

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA**

**FINANCIAL REPORT**

**DECEMBER 31, 2020 AND 2019**



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## **INTRODUCTORY SECTION**



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
ORGANIZATIONAL DATA  
DECEMBER 31, 2020**

**COMMISSION**

		<u>Term Expires December 31.</u>
President	Mike Angland	2022
Vice President	Tad Johnson	2023
Commission Member	Mark O'Day	2020
Commission Member	Dolly Matten	2024
Commission Member	William Wroolie	2021

**ADMINISTRATION**

Superintendent of Utilities	Scott Magnuson
Commission Secretary	Todd Wicklund
Operations Manager	Trent Hawkinson
Wastewater Treatment Plant Supervisor	Charlie Gammon
Technology Supervisor	Aaron Andersen
Accounting Supervisor	Julie Batters





## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Brainerd Public Utilities Commission  
Brainerd Public Utilities  
Brainerd, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brainerd Public Utilities (BPU), a component unit of the City of Brainerd, Minnesota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the BPU's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BPU's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BPU as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BPU's basic financial statements. The departmental combining financial statements, the schedule of capital assets and accumulated depreciation and the other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The departmental combining financial statements and the schedule of capital assets and accumulated depreciation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

This 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Information*

The other information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Brainerd Public Utilities Commission  
Brainerd Public Utilities

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021, on our consideration of BPU'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 result of that testing, and not to provide an opinion on the effectiveness of BPU'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 BPU's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 1, 2021

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**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

The management of Brainerd Public Utilities (BPU) offers readers of our financial statements this narrative overview and analysis of the financial activities of BPU for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with BPU's financial statements and accompanying notes, which follow this section.

**Financial Highlights from 2019 to 2020**

- BPU's combined net position increased \$2,281,127, or 4.6%, from \$49,977,129 to \$52,258,256.
- Combined total assets and deferred outflow of resources decreased \$276,741, or 0.3%, from \$91,732,863 to \$91,456,122.
- Combined total liabilities decreased \$2,151,982, or 5.2%, from \$41,182,884 to \$39,030,902.
- Combined total operating revenue decreased \$1,355,271, or 5.1%, from \$26,832,882 to \$25,477,611.
- Combined total operating expenses decreased \$886,244, or 3.6%, from \$24,765,626 to \$23,879,382.

**Overview of the Financial Statements**

BPU provides electric generation and distribution, water production, treatment and distribution and wastewater treatment to the City of Brainerd. BPU also provides electric distribution to portions of the City of Baxter and treats 100% of the City of Baxter's wastewater.

BPU is a component unit of the City of Brainerd. BPU's operations, capital asset program and debt payments are funded entirely through rates, fees and other charges for these utility services. As such, BPU is considered to be, and therefore presents its financial report, as a stand-alone enterprise fund.

This financial report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Required Supplementary Information, Supplementary Information and Other Information. The Financial Statements include notes that provide additional detail for some of the information included in the Financial Statements.

**Required Financial Statements**

The Financial Statements report information utilizing generally accepted utility accounting practices. The financial statements consist of three required reports.

The ***Statements of Net Position*** summarize BPU's assets and deferred outflows of resources and liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to BPU's creditors (liabilities). These statements also provide information that can assist in making a variety of financial assessments about BPU's rate of return, structure, liquidity, and financial flexibility.

The ***Statements of Revenues, Expenses, and Changes in Net Position*** summarize the current and prior year's revenues and expenses. These statements quantify the success of BPU's operations. These statements can serve as a tool in determining how well BPU covered its costs through rates, fees, and other revenues. These statements also highlight BPU's profitability and credit worthiness.

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Required Financial Statements (Continued)**

The **Statements of Cash Flows** are the third required financial statement. The primary purpose of these statements is to provide information about cash receipts and cash payments during the current and prior year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

**Financial Analysis**

The **Condensed Statements of Net Position – Table 1** provide a summary of BPU's net position and is shown in combined form.

Net capital assets represent 70.5% and 70.1% of total assets and deferred outflows of resources as of December 31, 2020 and 2019, respectively. Long-term liabilities represent 35.0% and 37.8% of total liabilities, net position, and deferred inflows of resources as of December 31, 2020 and 2019, respectively. Total net position increased 4.6% and 5.4% as of December 31, 2020 and 2019, respectively.

The largest portion of BPU's net position (66.7%), at December 31, 2020, reflects its net investment in capital assets. Although BPU's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

For 2020, \$7,154,837 or 13.7% of BPU's net position represents resources that are restricted. The remaining balance of unrestricted net position of \$10,252,252 or 19.6% may be used to meet BPU ongoing obligations.

The **Condensed Statements of Revenues, Expenses, and Changes in Net Position – Table 2**, provide a summary of the changes in BPU's net position and are shown in combined form.

Net nonoperating revenue (expense) from 2019 to 2020 increased \$69,547, or 5.6%, from \$1,235,969 to \$1,305,516. The significant change for 2020 was an increase in local option sales tax of \$149,857.

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Financial Analysis (Continued)**

**Condensed Statements of Net Position**  
**Table 1**

	December 31,			Change	
	2020	2019	2018	2020 to 2019	2019 to 2018
Net Capital Assets	\$ 64,483,801	\$ 64,288,747	\$ 63,943,077	\$ 195,054	\$ 345,670
Restricted Assets	9,871,990	10,234,665	10,627,779	(362,675)	(393,114)
Current Assets	16,186,633	16,617,274	16,704,628	(430,641)	(87,354)
Other Assets	275,149	292,883	229,638	(17,734)	63,245
<b>Total Assets</b>	<b>90,817,573</b>	<b>91,433,569</b>	<b>91,505,122</b>	<b>(615,996)</b>	<b>(71,553)</b>
Deferred Outflows of Resources	638,549	299,294	592,018	339,255	(292,724)
<b>Total Assets and Deferred Outflows</b>	<b>\$ 91,456,122</b>	<b>\$ 91,732,863</b>	<b>\$ 92,097,140</b>	<b>\$ (276,741)</b>	<b>\$ (364,277)</b>
Current Liabilities	\$ 6,976,539	\$ 6,512,074	\$ 6,018,165	\$ 464,465	\$ 493,909
Long-Term Liabilities	32,054,363	34,670,810	37,857,246	(2,616,447)	(3,186,436)
<b>Total Liabilities</b>	<b>39,030,902</b>	<b>41,182,884</b>	<b>43,875,411</b>	<b>(2,151,982)</b>	<b>(2,692,527)</b>
Net Investment in Capital Assets	34,851,167	31,477,317	29,174,203	3,373,850	2,303,114
Restricted Net Position	7,154,837	7,598,735	8,112,081	(443,898)	(513,346)
Unrestricted Net Position	10,252,252	10,901,077	10,145,014	(648,825)	756,063
<b>Total Net Position</b>	<b>52,258,256</b>	<b>49,977,129</b>	<b>47,431,298</b>	<b>2,281,127</b>	<b>2,545,831</b>
Deferred Inflows of Resources	166,964	572,850	790,431	(405,886)	(217,581)
<b>Total Liabilities, Net Position and Deferred Inflows</b>	<b>\$ 91,456,122</b>	<b>\$ 91,732,863</b>	<b>\$ 92,097,140</b>	<b>\$ (276,741)</b>	<b>\$ (364,277)</b>



**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Financial Analysis (Continued)**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

**Table 2**

	2020	2019	Dollar Change	Percentage Change
<b>OPERATING REVENUES</b>				
Electric	\$ 20,017,034	\$ 21,283,126	\$ (1,266,092)	-5.9%
Water	2,721,220	2,618,240	102,980	3.9%
Wastewater Treatment	2,739,357	2,931,516	(192,159)	-6.6%
Total Operating Revenue	25,477,611	26,832,882	(1,355,271)	-5.1%
<b>OPERATING EXPENSES</b>				
Production and Treatment	2,627,392	2,451,110	176,282	7.2%
Purchased Power	10,559,355	11,928,124	(1,368,769)	-11.5%
Distribution and Collection	2,849,088	2,961,522	(112,434)	-3.8%
Administration	2,895,297	2,760,283	135,014	4.9%
Depreciation and Amortization	4,948,250	4,664,587	283,663	6.1%
Total Operating Expenses	23,879,382	24,765,626	(886,244)	-3.6%
<b>OPERATING INCOME (LOSS)</b>	1,598,229	2,067,256	(469,027)	-22.7%
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest Income - Investments	370,983	491,353	(120,370)	-24.5%
Interest Income - Notes Receivable	147,679	158,204	(10,525)	-6.7%
Interest Expense	(905,501)	(980,930)	75,429	-7.7%
Local Option Sales Tax	1,562,848	1,412,991	149,857	10.6%
Federal Grant Revenue - Build America Bond	101,312	104,911	(3,599)	-3.4%
Intergovernmental	15,611	-	15,611	0.0%
Gain (Loss) on Disposal of Capital Assets	12,584	49,440	(36,856)	-74.5%
Net Nonoperating Revenue	1,305,516	1,235,969	69,547	5.6%
<b>INCOME BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS</b>	2,903,745	3,303,225	(399,480)	-12.1%
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	111,951	-	111,951	0.0%
<b>TRANSFERS TO THE CITY</b>	(734,569)	(757,394)	22,825	-3.0%
<b>CHANGE IN NET POSITION</b>	2,281,127	2,545,831	(264,704)	-3.0%
Net Position - Beginning	49,977,129	47,431,298	2,545,831	-10.4%
<b>NET POSITION - ENDING</b>	<u>\$ 52,258,256</u>	<u>\$ 49,977,129</u>	<u>\$ 2,281,127</u>	5.4%

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Financial Analysis (Continued)**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
**Table 2 (Continued)**

	2019	2018	Dollar Change	Percentage Change
<b>OPERATING REVENUES</b>				
Electric	\$ 21,283,126	\$ 21,548,830	\$ (265,704)	-1.2%
Water	2,618,240	2,598,197	20,043	0.8%
Wastewater Treatment	2,931,516	2,805,199	126,317	4.5%
Total Operating Revenue	26,832,882	26,952,226	(119,344)	-0.4%
<b>OPERATING EXPENSES</b>				
Production and Treatment	2,451,110	2,410,247	40,863	1.7%
Purchased Power	11,928,124	11,854,449	73,675	0.6%
Distribution and Collection	2,961,522	2,878,759	82,763	2.9%
Administration	2,760,283	2,848,770	(88,487)	-3.1%
Depreciation and Amortization	4,664,587	4,430,554	234,033	5.3%
Total Operating Expenses	24,765,626	24,422,779	342,847	1.4%
<b>OPERATING INCOME (LOSS)</b>	2,067,256	2,529,447	(462,191)	-18.3%
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest Income - Investments	491,353	158,285	333,068	210.4%
Interest Income - Notes Receivable	158,204	183,686	(25,482)	-13.9%
Interest Expense	(980,930)	(1,099,955)	119,025	-10.8%
Local Option Sales Tax	1,412,991	1,333,922	79,069	5.9%
Federal Grant Revenue -				
Build America Bond	104,911	118,803	(13,892)	-11.7%
Bond Issuance Costs	-	(44,481)	44,481	0.0%
Gain (Loss) on Disposal of Capital Assets	49,440	52,945	(3,505)	0.0%
Net Nonoperating Revenue	1,235,969	703,205	532,764	75.8%
<b>INCOME BEFORE TRANSFERS</b>	3,303,225	3,232,652	70,573	2.2%
<b>TRANSFERS TO THE CITY</b>	(757,394)	(691,284)	(66,110)	9.6%
<b>CHANGE IN NET POSITION</b>	2,545,831	2,541,368	4,463	0.2%
Net Position - Beginning	47,431,298	44,889,930	2,541,368	5.7%
<b>NET POSITION - ENDING</b>	<u>\$ 49,977,129</u>	<u>\$ 47,431,298</u>	<u>\$ 2,545,831</u>	5.4%

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Capital Assets**

**Net Capital Assets** – Table 3, shows changes in net capital assets from 2018 to 2020. Total net capital assets as of December 31, 2020 and 2019 were \$64,483,801 and \$64,288,747, respectively.

**Net Capital Assets  
Table 3**

	December 31,			Change	
	2020	2019	2018	2020 to 2019	2019 to 2018
Electric Department					
Generation System	\$ 5,816,895	\$ 6,082,002	\$ 5,874,312	\$ (265,107)	\$ 207,690
Distribution System	16,493,131	16,021,610	15,382,993	471,521	638,617
Street and Security Lighting System	215,283	249,056	282,828	(33,773)	(33,772)
Water Department					
Production Facilities	1,466,140	1,387,016	1,344,537	79,124	42,479
Distribution System	14,270,784	14,395,172	13,242,442	(124,388)	1,152,730
Wastewater Treatment Department					
Lift Station Facilities	2,224,852	1,920,752	2,009,043	304,100	(88,291)
Treatment Facilities	18,482,112	19,416,877	20,575,359	(934,765)	(1,158,482)
Land and Land Improvements	1,178,783	1,185,304	1,713,330	(6,521)	(528,026)
Machinery and Equipment	747,839	690,077	516,102	57,762	173,975
Furniture and Fixtures	263,929	178,068	143,507	85,861	34,561
Transportation Equipment	988,554	1,008,750	961,759	(20,196)	46,991
Service Center	1,010,600	1,126,996	1,230,274	(116,396)	(103,278)
Construction in Progress	1,324,899	627,067	666,591	697,832	(39,524)
<b>Total</b>	<b>\$ 64,483,801</b>	<b>\$ 64,288,747</b>	<b>\$ 63,943,077</b>	<b>\$ 195,054</b>	<b>\$ 345,670</b>

The changes in capital assets for the past three years and the events causing those changes are noted below.

