

Brainerd Public Utilities



**2021
Financial
Report**

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA**

FINANCIAL REPORT

DECEMBER 31, 2021 AND 2020



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**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
ORGANIZATIONAL DATA
DECEMBER 31, 2021**

COMMISSION

		<u>Term Expires December 31,</u>
President	Tad Johnson	2023
Vice President	Mark O'Day	2025
Commission Member	Dolly Matten	2024
Commission Member	Mike Angland	2022
Commission Member	William Wroolie	2021

ADMINISTRATION

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



INDEPENDENT AUDITORS' REPORT

Brainerd Public Utilities Commission
Brainerd Public Utilities
Brainerd, Minnesota

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BPU as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAS, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of BPU's Proportionate Share of the Net Pension Liability, the Schedule of PERA Contributions, and the Schedule of Changes in BPU's OPEB Liability, Related Ratios, and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Required Supplementary Information (Continued)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise BPU's basic financial statements. The Combining Statements of Net Position by Department, the Combining Statements of Revenues, Expenses and Changes in Net Position by Department, and the Schedule of Capital Assets and Accumulated Depreciation are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements of Net Position by Department, the Combining Statements of Revenues, Expenses and Changes in Net Position by Department, and the Schedule of Capital Assets and Accumulated Depreciation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section, the Electric Distribution Department Statistics, the Water Department Statistics, and the Wastewater Treatment Department Statistics but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 20, 2022, 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 20, 2022

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020. This discussion and analysis should be read in conjunction with BPU's financial statements and accompanying notes, which follow this section.

Financial Highlights from 2020 to 2021

- BPU's combined net position increased \$2,452,449, or 4.7%, from \$52,258,256 to \$54,710,705.
- Combined total assets and deferred outflow of resources increased \$7,164,335, or 7.8%, from \$91,456,122 to \$98,620,457.
- Combined total liabilities increased \$2,512,605, or 6.4%, from \$39,030,902 to \$41,543,507.
- Combined total operating revenue increased \$2,196,163, or 8.6%, from \$25,477,611 to \$27,673,774.
- Combined total operating expenses increased \$2,570,939, or 10.8%, from \$23,879,382 to \$26,450,321.

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, 2021 AND 2020**

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 64.5% and 70.5% of total assets and deferred outflows of resources as of December 31, 2021 and 2020, respectively. Long-term liabilities represent 34.3% and 35.0% of total liabilities, net position, and deferred inflows of resources as of December 31, 2021 and 2020, respectively. Total net position increased 4.7% and 4.6% as of December 31, 2021 and 2020, respectively.

The largest portion of BPU's net position (65.7%), at December 31, 2021, 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 2021, \$7,128,962 or 13.0% of BPU's net position represents resources that are restricted for debt service and \$719,396 or 1.3% of BPU's net position represents resources that are restricted for capital outlay. The remaining balance of unrestricted net position of \$10,905,479 or 19.9% 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 2020 to 2021 decreased \$291,370, or 22.3%, from \$1,305,516 to \$1,014,146. The significant change for 2021 was an increase in bond issuance costs related to the new bonds issued during 2021 and a decrease in interest income due to poor interest rates.

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

Financial Analysis (Continued)

Condensed Statements of Net Position
Table 1

	December 31,			Change	
	2021	2020	2019	2020 to 2019	2019 to 2018
Net Capital Assets	\$ 63,656,741	\$ 64,483,801	\$ 64,288,747	\$ (827,060)	\$ 195,054
Restricted Assets	9,844,493	9,871,990	10,234,665	(27,497)	(362,675)
Current Assets	22,658,557	16,186,633	16,617,274	6,471,924	(430,641)
Other Assets	257,416	275,149	292,883	(17,733)	(17,734)
Total Assets	96,417,207	90,817,573	91,433,569	5,599,634	(615,996)
Deferred Outflows of Resources	2,203,250	638,549	299,294	1,564,701	339,255
Total Assets and Deferred Outflows	\$ 98,620,457	\$ 91,456,122	\$ 91,732,863	\$ 7,164,335	\$ (276,741)
Current Liabilities	\$ 7,738,158	\$ 6,976,539	\$ 6,512,074	\$ 761,619	\$ 464,465
Long-Term Liabilities	33,805,349	32,054,363	34,670,810	1,750,986	(2,616,447)
Total Liabilities	41,543,507	39,030,902	41,182,884	2,512,605	(2,151,982)
Net Investment in Capital Assets	35,956,868	34,851,167	31,477,317	1,105,701	3,373,850
Restricted Net Position	7,848,358	7,154,837	7,598,735	693,521	(443,898)
Unrestricted Net Position	10,905,479	10,252,252	10,901,077	653,227	(648,825)
Total Net Position	54,710,705	52,258,256	49,977,129	2,452,449	2,281,127
Deferred Inflows of Resources	2,366,245	166,964	572,850	2,199,281	(405,886)
Total Liabilities, Net Position and Deferred Inflows	\$ 98,620,457	\$ 91,456,122	\$ 91,732,863	\$ 7,164,335	\$ (276,741)

