve Account, proceeds of the Refunding Bonds shall next be deposited as follows:

- (a) Proceeds of sale of Refunding Bonds issued to refund any Prior Bonds other than Repurchased Bonds shall be deposited in the Escrow Fund and held in cash and investments in Government Obligations or Municipal Obligations not redeemable at the option of the Board. U.S. Bank Trust Company, National Association, Detroit, Michigan, is hereby appointed to act as escrow trustee (the “Escrow Trustee”) under the Escrow Agreement. The Escrow Trustee shall hold the Escrow Fund in trust pursuant to the Escrow Agreement which shall irrevocably direct the Escrow Trustee to take all necessary steps to call such Prior Bonds being refunded for redemption as specified in the Escrow Agreement. The Chief Financial Officer is hereby authorized to execute and deliver the Escrow Agreement, to transfer any moneys as he may deem necessary from the Redemption Fund, or other fund or account of the Board, to the Escrow Fund, and to purchase, or cause to be purchased, escrow securities consisting of Government Obligations, including, but not limited to, United States Treasury Obligations – State and Local Government Series (SLGS), or Municipal Obligations, for deposit in the Escrow Fund. The Chief Financial Officer is directed to deposit to the Escrow Fund, from Refunding Bond proceeds and other moneys as necessary, an amount which, together with investment proceeds to be received thereon, will be sufficient, without reinvestment, to pay the principal of and interest on such Prior Bonds being refunded as they become due or upon call for redemption.
- (b) Proceeds of the sale of Refunding Bonds issued to repurchase Repurchased Bonds shall be deposited and applied in accordance with the instructions for settlement of the tender and repurchase of the Repurchased Bonds.

The remaining proceeds of the Refunding Bonds shall be deposited in a fund which may be established to pay costs of issuance of the Series 2026 Bonds and the costs of refunding the Prior Bonds and of purchasing the Repurchased Bonds. Any moneys remaining after payment of costs of issuance and costs of refunding the Prior Bonds being refunded shall be transferred to the Redemption Fund and used to pay interest on the Refunding Bonds.

Section 7. Bond Form. The Series 2026 Bonds shall be in substantially the following form with such revisions, additions and deletions as the Board may deem advisable or necessary to comply with the final terms of the Series 2026 Bonds established upon sale thereof:

BOND NO.

R-

UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTIES OF INGHAM AND EATON

CITY OF LANSING  
LANSING BOARD OF WATER AND LIGHT  
UTILITY SYSTEM REVENUE REFUNDING BOND, [SERIES]  
[FEDERALLY TAXABLE]

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
----------------------	-------------------------	-------------------------------	--------------

Registered Owner: Cede & Co.

Principal Amount:

The City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City"), acting through the governing body of the Lansing Board of Water and Light (the "Issuer"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, only from the Net Revenues of the System as hereinafter provided, the Principal Amount specified above, in lawful money of the United States of America, on the Date of Maturity specified above, [unless prepaid prior thereto as hereinafter provided,] with interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on [interest payment date] and semiannually thereafter. Principal of this bond is payable at the designated corporate trust office of [transfer agent], or such other transfer agent as the Issuer may hereafter designate by notice mailed to the registered owner of record not less than sixty (60) days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable by check or draft mailed by the Transfer Agent to the person or entity who or which is as of the fifteenth (15th) day of the month prior to each interest payment date, the registered owner of record at the registered address.

For the prompt payment of principal and interest on this bond, the revenues received by the Issuer from the operations of the Issuer's facilities for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat (the "System") after provision has been made for reasonable and necessary expenses of operation, maintenance and administration of the System (the "Net Revenues"), are irrevocably pledged and a statutory first lien thereon has been created to secure the payment of the principal of and

interest on this bond, when due; however, the pledge of Net Revenues and the statutory lien are on a parity with the pledge of Net Revenues and statutory lien in favor of the Utility System Revenue Refunding Bonds, Series 2017A, the Utility System Revenue Bonds, Series 2019A, the Utility System Revenue Refunding Bonds, Series 2019B (Federally Taxable), the Utility System Revenue Bonds, Series 2021A, the Utility System Revenue Bonds, Series 2021B (Mandatory Put Bonds) and the Utility System Revenue and Revenue Refunding Bonds, Series 2024A.

This bond is one of a series of bonds of even Date of Original Issue aggregating the principal sum of \$[principal amount]. This bond is issued for the purposes of [making a deposit to a bond reserve account,] / [ refunding certain outstanding bonds] / [repurchasing certain outstanding bonds of the Issuer tendered for such purpose], and paying the costs of issuing the bonds, pursuant to an Amended and Restated Utility System Revenue Bond Resolution adopted by the Issuer on March 27, 2018, as amended and supplemented from time to time, including by a Fourth Supplemental Utility System Revenue Bond Resolution adopted by the Issuer on [date of resolution] (collectively, the “Bond Resolution”). This bond is issued under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”).