	2020	2019	2018
Additions and Transfers to Capital Assets Being Depreciated (By Department)			
Electric	\$ 2,233,594	\$ 2,313,811	\$ 1,353,210
Water	1,046,052	2,151,792	1,222,501
Wastewater Treatment	906,008	355,595	324,726
General Plant	233,906	212,022	431,851
	4,419,560	5,033,220	3,332,288
Additions to Construction in Progress	1,917,364	2,682,194	2,503,898
Transfers from Construction in Progress to Capital Assets Being Depreciated	(1,219,532)	(2,721,718)	(1,931,191)
Normal Annual Depreciation	(4,922,338)	(4,648,026)	(4,416,700)
<b>Total</b>	<b>\$ 195,054</b>	<b>\$ 345,670</b>	<b>\$ (511,705)</b>

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Capital Assets (Continued)**

Major capital asset transactions for 2020 and 2019 include the following:

	<u>2020</u>	<u>2019</u>
<b><u>Electric</u></b>		
Distribution Transformers and Metering Purchased	\$ 1,002,823	\$ 846,358
Expansion of Distribution Feeder System	454,836	533,186
Distribution System Improvements	481,008	497,144
Bucket Truck	147,573	233,547
Demo of Old Health Club Building	79,000	-
Hydroelectric Dam FERC 12D Inspection	-	131,061
Hydroelectric Dam Improvements	34,309	33,535
Hydroelectric Dam Kubota RTV	30,256	-
<b><u>Water</u></b>		
Purchase of Meters and Valves	181,028	259,354
Distribution System Improvements	616,547	1,896,509
Well Improvements	12,546	39,058
Garage and Workshop	156,976	-
Skid Steer	60,665	-
<b><u>Wastewater</u></b>		
Lift Station Improvements	446,987	11,410
Treatment Facility Improvements	363,249	118,036
Purchase of Meters	-	221,840
Treatment Facility Fuel Tank	21,430	-
Kubota RTV and Snowblower	31,825	-
Service Trucks	34,823	-
<b><u>General Plant</u></b>		
Parking Lot Improvements	-	65,186
Leased Office Equipment	12,223	-
Service Center Improvements	102,605	84,051
Computers	29,593	-
Mowers	36,628	-
Portable Radios	-	21,542
Work Order Software	-	43,425
Software and Computer System Improvements	80,553	-
Dump Box for Truck	24,016	-
<b><u>Construction in Progress</u></b>		
Bucket Truck Chassis	-	45,152
Hydroelectric FERC Relicensing	291,583	204,456
Water Storage Tank Design	50,222	-
Treatment Facility Improvements	-	92,642
Water Distribution System Improvements	534,958	261,616
Rehabilitation of Wells	31,838	-
Water Plant Garage	-	23,200
Evergreen Lift Station Improvements	389,440	-
Main Lift Station Improvement Design	26,900	-
Total	<u>\$ 5,766,440</u>	<u>\$ 5,662,308</u>

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Long-Term Obligations**

The following table presents the change in the outstanding debt of BPU from 2018 to 2020.

	Balance as of December 31,			Increase (Decrease)	
	2020	2019	2018	2020 to 2019	2019 to 2018
Utility Revenue Bonds					
Series 2014A	\$ 3,905,000	\$ 4,285,000	\$ 4,660,000	\$ (380,000)	\$ (375,000)
Series 2015A	885,000	1,050,000	1,215,000	(165,000)	(165,000)
Series 2016A	4,792,600	5,127,400	5,449,800	(334,800)	(322,400)
Series 2016B (Equip. Certs.)	82,236	162,604	242,970	(80,368)	(80,366)
Series 2017A	4,620,000	5,130,000	5,605,000	(510,000)	(475,000)
Series 2018A	2,250,000	2,480,000	2,720,000	(230,000)	(240,000)
Series 2018A (Equip. Certs.)	190,000	250,000	305,000	(60,000)	(55,000)
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	12,920,000	14,316,000	15,668,000	(1,396,000)	(1,352,000)
Capital Lease Payable	79,546	97,977	52,003	(18,431)	45,974
Compensated Absences	978,465	829,076	777,125	149,389	51,951
Net Pension Liability	3,441,391	2,935,780	2,935,780	505,611	-
Revenue Bond Premium	760,752	853,949	947,229	(93,197)	(93,280)
OPEB Obligation	514,432	339,439	339,439	174,993	-
<b>Total Long-Term Debt</b>	<b>35,419,422</b>	<b>37,857,225</b>	<b>40,917,346</b>	<b>(2,437,803)</b>	<b>(3,060,121)</b>
Less: Current Portion					
Utility Revenue Bonds					
Series 2014A	385,000	380,000	375,000	5,000	5,000
Series 2015A	170,000	165,000	165,000	5,000	-
Series 2016A	353,400	334,800	322,400	18,600	12,400
Series 2016B (Equip. Certs.)	82,236	80,367	80,367	1,869	-
Series 2017A	565,000	510,000	475,000	55,000	35,000
Series 2018A	245,000	230,000	240,000	15,000	(10,000)
Series 2018A (Equip. Certs.)	60,000	60,000	55,000	-	5,000
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	1,441,000	1,396,000	1,352,000	45,000	44,000
Capital Lease Payable	21,768	30,248	23,020	(8,480)	7,228
<b>Total Current Portion of   Long-Term Debt</b>	<b>3,323,404</b>	<b>3,186,415</b>	<b>3,087,787</b>	<b>136,989</b>	<b>98,628</b>
<b>Net Long-Term Debt</b>	<b>\$ 32,096,018</b>	<b>\$ 34,670,810</b>	<b>\$ 37,829,559</b>	<b>\$ (2,574,792)</b>	<b>\$ (3,158,749)</b>

The total net long-term liabilities at December 31, 2020, 2019, and 2018 was \$32.1 million, \$34.7 million, and \$37.9 million, respectively. The Series 2018A Bonds were issued for water tower construction and water distribution improvements. The Series 2018A Equipment Certificates of Indebtedness were issued for purchase of forklift and service trucks. The Series 2017A Bonds were issued to refund the 2007A bonds for \$4.305 million and improvements to hydroelectric dam for \$1.73 million. The Series 2016A Bonds were issued for water and wastewater lift station improvements to the airport. The Series 2016B Equipment Certificates of Indebtedness were issued for purchase of bucket truck for electric department and the backup generator at the water plant. The capital lease payable is related to acquisition of copier in 2020, billing inserter machine and mailroom copier in 2019 and vehicles in 2016.

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**Budgetary Highlights**

The BPU Commission adopts an annual Operating Budget and a Capital Improvement Budget. Because of its enterprise nature, the budgets are not operated as statutory budgets. The Commission and Utilities staff review budget results monthly and the budget is used as a financial management tool.

A summary of the 2020 Operating Budget Analysis and the 2021 Operating Budget approved by the Commission is presented as follows:

	(In Thousands of Dollars)			
	2020 Budget	2020 Actual	Favorable (Unfavorable) Variance	2021 Budget
Utility Operating Revenue	\$ 25,857	\$ 25,316	\$ (541)	\$ 25,702
Other Operating Revenue	428	162	(266)	283
<b>Total Operating Revenue</b>	<b>26,285</b>	<b>25,478</b>	<b>(807)</b>	<b>25,985</b>
Purchased Power	11,268	10,559	709	11,010
Other Operating Expense	9,481	8,372	1,109	8,882
Depreciation and Amortization Expense	4,686	4,948	(262)	4,793
<b>Total Operating Expense</b>	<b>25,435</b>	<b>23,879</b>	<b>1,556</b>	<b>24,685</b>
<b>Operating Income</b>	<b>850</b>	<b>1,599</b>	<b>749</b>	<b>1,300</b>
<b>Net Nonoperating Revenue</b>	<b>2,340</b>	<b>1,305</b>	<b>(1,035)</b>	<b>966</b>
Income Before Operating Transfers to City	3,190	2,904	(286)	2,266
Capital Grants and Contributions	-	112	112	-
Operating Transfers to the City	(762)	(735)	27	(755)
<b>Change in Net Position</b>	<b>\$ 2,428</b>	<b>\$ 2,281</b>	<b>\$ (147)</b>	<b>\$ 1,511</b>

**Requests for Information**

This financial report is designed to provide a general overview of the BPU's, finances for all those expressing an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 8027 Highland Scenic Road, Brainerd, MN 56401 or by email at [twicklund@bpu.org](mailto:twicklund@bpu.org) or by phone at (218)825-3220.

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**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CAPITAL ASSETS</b>		
Construction in Progress	\$ 1,324,900	\$ 627,066
In Service	112,325,623	108,809,369
Total Investment in Capital Assets	113,650,523	109,436,435
Less: Accumulated Depreciation	(49,166,722)	(45,147,688)
Net Capital Assets	64,483,801	64,288,747
<b>RESTRICTED ASSETS</b>		
Cash and Investments	5,515,723	5,406,465
Bonds and Notes Receivable	4,306,667	4,772,000
Notes Receivable - Interest	49,600	56,200
Total Restricted Assets	9,871,990	10,234,665
<b>CURRENT ASSETS</b>		
Cash and Investments	10,674,604	10,908,413
Accounts Receivable	3,122,297	3,405,626
Interest Receivable	26,140	37,033
Due from the City of Brainerd	938,356	975,282
Inventory	1,292,745	1,122,541
Prepaid Expenses	132,491	168,379
Total Current Assets	16,186,633	16,617,274
<b>OTHER ASSETS</b>		
Service Territory Acquisitions, Net of Accumulated Depreciation	275,149	292,883
Total Assets	90,817,573	91,433,569
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	455,226	265,120
OPEB Related	183,323	34,174
Total Deferred Outflows of Resources	638,549	299,294
Total Assets and Deferred Outflows of Resources	\$ 91,456,122	\$ 91,732,863



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 34,851,167	\$ 31,477,317
Restricted for Debt Service	7,154,837	7,598,735
Unrestricted	10,252,252	10,901,077
Total Net Position	52,258,256	49,977,129
<b>LONG-TERM LIABILITIES</b>		
Revenue Bonds Payable	15,483,789	17,288,982
G.O. Equipment Certificates of Indebtedness	141,162	289,804
G.O. Build America Bonds Payable	11,479,000	12,920,000
Capital Lease Payable	57,778	67,729
Compensated Absences	978,465	829,076
Net Pension Liability	3,441,391	2,935,780
Other Postemployment Benefit Liability	472,778	339,439
Total Long-Term Liabilities	32,054,363	34,670,810
<b>CURRENT LIABILITIES</b>		
Accounts and Contracts Payable	1,726,938	1,592,717
Electric Utility Revenue Bonds Payable	1,718,400	1,619,800
G.O. Equipment Certificates of Indebtedness	142,237	140,367
G.O. Build America Bonds Payable	1,441,000	1,396,000
Capital Lease Payable	21,768	30,248
Other Postemployment Benefit Liability	41,654	-
Accrued Expenses		
Salaries and Withholding Taxes	257,711	184,881
Sales Taxes	82,665	82,863
Current Liabilities from Restricted Assets:		
Bond Interest	260,650	291,015
Payable to City of Brainerd	824,060	653,511
Conservation Incentive Program Payable	129,574	187,391
Customer Deposits	329,882	333,281
Total Current Liabilities	6,976,539	6,512,074
Total Liabilities	39,030,902	41,182,884
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	160,605	565,218
OPEB Related	6,359	7,632
Total Deferred Inflows of Resources	166,964	572,850
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 91,456,122	\$ 91,732,863