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

Financial Analysis (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

Table 2

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
OPERATING REVENUES				
Electric	\$ 20,840,444	\$ 20,017,034	\$ 823,410	4.1%
Water	3,973,580	2,721,220	1,252,360	46.0%
Wastewater Treatment	2,859,750	2,739,357	120,393	4.4%
Total Operating Revenue	<u>27,673,774</u>	<u>25,477,611</u>	<u>2,196,163</u>	<u>8.6%</u>
OPERATING EXPENSES				
Production and Treatment	2,775,409	2,627,392	148,017	5.6%
Purchased Power	12,021,143	10,559,355	1,461,788	13.8%
Distribution and Collection	3,097,896	2,849,088	248,808	8.7%
Administration	3,094,768	2,895,297	199,471	6.9%
Depreciation and Amortization	5,461,105	4,948,250	512,855	10.4%
Total Operating Expenses	<u>26,450,321</u>	<u>23,879,382</u>	<u>2,570,939</u>	<u>10.8%</u>
OPERATING INCOME (LOSS)	1,223,453	1,598,229	(374,776)	-23.4%
NONOPERATING REVENUE (EXPENSE)				
Interest Income - Investments	(46,660)	370,983	(417,643)	-112.6%
Interest Income - Notes Receivable	135,313	147,679	(12,366)	-8.4%
Bond Issue Costs	(87,243)	-	(87,243)	100.0%
Interest Expense	(823,648)	(905,501)	81,853	-9.0%
Local Option Sales Tax	1,714,974	1,562,848	152,126	9.7%
Federal Grant Revenue - Build America Bond	88,709	101,312	(12,603)	-12.4%
Intergovernmental	-	15,611	(15,611)	0.0%
Gain on Disposal of Capital Assets	32,701	12,584	20,117	159.9%
Net Nonoperating Revenue	<u>1,014,146</u>	<u>1,305,516</u>	<u>(291,370)</u>	<u>-22.3%</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS	2,237,599	2,903,745	(666,146)	-22.9%
CAPITAL GRANTS AND CONTRIBUTIONS	976,000	111,951	864,049	0.0%
TRANSFERS TO THE CITY	<u>(761,150)</u>	<u>(734,569)</u>	<u>(26,581)</u>	<u>3.6%</u>
CHANGE IN NET POSITION	2,452,449	2,281,127	171,322	3.6%
Net Position - Beginning	<u>52,258,256</u>	<u>49,977,129</u>	<u>2,281,127</u>	<u>7.5%</u>
NET POSITION - ENDING	<u>\$ 54,710,705</u>	<u>\$ 52,258,256</u>	<u>\$ 2,452,449</u>	<u>4.6%</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

Financial Analysis (Continued)

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

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
OPERATING REVENUES				
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	<u>2,739,357</u>	<u>2,931,516</u>	<u>(192,159)</u>	-6.6%
Total Operating Revenue	25,477,611	26,832,882	(1,355,271)	-5.1%
OPERATING EXPENSES				
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	<u>4,948,250</u>	<u>4,664,587</u>	<u>283,663</u>	6.1%
Total Operating Expenses	<u>23,879,382</u>	<u>24,765,626</u>	<u>(886,244)</u>	-3.6%
OPERATING INCOME (LOSS)	1,598,229	2,067,256	(469,027)	-22.7%
NONOPERATING REVENUE (EXPENSE)				
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%
Bond Issuance Costs	15,611	-	15,611	0.0%
Gain (Loss) on Disposal of Capital Assets	<u>12,584</u>	<u>49,440</u>	<u>(36,856)</u>	0.0%
Net Nonoperating Revenue	<u>1,305,516</u>	<u>1,235,969</u>	<u>69,547</u>	5.6%
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS	2,903,745	3,303,225	(399,480)	-12.1%
CAPITAL GRANTS AND CONTRIBUTIONS	111,951	-	111,951	0.0%
TRANSFERS TO THE CITY	<u>(734,569)</u>	<u>(757,394)</u>	<u>22,825</u>	-3.0%
CHANGE IN NET POSITION	2,281,127	2,545,831	(264,704)	-10.4%
Net Position - Beginning	<u>49,977,129</u>	<u>47,431,298</u>	<u>2,545,831</u>	5.4%
NET POSITION - ENDING	<u>\$ 52,258,256</u>	<u>\$ 49,977,129</u>	<u>\$ 2,281,127</u>	4.6%

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

Capital Assets

Net Capital Assets – Table 3, shows changes in net capital assets from 2019 to 2021. Total net capital assets as of December 31, 2021 and 2020 were \$63,656,741 and \$64,483,801, respectively.

**Net Capital Assets
Table 3**

	December 31,			Change	
	2021	2020	2019	2021 to 2020	2020 to 2019
Electric Department					
Generation System	\$ 5,240,126	\$ 5,816,895	\$ 6,082,002	\$ (576,769)	\$ (265,107)
Distribution System	15,851,459	16,493,131	16,021,610	(641,672)	471,521
Street and Security Lighting System	224,315	215,283	249,056	9,032	(33,773)
Water Department					
Production Facilities	1,383,210	1,466,140	1,387,016	(82,930)	79,124
Distribution System	14,972,987	14,270,784	14,395,172	702,203	(124,388)
Wastewater Treatment Department					
Lift Station Facilities	2,526,723	2,224,852	1,920,752	301,871	304,100
Treatment Facilities	16,954,018	18,482,112	19,416,877	(1,528,094)	(934,765)
Land and Land Improvements	1,847,504	1,178,783	1,185,304	668,721	(6,521)
Machinery and Equipment	572,858	747,839	690,077	(174,981)	57,762
Furniture and Fixtures	216,533	263,929	178,068	(47,396)	85,861
Transportation Equipment	891,462	988,554	1,008,750	(97,092)	(20,196)
Service Center	826,348	1,010,600	1,126,996	(184,252)	(116,396)
Construction in Progress	2,149,198	1,324,899	627,067	824,299	697,832
Total	\$ 63,656,741	\$ 64,483,801	\$ 64,288,747	\$ (827,060)	\$ 195,054