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of equal standing as to the Net Revenues may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Bond Resolution. Reference is hereby made to the Bond Resolution and any and all supplements thereto and modifications and amendments thereof, if any, and to Act 94, for a more complete description of the pledges and covenants securing the bonds of this issue, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the bonds of this issue with respect thereto and the terms and conditions upon which the bonds of this issue are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Bond Resolution, the provisions of the Bond Resolution or any resolution or agreement amendatory thereof or supplemental thereto, may be modified or amended by the Issuer, except in specified cases, only with the consent of the registered owners of at least fifty-one percent (51%) of the principal amount of the bonds of the System then outstanding.

Bonds of this issue [maturing in the years [date], inclusive,] shall not be subject to redemption prior to maturity.

[Insert optional and mandatory redemption provisions if applicable]

This bond is transferable only upon the books of the Issuer kept for that purpose at the office of the Transfer Agent by the registered owner hereof in person, or by the registered owner’s attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly authorized in writing and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Bond Resolution, and upon the payment of the charges, if any, therein prescribed. [The Transfer

Agent shall not be required (i) to issue, register the transfer of, or exchange any bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of bonds selected for redemption under the Bond Resolution and ending at the close of business on the date of that mailing, or (ii) to register the transfer of or exchange any bond so selected for redemption in whole or in part, except the unredeemed portion of bonds being redeemed in part.]

THIS BOND IS A SELF-LIQUIDATING BOND AND IS NOT A GENERAL OBLIGATION OF THE CITY AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATION, AND IS PAYABLE BOTH AS TO PRINCIPAL AND INTEREST SOLELY FROM THE NET REVENUES OF THE SYSTEM AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE BOND RESOLUTION. THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE SECURED BY THE STATUTORY LIEN HEREINBEFORE DESCRIBED.

The Issuer has covenanted and agreed, and covenants and agrees, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the principal of and interest on the bonds of this issue and any other bonds payable from the Net Revenues as and when the same shall become due and payable, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Bond Resolution.

It is hereby certified and recited that all acts, conditions and things required by law to be done precedent to and in the issuance of this bond and the series of bonds of which this is one have been done and performed in regular and due time and form as required by law.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City, acting through the Lansing Board of Water and Light, has caused this bond to be signed in its name with the facsimile signatures of the Chairperson and Corporate Secretary of the Lansing Board of Water and Light, and a facsimile of the City's corporate seal to be printed hereon, all as of the Date of Original Issue.

LANSING BOARD OF WATER AND LIGHT By  
[definitive Bond to be signed at delivery]  
Chairperson

(City Seal)

Countersigned:

By [definitive Bond to be signed at delivery]

Its: Corporate Secretary

[STANDARD FORMS OF CERTIFICATE OF AUTHENTICATION  
AND ASSIGNMENT TO BE INSERTED ON BOND]

Section 8. Municipal Advisor. The Board hereby requests that PFM Financial Advisors, LLC continue to serve the Board as Municipal Advisor for the Series 2026 Bonds.

Section 9. Bond Counsel. The Board hereby requests that Miller, Canfield, Paddock and Stone, P.L.C., Lansing, Michigan, continue to serve the Board as bond counsel for the Series 2026 Bonds. The Board acknowledges that Miller, Canfield, Paddock and Stone, P.L.C. has represented from time to time, and currently represents, various underwriters, financial institutions, and other potential participants in the bond financing process, in matters not related to the issuance and sale of the Series 2026 Bonds.

Section 10. Tax Covenant. Any series of Series 2026 Bonds may be issued on a tax-exempt basis or a taxable basis. The Board hereby covenants that it shall not invest, reinvest or accumulate any moneys deemed to be proceeds of a tax-exempt series of Series 2026 Bonds pursuant to the Internal Revenue Code of 1986, as amended, in such a manner as to cause such tax-exempt Series 2026 Bonds to be “arbitrage bonds” within the meaning of the Internal Revenue Code. The Board hereby covenants that, to the extent permitted by law, it will take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of interest on such tax-exempt Series 2026 Bonds from gross income for federal income tax purposes, including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of bond proceeds and moneys deemed to be bond proceeds, all as more fully set forth in the non-arbitrage and tax compliance certificate to be delivered by the Board on the date of delivery of such tax-exempt Series 2026 Bonds.