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Utility Revenues		
Residential	\$ 9,084,392	\$ 8,854,987
Commercial	9,627,825	10,208,836
Large Commercial	5,302,067	5,997,428
City of Brainerd	460,474	495,162
Internal Use	841,196	893,556
Total Utility Revenues	<u>25,315,954</u>	<u>26,449,969</u>
Other Operating Revenues		
Penalties	47,069	182,646
Other	114,588	200,267
Total Other Operating Revenues	<u>161,657</u>	<u>382,913</u>
Total Operating Revenues	<u>25,477,611</u>	<u>26,832,882</u>
<b>OPERATING EXPENSES</b>		
Generation, Production, and Treatment		
Salaries and Wages	1,158,572	1,066,554
Purchased Services	760,226	815,008
Supplies and Maintenance	225,514	152,748
Employee Benefits	413,914	358,412
Other Charges	69,166	58,388
Total Generation, Production, and Treatment Expenses	<u>2,627,392</u>	<u>2,451,110</u>
Purchased Power	10,559,355	11,928,124
Distribution and Collection		
Salaries and Wages	1,579,206	1,555,396
Purchased Services	424,708	541,610
Supplies and Maintenance	302,101	265,162
Employee Benefits	486,490	522,292
Other Charges	56,583	77,062
Total Distribution and Collection Expenses	<u>2,849,088</u>	<u>2,961,522</u>
Administration		
Salaries and Wages	1,289,664	1,150,230
Purchased Services	374,179	373,357
Supplies and Maintenance	110,070	119,594
Insurance and Bonds	243,481	269,426
Employee Benefits	474,292	486,256
Other Charges	403,611	361,420
Total Administration Expenses	<u>2,895,297</u>	<u>2,760,283</u>
Depreciation and Amortization	<u>4,948,250</u>	<u>4,664,587</u>
Total Operating Expenses	<u>\$ 23,879,382</u>	<u>\$ 24,765,626</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 1,598,229</b>	<b>\$ 2,067,256</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest Income - Investments	370,983	491,353
Interest Income - Notes Receivable	147,679	158,204
Interest Expense	(905,501)	(980,930)
Local Option Sales Tax	1,562,848	1,412,991
Federal Grant Revenue - Build America Bond	101,312	104,911
Federal Grant Revenue - CARES	15,611	-
Gain (Loss) on Disposal of Capital Assets	12,584	49,440
Net Nonoperating Revenue (Expense)	<u>1,305,516</u>	<u>1,235,969</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>2,903,745</b>	<b>3,303,225</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>111,951</b>	<b>-</b>
<b>TRANSFERS TO THE CITY</b>	<b><u>(734,569)</u></b>	<b><u>(757,394)</u></b>
<b>CHANGE IN NET POSITION</b>	<b>2,281,127</b>	<b>2,545,831</b>
Net Position - Beginning	<u>49,977,129</u>	<u>47,431,298</u>
<b>NET POSITION - ENDING</b>	<b><u>\$ 52,258,256</u></b>	<b><u>\$ 49,977,129</u></b>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 25,760,940	\$ 26,810,470
Cash Payments to Employees for Services	(5,244,456)	(5,007,725)
Cash Payments to Other Suppliers of Goods or Services	<u>(13,590,503)</u>	<u>(15,037,825)</u>
Net Cash Provided by Operating Activities	6,925,981	6,764,920
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to Primary Government	(527,094)	(459,602)
Federal Grants	<u>15,611</u>	<u>-</u>
Net Cash Used by Noncapital Financing Activities	(511,483)	(459,602)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to Utility Plant	(5,105,166)	(4,932,567)
Additions to Service Territories	(8,181)	(79,806)
Proceeds from Local Option Sales Tax	1,562,848	1,412,991
Principal Paid on Long-Term Debt	(3,156,168)	(3,064,766)
Interest Paid on Long-Term Debt	(1,029,063)	(1,132,095)
Federal Grants	111,951	-
Principal Received on Notes Receivable	465,333	450,667
Federal Grant Revenue - Build America Bond	101,312	104,911
Principal Paid on Capital Lease	(30,654)	(15,155)
Proceeds from Sale of Utility Plant	<u>12,584</u>	<u>49,440</u>
Net Cash Used by Capital and Related Financing Activities	(7,075,204)	(7,206,380)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	536,155	671,013
Purchase of Investments	(23,241,592)	(18,140,752)
Redemption of Investments	<u>22,873,234</u>	<u>17,636,399</u>
Net Cash Provided by Investing Activities	<u>167,797</u>	<u>166,660</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(492,909)	(734,402)
Cash and Cash Equivalents - Beginning	<u>4,880,323</u>	<u>5,614,725</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 4,387,414</u>	<u>\$ 4,880,323</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 1,598,229	\$ 2,067,256
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	4,948,250	4,664,587
Revenue Reduced for Uncollectible Accounts	36,467	40,130
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	246,862	(62,542)
Prepaid Expenses	35,888	(34,820)
Inventories	(170,204)	(184,830)
Change in Deferred Outflows of Resources - OPEB	(149,149)	(2,273)
Change in Deferred Outflows of Resources - Pension	(190,106)	294,997
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	134,023	170,566
Accrued Liabilities	69,431	39,259
Conservation Incentive Program Payable	(57,817)	(34,093)
Accrued Compensated Absences	149,389	51,951
Other Postemployment Benefit Liability	174,993	(6,601)
Change in Net Pension Liability	505,611	(21,086)
Change in Deferred Inflows of Resources - OPEB	(1,273)	7,632
Change in Deferred Inflows of Resources - Pension	(404,613)	(225,213)
Net Cash Provided by Operating Activities	<u>\$ 6,925,981</u>	<u>\$ 6,764,920</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and Investments - Current Assets	\$ 10,674,604	\$ 10,908,413
Cash and Investments - Restricted Assets	<u>5,515,723</u>	<u>5,406,465</u>
Cash and Investments - Balance Sheets	16,190,327	16,314,878
Less: Investments not Meeting the Definition of Cash Equivalents	<u>11,802,913</u>	<u>11,434,555</u>
Cash and Cash Equivalents - Ending	<u>\$ 4,387,414</u>	<u>\$ 4,880,323</u>
<b>NONCASH INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Utility Plant on Account	\$ (77,500)	\$ (283,937)
Net Decrease in Fair Value of Investments	123,360	198,353
Acquisition of Plant Financed by Capital Lease	(12,223)	(61,129)

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**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of Brainerd Public Utilities (BPU) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements include the operations of the BPU. The Electric, Water and Wastewater Treatment Departments are treated as a single enterprise fund. The BPU is governed by a five-member Board of Commissioners. Board members are appointed by the Mayor and approved by the City Council to serve five year terms. No other operations are controlled by the Commission. Rates charged to customers are established by the Commission. The significant accounting principles and policies utilized by BPU are described below.

**Reporting Entity**

BPU is a component unit of the City of Brainerd. Component units are legally separate organizations for which elected officials of the primary government (City of Brainerd) are financially accountable. Component unit status is determined using the following criteria:

The City is financially accountable if it appoints a voting majority of the organization's governing body and is either 1) able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

Since BPU's operating and capital budgets must be approved by the City Council, it has the potential to provide specific financial benefits to the City. This capability qualifies BPU as a component unit of the City. There are no component units of BPU.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned. Expenses are recorded when the related liability is incurred. The principal operating revenues and expenses are utility revenues and purchases, production, distribution, and administrative expenses.

Proprietary funds distinguish operating revenues and expenses from other items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of BPU is charges to customers for sales of electricity, water, and wastewater treatment. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as other revenues and expenses. When both restricted and unrestricted resources are available for use, it is BPU's policy to use restricted resources first, and then unrestricted resources as they are needed.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, including cost of labor and materials on self-constructed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed using the straight-line method over the estimated service lives of the various assets as follows:

Land and Land Improvements	10-20 years
Buildings	5-30 years
Distribution Systems	7-50 years
Generation and Production Systems	5-50 years
Machinery and Equipment	5-15 years
Transportation Equipment	5-10 years
Collection and Treatment Systems	5-80 years

**Deposits and Investments**

BPU's cash and cash equivalents are considered to be cash on hand, demand deposits, nonnegotiable certificates of deposit, repurchase agreements, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consisting of negotiable certificates of deposit, government securities and commercial paper are recorded at fair value.

**Receivables/Payables**

Outstanding balances between BPU and the primary government are reported as due from/to the City. An allowance for doubtful accounts is recorded monthly based on historical experience and management's evaluation of receivables at the end of year. Accounts are written off when deemed uncollectible. The balance of allowance for doubtful accounts as of December 31, 2020 and 2019 was zero for both years.

**Inventory**

Inventories of material and supplies are recorded at average moving cost and valued at lower cost or market.

**Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by external parties. Current liabilities payable from these restricted assets are so classified.



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows 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 represents a consumption of net position that applies to a future period. BPU will not recognize the related outflow until a future event occurs.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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.

**Compensated Absences**

It is BPU's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to the employees. Employees are permitted to accumulate up to 240 hours of unused vacation benefits and 960 hours of unused sick benefits. These benefits are paid to employees upon retirement at the employee's current level of compensation conditioned on meeting certain length of service requirements. Severance benefits consist of lump sum retirement payments and postemployment health care benefits. BPU maintains one retirement payment plan for its employee group. BPU makes payment to an independent trustee who administers a health savings account for each retiree for unused sick pay accumulated at time of retirement.

**Customer Deposits**

Customer deposits are recorded for security deposits paid by customers to receive utility services. Deposits are credited to customer accounts with good credit history in accordance with criteria established in BPU policies. Customers are paid interest on deposits at the rate established annually by the Minnesota Department of Commerce.

**Long-Term Liabilities**

Long-term debt and other obligations are reported as BPU liabilities. Outstanding revenue bond and note debt of BPU is issued on behalf of BPU by the City of Brainerd and is backed by a pledge of net revenues of BPU.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net pension of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Meters are read throughout the month and revenues are recognized when utility services are billed to customers. The BPU accrues revenues for services provided, but not billed, at the end of the year.

**Electric Power Costs**

Monthly bills from the wholesale power supplier, which are for power costs to the last day of the month, are reflected in the accounts.

**Net Position**

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the basic financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the basic financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**NOTE 2 CAPITAL ASSETS**

A summary of capital asset activity for the year ended December 31, 2020 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 627,066	\$ 1,917,366	\$ 1,219,532	\$ 1,324,900
Capital Assets, Being Depreciated				
Electric	39,877,252	2,252,587	588,191	41,541,648
Water	26,165,470	1,046,051	153,560	27,057,961
Wastewater Treatment	36,674,750	909,009	183,545	37,400,214
General Plant	6,091,897	233,903	-	6,325,800
Total Capital Assets, Being Depreciated	108,809,369	4,441,550	925,296	112,325,623
Less Accumulated Depreciation for:				
Electric	(16,572,398)	(2,064,731)	(569,196)	(18,067,933)
Water	(10,093,246)	(1,081,832)	(153,560)	(11,021,518)
Wastewater Treatment	(14,917,289)	(1,510,086)	(180,545)	(16,246,830)
General Plant	(3,564,755)	(265,686)	-	(3,830,441)
Total Accumulated Depreciation	(45,147,688)	(4,922,335)	(903,301)	(49,166,722)
Total Capital Assets, Being Depreciated, Net	63,661,681	(480,785)	21,995	63,158,901
Net Capital Assets	<u>\$ 64,288,747</u>	<u>\$ 1,436,581</u>	<u>\$ 1,241,527</u>	<u>\$ 64,483,801</u>

**BRAINERD PUBLIC UTILITIES  
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**NOTE 2 CAPITAL ASSETS (CONTINUED)**

A summary of capital asset activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 666,591	\$ 2,682,194	\$ 2,721,719	\$ 627,066
Capital Assets, Being Depreciated				
Electric	41,427,654	2,313,811	3,864,213	39,877,252
Water	24,359,247	2,151,792	345,569	26,165,470
Wastewater Treatment	36,319,156	355,594	-	36,674,750
General Plant	5,957,785	214,045	79,933	6,091,897
Total Capital Assets, Being Depreciated	<u>108,063,842</u>	<u>5,035,242</u>	<u>4,289,715</u>	<u>108,809,369</u>
Less Accumulated Depreciation for:				
Electric	(18,500,792)	(1,935,819)	(3,864,213)	(16,572,398)
Water	(9,433,979)	(1,004,834)	(345,568)	(10,093,245)
Wastewater Treatment	(13,449,351)	(1,467,938)	-	(14,917,289)
General Plant	(3,403,234)	(239,435)	(77,912)	(3,564,757)
Total Accumulated Depreciation	<u>(44,787,356)</u>	<u>(4,648,026)</u>	<u>(4,287,694)</u>	<u>(45,147,688)</u>
Total Capital Assets, Being Depreciated, Net	<u>63,276,486</u>	<u>387,216</u>	<u>2,021</u>	<u>63,661,681</u>
Net Capital Assets	<u>\$ 63,943,077</u>	<u>\$ 3,069,410</u>	<u>\$ 2,723,740</u>	<u>\$ 64,288,747</u>

Capital assets not being depreciated totaled \$1,831,601 and \$1,964,981 at December 31, 2020 and 2019, respectively.

**NOTE 3 RESTRICTED ASSETS**

**Cash and Investments**

At December 31, 2020 and 2019, restricted cash and investments consisted of the following:

	2020	2019
Customer Deposits	\$ 329,882	\$ 333,281
City of Brainerd Contribution	824,060	653,511
Conservation Incentive Program	129,574	187,391
Electric Utility Revenue Bonds Debt Service Reserve	1,194,807	1,194,807
General Obligation Revenue Notes and Bonds Debt Service Reserve (Water and Wastewater)	<u>3,037,400</u>	<u>3,037,475</u>
Total Restricted Cash	<u>\$ 5,515,723</u>	<u>\$ 5,406,465</u>

Customer Deposits are amounts restricted for refunds of customer security deposits. City of Brainerd Contribution is restricted by agreement with City for monthly operating transfer to City and payment of wastewater collection and stormwater charges to City. Conservation Incentive Program is restricted by State Statute for electric customer conservation programs. Debt Service Reserves represents amounts held in reserve under bond and note covenants to fund electric, water and wastewater treatment system improvements and bond principal and interest payments in the event operating funds are not sufficient to meet such purposes. Escrow for franchise fees is restricted by Crow Wing County District Court related to franchise fees collected on behalf of City of Baxter.

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**NOTE 3 RESTRICTED ASSETS (CONTINUED)**

**Notes Receivable**

On February 17, 2009, the City of Brainerd, on behalf of BPU, entered into a financing agreement in a principal amount not to exceed \$11,667,000 with the City of Baxter related to the financing of the expansion of the wastewater treatment facility. Baxter will own one-third share of the expanded WWTF's capacity and Brainerd will own two-thirds of the expanded WWTF's capacity. The financing of the expanded WWTF is being funded by a loan from the Minnesota Public Finance Authority (PFA) to Brainerd. The details of the loan is described in Note 6.

Baxter agrees to finance its one-third share of the capital costs of the expanded WWTF and its obligation to do so has been evidenced by the issuance and sale of a Taxable General Obligation Utility Revenue Note to Brainerd. The Baxter Note is secured by the net revenues of the Baxter sewer utility and the revenues of a local option sales tax imposed by Baxter, and by Baxter's full faith and credit and taxing powers.

The Baxter Notes contain a schedule of maturities and specified interest rate that corresponds to the maturity schedules and interest rates of the Brainerd loan agreements with PFA (See Note 6). The obligation of Baxter to make scheduled payments to Brainerd pursuant to the Baxter Notes is absolute and unqualified.