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

	2021	2020	2019
Additions and Transfers to Capital Assets Being Depreciated (By Department)			
Electric	\$ 1,488,621	\$ 2,233,594	\$ 2,313,811
Water	1,438,372	1,046,052	2,151,792
Wastewater Treatment	768,207	906,008	355,595
General Plant	87,321	233,906	212,022
Total	3,782,521	4,419,560	5,033,220
Additions to Construction in Progress	2,267,934	1,917,364	2,682,194
Transfers from Construction in Progress to Capital Assets Being Depreciated	(1,443,636)	(1,219,532)	(2,721,718)
Normal Annual Depreciation	(5,433,879)	(4,922,338)	(4,648,026)
Total	\$ (827,060)	\$ 195,054	\$ 345,670

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

Capital Assets (Continued)

Major capital asset transactions for 2021 and 2020 include the following:

	2021	2020
<u>Electric</u>		
Distribution Transformers and Metering Purchased	\$ 574,429	\$ 1,002,823
Expansion of Distribution Feeder System	270,850	454,836
Distribution System Improvements	350,758	481,008
Bucket Truck	-	147,573
Demo of Old Health Club Building	-	79,000
Hydroelectric Dam Improvements	53,051	34,309
Hydroelectric Dam Kubota RTV	-	30,256
Land Improvements	21,075	-
Street and Security Lighting	43,058	-
Portable Radios	5,714	-
Plotter/Scanner	10,112	-
Staddle Stacker	8,743	-
Leased Vehicle Buyouts	12,887	-
Chipper Truck and Dump Box	83,296	-
Morbark Chipper	54,648	-
<u>Water</u>		
Purchase of Meters and Valves	124,702	181,028
Distribution System Improvements	1,169,619	616,547
Well Improvements	73,261	12,546
Garage and Workshop	-	156,976
Skid Steer	-	60,665
Building Improvements	8,583	-
Snowblower	7,100	-
Dump Truck	55,106	-
<u>Wastewater</u>		
Lift Station Improvements	580,420	446,987
Treatment Facility Improvements	132,348	363,249
Treatment Facility Fuel Tank	-	21,430
Kubota RTV and Snowblower	-	31,825
Service Trucks	-	34,823
Purchase of Meters	55,440	-
<u>General Plant</u>		
Leased Office Equipment	-	12,223
Service Center Improvements	-	102,605
Computers	18,987	29,593
Mowers	-	36,628
Software and Computer System Improvements	15,400	80,553
Dump Box for Truck	-	24,016
Locator Truck	41,374	-
Leased Vehicle Buyouts	11,561	-
<u>Construction in Progress</u>		
Hydroelectric FERC Relicensing	57,432	291,583
Water Storage Tank Design	1,447,850	50,222
Water Distribution System Improvements	-	534,958
Rehabilitation of Wells	4,929	31,838
Evergreen Lift Station Improvements	61,200	389,440
Main Lift Station Improvement Design	22,317	26,900
Treatment Facility Improvements	35,533	-
Substation Improvements	74,565	-
Expansion of Distribution Feeder System	76,668	-
Total	\$ 5,563,016	\$ 5,766,440

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

Long-Term Obligations

The following table presents the change in the outstanding liabilities of BPU from 2019 to 2021.

	Balance as of December 31,			Increase (Decrease)	
	2021	2020	2019	2021 to 2020	2020 to 2019
Utility Revenue Bonds					
Series 2014A	\$ 3,520,000	\$ 3,905,000	\$ 4,285,000	\$ (385,000)	\$ (380,000)
Series 2015A	715,000	885,000	1,050,000	(170,000)	(165,000)
Series 2016A	4,439,200	4,792,600	5,127,400	(353,400)	(334,800)
Series 2016B (Equip. Certs.)	-	82,236	162,604	(82,236)	(80,368)
Series 2017A	4,055,000	4,620,000	5,130,000	(565,000)	(510,000)
Series 2018A	2,005,000	2,250,000	2,480,000	(245,000)	(230,000)
Series 2018A (Equip. Certs.)	130,000	190,000	250,000	(60,000)	(60,000)
G.O. Bonds					
Series 2021A	5,250,000	-	-	5,250,000	-
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	11,479,000	12,920,000	14,316,000	(1,441,000)	(1,396,000)
Capital Lease Payable	57,780	79,546	97,977	(21,766)	(18,431)
Compensated Absences	1,158,842	978,465	829,076	180,377	149,389
Net Pension Liability	2,566,540	3,441,391	2,935,780	(874,851)	505,611
Revenue Bond Premium	1,294,093	760,752	853,949	533,341	(93,197)
OPEB Obligation	548,966	514,432	339,439	34,534	174,993
Total Long-Term Liabilities	37,219,421	35,419,422	37,857,225	1,799,999	(2,437,803)
Less: Current Portion					
Utility Revenue Bonds					
Series 2014A	395,000	385,000	380,000	10,000	5,000
Series 2015A	175,000	170,000	165,000	5,000	5,000
Series 2016A	372,000	353,400	334,800	18,600	18,600
Series 2016B (Equip. Certs.)	-	82,236	80,367	(82,236)	1,869
Series 2017A	600,000	565,000	510,000	35,000	55,000
Series 2018A	250,000	245,000	230,000	5,000	15,000
Series 2018A (Equip. Certs.)	65,000	60,000	60,000	5,000	-
G.O. Bonds					
Series 2021A	-	-	-	-	-
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	1,488,000	1,441,000	1,396,000	47,000	45,000
Capital Lease Payable	17,536	21,768	30,248	(4,232)	(8,480)
Total Current Portion of Long-Term Liabilities	3,362,536	3,323,404	3,186,415	39,132	136,989
Net Long-Term Liabilities	\$ 33,856,885	\$ 32,096,018	\$ 34,670,810	\$ 1,760,867	\$ (2,574,792)