Section 11. Negotiated Sale of Bonds; Appointment of Senior Managing Underwriter. Based on the advice of the Municipal Advisor, it is hereby determined to be in the best interest of the Board to sell the Series 2026 Bonds by negotiated sale in order to enable the Board to select and adjust terms for the Series 2026 Bonds, to enter the market on short notice at a point in time which appears to be most advantageous, and thereby possibly obtain a lower rate of interest on the Series 2026 Bonds, to achieve sale efficiencies so as to reduce the cost of issuance and interest expense.

The Chief Financial Officer is hereby authorized to select one or more managing underwriters and to name additional co-managers and/or to develop a selling group in consultation with the Municipal Advisor. By adoption of this resolution the Board assumes no obligations or liability to the underwriter for any loss or damage that may result to the underwriter from the adoption of this resolution, and all costs and expenses incurred by the underwriter in preparing for sale of the Series 2026 Bonds shall be paid from the proceeds of the Series 2026 Bonds, if issued, except as may be otherwise provided in the Bond Purchase Agreement for Series 2026 Bonds.

Section 12. Bond Ratings and Bond Insurance. The Chief Financial Officer is hereby authorized to apply for bond ratings from such municipal bond rating agencies as deemed appropriate, in consultation with the Municipal Advisor. If the Municipal Advisor recommends

that the Board consider purchase of municipal bond insurance, then the Chief Financial Officer is hereby authorized to negotiate with insurers regarding acquisition of municipal bond insurance, and, in consultation with the Municipal Advisor, to select an insurer and determine which bonds, if any, shall be insured, and the Chief Financial Officer is hereby authorized to execute an agreement with the insurer relating to procedures for paying debt service on the insured bonds and notifying the insurer of any need to draw on the insurance and other matters.

Section 13. Official Statement. The Chief Financial Officer is authorized to approve circulation of a Preliminary Official Statement describing the Series 2026 Bonds and, after sale of the Series 2026 Bonds, to prepare, execute and deliver a final Official Statement.

Section 14. Continuing Disclosure. The Chief Financial Officer is hereby authorized to execute and deliver, prior to delivery of the Series 2026 Bonds, a written continuing disclosure undertaking as necessary in order to enable the underwriter or bond purchaser to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The continuing disclosure undertaking shall be in substantially the form which he shall, in consultation with bond counsel, determine to be appropriate.

Section 15. Sale of Series 2026 Bonds. The Chief Financial Officer is authorized, in consultation with the Municipal Advisor, to accept an offer to purchase the Series 2026 Bonds without further resolution of this Board. This authorization includes, but is not limited to, determination of original principal amount of the Series 2026 Bonds; the prices at which the Series 2026 Bonds are sold; the date of the Series 2026 Bonds; the schedule of principal maturities and whether the Series 2026 Bonds shall mature serially or as term bonds; provisions for early redemption, if any, including mandatory redemption of term bonds, if any; the interest rates and payment dates of the Series 2026 Bonds; application of the proceeds of the Series 2026 Bonds, and, if necessary to meet the requirements of the bond underwriters or purchasers, deposit to the Bond Reserve Account from funds on hand or proceeds of the Series 2026 Bonds. Approval of the matters delegated to the Chief Financial Officer under this resolution may be evidenced by the Chief Financial Officer's execution of the Bond Purchase Agreement for the Series 2026 Bonds or other offer to purchase the Series 2026 Bonds, or Sale Order, or the Official Statement.

The maximum interest rate on the Series 2026 Bonds shall not exceed 5.5%. The first maturity of principal on the Series 2026 Bonds shall occur no earlier than July 1, 2026. The Refunding Bonds shall not be sold unless there shall be net present value savings after payment of costs of issuance of the Series 2026 Bonds and costs of refunding the Prior Bonds being refunded. In making such determinations the Chief Financial Officer is authorized to rely upon data and computer runs provided by the Municipal Advisor.

Section 16. Verification Agent. The Chief Financial Officer is hereby authorized, at the Chief Financial Officer's discretion, to select an independent certified public accountant to serve as verification agent to verify that the securities and cash to be deposited to the Escrow Fund will be sufficient to provide, at the times and in the amounts required, sufficient moneys

to pay the principal of and interest on the Prior Bonds being refunded as they become due or upon call for redemption.