Note receivable activity for the year ended December 31, 2020, is as follows:

	<u>Note No.2</u>
Beginning Balance	\$ 4,772,000
Payments Received	(465,333)
Ending Balance	<u>\$ 4,306,667</u>

Note receivable activity for the year ended December 31, 2019, is as follows:

	<u>Note No.2</u>
Beginning Balance	\$ 5,222,667
Payments Received	(450,667)
Ending Balance	<u>\$ 4,772,000</u>

Interest accrued on the notes receivable as of December 31, 2020 and 2019 of \$49,600 and \$56,200, respectively, is recorded as a restricted asset. Interest received from Baxter which is recorded as Interest Income for the years ended December 31, 2020 and 2019 was \$147,679 and \$158,204, respectively.

**NOTE 4 DEPOSITS AND INVESTMENTS**

Cash and investments are presented at December 31, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Restricted Cash and Investments	\$ 5,515,723	\$ 5,406,465
Current Cash and Investments	10,674,604	10,908,413
Total	<u>\$ 16,190,327</u>	<u>\$ 16,314,878</u>

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**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash and investments at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Petty Cash	\$ 1,500	\$ 1,500
Deposits	4,385,914	4,878,823
Investments	11,802,913	11,434,555
Total	<u>\$ 16,190,327</u>	<u>\$ 16,314,878</u>

**Deposits**

In accordance with Minnesota Statutes, BPU maintains deposits at financial institutions that are authorized by the Brainerd City Council. All such depositories are members of the Federal Reserve System.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of the failure of a depository financial institution, BPU will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

BPU follows Minnesota Statutes which require that all deposits be protected by insurance, surety bond or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes certain U.S. government securities, state or local institution other than that furnishing the collateral. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

BPU's deposits in financial institutions at December 31, 2020 and 2019 were entirely covered by federal depository insurance or collateral in accordance with Minnesota Statutes.

**Investments**

Under the provisions of the City of Brainerd's investment policy revised by Council on February 6, 2017 and in accordance with Minnesota Statutes, BPU may invest in the following types of investments:

- securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, subd.6;
- mutual funds through shares of registered investments companies provided the mutual fund receives certain ratings depending on its investments;
- general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service (G.O. rated "A" or better and revenue obligation rated "AA" or better);
- bankers' acceptances of United States banks;
- commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investments trust, and guaranteed investment contracts.

**Risk Disclosures**

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BPU does not have a specific policy regarding interest rate risk.

Information about the sensitivity of the fair values of BPU’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of BPU’s investments at December 31, 2020 and 2019 by maturity:

December 31, 2020 Investment Type	Investment Maturities (in Years)			Fair Value	% of Investments
	Less Than 1	1-5	6-10		
Negotiable CDs	\$ 1,046,101	\$ 2,271,303	\$ 7,420,552	\$ 10,737,956	N/A
US Government Short-Term	1,064,957	-	-	1,064,957	9.0%
	<u>\$ 2,111,058</u>	<u>\$ 2,271,303</u>	<u>\$ 7,420,552</u>	<u>\$ 11,802,913</u>	9.0%

  

December 31, 2019 Investment Type	Investment Maturities (in Years)			Fair Value	% of Investments
	Less Than 1	1-5	6-10		
Negotiable CDs	\$ 1,360,920	\$ 7,321,158	\$ 692,517	\$ 9,374,595	N/A
FHLMC	-	-	994,960	994,960	8.7%
Commercial Paper	1,065,000	-	-	1,065,000	9.3%
	<u>\$ 2,425,920</u>	<u>\$ 7,321,158</u>	<u>\$ 1,687,477</u>	<u>\$ 11,434,555</u>	18.0%

**Credit Risk** – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. BPU does not have a specific policy for credit risk, but follows Minnesota Statutes for allowable investments. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. S&P credit ratings for BPU’s investments as of December 31, 2020 and 2019 are as follows:

Investment Type	S & P Rating	Investment Type	S & P Rating
<b>December 31, 2020</b>		<b>December 31, 2019</b>	
Negotiable CDs	NA	Negotiable CDs	NA
US Government Short-Term	NA	FNMA	AA+
		FHLMC	AA+
		FFCB	AA+
		Commercial Paper	A1

\* NA - Not Rated

**Concentration of Credit Risk**

The investment policy of the BPU contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Minnesota Statutes. Investments in any one issuer, as a percentage of total BPU investments as of December 31, 2020, are disclosed above. All negotiable CD’s by issuer are less than 5% of total investments.

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**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, BPU will not be able to recover the value of its investment or collateral securities that are in the possession of another party. BPU does not have a policy for custodial credit risk over investments.

**Fair Value Measurements**

BPU uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

BPU follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and required expanded disclosures about fair value measurements. In accordance with this standard, BPU categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The categorization of financial assets at December 31, 2020 and 2019, consisted of the following:

<u>Type</u>	<u>Level</u>	<u>2020</u>	<u>2019</u>
Negotiable CDs	2	\$ 10,737,956	\$ 9,374,595
US Government Short-Term	2	1,064,957	-
FNLMC Securities	2	-	994,960
Commercial Paper	1	-	1,065,000
Total Investments		<u>\$ 11,802,913</u>	<u>\$ 11,434,555</u>

**BRAINERD PUBLIC UTILITIES  
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**NOTE 5 PAYABLE TO CITY OF BRAINERD**

BPU acts as a collection agent for wastewater collection and storm sewer charges billed by the City. BPU includes these charges on its own monthly utility billings and remits collection of these charges to the City on a monthly basis. At December 31, 2020 and 2019, BPU owed the City the following:

	2020	2019
Monthly Operating Contribution	\$ 59,289	\$ 61,652
Reimbursement of Other Costs	550,665	373,387
Wastewater Collection and Storm Sewer Charges	214,106	218,472
Total	<u>\$ 824,060</u>	<u>\$ 653,511</u>

**NOTE 6 LONG-TERM DEBT**

On May 4, 2009, the City of Brainerd, on behalf of BPU, entered into a project loan agreement in the amount of \$25,966,788 between the State of Minnesota, by and through the PFA and the BPU, for construction costs related to the expansion to the wastewater treatment facility. The City of Brainerd, on behalf of BPU, issued a General Obligation Build America Bond, Series 2009 (Wastewater Project), to the PFA, evidencing its obligation to repay the loan. The City has complied with all requirements of the American Reinvestment and Recovery Act (ARRA) to issue the Note as a Build America Bond (BAB) and the City has irrevocably elected to have the Note constitute a BAB and to have the direct pay tax credit provision of the ARRA apply to the Note. The interest rate on the loan is 3.233% and the loan matures August 20, 2028.

The Minnesota Legislature, effective April 1, 2007, authorized the City of Brainerd to impose a one-half percent sales and use tax to assist in funding the debt service costs for the expansion. Local option sales tax proceeds received by the City of Brainerd are remitted to BPU on a monthly basis to pay for the general obligation revenue notes.

On October 9, 2014, the City of Brainerd, on behalf of BPU, issued \$6,070,000 in Electric Utility Revenue Bonds, Series 2014A, with interest rates from 2.0% to 4.0%, maturing in December 2029, for purchase of hydroelectric dam on June 17, 2014 from Wausau Paper of Minnesota, LLC, and including other major capital improvements to the dam.

On December 15, 2014, the City of Brainerd, on behalf of BPU, issued \$1,700,000 in General Obligation Water Utility Revenue Bonds, Series 2015A, with interest rates from 2.25% to 4.0%, maturing in February 2025, for water distribution system improvements, including the rehabilitation of two elevated water towers and improvements to well equipment and pumps.

On July 20, 2016, the City of Brainerd, on behalf of BPU, issued \$6,007,800 in General Obligation Utility Revenue Bonds, Series 2016A, with interest rates from 1.625% to 5.0%, maturing in October 2031, for utility extension to Brainerd Lakes Regional Airport. The water portion is \$4,845,000 and the wastewater lift station portion is \$1,162,800. Also as part of this bond issue, the City's portion related to sewer collection for this project is \$3,682,200. The total amount of the bond is \$9,690,000.



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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

On July 20, 2016, the City of Brainerd, on behalf of BPU, issued \$401,835 in General Obligation Equipment Certificates of Indebtedness, Series 2016B, with an interest rate of 2.0%, maturing in February 2021, for utility equipment purchased. The electric portion is \$200,917 and the water portion is \$200,918. Also as part of this debt issue, the City's portion related to its equipment purchases is \$673,165. The total amount of the debt issue is \$1,075,000.

On October 18, 2017, the City of Brainerd, on behalf of BPU, issued \$6,035,000 in Electric Utility Revenue and Refunding Bonds, Series 2017A, with interest rate of 2.25%, maturing in December 2027, for major capital improvements to hydroelectric dam in the amount of \$1,730,000 and for the refunding of the Electric Utility Revenue Bonds, Series 2007A in the amount of \$4,305,000.

On March 22, 2018, the City of Brainerd, on behalf of BPU, issued \$2,720,000 in General Obligation Utility Revenue Bonds, Series 2018A, with interest rates from 3.0% to 5.0%, maturing in February 2028, for construction of new elevated water tower and reconstruction of business highway 371. Also as part of this bond issue, the City's portion related to sewer collection other street improvements are \$1,315,000. The total amount of the bond is \$4,035,000.

On March 22, 2018, the City of Brainerd, on behalf of BPU, issued \$305,000 in General Obligation Equipment Certificates of Indebtedness, Series 2018B, with an interest rate of 5.0%, maturing in February 2023, for utility equipment purchased. The electric portion is \$97,600, the water portion is \$79,300, and the wastewater treatment portion is \$128,100. Also as part of this debt issue, the City's portion related to its equipment purchases is \$955,000. The total amount of the debt issue is \$1,260,000.

Electric Utility Revenue Bonds, Series 2014A and 2017A

The resolutions authorizing the issuance of electric utility revenue bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. To comply with reserve fund deposit requirements, \$1,061,300 of the original electric utility revenue bond proceeds was deposited in a separate Debt Service Reserve Forward Delivery Agreement with Citigroup Financial Products, Inc. The amount shown as restricted cash and investments as of December 31, 2020 was \$1,127,345. The interest payments are made semi-annually on June 1 and December 1, and principal payments on December 1.

General Obligation Sewer Revenue Notes and General Obligation Build America Bonds

The resolutions authorizing the issuance of General Obligation Sewer Revenue Notes and General Obligation Build America Bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. To comply with coverage test, local option sales tax proceeds received equaling 105% of the following year's principal and interest payment is reported as restricted cash and investment. The amount shown as restricted cash and investments as of December 31, 2020 was \$0. The interest payments are made semi-annually on February 20 and August 20, and principal payments on August 20.

General Obligation Water Utility Revenue Bonds, Series 2015A

The resolutions authorizing the issuance of water utility revenue bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. The amount shown as restricted cash and investments as of December 31, 2020 was \$204,054. The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

General Obligation Utility Revenue Bonds, Series 2016A

The resolutions authorizing the issuance of utility revenue bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. The amount shown as restricted cash and investments as of December 31, 2020 was \$432,803 (Water portion) and \$103,873 (Wastewater portion). The interest payments are made semi-annually on April 1 and October 1, and principal payments on October 1.

General Obligation Equipment Certificates of Indebtedness, Series 2016B

The resolutions authorizing the issuance of equipment certificates of indebtedness contain various covenants, reserve fund requirements, and obligations which BPU must comply. The amount shown as restricted cash and investments as of December 31, 2020 was \$43,606 (Electric portion) and \$43,606 (Water portion). The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1.

General Obligation Utility Revenue Bonds, Series 2018A

The resolutions authorizing the issuance of utility revenue bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. The amount shown as restricted cash and investments as of December 31, 2020 was \$343,534. The interest payments are made semi-annually on February 1 and August 1, and principal payments on August 1.

General Obligation Equipment Certificates of Indebtedness, Series 2018A

The resolutions authorizing the issuance of equipment certificates of indebtedness contain various covenants, reserve fund requirements, and obligations which BPU must comply. The amount shown as restricted cash and investments as of December 31, 2020 was \$23,856 (Electric portion), \$19,383 (Water portion), and \$31,311 (Wastewater Treatment portion). The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1.