The total net long-term liabilities at December 31, 2021, 2020, and 2019 was \$33.9 million, \$32.1 million, and \$34.7 million, respectively. The Series 2021A Bond was issued for water system improvements. The capital lease payable is related to acquisition of copier in 2020 and billing inserter machine and mailroom copier in 2019.

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

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 2021 Operating Budget Analysis and the 2022 Operating Budget approved by the Commission is presented as follows:

	(In Thousands of Dollars)			
	2021 Budget	2021 Actual	Favorable (Unfavorable) Variance	2022 Budget
Utility Operating Revenue	\$ 25,702	\$ 27,451	\$ 1,749	\$ 27,038
Other Operating Revenue	283	223	(60)	324
Total Operating Revenue	25,985	27,674	1,689	27,362
Purchased Power	11,010	12,021	(1,011)	12,372
Other Operating Expense	8,866	8,968	(102)	9,340
Depreciation and Amortization Expense	4,809	5,461	(652)	5,140
Total Operating Expense	24,685	26,450	(1,765)	26,852
Operating Income	1,300	1,224	(76)	510
Net Nonoperating Revenue	966	1,014	48	873
Income Before Operating Transfers to City	2,266	2,238	(28)	1,383
Capital Grants and Contributions	-	976	976	-
Operating Transfers to the City	(755)	(761)	(6)	(760)
Change in Net Position	\$ 1,511	\$ 2,453	\$ 942	\$ 623

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 or by phone at (218) 825-3220.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CAPITAL ASSETS		
Construction in Progress	\$ 2,149,198	\$ 1,324,900
In Service	113,552,488	112,325,623
Total Investment in Capital Assets	115,701,686	113,650,523
Less: Accumulated Depreciation	(52,044,945)	(49,166,722)
Net Capital Assets	63,656,741	64,483,801
RESTRICTED ASSETS		
Cash and Investments	5,973,059	5,515,723
Bonds and Notes Receivable	3,826,334	4,306,667
Notes Receivable - Interest	45,100	49,600
Total Restricted Assets	9,844,493	9,871,990
CURRENT ASSETS		
Cash and Investments	17,656,542	10,674,604
Accounts Receivable	3,242,070	3,122,297
Interest Receivable	18,392	26,140
Due from the City of Brainerd	172,131	938,356
Inventory	1,424,178	1,292,745
Prepaid Expenses	145,244	132,491
Total Current Assets	22,658,557	16,186,633
OTHER ASSETS		
Service Territory Acquisitions, Net of Accumulated Depreciation	257,416	275,149
Total Assets	96,417,207	90,817,573
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	2,011,870	455,226
OPEB Related	191,380	183,323
Total Deferred Outflows of Resources	2,203,250	638,549
Total Assets and Deferred Outflows of Resources	\$ 98,620,457	\$ 91,456,122

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020**

	2021	2020
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net Investment in Capital Assets	\$ 35,956,868	\$ 34,851,167
Restricted for Debt Service	7,128,962	7,154,837
Restricted for Capital Outlay	719,396	-
Unrestricted	10,905,479	10,252,252
Total Net Position	54,710,705	52,258,256
LONG-TERM LIABILITIES		
Due to Primary Government, Less Current Portion	29,542,293	27,103,951
Capital Lease Payable	40,244	57,778
Compensated Absences	1,158,842	978,465
Net Pension Liability	2,566,540	3,441,391
Other Postemployment Benefit Liability	497,430	472,778
Total Long-Term Liabilities	33,805,349	32,054,363
CURRENT LIABILITIES		
Accounts and Contracts Payable	2,383,166	1,726,938
Due to Primary Government	3,345,000	3,301,637
Capital Lease Payable	17,536	21,768
Other Postemployment Benefit Liability	51,536	41,654
Accrued Expenses		
Salaries and Withholding Taxes	308,474	257,711
Sales Taxes	85,974	82,665
Current Liabilities from Restricted Assets:		
Bond Interest	264,500	260,650
Payable to City of Brainerd	735,400	824,060
Conservation Incentive Program Payable	198,948	129,574
Customer Deposits	347,624	329,882
Total Current Liabilities	7,738,158	6,976,539
Total Liabilities	41,543,507	39,030,902
DEFERRED INFLOWS OF RESOURCES		
Pension Related	2,361,160	160,605
OPEB Related	5,085	6,359
Total Deferred Inflows of Resources	2,366,245	166,964
 Total Net Position, Liabilities and Deferred Inflows of Resources	 \$ 98,620,457	 \$ 91,456,122