Section 17. Tender Agent and Solicitation to Tender the Series 2017A Bonds, the Series 2019A Bonds and the 2019B Bonds. Upon the recommendation of the Municipal Advisor and with the approval of the Underwriter (hereby selected to serve as Dealer Manager for the Invitation (the “Dealer Manager”)), the Chief Financial Officer is hereby authorized to approve the selection of a tender, information and repurchase agent (the “Tender Agent”) to issue the Invitation for the tender, repurchase and cancellation of the Repurchased Bonds. The Chief Financial Officer is further authorized, upon the recommendation of the Municipal Advisor, Dealer Manager and the Tender Agent, to take the following actions relating to such tender: (a) approve and deliver any and all notices, solicitations and disclosures (including, but not limited to, one or more Invitations to tender, a tender offer disclosure statement, if necessary, and related informational statements); (b) negotiate, execute and deliver any and all agreements; (c) file any and all documents with State or federal agencies; (d) seek any and all approvals; (e) approve the selection of which portion or all of the Series 2017A Bonds, the Series 2019A Bonds and Series 2019B Bonds tendered that will be repurchased and cancelled; and (f) take all other actions necessary or appropriate to accomplish the repurchase and cancellation of the Repurchased Bonds.

Section 18. Other Actions. In the event that the Chief Financial Officer is not available at the time that it becomes necessary to take actions directed or authorized under this resolution, then the Assistant General Manager or another a person designated by the Chief Financial Officer is authorized to take the actions delegated to the Chief Financial Officer by this resolution. The officers, administrators, agents and attorneys of the Board are authorized and directed to take all other actions necessary and convenient to facilitate issuance, sale and delivery of the Series 2026 Bonds, and to execute and deliver all other agreements, documents and certificates and to take all other actions necessary or convenient in accordance with this resolution, and to pay costs of issuance including but not limited to rating agency fees, bond insurance premiums, transfer agent fees, Escrow Trustee fees, verification agent fees, Municipal Advisor fees, bond counsel fees, underwriter counsel fees, costs of printing the preliminary and final official statements, and any other costs necessary to accomplish sale and delivery of the Series 2026 Bonds.

Section 19. Applicability of the Outstanding Bond Resolutions. Except to the extent supplemented or otherwise provided in this resolution, all of the provisions and covenants provided in the Bond Resolution shall apply to the Series 2026 Bonds issued pursuant to provisions of this resolution, such provisions of the Bond Resolution being made applicable to the Series 2026 Bonds.

Section 20. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded.

Section 21. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause

or provision shall not affect any of the other provisions of this resolution. The paragraph headings in this resolution are furnished for convenience of reference only and shall not be considered to be part of this resolution.

Section 22. Publication and Recordation. In accordance with the provisions of Section 6 of Act 94, this resolution shall be published once in full in the *Lansing State Journal*, a newspaper of general circulation in the City qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the minutes of the Board and such recording authenticated by the signatures of the Chairperson and Corporate Secretary of the Board.

Section 23. Effective Date. This resolution is hereby determined to be immediately necessary for the preservation of the public peace, property, health and safety of the City and the users of the System. In accordance with the provisions of Section 6 of Act 94, this resolution shall become effective immediately upon its adoption.

We hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light at a Regular meeting held on Tuesday, November 18, 2025, at 5:30 p.m., Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

We further certify that the following Commissioners were present at said meeting \_\_\_\_\_ and that the following Commissioners were absent \_\_\_\_\_.

We further certify that Commissioner \_\_\_\_\_ moved adoption of said resolution, and that said motion was supported by Commissioner \_\_\_\_\_.

We further certify that the following Commissioners voted for adoption of said resolution \_\_\_\_\_ and that the following Commissioners voted against adoption of said resolution \_\_\_\_\_.

We further certify that said resolution has been recorded in the Resolution Book and that such recording has been authenticated by the signature of the Chairperson and Corporate Secretary.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Corporate Secretary

# FY 2026 Disaster Recovery Audit Results

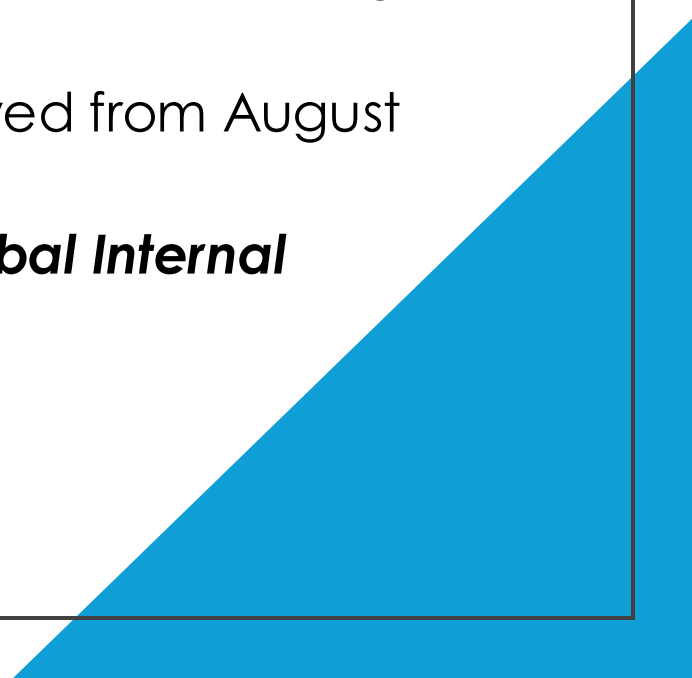
Presented by:

Elisha Franco, Director of Internal Audit



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# Audit Scope & Methodology

- The **audit scope** was to perform an examination of the Disaster Recovery processes, procedures, and documentation at the Lansing Board of Water & Light.
  - Audit procedures, documents, and data were reviewed from August 14, 2025, to October 13, 2025.
  - The audit was carried out in compliance with the **Global Internal Audit Standards**.
- 
- A blue triangular graphic is located in the bottom right corner of the slide, pointing upwards and to the left.

# Audit Objectives

## *Determine whether:*

- Assess BWL's business continuity and disaster recovery plans to ensure key components are captured in alignment with best practices and the plans are reviewed and updated at least annually.
- Verify that regular testing and validation of disaster recovery and business continuity plans are performed.
- Assess the effectiveness of documentation of plans, education on plans, and activities to ensure that BWL team members outside of Emergency Management understand the role in maintaining and restoring operations after an incident occurs.

# Audit Themes

Number	Area	Theme
1	Staff Awareness & Training	Regular communication and training activities support staff awareness of continuity and recovery procedures.
2	Testing & Validation	Responsibility for maintaining, testing, and improving continuity and recovery processes is distributed across departments, limiting consistency in execution.
3	Plan Governance	Departmental business continuity and disaster recovery plans are not updated consistently, leading to outdated procedures and unclear responsibilities.



# Audit Findings

*Four medium-risk findings were identified during the audit:*

- **Siloed Continuity Knowledge Across Business Units:** Disaster recovery and business continuity activities are siloed within departments, lacking shared documentation, updated plans, or centralized coordination.
  - **Absence of an Enterprise Business Impact Analysis (BIA):** No formal BIA has been conducted to define recovery priorities or objectives. Recovery targets are scattered and inconsistent, limiting enterprise-wide visibility and risking misaligned and inefficient recovery processes.
-



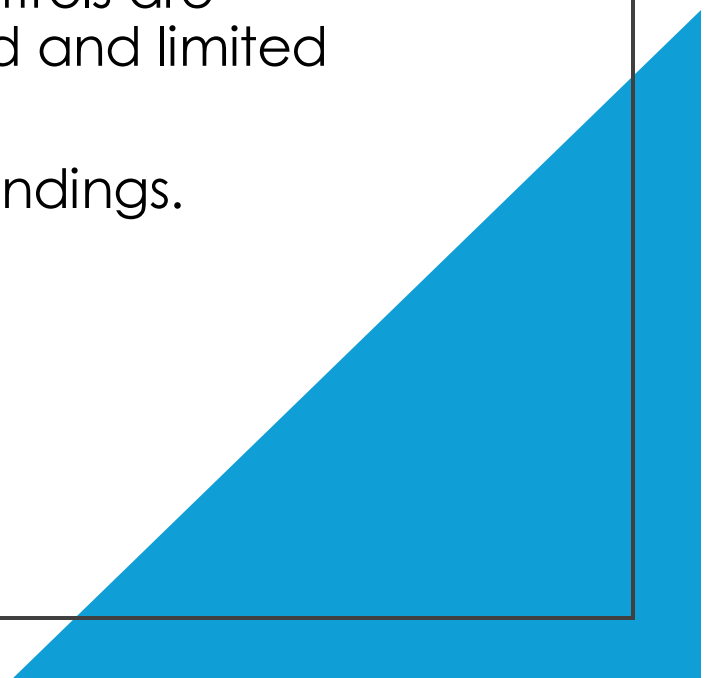
# Audit Findings

- **Decentralized Management of Critical Vendor Information:** Critical vendor roles and contact information are not centrally managed, leading to inefficiencies and potential delays in communication and recovery during disruptions
  - **No IT Tabletop Exercises for Disaster Recovery:** Disaster recovery testing is irregular across departments, with key areas like IT lacking exercises and corrective action tracking—resulting in unvalidated recovery plans and inconsistent documentation of lessons learned.
-

# General Opinion

Overall opinion rating of **Sufficient**:

- No critical or high-level risk areas were identified. Controls are generally effective, with minor improvements needed and limited risk exposure.
- Some management effort is required to correct the findings.