**BRAINERD PUBLIC UTILITIES  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Long-term bonds and notes debt consists of the following as of December 31, 2020 and 2019:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	
					2020	2019
<b>Direct Borrowings -</b>						
G.O. Build America Bonds, Series 2009	3.233%	5/4/2009	8/20/2028	\$ 25,966,788	\$ 12,920,000	\$ 14,316,000
Electric Utility Revenue Bonds, Series 2014A	2.0 - 4.0%	10/9/2014	12/1/2029	6,070,000	3,905,000	4,285,000
G.O. Water Utility Revenue Bonds, Series 2015A	2.25 - 4.0%	12/15/2014	2/1/2025	1,700,000	885,000	1,050,000
<b>G.O. Utility Revenue Bonds, Series 2016A</b>						
Water	1.625 - 5.0%	7/20/2016	10/1/2031	4,845,000	3,865,000	4,135,000
Sewer	1.625 - 5.0%	7/20/2016	10/1/2031	1,162,800	927,600	992,400
<b>G.O. Equipment Certificates of Indebtedness Series 2016B</b>						
Electric	2.0%	7/20/2016	2/1/2021	200,917	41,118	81,302
Water	2.0%	7/20/2016	2/1/2021	200,918	41,118	81,302
Electric Utility Revenue and Refunding Bonds, Series 2017A	2.25%	10/18/2017	12/1/2027	6,035,000	4,620,000	5,130,000
G.O. Utility Revenue Bonds (Water), Series 2018A	3.0 - 5.0%	3/22/2018	2/1/2028	2,720,000	2,250,000	2,480,000
<b>G.O. Equipment Certificates of Indebtedness Series 2018A</b>						
Electric	5.0%	3/22/2018	2/1/2023	97,600	60,800	80,000
Water	5.0%	3/22/2018	2/1/2023	79,300	49,400	65,000
Sewer	5.0%	3/22/2018	2/1/2023	128,100	79,800	105,000
<b>Total Debt</b>				<u>\$ 49,206,423</u>	<u>29,644,836</u>	<u>32,801,004</u>
<b>Less Amount Due Within One Year</b>						
Direct Borrowings - G.O. Build America Bonds					1,441,000	1,396,000
Electric Utility Revenue Bonds, Series 2014A					385,000	380,000
Water Utility Revenue Bonds, Series 2015A					170,000	165,000
G.O. Utility Revenue Bonds (Water), Series 2016A					285,000	270,000
G.O. Utility Revenue Bonds (Sewer), Series 2016A					68,400	64,800
G.O. Equipment Certificates of Indebtedness (Electric), Series 2016B					41,118	40,184
G.O. Equipment Certificates of Indebtedness (Water), Series 2016B					41,118	40,183
Electric Utility Revenue and Refunding Bonds, Series 2017A					565,000	510,000
G.O. Utility Revenue Bonds (Water), Series 2018A					245,000	230,000
G.O. Equipment Certificates of Indebtedness (Electric), Series 2018A					19,200	19,200
G.O. Equipment Certificates of Indebtedness (Water), Series 2018A					15,600	15,600
G.O. Equipment Certificates of Indebtedness (Sewer), Series 2018A					25,200	25,200
<b>Net Long - Term Debt</b>					<u>\$ 26,343,200</u>	<u>\$ 29,644,837</u>

**BRAINERD PUBLIC UTILITIES  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

The schedule of maturities for principal and interest is as follows:

Year Ending December 31,	Principal	Interest	Total
<b>Direct Borrowings -</b>			
<b>General Obligation Build America Bonds</b>			
2021	\$ 1,441,000	\$ 417,704	\$ 1,858,704
2022	1,488,000	371,116	1,859,116
2023	1,536,000	323,009	1,859,009
2024	1,585,000	273,350	1,858,350
2025	1,637,000	222,107	1,859,107
2026-2028	5,233,000	341,954	5,574,954
Total	<u>\$ 12,920,000</u>	<u>\$ 1,949,240</u>	<u>\$ 14,869,240</u>
<b>Electric Utility Revenue Bonds, Series 2014A</b>			
2021	\$ 385,000	\$ 132,445	\$ 517,445
2022	395,000	120,895	515,895
2023	405,000	107,070	512,070
2024	415,000	92,895	507,895
2025	430,000	80,445	510,445
2026-2029	1,875,000	179,895	2,054,895
Total	<u>\$ 3,905,000</u>	<u>\$ 713,645</u>	<u>\$ 4,618,645</u>
<b>G.O. Water Utility Revenue Bonds, Series 2015A</b>			
2021	\$ 170,000	\$ 24,313	\$ 194,313
2022	175,000	18,263	193,263
2023	175,000	11,263	186,263
2024	180,000	5,963	185,963
2025	185,000	2,081	187,081
Total	<u>\$ 885,000</u>	<u>\$ 61,883</u>	<u>\$ 946,883</u>

**BRAINERD PUBLIC UTILITIES  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Year Ending December 31,	Principal	Interest	Total
<b>G.O. Utility Revenue Bonds, Series 2016A (Water Portion)</b>			
2021	\$ 285,000	\$ 123,694	\$ 408,694
2022	300,000	109,444	409,444
2023	315,000	94,444	409,444
2024	330,000	78,694	408,694
2025	350,000	62,194	412,194
2026-2030	1,885,000	157,619	2,042,619
2031	400,000	8,800	408,800
Total	<u>\$ 3,865,000</u>	<u>\$ 634,889</u>	<u>\$ 4,499,889</u>
<b>G.O. Utility Revenue Bonds, Series 2016A (Wastewater Portion)</b>			
2021	\$ 68,400	\$ 29,686	\$ 98,086
2022	72,000	26,267	98,267
2023	75,600	22,667	98,267
2024	79,200	18,887	98,087
2025	84,000	14,927	98,927
2026-2030	452,400	37,829	490,229
2031	96,000	2,112	98,112
Total	<u>\$ 927,600</u>	<u>\$ 152,375</u>	<u>\$ 1,079,975</u>
<b>G.O. Equipment Certificates of Indebtedness (Electric Portion) - Series 2016B</b>			
2021	<u>\$ 41,118</u>	<u>\$ 411</u>	<u>\$ 41,529</u>
<b>G.O. Equipment Certificates of Indebtedness (Water Portion) - Series 2016B</b>			
2021	<u>\$ 41,118</u>	<u>\$ 411</u>	<u>\$ 41,529</u>

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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Year Ending December 31,	Principal	Interest	Total
<u>Electric Utility Revenue and Refunding Bonds, Series 2017A</u>			
2021	\$ 565,000	\$ 103,950	\$ 668,950
2022	600,000	91,238	691,238
2023	635,000	77,738	712,738
2024	695,000	63,450	758,450
2025	690,000	47,813	737,813
2026-2027	1,435,000	48,600	1,483,600
Total	<u>\$ 4,620,000</u>	<u>\$ 432,789</u>	<u>\$ 5,052,789</u>
<u>G.O. Water Utility Revenue Bonds, Series 2018A</u>			
2021	\$ 245,000	\$ 82,175	\$ 327,175
2022	250,000	69,800	319,800
2023	265,000	56,925	321,925
2024	280,000	43,300	323,300
2025	290,000	31,950	321,950
2026-2028	920,000	41,850	961,850
Total	<u>\$ 2,250,000</u>	<u>\$ 326,000</u>	<u>\$ 2,576,000</u>
<u>G.O. Equipment Certificates of Indebtedness (Electric Portion) - Series 2018A</u>			
2021	\$ 19,200	\$ 2,560	\$ 21,760
2022	20,800	1,560	22,360
2023	20,800	520	21,320
Total	<u>\$ 60,800</u>	<u>\$ 4,640</u>	<u>\$ 65,440</u>
<u>G.O. Equipment Certificates of Indebtedness (Water Portion) - Series 2018A</u>			
2021	\$ 15,600	\$ 2,080	\$ 17,680
2022	16,900	1,268	18,168
2023	16,900	423	17,323
Total	<u>\$ 49,400</u>	<u>\$ 3,771</u>	<u>\$ 53,171</u>
<u>G.O. Equipment Certificates of Indebtedness (Sewer Portion) - Series 2018A</u>			
2021	\$ 25,200	\$ 3,360	\$ 28,560
2022	27,300	2,048	29,348
2023	27,300	682	27,982
Total	<u>\$ 79,800</u>	<u>\$ 6,090</u>	<u>\$ 85,890</u>

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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Long-term debt activity for the year ended December 31, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings -				
G.O. Build America Bonds	\$ 14,316,000	\$ -	\$ 1,396,000	\$ 12,920,000
Electric Utility Revenue				
Bonds, Series 2014A	4,285,000	-	380,000	3,905,000
G.O. Water Utility Revenue				
Bonds, Series 2015A	1,050,000	-	165,000	885,000
G.O. Utility Revenue				
Bonds, Series 2016A	5,127,400	-	334,800	4,792,600
G.O. Equipment Certificates of Indebtedness, Series 2016B	162,604	-	80,368	82,236
Electric Utility Revenue and Refunding Bonds, Series 2017A	5,130,000	-	510,000	4,620,000
G.O. Utility Revenue				
Bonds, Series 2018A	2,480,000	-	230,000	2,250,000
G.O. Equipment Certificates of Indebtedness, Series 2018A	250,000	-	60,000	190,000
Revenue Bond Premium				
Series 2014A	149,732	-	15,357	134,375
Series 2015A	56,633	-	11,327	45,306
Series 2016A	466,050	-	40,235	425,815
Series 2016B	3,086	-	1,948	1,138
Series 2018A	178,448	-	24,330	154,118
Capital Lease Payable	97,977	12,223	30,654	79,546
Compensated Absences	829,076	500,661	351,272	978,465
	<u>\$ 34,582,006</u>	<u>\$ 512,884</u>	<u>\$ 3,631,291</u>	<u>\$ 31,463,599</u>

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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Long-term debt activity for the year ended December 31, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings -				
G.O. Build America Bonds	\$ 15,668,000	\$ -	\$ 1,352,000	\$ 14,316,000
Electric Utility Revenue				
Bonds, Series 2014A	4,660,000	-	375,000	4,285,000
G.O. Water Utility Revenue				
Bonds, Series 2015A	1,215,000	-	165,000	1,050,000
G.O. Utility Revenue				
Bonds, Series 2016A	5,449,800	-	322,400	5,127,400
G.O. Equipment Certificates of				
Indebtedness, Series 2016B	242,970	-	80,366	162,604
Electric Utility Revenue				
and Refunding Bonds,				
Series 2017A	5,605,000	-	475,000	5,130,000
G.O. Utility Revenue				
Bonds, Series 2018A	2,720,000	-	240,000	2,480,000
G.O. Equipment Certificates of				
Indebtedness, Series 2018A	305,000	-	55,000	250,000
Revenue Bond Premium				
Series 2014A	165,089	-	15,357	149,732
Series 2015A	67,960	-	11,327	56,633
Series 2016A	506,285	-	40,235	466,050
Series 2016B	5,034	-	1,948	3,086
Series 2018A	202,861	-	24,413	178,448
Capital Lease Payable	52,003	61,129	15,155	97,977
Compensated Absences	777,125	464,189	412,238	829,076
	<u>\$ 37,642,127</u>	<u>\$ 525,318</u>	<u>\$ 3,585,439</u>	<u>\$ 34,582,006</u>

**NOTE 7 CAPITAL LEASE PAYABLE**

On June 29, 2004 BPU entered into a lease agreement with Brainerd Independent School District No. 181 (ISD No. 181) to acquire fiber optic strands from ISD No. 181. Per the agreement, the term of the lease will be for a 25 year period commencing June 29, 2004. At the conclusion of the lease, BPU has the option to purchase the strands for \$1. The consideration for the 25-year lease will be \$250,000 payable in ten \$25,000 annual payments, commencing on December 31, 2004. BPU's annual lease payments will be in cash or any combination of cash and/or in-kind services as may be mutually agreed by BPU and ISD No. 181. Capital assets recorded under capital leases total \$250,000 at both December 31, 2020 and 2019, with related accumulated depreciation of \$205,825 and \$192,546, respectively. Depreciation expense related to this asset for the years ended December 31, 2020 and 2019 was \$13,279 and \$13,279, respectively.



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**NOTE 7 CAPITAL LEASE PAYABLE (CONTINUED)**

In 2020, BPU entered into a capital lease agreement for financing a copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its present value of its future minimum lease payments as of the inception date. The asset cost was \$12,223 with related accumulated depreciation of \$611 and \$0 at December 31, 2020 and 2019, respectively. Depreciation expense related to this asset for the years ended December 31, 2020 and 2019 was \$611 and \$0, respectively.

In 2019, BPU entered into a capital lease agreement for financing a billing inserter and a mailroom copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its present value of its future minimum lease payments as of the inception date. The asset cost was \$73,520 with related accumulated depreciation of \$14,704 and \$0 at December 31, 2020 and 2019, respectively. Depreciation expense related to this asset for the years ended December 31, 2020 and 2019 was \$14,704 and \$0, respectively.

In 2016, BPU entered into a capital lease agreement for financing four vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their present value of their future minimum lease payments as of the inception date. The asset cost for these four vehicles was \$84,812 with related accumulated depreciation of \$74,953 and \$57,991 at December 31, 2020 and 2019, respectively. Depreciation expense related to these assets for the year ended December 31, 2020 and 2019 was \$16,962 and \$16,962, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, were as follows:

<u>Year Ended December 31,</u>		
2021	\$	25,822
2022		20,631
2023		20,631
2024		20,631
2025		6,084
Total Minimum Lease Payments	\$	93,799
Less: Amount Representing Interest		14,253
Present Value of Minimum Lease Payments	\$	79,546

**NOTE 8 RISK MANAGEMENT**

BPU is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. BPU participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for all its insurance except for employee health insurance which is through Health Partners. The LMCIT operates as a common risk management and insurance program for Minnesota Cities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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**NOTE 8 RISK MANAGEMENT (CONTINUED)**

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. BPU has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

**NOTE 9 DEFINED BENEFIT PENSION PLANS**

**General Employees Retirement Plan Description**

BPU participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time employees of BPU are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**General Employees Plan Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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**NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**General Employees Fund Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.50% of their annual covered salary and BPU was required to contribute 7.50% for Coordinated Plan members in fiscal years 2020 and 2019. BPU's contributions to the General Employees Fund for the year ended December 31, 2020 and 2019, were \$313,075 and \$297,230, respectively. BPU's contributions were equal to the required contributions as set by state statute.

**General Employees Fund Pension Costs**

At December 31, 2020 and 2019, BPU reported a liability of \$3,441,391 and \$2,935,780, respectively, for its proportionate share of the General Employees Fund's net pension liability. BPU's 2020 and 2019 net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2020 and 2019. The State of Minnesota is considered a nonemployer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with BPU totaled \$105,995 at December 31, 2020 for a total liability of \$3,547,386 and \$91,163 at December 31, 2019 for a total liability of \$3,026,943. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

BPU's proportion of the net pension liability for December 31, 2020, was based on BPU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020 the proportionate share was 0.0574% at the end of the measurement period and 0.0531% for the beginning of the period.