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Utility Revenues		
Residential	\$ 9,354,559	\$ 9,084,392
Commercial	13,519,251	9,627,825
Large Commercial	3,245,975	5,302,067
City of Brainerd	478,904	460,474
Internal Use	851,886	841,196
Total Utility Revenues	<u>27,450,575</u>	<u>25,315,954</u>
Other Operating Revenues		
Penalties	96,926	47,069
Other	126,273	114,588
Total Other Operating Revenues	<u>223,199</u>	<u>161,657</u>
Total Operating Revenues	<u>27,673,774</u>	<u>25,477,611</u>
OPERATING EXPENSES		
Generation, Production, and Treatment		
Salaries and Wages	1,241,224	1,158,572
Purchased Services	831,762	760,226
Supplies and Maintenance	284,911	225,514
Employee Benefits	345,995	413,914
Other Charges	71,517	69,166
Total Generation, Production, and Treatment Expenses	<u>2,775,409</u>	<u>2,627,392</u>
Purchased Power	12,021,143	10,559,355
Distribution and Collection		
Salaries and Wages	1,882,367	1,579,206
Purchased Services	403,388	424,708
Supplies and Maintenance	297,796	302,101
Employee Benefits	442,938	486,490
Other Charges	71,407	56,583
Total Distribution and Collection Expenses	<u>3,097,896</u>	<u>2,849,088</u>
Administration		
Salaries and Wages	1,352,847	1,289,664
Purchased Services	506,626	374,179
Supplies and Maintenance	49,167	110,070
Insurance and Bonds	234,766	243,481
Employee Benefits	481,892	474,292
Other Charges	469,470	403,611
Total Administration Expenses	<u>3,094,768</u>	<u>2,895,297</u>
Depreciation and Amortization	<u>5,461,105</u>	<u>4,948,250</u>
Total Operating Expenses	<u>\$ 26,450,321</u>	<u>\$ 23,879,382</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING INCOME	\$ 1,223,453	\$ 1,598,229
NONOPERATING REVENUE (EXPENSE)		
Interest Income - Investments	(46,660)	370,983
Interest Income - Notes Receivable	135,313	147,679
Interest Expense	(823,648)	(905,501)
Local Option Sales Tax	1,714,974	1,562,848
Federal Grant Revenue - Build America Bond	88,709	101,312
Bond Issuance Costs	(87,243)	-
Federal Grant Revenue - CARES	-	15,611
Gain on Disposal of Capital Assets	32,701	12,584
Net Nonoperating Revenue (Expense)	<u>1,014,146</u>	<u>1,305,516</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,237,599	2,903,745
CAPITAL GRANTS AND CONTRIBUTIONS	976,000	111,951
TRANSFERS TO THE CITY	<u>(761,150)</u>	<u>(734,569)</u>
CHANGE IN NET POSITION	2,452,449	2,281,127
Net Position - Beginning	<u>52,258,256</u>	<u>49,977,129</u>
NET POSITION - ENDING	<u>\$ 54,710,705</u>	<u>\$ 52,258,256</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 27,554,001	\$ 25,760,940
Cash Payments to Employees for Services	(5,721,860)	(5,244,456)
Cash Payments to Other Suppliers of Goods or Services	<u>(15,526,258)</u>	<u>(13,590,503)</u>
Net Cash Provided by Operating Activities	6,305,883	6,925,981
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Primary Government	(83,585)	(527,094)
Federal Grants	<u>-</u>	<u>15,611</u>
Net Cash Used by Noncapital Financing Activities	(83,585)	(511,483)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Utility Plant	(3,720,050)	(5,105,166)
Additions to Service Territories	(9,490)	(8,181)
Proceeds from Local Option Sales Tax	1,714,974	1,562,848
Payment to City for Principal Paid on Long-Term Debt	(3,301,636)	(3,156,168)
Payment to City for Interest Paid on Long-Term Debt	(373,700)	(1,029,063)
Federal Grants	-	111,951
Capital Contribution	976,000	-
Amounts Received from Utility Portion of City Bonds	5,250,000	-
Principal Received on Notes Receivable	480,333	465,333
Federal Grant Revenue - Build America Bond	88,709	101,312
Principal Paid on Capital Lease	(21,766)	(30,654)
Proceeds from Sale of Utility Plant	<u>32,701</u>	<u>12,584</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	1,116,075	(7,075,204)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	100,901	536,155
Purchase of Investments	(21,549,010)	(23,241,592)
Redemption of Investments	<u>15,940,567</u>	<u>22,873,234</u>
Net Cash Provided (Used) by Investing Activities	<u>(5,507,542)</u>	<u>167,797</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,830,831	(492,909)
Cash and Cash Equivalents - Beginning	<u>4,387,414</u>	<u>4,880,323</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 6,218,245</u>	<u>\$ 4,387,414</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 1,223,453	\$ 1,598,229
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	5,461,105	4,948,250
Revenue Reduced for Uncollectible Accounts	36,467	36,467
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(156,240)	246,862
Prepaid Expenses	(12,753)	35,888
Inventories	(131,433)	(170,204)
Change in Deferred Outflows of Resources - OPEB	(8,057)	(149,149)
Change in Deferred Outflows of Resources - Pension	(1,556,644)	(190,106)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(227,235)	134,023
Accrued Liabilities	68,505	69,431
Conservation Incentive Program Payable	69,374	(57,817)
Accrued Compensated Absences	180,377	149,389
Other Postemployment Benefit Liability	34,534	174,993
Change in Net Pension Liability	(874,851)	505,611
Change in Deferred Inflows of Resources - OPEB	(1,274)	(1,273)
Change in Deferred Inflows of Resources - Pension	2,200,555	(404,613)
	<u>\$ 6,305,883</u>	<u>\$ 6,925,981</u>
Net Cash Provided by Operating Activities		
	<u>\$ 6,305,883</u>	<u>\$ 6,925,981</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Investments - Current Assets	\$ 17,656,542	\$ 10,674,604
Cash and Investments - Restricted Assets	5,973,059	5,515,723
Cash and Investments - Balance Sheets	23,629,601	16,190,327
Less: Investments not Meeting the Definition of Cash Equivalents	17,411,356	11,802,913
Cash and Cash Equivalents - Ending	<u>\$ 6,218,245</u>	<u>\$ 4,387,414</u>
NONCASH INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets through Contracts and Retainage Payable	\$ 886,772	\$ 77,500
Net Decrease in Fair Value of Investments	(77,049)	123,360
Acquisition of Plant Financed by Capital Lease	-	12,223
Amortization of Premiums	102,991	93,197