# FY 2026 Payroll Audit Results

Presented by:

Elisha Franco, Director of Internal Audit



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# Audit Scope & Methodology

- The **audit scope** was to perform an examination of the Payroll processes at Lansing Board of Water & Light (“BWL”), with a focus on the implementation and effectiveness of the new Workday Human Resources Information System (“HRIS”).
- Audit procedures, documents, and data were reviewed from July 28, 2025, to October 17, 2025.
- The audit was carried out in compliance with the **Global Internal Audit Standards**.

# Audit Objectives

## *Determine whether:*

- Evaluate the accuracy, completeness, and timeliness of payroll transactions processed through Workday, ensuring they comply with organizational policies and regulatory requirements. This includes verifying correct employee data, wage rates, deductions, benefits, and adherence to payroll deadlines.
- Evaluate the adequacy and effectiveness of internal controls within Workday and Payroll processes, including authorization of payroll changes, segregation of duties, and system access restrictions.
- Evaluate user access and permission settings for payroll data within Workday to ensure that sensitive information is adequately safeguarded against unauthorized access or modification.

# Audit Themes

Number	Area	Theme
1	Timely Payroll Distribution	Payroll is consistently distributed in alignment with the payroll calendar, supporting timely payment to employees.
2	Informal Documentation & Review	Payroll documentation and formal review steps are limited, with processes relying on informal practices and individual confirmation.
3	Manual Payroll Processing	The payroll process remains highly manual. Reports are exported from Workday and compiled into a single file using copy-paste methods and manual validations.
4	Siloed Knowledge	Payroll processing relies heavily on one team member, creating a risk to accuracy and timeliness if that person is unavailable.



# Audit Findings

*Four medium-risk findings were identified during the audit:*

1. **401(a) and 457(b) Contribution controls:** Although controls are in place, Internal Audit could not verify actual performance of control activities related to 401 (a) and 457(b) contributions due to a lack of documented evidence, such as formal periodic review records.
  2. **Payroll Reasonableness Checks:** Payroll and Accounting teams perform reasonableness checks independently and without documentation, increasing the risk of missed or duplicated steps and reducing the overall efficiency and reliability of the payroll process.
-



# Audit Findings

3. **Pay Change Request Timeliness and Documentation:** Over half of the sampled pay change requests were submitted after their effective dates, with inconsistent documentation and limited explanatory comments in Workday, making it difficult to confirm timely and appropriate approvals.
  4. **Segregation of Duties in Payroll Processing:** Payroll responsibilities lack system-enforced segregation, with a single team member managing key steps without system approval of changes or confirmed access restrictions, heightening the risk of undetected errors or unauthorized changes.
-



# Audit Process Improvement Recommendations

***Six process improvement recommendations were identified during the audit:***

1. Transition payroll calculations and approvals into Workday by configuring system-based rules and workflows, reducing manual processes and improving consistency, traceability, and compliance.
  2. Implement a formal payroll procedure that outlines roles, responsibilities, access controls, approval requirements, and documentation standards to promote consistency, accountability, and compliance while reducing the risk of errors and unauthorized changes.
  3. Develop a formal intake and tracking process for pay code setup and communication, using standardized forms and a workflow or ticketing system to enhance coordination, traceability, and accountability across departments.
-



# Audit Process Improvement Recommendations

4. Develop comprehensive payroll process documentation and cross-train team members to reduce key-person risk, ensure business continuity, and promote consistent execution of payroll activities.
  5. Implement a recurring quarterly payroll analysis using Workday's dashboarding tools to identify trends, ensure consistency, and proactively detect issues, enhancing data-driven decision-making and payroll integrity.
  6. Complete the user access review (UAR) by year-end to ensure access rights align with current roles, remove outdated permissions, maintain segregation of duties, and document the process for audit compliance.
-

# General Opinion

Overall opinion rating of **Needs Improvement**:

- The payroll process presents several areas requiring improvement. Controls are generally adequate, but there are notable weaknesses that pose high risk, requiring significant management action.
- This rating reflects that while some foundational controls exist, enhancements are necessary to strengthen the control environment and support consistent, reliable payroll execution.