BPU's proportion of the net pension liability for December 31, 2019, was based on BPU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the proportionate share was 0.0531% at the end of the measurement period and 0.0533% for the beginning of the period.

For the year ended December 31, 2020 and 2019, BPU recognized pension expense of \$218,967 and \$354,163 for its proportionate share of the General Employees Plan's pension expense. In addition, BPU recognized an additional \$9,225 in 2020 and \$6,827 in 2019 as pension expense (and other revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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**NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**General Employees Fund Pension Costs (Continued)**

At December 31, 2020, BPU reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 31,377	\$ 13,020
Changes in Actuarial Assumptions	-	127,585
Difference Between Projected and Actual Investment Earnings	59,452	-
Changes in Proportion	205,450	20,000
Contributions Paid to PERA Subsequent to the Measurement Date	158,947	-
Total	<u>\$ 455,226</u>	<u>\$ 160,605</u>

\$158,947 is reported as deferred outflows of resources related to pensions resulting from BPU contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amounts
2021	\$ (143,540)
2022	62,155
2023	133,912
2024	83,145

At December 31, 2019, BPU reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 81,361	\$ -
Changes in Actuarial Assumptions	-	230,754
Difference Between Projected and Actual Investment Earnings	-	297,576
Changes in Proportion	31,065	36,888
Contributions Paid to PERA Subsequent to the Measurement Date	152,694	-
Total	<u>\$ 265,120</u>	<u>\$ 565,218</u>

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**NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions:

December 31, 2020	
<u>Assumptions</u>	
Inflation	2.25% per Year
Active Member Payroll Growth	3.00% per Year
Investment Rate of Return	7.50%
December 31, 2019	
<u>Assumptions</u>	
Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

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**NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Changes in Actuarial Assumptions:

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from Scale MP-2017 to Scale MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was change prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was change prospectively, requiring \$16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for December 31, 2020 and 2019:

December 31, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	<u>100.0%</u>	

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**NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

December 31, 2019	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Domestic Stocks	36.0%	5.10%
International Stocks	17.0%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the total pension liability in 2020 and 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

The following presents BPU's proportionate share of the net pension liability at December 31, 2020 and 2019 for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what BPU's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	December 31, 2020		
	1% Higher	Current Discount Rate	1% Lower
General Employees Fund Discount Rate	6.50%	7.50%	8.50%
BPU's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 5,515,358	\$ 3,441,391	\$ 1,730,537

  

Description	December 31, 2019		
	1% Higher	Current Discount Rate	1% Lower
General Employees Fund Discount Rate	6.50%	7.50%	8.50%
BPU's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 4,826,264	\$ 2,935,780	\$ 1,374,809

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**NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

BPU operates a single-employer retiree benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through BPU's health insurance plan. There are 50 active employees, 1 nonactive employee and no inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between BPU and various unions representing BPU employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**Funding Policy**

BPU has no assets accumulated in a trust that meets the criteria in GASB No. 75. Cost-sharing allocation of insurance coverage is negotiated between BPU and union representatives. The eligibility for, amount of, duration of, and BPU's contribution to the cost of the benefits provided varies by contract and date of retirement. BPU is funding this liability on a pay-as-you-go basis. For fiscal year 2020 and 2019, BPU contributed \$41,654 and \$34,174, respectively to the plan.

**Actuarial Methods and Assumptions**

BPU's OPEB liability was measured as of January 1, 2020, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Assumptions</u>	
Inflation	2.50%
Salary Increase	2.75%
Health Care Tread Rates	6.5% Decreasing to 5.00% Over 6 Yrs.

Mortality Rates were based on the RP-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2019 generational improvement scale. The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019. The discount rate used to measure the total OPEB liability was 2.9%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.80% to 2.90%.



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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

BPU's OPEB liability was measured as of January 1, 2019, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Assumptions</u>	
Inflation	2.50%
Salary Increase	3.00%
Health Care Tread Rates	6.5% Decreasing to 5.00% Over 6 Yrs.

Mortality Rates were based on the RP-2000 mortality tables with projected monthly improvements based on Scale AA, and other adjustments. The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017. The discount rate used to measure the total OPEB liability was 3.80%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

**Changes in Net OPEB Liability**

	<u>Total OPEB Liability 2020</u>	<u>Total OPEB Liability 2019</u>
Balance at January 1,	\$ 339,439	\$ 346,040
Changes for the Year:		
Service Cost	33,722	22,563
Interest	13,537	11,642
Assumption Changes	9,122	(8,905)
Difference Between Expected & Actual	152,788	-
Benefit Payments	<u>(34,174)</u>	<u>(31,901)</u>
Net Change in Total OPEB Liability	<u>174,995</u>	<u>(6,601)</u>
Balance at December 31,	<u>\$ 514,434</u>	<u>\$ 339,439</u>

The following presents the net OPEB liability of BPU, as well as what BPU's liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>2020</u>	<u>1% Decrease 1.9%</u>	<u>Discount Rate 2.9%</u>	<u>1% Increase 3.9%</u>
<u>Description</u>			
Net OPEB Liability	\$ 542,635	\$ 514,434	\$ 487,245
<u>2019</u>	<u>1% Decrease 2.8%</u>	<u>Discount Rate 3.8%</u>	<u>1% Increase 4.8%</u>
<u>Description</u>			
Net OPEB Liability	\$ 361,278	\$ 339,439	\$ 318,746

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in Net OPEB Liability (Continued)**

The following presents the net OPEB liability of BPU, as well as what BPU's net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower (5.5% decreasing to 4.00% over 6 years) or 1% higher (7.5% decreasing to 6.00% over 6 years) than the current health care cost trend rates:

<u>2020</u>	<u>1% Decrease (5.5% Decreasing to 4.0%)</u>	<u>Current Trend Rates (6.5% Decreasing to 5.0%)</u>	<u>1% Increase (7.5% Decreasing to 6.0%)</u>
<u>Medical Trend Rate</u>			
Net OPEB Liability	\$ 471,953	\$ 514,434	\$ 564,114
<u>2019</u>	<u>1% Decrease (5.25% Decreasing to 4.0%)</u>	<u>Current Trend Rates (6.25% Decreasing to 5.0%)</u>	<u>1% Increase (7.25% Decreasing to 6.0%)</u>
<u>Medical Trend Rate</u>			
Net OPEB Liability	\$ 305,856	\$ 339,439	\$ 378,828

For the year ended December 31, 2020 and 2019, BPU recognized OPEB expense of \$66,226 and \$25,300, respectively. At December 31, 2020, BPU reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Authority's Benefit Payments Subsequent to the Measurement Date	\$ 41,654	\$ -
Difference Between Expected and Actual Experience	133,688	-
Changes in Actuarial Assumptions	7,981	6,359
Total	<u>\$ 183,323</u>	<u>\$ 6,359</u>

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

<u>Year Ending December 31,</u>	<u>Future Recognition</u>
2021	\$ 19,178
2022	19,178
2023	19,178
2024	19,178
2025	19,178
Thereafter	39,420

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in Net OPEB Liability (Continued)**

At December 31, 2019, BPU reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Authority's Benefit Payments Subsequent to the Measurement Date	\$ 34,174	\$ -
Changes in Actuarial Assumptions	-	7,632
Total	<u>\$ 34,174</u>	<u>\$ 7,632</u>

**NOTE 11 OPERATING TRANSFERS TO THE CITY OF BRAINERD**

Commencing July 1, 2003, BPU began making regular financial contributions to the City. These contributions are made on a monthly basis based on retail sales by the BPU Electric Department. Retail sales by the Electric Department are defined as energy sales expressed in kilowatt-hours (kWh) to BPU retail electric customers. For purposes of calculating the contribution amount, energy sales to BPU retail electric customers do not include sales to any City facilities or any energy usage by BPU departments. The monthly BPU contribution is a cash contribution to the City equal to \$0.0045 per kWh based on energy sales to retail electric customers in the previous month.

BPU does not make any contributions to the City based on operations or sales by the BPU Water or Wastewater Departments. BPU does not make any other contributions to the City (cash or services) other than the cash contribution based on retail electric sales.

BPU bills the City for all utility services (electric, water and wastewater) at regular utility rates as set by the BPU Commission for applicable service to City Facilities. The applicable rates for service to City facilities are subject to change as may be determined necessary by the BPU Commission. The City can use funds available from any utility-specific property tax levies, cash contributions from BPU, or other available funds to pay City utility bills issued by BPU.

**NOTE 12 COMMITMENTS**

**Power Contracts**

On January 4, 2016, BPU signed a market based rate full requirements power sales agreement with AEP Energy Partners, Inc. for the period July 1, 2019 through May 31, 2030.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
SCHEDULE OF BPU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST SIX MEASUREMENT PERIODS**

Fiscal Year Ending June 30,	BPU Proportion of the Net Pension Liability	BPU Proportionate Share of the Net Pension Liability	State Proportionate Share of the Net Pension Liability	Total Share of BPU's Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2020	0.0574%	\$ 3,441,391	\$ 105,995	\$ 3,547,386	\$ 4,090,962	84.12%	79.06%
2019	0.0531%	2,935,780	91,163	3,026,943	3,757,390	78.13%	80.20%
2018	0.0533%	2,956,866	97,081	3,053,947	3,584,388	82.49%	79.53%
2017	0.0542%	3,460,092	43,509	3,503,601	3,491,769	99.09%	75.90%
2016	0.0520%	4,222,142	55,060	4,277,202	3,224,539	130.94%	68.91%
2015	0.0543%	2,814,108	-	2,814,108	3,189,264	88.24%	78.20%

Note: Information is presented prospectively and an accumulation of 10 years will be provided.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
SCHEDULE OF PERA CONTRIBUTIONS  
LAST SEVEN FISCAL YEARS**

Year Ended December 31,	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contributions in (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a % of Covered Payroll (b/d)
2020	\$ 313,075	\$ 313,075	\$ -	\$ 4,174,333	7.50%
2019	297,230	297,230	-	3,963,067	7.50%
2018	276,672	276,672	-	3,584,388	7.50%
2017	258,176	258,176	-	3,442,336	7.50%
2016	244,836	244,836	-	3,264,478	7.50%
2015	251,138	251,138	-	3,354,434	7.49%
2014	213,149	213,149	-	2,939,984	7.25%

Note: Information is presented prospectively and an accumulation of 10 years will be provided.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
SCHEDULE OF CHANGES IN BPU'S OPEB LIABILITY, RELATED RATIOS, AND NOTES  
LAST THREE MEASUREMENT PERIODS**

	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 33,722	\$ 22,563	\$ 23,674
Interest	13,537	11,642	12,031
Assumption Changes	9,122	(8,905)	-
Difference Between Expected & Actual Experience	152,788	-	-
Benefit Payments	<u>(34,174)</u>	<u>(31,901)</u>	<u>(60,631)</u>
Net Change in Total OPEB Liability	174,995	(6,601)	(24,926)
Total OPEB - Beginning of the Year	339,439	346,040	370,966
Total OPEB - End of the Year	<u>\$ 514,434</u>	<u>\$ 339,439</u>	<u>\$ 346,040</u>
Covered-Employee Payroll	\$ 3,823,556	\$ 3,409,972	\$ 3,310,652
BPU's OPEB Liability as a Percentage of Covered-Employee Payroll	13%	10%	10%

Note 1: Information is presented prospectively and an accumulation of 10 years will be provided.

Note 2: No assets are accumulated in a trust.

*The Notes to Required Supplementary Information are an integral part of this schedule.*



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the measurement period ended June 30:

**2020 Changes**

**Changes in Actuarial Assumptions**

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Changes in Plan Provisions**

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019**

**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2017 to MP-2018.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

2019 (Continued)

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN  
PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS**

As disclosed on the Schedule of Changes in the Total OPEB Liability, Related Ratios, and Notes, no assets have been irrevocably deposited in a trust to advance fund the employer's obligation. Therefore, the actuarial value of assets is zero.

The following changes were reflected in the valuation performed on behalf of the BPU's Other Postemployment Benefits plan for the year ended December 31:

2020

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.80% to 2.90%.

2019

- The discount rate was changed from 3.30% to 3.80%.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

**NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN  
PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2018

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 50% to 40%. The percent of married retirees electing spouse coverage was changed from 25% to 50%.
- The discount rate was changed from 4.00% to 3.30%.