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 AND 2020**

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, 2021 and 2020 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, 2021 AND 2020**

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 liabilities 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. These amounts are shown as due to primary government.

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, 2021 AND 2020**

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, 2021 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 1,324,900	\$ 2,267,934	\$ 1,443,636	\$ 2,149,198
Capital Assets, Being Depreciated				
Electric	41,541,648	1,488,624	1,616,630	41,413,642
Water	27,057,961	1,438,372	-	28,496,333
Wastewater Treatment	37,400,214	768,207	939,029	37,229,392
General Plant	6,325,800	87,321	-	6,413,121
Total Capital Assets, Being Depreciated	<u>112,325,623</u>	<u>3,782,524</u>	<u>2,555,659</u>	<u>113,552,488</u>
Less Accumulated Depreciation for:				
Electric	(18,067,933)	(2,061,638)	(1,616,630)	(18,512,941)
Water	(11,021,518)	(1,118,618)	-	(12,140,136)
Wastewater Treatment	(16,246,830)	(1,965,161)	(939,029)	(17,272,962)
General Plant	(3,830,441)	(288,465)	-	(4,118,906)
Total Accumulated Depreciation	<u>(49,166,722)</u>	<u>(5,433,882)</u>	<u>(2,555,659)</u>	<u>(52,044,945)</u>
Total Capital Assets, Being Depreciated, Net	<u>63,158,901</u>	<u>(1,651,358)</u>	<u>-</u>	<u>61,507,543</u>
Net Capital Assets	<u>\$ 64,483,801</u>	<u>\$ 616,576</u>	<u>\$ 1,443,636</u>	<u>\$ 63,656,741</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CAPITAL ASSETS (CONTINUED)

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	<u>108,809,369</u>	<u>4,441,550</u>	<u>925,296</u>	<u>112,325,623</u>
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	<u>(45,147,688)</u>	<u>(4,922,335)</u>	<u>(903,301)</u>	<u>(49,166,722)</u>
Total Capital Assets, Being Depreciated, Net	<u>63,661,681</u>	<u>(480,785)</u>	<u>21,995</u>	<u>63,158,901</u>
Net Capital Assets	<u>\$ 64,288,747</u>	<u>\$ 1,436,581</u>	<u>\$ 1,241,527</u>	<u>\$ 64,483,801</u>

Capital assets not being depreciated totaled \$2,524,031 and \$1,831,601 at December 31, 2021 and 2020, respectively.

NOTE 3 RESTRICTED ASSETS

Cash and Investments

At December 31, 2021 and 2020, restricted cash and investments consisted of the following:

	2021	2020
Customer Deposits	\$ 347,624	\$ 329,882
City of Brainerd Contribution	735,400	824,060
Conservation Incentive Program	198,948	129,574
Electric Utility Revenue Bonds Debt Service Reserve	1,188,029	1,194,807
General Obligation Revenue Notes and Bonds Debt Service Reserve (Water and Wastewater)	<u>3,503,058</u>	<u>3,037,400</u>
Total Restricted Cash	<u>\$ 5,973,059</u>	<u>\$ 5,515,723</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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021, is as follows:

	<u>Note No. 2</u>
Beginning Balance	\$ 4,306,667
Payments Received	(480,333)
Ending Balance	<u>\$ 3,826,334</u>

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>

Interest accrued on the notes receivable as of December 31, 2021 and 2020 of \$45,100 and \$49,600, respectively, is recorded as a restricted asset. Interest received from Baxter which is recorded as Interest Income for the years ended December 31, 2021 and 2020 was \$135,313 and \$147,679, respectively.

NOTE 4 DEPOSITS AND INVESTMENTS

Cash and investments are presented at December 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Restricted Cash and Investments	\$ 5,973,059	\$ 5,515,723
Current Cash and Investments	17,656,542	10,674,604
Total	<u>\$ 23,629,601</u>	<u>\$ 16,190,327</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Petty Cash	\$ 1,500	\$ 1,500
Deposits	6,216,745	4,385,914
Investments	17,411,356	11,802,913
Total	<u>\$ 23,629,601</u>	<u>\$ 16,190,327</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, 2021 and 2020 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 2, 2021 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

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020 by maturity:

December 31, 2021 Investment Type	Investment Maturities (in Years)			Fair Value	% of Investments
	Less Than 1	1-5	6-10		
Negotiable CDs	\$ 2,226,483	\$ 987,517	\$ 7,169,822	\$ 10,383,822	N/A
US Government Short-Term	1,081,600	-	-	1,081,600	6.2%
FHLMC	-	-	485,130	485,130	2.8%
Money Market	5,460,804	-	-	5,460,804	31.4%
Total	<u>\$ 8,768,887</u>	<u>\$ 987,517</u>	<u>\$ 7,654,952</u>	<u>\$ 17,411,356</u>	40.4%