# Internal Audit Status Report



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Finance Committee Meeting

November 2025

# Overview

- Audit Update
- Issue Status Update
- FY 2026 Audit Work Plan
- Other Items

# Audit Update

Total Worksteps

195

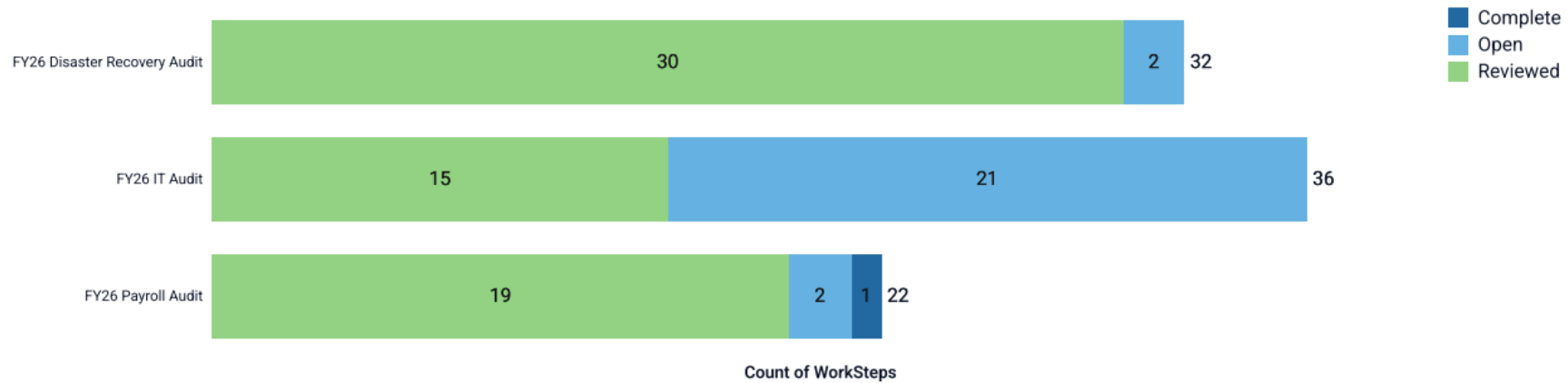
Percent (%) In Progress / Not Begun

12.82%

Percent (%) Complete

87.18%

## Audit Status



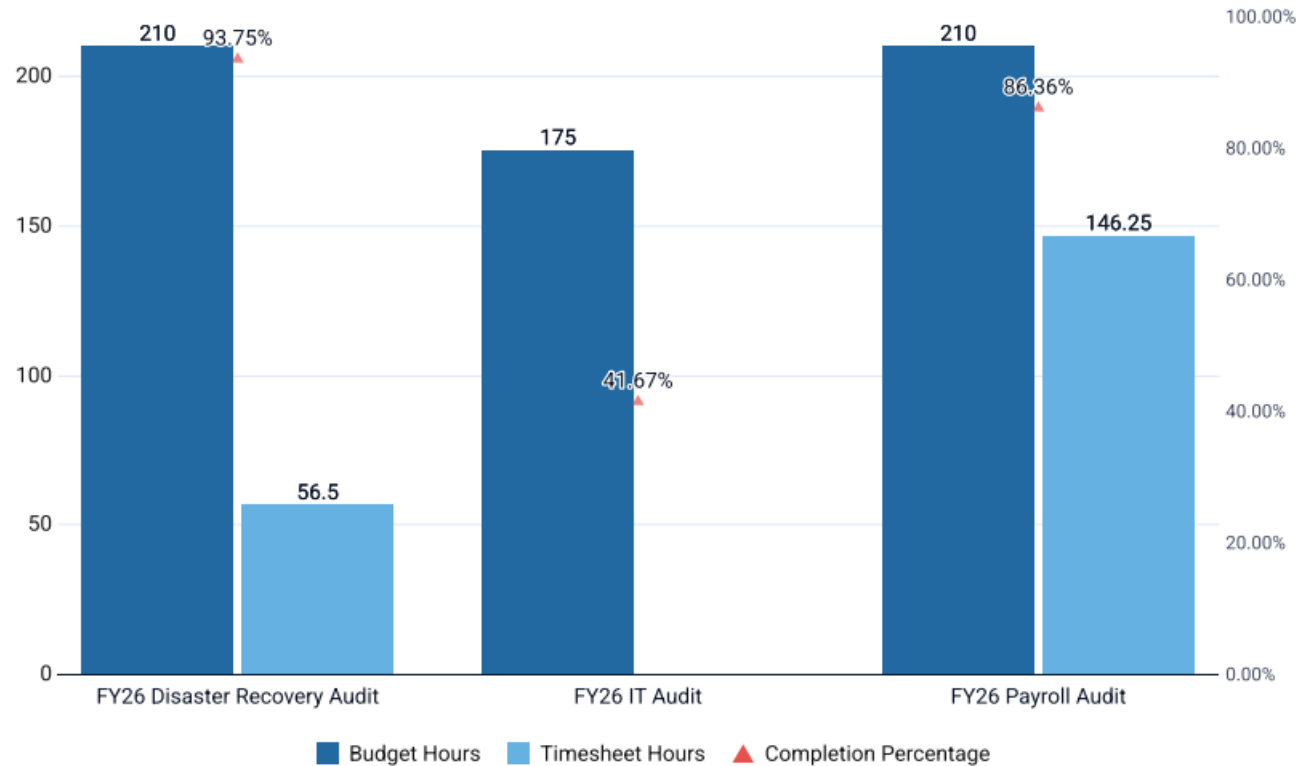
**Open:** WorkStep is pending completion