## **SUPPLEMENTARY INFORMATION**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT  
DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2020	2019
<b>CAPITAL ASSETS</b>					
Construction in Progress	\$ 291,583	\$ 617,017	\$ 416,300	\$ 1,324,900	\$ 627,066
In Service	44,903,737	28,397,594	39,024,292	112,325,623	108,809,369
Total Investment in Capital Assets	45,195,320	29,014,611	39,440,592	113,650,523	109,436,435
Less: Accumulated Depreciation	(20,552,491)	(11,997,476)	(16,616,755)	(49,166,722)	(45,147,688)
Net Capital Assets	24,642,829	17,017,135	22,823,837	64,483,801	64,288,747
<b>RESTRICTED ASSETS</b>					
Cash and Investments					
Customer Deposits	329,882	-	-	329,882	333,281
City of Brainerd Contribution	69,926	536,143	217,991	824,060	653,511
Conservation Incentive Program	129,574	-	-	129,574	187,391
Debt Service Reserve	1,194,807	1,043,380	1,994,020	4,232,207	4,232,282
Total Restricted Cash and Investments	1,724,189	1,579,523	2,212,011	5,515,723	5,406,465
Bonds and Notes Receivable					
Notes Receivable - Interest	-	-	4,306,667	4,306,667	4,772,000
Total Restricted Assets	1,724,189	1,579,523	6,568,278	9,871,990	10,234,665
<b>CURRENT ASSETS</b>					
Cash and Investments	5,096,108	(219,117)	5,797,613	10,674,604	10,908,413
Accounts Receivable	2,260,602	355,682	506,013	3,122,297	3,405,626
Interest Receivable	11,653	3,036	11,451	26,140	37,033
Due from the City of Brainerd	28,135	644,433	265,788	938,356	975,282
Inventory	1,171,509	121,236	-	1,292,745	1,122,541
Prepaid Expenses	127,091	-	5,400	132,491	168,379
Total Current Assets	8,695,098	905,270	6,586,265	16,186,633	16,617,274
<b>OTHER ASSETS</b>					
Service Territory Acquisitions, Net of Accumulated Depreciation					
	275,149	-	-	275,149	292,883
Total Assets	35,337,265	19,501,928	35,978,380	90,817,573	91,433,569
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	273,136	91,045	91,045	455,226	265,120
OPEB Related	109,993	36,665	36,665	183,323	34,174
Total Deferred Outflows of Resources	383,129	127,710	127,710	638,549	299,294
Total Assets and Deferred Outflows of Resources					
	\$ 35,720,394	\$ 19,629,638	\$ 36,106,090	\$ 91,456,122	\$ 91,732,863

**BRainerd PUBLIC UTILITIES  
BRainerd, MINNESOTA  
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT (CONTINUED)  
DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2020	2019
<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 16,681,638	\$ 9,375,178	\$ 8,794,351	\$ 34,851,167	\$ 31,477,317
Restricted for Debt Service	-	962,520	6,192,317	7,154,837	7,598,735
Unrestricted	5,414,935	(281,900)	5,119,217	10,252,252	10,901,077
Total Net Position	22,096,573	10,055,798	20,105,885	52,258,256	49,977,129
<b>LONG-TERM LIABILITIES</b>					
Revenue Bonds Payable	7,709,375	6,832,798	941,616	15,483,789	17,288,982
G.O. Equipment Certificates of Indebtedness	45,381	36,974	58,807	141,162	289,804
G.O. Build America Bonds Payable	-	-	11,479,000	11,479,000	12,920,000
Capital Lease Payable	34,668	11,555	11,555	57,778	67,729
Compensated Absences	592,311	244,649	141,505	978,465	829,076
Net Pension Liability	2,064,835	688,278	688,278	3,441,391	2,935,780
Other Postemployment Benefit Obligation	283,668	94,555	94,555	472,778	339,439
Total Long-Term Liabilities	10,730,238	7,908,809	13,415,316	32,054,363	34,670,810
<b>CURRENT LIABILITIES</b>					
Accounts and Contracts Payable	955,340	184,939	586,659	1,726,938	1,592,717
Revenue Bonds Payable	950,000	700,000	68,400	1,718,400	1,619,800
G.O. Equipment Certificates of Indebtedness	60,318	56,719	25,200	142,237	140,367
G.O. Build America Bonds Payable	-	-	1,441,000	1,441,000	1,396,000
Capital Lease Payable	13,952	3,908	3,908	21,768	30,248
Other Postemployment Benefit Obligation	24,992	8,331	8,331	41,654	-
Accrued Expenses					
Salaries and Withholding Taxes	157,171	58,503	42,037	257,711	184,881
Sales Taxes	80,430	2,235	-	82,665	82,863
Current Liabilities from Restricted Assets:					
Bond Interest	21,820	80,860	157,970	260,650	291,015
Payable to City of Brainerd	69,926	536,143	217,991	824,060	653,511
Conservation Incentive Program Payable	129,574	-	-	129,574	187,391
Customer Deposits	329,882	-	-	329,882	333,281
Total Current Liabilities	2,793,405	1,631,638	2,551,496	6,976,539	6,512,074
Total Liabilities	13,523,643	9,540,447	15,966,812	39,030,902	41,182,884
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related	96,363	32,121	32,121	160,605	565,218
OPEB Related	3,815	1,272	1,272	6,359	7,632
Total Deferred Outflows of Resources	100,178	33,393	33,393	166,964	572,850
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 35,720,394	\$ 19,629,638	\$ 36,106,090	\$ 91,456,122	\$ 91,732,863

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY DEPARTMENT  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

OPERATING REVENUES	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2020	2019
Utility Revenues					
Residential	\$ 6,328,696	\$ 1,344,748	\$ 1,410,948	\$ 9,084,392	\$ 8,854,987
Commercial	7,153,738	1,177,962	1,296,125	9,627,825	10,208,836
Large Commercial	5,302,067	-	-	5,302,067	5,997,428
City of Brainerd	348,270	103,076	9,128	460,474	495,162
Internal Use	771,792	68,811	593	841,196	893,556
Total Utility Revenues	<u>19,904,563</u>	<u>2,694,597</u>	<u>2,716,794</u>	<u>25,315,954</u>	<u>26,449,969</u>
Other Operating Revenues					
Penalties	32,657	5,521	8,891	47,069	182,646
Other	79,814	21,102	13,672	114,588	200,267
Total Other Operating Revenues	<u>112,471</u>	<u>26,623</u>	<u>22,563</u>	<u>161,657</u>	<u>382,913</u>
Total Operating Revenues	<u>20,017,034</u>	<u>2,721,220</u>	<u>2,739,357</u>	<u>25,477,611</u>	<u>26,832,882</u>
<b>OPERATING EXPENSES</b>					
Generation, Production, and Treatment					
Salaries and Wages	451,159	285,176	422,237	1,158,572	1,066,554
Purchased Services	7,406	118,667	634,153	760,226	815,008
Supplies and Maintenance	34,201	62,401	128,912	225,514	152,748
Employee Benefits	144,062	126,229	143,623	413,914	358,412
Other Charges	39,902	542	28,722	69,166	58,388
Total Generation, Production, and Treatment Expenses	<u>676,730</u>	<u>593,015</u>	<u>1,357,647</u>	<u>2,627,392</u>	<u>2,451,110</u>
Purchased Power	10,559,355	-	-	10,559,355	11,928,124
Distribution and Collection					
Salaries and Wages	1,104,528	352,459	122,219	1,579,206	1,555,396
Purchased Services	126,230	162,820	135,658	424,708	541,610
Supplies and Maintenance	256,659	38,881	6,561	302,101	265,162
Employee Benefits	311,668	124,356	50,466	486,490	522,292
Other Charges	45,890	10,603	90	56,583	77,062
Total Distribution and Collection Expenses	<u>1,844,975</u>	<u>689,119</u>	<u>314,994</u>	<u>2,849,088</u>	<u>2,961,522</u>



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY DEPARTMENT (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2020	2019
<b>OPERATING EXPENSES (CONTINUED)</b>					
Administration					
Salaries and Wages	\$ 757,522	\$ 284,100	\$ 248,042	\$ 1,289,664	\$ 1,150,230
Purchased Services	301,340	32,973	39,866	374,179	373,357
Supplies and Maintenance	71,045	23,615	15,410	110,070	119,594
Insurance and Bonds	125,201	48,041	70,239	243,481	269,426
Employee Benefits	282,728	100,640	90,924	474,292	486,256
Other Charges	284,279	59,592	59,740	403,611	361,420
Total Administration Expenses	1,822,115	548,961	524,221	2,895,297	2,760,283
Depreciation and Amortization	2,259,120	1,142,061	1,547,069	4,948,250	4,664,587
Total Operating Expenses	17,162,295	2,973,156	3,743,931	23,879,382	24,765,626
<b>OPERATING INCOME (LOSS)</b>	2,854,739	(251,936)	(1,004,574)	1,598,229	2,067,256
<b>NONOPERATING REVENUE (EXPENSE)</b>					
Interest Income - Investments	149,615	42,098	179,270	370,983	491,353
Interest Income - Notes Receivable	-	-	147,679	147,679	158,204
Interest Expense	(244,001)	(191,744)	(469,756)	(905,501)	(980,930)
Local Option Sales Tax	-	278,345	1,284,503	1,562,848	1,412,991
Federal Grant Revenue - Build America Bond	-	-	101,312	101,312	104,911
Federal Grant Revenue - CARES	9,614	2,864	3,133	15,611	-
Gain (Loss) on Disposal of Capital Assets	(980)	70	13,494	12,584	49,440
Net Nonoperating Revenue (Expense)	(85,752)	131,633	1,259,635	1,305,516	1,235,969
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	2,768,987	(120,303)	255,061	2,903,745	3,303,225
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	52,588	18,664	40,699	111,951	-
<b>TRANSFERS TO THE CITY</b>	(734,569)	-	-	(734,569)	(757,394)
<b>CHANGE IN NET POSITION</b>	\$ 2,087,006	\$ (101,639)	\$ 295,760	\$ 2,281,127	\$ 2,545,831

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2020**

	Cost			
	12/31/2019	Additions	Retirements	12/31/2020
<b>Electric Department</b>				
<u>Generation</u>				
Land and Land Improvements	\$ 330,036	\$ -	\$ -	\$ 330,036
Generation Facilities	6,926,628	34,309	-	6,960,937
Machinery and Equipment	34,669	30,256	-	64,925
Transportation Equipment	16,666	-	-	16,666
Total Generation	7,307,999	64,565	-	7,372,564
<u>Distribution</u>				
Land and Land Improvements	247,935	79,000	26,907	300,028
Distribution System	29,231,203	1,938,667	345,224	30,824,646
Street and Security Lighting System	659,037	-	79,308	579,729
Machinery and Equipment	976,124	22,782	12,673	986,233
Transportation Equipment	1,454,954	147,573	124,079	1,478,448
Total Distribution	32,569,253	2,188,022	588,191	34,169,084
Total Electric Department	39,877,252	2,252,587	588,191	41,541,648
<b>Water Department</b>				
<u>Production</u>				
Structures and Improvements	1,646,237	156,976	-	1,803,213
Wells, Pumps and Accessories	788,726	12,599	-	801,325
Water Treatment Plant Equipment	2,103,674	181,028	149,336	2,135,366
Total Production	4,538,637	350,603	149,336	4,739,904
<u>Distribution</u>				
Distribution System	20,868,761	616,547	-	21,485,308
Machinery and Equipment	354,600	78,901	4,224	429,277
Transportation Equipment	403,472	-	-	403,472
Total Water Distribution	21,626,833	695,448	4,224	22,318,057
Total Water Department	26,165,470	1,046,051	153,560	27,057,961
<b>Wastewater Treatment Department</b>				
Land and Land Improvements	35,485	18,245	-	53,730
Collection System	5,065,340	428,742	176,321	5,317,761
Treatment Facility	30,710,354	363,249	3,000	31,070,603
Machinery and Equipment	616,059	63,950	4,224	675,785
Transportation Equipment	247,512	34,823	-	282,335
Total Wastewater Treatment Department	36,674,750	909,009	183,545	37,400,214
<b>General Plant</b>				
Land and Land Improvements	1,393,190	-	-	1,393,190
Service Center	3,971,723	59,002	-	4,030,725
Furniture and Fixtures	486,707	150,887	-	637,594
Transportation Equipment	174,477	24,014	-	198,491
Storage Building	65,800	-	-	65,800
Total General Plant	6,091,897	233,903	-	6,325,800
Total Capital Assets in Service	108,809,369	4,441,550	925,296	112,325,623
Construction Work in Progress	627,066	1,917,366	1,219,532	1,324,900
Total Investment in Capital Assets	\$ 109,436,435	\$ 6,358,916	\$ 2,144,828	\$ 113,650,523

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION (CONTINUED)  
DECEMBER 31, 2020**

Composite Depreciation Rates	Accumulated Depreciation				Percent of Asset Balance
	12/31/2019	Additions	Retirements	12/31/2020	
2.0%	\$ 17,504	\$ 6,504	\$ -	\$ 24,008	7.3%
4.2%	1,157,160	292,912	-	1,450,072	20.8%
15.3%	11,124	9,959	-	21,083	32.5%
20.0%	12,222	3,333	-	15,555	93.3%
4.2%	1,198,010	312,708	-	1,510,718	20.5%
1.8%	21,525	5,381	26,906	-	0.0%
5.0%	13,436,004	1,540,765	345,224	14,631,545	47.5%
5.8%	409,981	33,773	79,308	364,446	62.9%
6.0%	705,358	59,630	12,673	752,315	76.3%
7.6%	801,522	112,474	105,083	808,913	54.7%
5.1%	15,374,390	1,752,023	569,194	16,557,219	48.5%
	16,572,400	2,064,731	569,194	18,067,937	
0.7%	1,619,551	12,163	-	1,631,714	90.5%
8.6%	299,218	68,805	-	368,023	45.9%
8.9%	1,232,855	190,511	149,336	1,274,030	59.7%
5.7%	3,151,624	271,479	149,336	3,273,767	69.1%
3.4%	6,473,587	740,935	-	7,214,522	33.6%
7.6%	228,751	32,796	4,224	257,323	59.9%
9.1%	239,284	36,622	-	275,906	68.4%
3.6%	6,941,622	810,353	4,224	7,747,751	34.7%
4.0%	10,093,246	1,081,832	153,560	11,021,518	40.7%
0.0%	-	-	-	-	0.0%
2.7%	3,180,072	142,887	176,321	3,146,638	59.2%
4.2%	11,293,478	1,295,014	-	12,588,492	40.5%
5.3%	346,143	35,743	4,224	377,662	55.9%
12.9%	97,595	36,443	-	134,038	47.5%
4.0%	14,917,288	1,510,087	180,545	16,246,830	43.4%
0.5%	207,885	6,521	-	214,406	15.4%
4.4%	2,844,726	175,398	-	3,020,124	74.9%
10.2%	308,638	65,027	-	373,665	58.6%
9.4%	137,705	18,737	-	156,442	78.8%
0.0%	65,800	-	-	65,800	100.0%
4.2%	3,564,754	265,683	-	3,830,437	60.6%
4.4%	45,147,688	4,922,333	903,299	49,166,722	43.8%
	-	-	-	-	
4.3%	<u>\$ 45,147,688</u>	<u>\$ 4,922,333</u>	<u>\$ 903,299</u>	<u>\$ 49,166,722</u>	43.3%

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## **OTHER INFORMATION**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
ELECTRIC DISTRIBUTION DEPARTMENT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2011 THROUGH 2020  
(UNAUDITED)**

	2011	2012	2013	2014	2015
<b>Electric Capital Assets</b>					
In Service (Thousands)	\$ 29,876	\$ 30,874	\$ 32,385	\$ 36,146	\$ 39,034
Investment Per Meter	\$ 3,825	\$ 3,948	\$ 4,120	\$ 4,558	\$ 4,912
Investment Per Dollar of Electric Revenue	\$ 1.70	\$ 1.71	\$ 1.91	\$ 2.01	\$ 2.15
<b>Accumulated Depreciation (Thousands)</b>	\$ 11,743	\$ 12,556	\$ 13,651	\$ 14,892	\$ 15,838
Percent of Capital Assets	39.3%	40.7%	42.2%	41.2%	40.6%
Annual Depreciation (Thousands)	\$ 1,191	\$ 1,199	\$ 1,238	\$ 1,344	\$ 1,520
Percent of Annual Depreciation to Average Capital Assets in Service	4.0%	4.0%	3.9%	3.9%	4.0%
<b>Number of Meters (Year-End)</b>	7,810	7,820	7,861	7,931	7,946
<b>Cost of Power</b>					
KWH Purchased (Thousands)	242,241	247,092	202,882	186,738	167,978
KWH Generated	-	-	-	5,601	18,554
Total Cost (Thousands)	\$ 14,488	\$ 14,498	\$ 12,881	\$ 12,270	\$ 11,287
Cost Per KWH Purchased (Cents)	5.98	5.87	6.35	6.60	6.72
Percent of System Loss	3.3%	2.7%	2.1%	3.6%	3.4%
Average Load Factor for Year	71.0%	72.4%	67.6%	69.9%	66.8%
<b>Electric Revenue</b>					
KWH Sold (Thousands)	234,226	240,530	198,534	185,427	180,256
Electric Utility Revenue (Thousands)	\$ 17,559	\$ 18,054	\$ 16,973	\$ 18,009	\$ 18,119
Per KWH Sold (Cents)	7.50	7.51	8.56	9.71	10.05
Gross Margin Per KWH (Cents)	1.52	1.64	2.21	3.11	3.33
<b>Operating Income (Loss) (Thousands)</b>	\$ (459)	\$ 223	\$ 556	\$ 1,653	\$ 1,666
<b>Change in Net Position (Thousands)</b>	\$ (1,217)	\$ (772)	\$ (400)	\$ 621	\$ 707

Note: For statistical purposes, the utility general plant is allocated among the electric, water and wastewater treatment department plant.

2016	2017	2018	2019	2020
\$ 40,295	\$ 43,225	\$ 44,612	\$ 43,103	\$ 44,904
\$ 5,046	\$ 5,377	\$ 5,510	\$ 5,288	\$ 5,464
\$ 2.22	\$ 2.23	\$ 2.11	\$ 2.05	\$ 2.25
\$ 17,441	\$ 19,024	\$ 20,711	\$ 18,888	\$ 20,552
43.3%	44.0%	46.4%	43.8%	45.8%
\$ 1,636	\$ 1,763	\$ 1,914	\$ 2,088	\$ 2,233
4.1%	4.2%	4.4%	4.8%	5.1%
7,986	8,039	8,096	8,151	8,218
166,984	165,645	170,684	167,222	159,528
20,116	19,401	19,081	17,744	18,727
\$ 12,475	\$ 12,754	\$ 11,854	\$ 11,928	\$ 10,559
7.47	7.70	6.94	7.10	6.60
3.6%	3.5%	3.4%	3.6%	3.3%
66.5%	66.9%	66.3%	64.3%	68.8%
180,334	178,511	183,244	178,392	172,315
\$ 18,159	\$ 19,412	\$ 21,183	\$ 21,007	\$ 19,905
10.07	10.87	11.56	11.78	11.55
2.60	3.17	4.62	4.68	4.95
\$ 556	\$ 1,504	\$ 3,594	\$ 3,131	\$ 2,855
\$ (457)	\$ 473	\$ 2,690	\$ 2,250	\$ 2,087

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
WATER DEPARTMENT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2011 THROUGH 2020  
(UNAUDITED)**

	2011	2012	2013	2014	2015
<b>Water Capital Assets</b>					
In Service (Thousands)	\$ 15,524	\$ 15,814	\$ 16,153	\$ 17,653	\$ 17,655
Investment Per Meter	\$ 3,359	\$ 3,407	\$ 3,473	\$ 3,814	\$ 3,797
Investment Per Dollar of Water Revenue	\$ 8.86	\$ 8.03	\$ 7.62	\$ 8.60	\$ 8.11
<b>Accumulated Depreciation (Thousands)</b>	\$ 6,866	\$ 7,349	\$ 7,815	\$ 7,949	\$ 7,974
Percent of Capital Assets	44.2%	46.5%	48.4%	45.0%	45.2%
Annual Depreciation (Thousands)	\$ 493	\$ 483	\$ 493	\$ 553	\$ 656
Percent of Annual Depreciation to Average Capital Assets in Service	3.2%	3.1%	3.1%	3.3%	3.7%
<b>Number of Meters (Year-End)</b>	4,621	4,642	4,651	4,629	4,650
<b>Cost of Water Production</b>					
Gallons Pumped into Distribution System (Thousands)	500,195	497,183	507,118	500,441	506,271
Total Cost (Thousands)	\$ 466	\$ 477	\$ 478	\$ 481	\$ 442
Cost Per Thousand Gallons Pumped	\$ 0.93	\$ 0.96	\$ 0.94	\$ 0.96	\$ 0.87
Percent of System Loss	12.9%	11.8%	14.7%	16.3%	18.7%
<b>Water Revenue</b>					
Gallons Sold (Thousands)	435,473	438,609	432,521	418,668	411,825
Water Utility Revenue (Thousands)	\$ 1,752	\$ 1,969	\$ 2,119	\$ 2,053	\$ 2,177
Per Thousand Gallons Sold	\$ 4.02	\$ 4.49	\$ 4.90	\$ 4.90	\$ 5.29
Gross Margin Per Thousand Gallons Sold	\$ 3.09	\$ 3.53	\$ 3.96	\$ 3.94	\$ 4.42
<b>Operating Income (Loss) (Thousands)</b>	\$ (66)	\$ 183	\$ 304	\$ 171	\$ 184
<b>Change in Net Position (Thousands) Before Capital Contributions from City</b>	\$ (34)	\$ 184	\$ 299	\$ 143	\$ 153

Note: For statistical purposes, the utility general plant is allocated among the electric, water and wastewater treatment department plant.



2016	2017	2018	2019	2020
\$ 17,930	\$ 24,356	\$ 25,582	\$ 27,467	\$ 28,398
\$ 3,835	\$ 5,160	\$ 5,368	\$ 5,725	\$ 5,865
\$ 7.95	\$ 10.43	\$ 10.24	\$ 10.72	\$ 10.54
\$ 8,608	\$ 9,387	\$ 10,310	\$ 11,009	\$ 11,997
48.0%	38.5%	40.3%	40.1%	42.2%
\$ 702	\$ 821	\$ 1,005	\$ 1,060	\$ 1,142
4.0%	3.9%	4.1%	4.0%	4.1%
4,675	4,720	4,766	4,798	4,842
492,846	482,159	465,743	473,439	490,593
\$ 459	\$ 472	\$ 493	\$ 495	\$ 593
\$ 0.93	\$ 0.98	\$ 1.06	\$ 1.05	\$ 1.21
18.8%	19.5%	15.6%	18.5%	19.5%
400,226	388,296	393,241	385,936	395,137
\$ 2,254	\$ 2,335	\$ 2,499	\$ 2,563	\$ 2,695
\$ 5.63	\$ 6.01	\$ 6.35	\$ 6.64	\$ 6.82
\$ 4.70	\$ 5.03	\$ 5.29	\$ 5.59	\$ 5.61
\$ 72	\$ (87)	\$ (178)	\$ (295)	\$ (252)
\$ 12	\$ 133	\$ (122)	\$ (132)	\$ (102)

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
WASTEWATER TREATMENT DEPARTMENT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2011 THROUGH 2020  
(UNAUDITED)**

	2011	2012	2013	2014	2015
<b>Wastewater Treatment Capital Assets</b>					
In Service (Thousands)	\$ 35,931	\$ 36,329	\$ 36,325	\$ 36,368	\$ 36,403
Investment Per Account	\$ 7,862	\$ 7,908	\$ 7,892	\$ 7,937	\$ 7,914
Investment Per Dollar of Wastewater Treatment Revenue	\$ 15.91	\$ 15.77	\$ 15.93	\$ 15.78	\$ 15.44
<b>Accumulated Depreciation (Thousands)</b>	\$ 4,401	\$ 5,708	\$ 7,046	\$ 8,424	\$ 9,746
Percent of Capital Assets	12.2%	15.7%	19.4%	23.2%	26.8%
Annual Depreciation (Thousands)	\$ 1,644	\$ 1,374	\$ 1,384	\$ 1,382	\$ 1,392
Percent of Annual Depreciation to Average Capital Assets in Service	5.2%	3.8%	3.8%	3.8%	3.8%
<b>Number of Accounts (Year-End)</b>	4,570	4,594	4,603	4,582	4,600
<b>Cost of Wastewater Treatment</b>					
Flow in Gallons Processed (Thousands)	723,764	725,787	677,322	799,681	700,235
Total Treatment Cost (Thousands)	\$ 1,016	\$ 975	\$ 1,082	\$ 1,106	\$ 1,001
Cost Per Thousand Gallons Processed	\$ 1.40	\$ 1.34	\$ 1.60	\$ 1.38	\$ 1.43
Percent of System Loss	24.7%	24.6%	19.7%	30.7%	22.7%
<b>Wastewater Treatment Revenue</b>					
Flow in Gallons Sold (Thousands)	545,138	547,053	544,183	554,578	541,213
Wastewater Treatment Utility Revenue (Thousands)	\$ 2,258	\$ 2,304	\$ 2,281	\$ 2,304	\$ 2,357
Per Thousand Gallons Sold	\$ 4.14	\$ 4.21	\$ 4.19	\$ 4.15	\$ 4.36
Gross Margin Per Thousand Gallons Sold	\$ 2.74	\$ 2.87	\$ 2.59	\$ 2.77	\$ 2.93
<b>Operating Income (Loss) (Thousands)</b>	\$ (1,079)	\$ (706)	\$ (843)	\$ (831)	\$ (642)
<b>Change in Net Position (Thousands)</b>	\$ (402)	\$ (2)	\$ (482)	\$ 2	\$ 61

Note: For statistical purposes, the utility general plant is allocated among the electric, water and wastewater treatment department plant.

2016	2017	2018	2019	2020
\$ 36,453	\$ 37,612	\$ 37,870	\$ 38,240	\$ 39,024
\$ 7,882	\$ 8,045	\$ 8,040	\$ 8,045	\$ 8,149
\$ 14.75	\$ 14.38	\$ 13.81	\$ 13.28	\$ 14.36
\$ 11,113	\$ 12,421	\$ 13,767	\$ 15,250	\$ 16,617
30.5%	33.0%	36.4%	39.9%	42.6%
\$ 1,402	\$ 1,429	\$ 1,497	\$ 1,499	\$ 1,547
3.9%	3.9%	4.0%	3.9%	4.0%
4,625	4,675	4,710	4,753	4,789
764,803	844,303	751,581	808,631	753,696
\$ 1,084	\$ 1,189	\$ 1,372	\$ 1,351	\$ 1,358
\$ 1.42	\$ 1.41	\$ 1.83	\$ 1.67	\$ 1.80
28.7%	31.8%	23.3%	28.1%	26.2%
545,513	575,734	567,477	581,822	561,866
\$ 2,471	\$ 2,616	\$ 2,742	\$ 2,880	\$ 2,717
\$ 4.53	\$ 4.54	\$ 4.83	\$ 4.95	\$ 4.89
\$ 3.11	\$ 3.13	\$ 3.00	\$ 3.28	\$ 3.09
\$ (719)	\$ (797)	\$ (887)	\$ (768)	\$ (1,005)
\$ 15	\$ 135	\$ (27)	\$ 428	\$ 296

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## **OTHER REPORTS SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Brainerd Public Utilities Commission  
Brainerd Public Utilities  
Brainerd, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brainerd Public Utilities (BPU), a component unit of the City of Brainerd, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements, and have issued our report thereon dated April 1, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered BPU's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BPU's internal control. Accordingly, we do not express an opinion on the effectiveness of BPU's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of BPU's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BPU's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of BPU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BPU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 1, 2021



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Brainerd Public Utilities Commission  
Brainerd Public Utilities  
Brainerd, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brainerd Public Utilities (BPU), a component unit of the City of Brainerd, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements and have issued our report thereon dated April 1, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that BPU failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the entity's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 1, 2021