**Complete:** WorkStep has been completed; pending review

**Reviewed:** WorkStep has been completed and fully reviewed

# Audit Update

## Budget vs. Timesheets



**3**

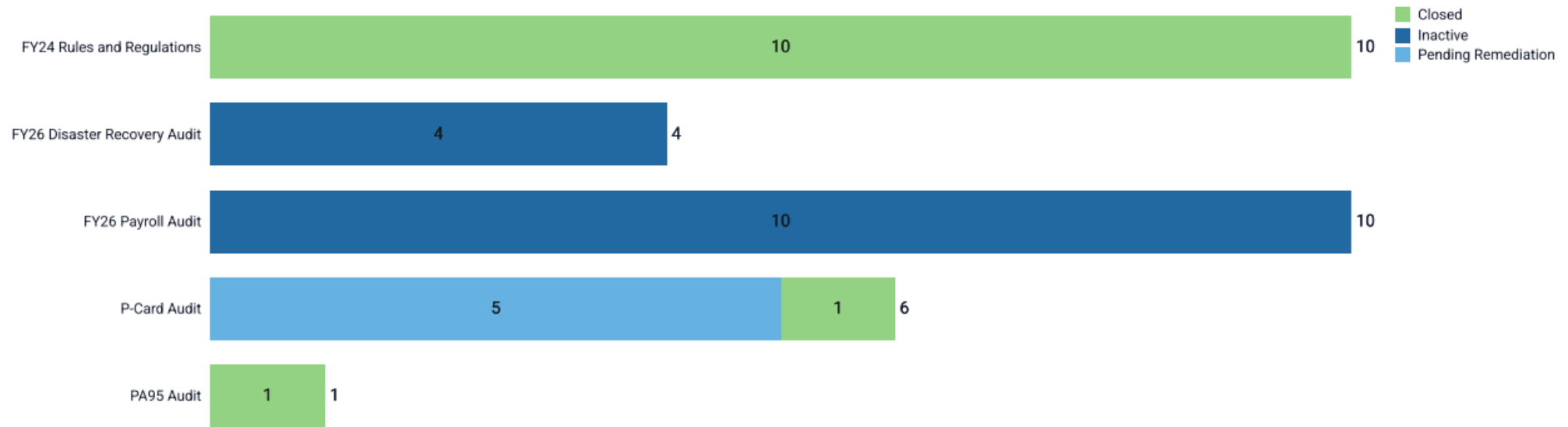
Audits Under Budget or On Track

**0**

Audits Over Budget or At Risk

# Issue Status Update

## Issue Status by Audit



**Closed:** Issue has been fully remediated and remediation evidence has been reviewed by Internal Audit

**Inactive:** Issue presented to Management and pending Management's response

**Pending Remediation:** Issue is pending Management's remediation

# FY 2026 Audit Plan



## Payroll

- July 2025- October 2025
- Fieldwork completed
- Audit Report Reviewed with management October 24, 2025

## Disaster Recovery

- August 2025- September 2025
- Fieldwork completed
- Audit Report reviewed with management October 16, 2025

## IT Audit (Data Security Assessment)

- October 2025- November 2025
- Kick-off meeting held October 15, 2025

## Penetration Testing

- November 2025- December 2025

## Billing Audit

- January 2026-April 2026

## Environmental Compliance

- April 2026- June 2026

# Other Items

## Department Items

### Internal Audit Department Governance and Oversight:

- The Institute of Internal Auditors recently released the Global Audit Committee Center
- This new resource will provide guidance on governance and oversight over internal audit functions
- More details and information to be provided by Internal Audit

### Service Providers:

- Internal Audit engages Plante Moran to assist in internal audit consulting services
- Plante Moran provides support throughout the audit process, including planning, procedures, fieldwork, and reporting
- Plante Moran provides additional audit capacity, advanced expertise, and further advisory services

# Other Items

## Department Items

### Summer 2026 Intern Recruitment:

- Internal Audit will have an intern starting in May 2026
- Reviewal of candidate applications: September – Current
- Interviewing candidates started in November

### Professional Development:

- Actively working toward completion of required examinations for CIA certification