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%
Total	<u>\$ 2,111,058</u>	<u>\$ 2,271,303</u>	<u>\$ 7,420,552</u>	<u>\$ 11,802,913</u>	9.0%

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, 2021 and 2020 are as follows:

Investment Type	S & P Rating	Investment Type	S & P Rating
December 31, 2021		December 31, 2020	
Negotiable CDs	NA	Negotiable CDs	NA
US Government Short-Term	NA	US Government Short-Term	NA
FHLMC	AAA		
Money Market	NA		

* 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, 2021, are disclosed above. All negotiable CD's by issuer are less than 5% of total investments.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, consisted of the following:

Type	Level	2021	2020
Negotiable CDs	2	\$ 10,383,822	\$ 10,737,956
US Government Short-Term	1	1,081,600	1,064,957
FHLMC	2	485,130	-
Money Market	NA	5,460,804	-
Total Investments		\$ 17,411,356	\$ 11,802,913

* NA - Recorded at Amortized Cost

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, BPU owed the City the following:

	2021	2020
Monthly Operating Contribution	\$ 60,631	\$ 59,289
Reimbursement of Other Costs	461,000	550,665
Wastewater Collection and Storm Sewer Charges	213,769	214,106
Total	\$ 735,400	\$ 824,060

NOTE 6 DUE TO PRIMARY GOVERNMENT

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 DUE TO PRIMARY GOVERNMENT (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%, matured 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.

On September 20, 2021, the City of Brainerd, on behalf of BPU, issued \$5,250,000 in General Obligation Bonds, Series 2021A, with interest rates from 1.1% to 5.0%, maturing in February 2027, for improvements to the water system. Also as part of this debt issue, the City's portion related to street improvements is \$1,655,000. The total amount of the debt issue is \$6,905,000.

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, 2021 was \$1,120,945. 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, 2021 was \$0. The Interest payments are made semi-annually on February 20 and August 20, and principal payments on August 20.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
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DECEMBER 31, 2021 AND 2020**

NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

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, 2021 was \$204,028. 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 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, 2021 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, 2021 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. As of December 31, 2021, this bond was fully paid off.

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, 2021 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, 2021 was \$23,478 (Electric portion), \$19,076 (Water portion), and \$30,815 (Wastewater Treatment portion). The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1.

General Obligation Bonds, Series 2021A

The resolutions authorizing the issuance of general obligation 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, 2021 was \$466,620. 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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DECEMBER 31, 2021 AND 2020**

NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

Long-term bonds and notes debt consists of the following as of December 31, 2021 and 2020:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	
					2021	2020
Direct Borrowings -						
G.O. Build America Bonds, Series 2009	3.233%	5/4/2009	8/20/2028	\$ 25,966,788	\$ 11,479,000	\$ 12,920,000
Electric Utility Revenue Bonds, Series 2014A	2.0 - 4.0%	10/9/2014	12/1/2029	6,070,000	3,520,000	3,905,000
G.O. Water Utility Revenue Bonds, Series 2015A	2.25 - 4.0%	12/15/2014	2/1/2025	1,700,000	715,000	885,000
G.O. Utility Revenue Bonds, Series 2016A						
Water	1.625 - 5.0%	7/20/2016	10/1/2031	4,845,000	3,580,000	3,865,000
Sewer	1.625 - 5.0%	7/20/2016	10/1/2031	1,162,800	859,200	927,600
G.O. Equipment Certificates of Indebtedness Series 2016B						
Electric	2.0%	7/20/2016	2/1/2021	200,917	-	41,118
Water	2.0%	7/20/2016	2/1/2021	200,918	-	41,118
Electric Utility Revenue and Refunding Bonds, Series 2017A	2.25%	10/18/2017	12/1/2027	6,035,000	4,055,000	4,620,000
G.O. Utility Revenue Bonds (Water), Series 2018A	3.0 - 5.0%	3/22/2018	2/1/2028	2,720,000	2,005,000	2,250,000
G.O. Equipment Certificates of Indebtedness Series 2018A						
Electric	5.0%	3/22/2018	2/1/2023	97,600	41,600	60,800
Water	5.0%	3/22/2018	2/1/2023	79,300	33,800	49,400
Sewer	5.0%	3/22/2018	2/1/2023	128,100	54,600	79,800
G.O. Bonds Series 2021A	1.1 - 5.0%	9/20/2021	2/1/2037	5,250,000	5,250,000	-
Total Due to Primary Government				<u>\$ 54,456,423</u>	<u>31,593,200</u>	<u>29,644,836</u>
<u>Less Amount Due Within One Year</u>						
Direct Borrowings - G.O. Build America Bonds					1,488,000	1,441,000
Electric Utility Revenue Bonds, Series 2014A					395,000	385,000
Water Utility Revenue Bonds, Series 2015A					175,000	170,000
G.O. Utility Revenue Bonds (Water), Series 2016A					300,000	285,000
G.O. Utility Revenue Bonds (Sewer), Series 2016A					72,000	68,400
G.O. Equipment Certificates of Indebtedness (Electric), Series 2016B					-	41,118
G.O. Equipment Certificates of Indebtedness (Water), Series 2016B					-	41,118
Electric Utility Revenue and Refunding Bonds, Series 2017A					600,000	565,000
G.O. Utility Revenue Bonds (Water), Series 2018A					250,000	245,000
G.O. Equipment Certificates of Indebtedness (Electric), Series 2018A					20,800	19,200
G.O. Equipment Certificates of Indebtedness (Water), Series 2018A					16,900	15,600
G.O. Equipment Certificates of Indebtedness (Sewer), Series 2018A					27,300	25,200
G.O. Bonds, Series 2021A					-	-
Net Due to Primary Government					<u>\$ 28,248,200</u>	<u>\$ 26,343,200</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
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DECEMBER 31, 2021 AND 2020**

NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
Direct Borrowings - General Obligation Build America Bonds			
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	1,689,000	169,183	1,858,183
2027-2028	3,544,000	172,772	3,716,772
Total	<u>\$ 11,479,000</u>	<u>\$ 1,531,537</u>	<u>\$ 13,010,537</u>
Electric Utility Revenue Bonds, Series 2014A			
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	445,000	67,545	512,545
2027-2029	1,430,000	112,350	1,542,350
Total	<u>\$ 3,520,000</u>	<u>\$ 581,200</u>	<u>\$ 4,101,200</u>
G.O. Water Utility Revenue Bonds, Series 2015A			
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>\$ 715,000</u>	<u>\$ 37,570</u>	<u>\$ 752,570</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
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DECEMBER 31, 2021 AND 2020**

NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
<u>G.O. Utility Revenue Bonds, Series 2016A (Water Portion)</u>			
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	365,000	44,694	409,694
2027-2031	<u>1,920,000</u>	<u>121,725</u>	<u>2,041,725</u>
Total	<u>\$ 3,580,000</u>	<u>\$ 511,195</u>	<u>\$ 4,091,195</u>
<u>G.O. Utility Revenue Bonds, Series 2016A (Wastewater Portion)</u>			
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	87,600	10,727	98,327
2027-2031	<u>460,800</u>	<u>29,214</u>	<u>490,014</u>
Total	<u>\$ 859,200</u>	<u>\$ 122,689</u>	<u>\$ 981,889</u>
<u>Electric Utility Revenue and Refunding Bonds, Series 2017A</u>			
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	710,000	32,288	742,288
2027	<u>725,000</u>	<u>16,313</u>	<u>741,313</u>
Total	<u>\$ 4,055,000</u>	<u>\$ 328,840</u>	<u>\$ 4,383,840</u>

**BRAINERD PUBLIC UTILITIES
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NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
<u>G.O. Water Utility Revenue Bonds, Series 2018A</u>			
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	300,000	23,100	323,100
2027-2028	620,000	18,750	638,750
Total	<u>\$ 2,005,000</u>	<u>\$ 243,825</u>	<u>\$ 2,248,825</u>
<u>G.O. Equipment Certificates of Indebtedness (Electric Portion) - Series 2018A</u>			
2022	\$ 20,800	\$ 1,560	\$ 22,360
2023	20,800	520	21,320
Total	<u>\$ 41,600</u>	<u>\$ 2,080</u>	<u>\$ 43,680</u>
<u>G.O. Equipment Certificates of Indebtedness (Water Portion) - Series 2018A</u>			
2022	\$ 16,900	\$ 1,268	\$ 18,168
2023	16,900	423	17,323
Total	<u>\$ 33,800</u>	<u>\$ 1,691</u>	<u>\$ 35,491</u>
<u>G.O. Equipment Certificates of Indebtedness (Sewer Portion) - Series 2018A</u>			
2022	\$ 27,300	\$ 2,048	\$ 29,348
2023	27,300	682	27,982
Total	<u>\$ 54,600</u>	<u>\$ 2,730</u>	<u>\$ 57,330</u>
<u>G.O. Bonds, Series 2021A</u>			
2022	\$ -	\$ 131,577	\$ 131,577
2023	225,000	163,545	388,545
2024	270,000	151,170	421,170
2025	275,000	137,545	412,545
2026	275,000	123,795	398,795
2027-2031	1,685,000	394,175	2,079,175
2032-2036	2,080,000	135,195	2,215,195
2037	440,000	4,400	444,400
Total	<u>\$ 5,250,000</u>	<u>\$ 1,241,402</u>	<u>\$ 6,491,402</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

Long-term liability activity for the year ended December 31, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings -				
G.O. Build America Bonds	\$ 12,920,000	\$ -	\$ 1,441,000	\$ 11,479,000
Electric Utility Revenue Bonds, Series 2014A	3,905,000	-	385,000	3,520,000
G.O. Water Utility Revenue Bonds, Series 2015A	885,000	-	170,000	715,000
G.O. Utility Revenue Bonds, Series 2016A	4,792,600	-	353,400	4,439,200
G.O. Equipment Certificates of Indebtedness, Series 2016B	82,236	-	82,236	-
Electric Utility Revenue and Refunding Bonds, Series 2017A	4,620,000	-	565,000	4,055,000
G.O. Utility Revenue Bonds, Series 2018A	2,250,000	-	245,000	2,005,000
G.O. Equipment Certificates of Indebtedness, Series 2018A	190,000	-	60,000	130,000
G.O. Bonds, Series 2021A	-	5,250,000	-	5,250,000
Revenue Bond Premium				
Series 2014A	134,375	-	15,357	119,018
Series 2015A	45,306	-	11,326	33,980
Series 2016A	425,815	-	40,233	385,582
Series 2016B	1,138	-	1,138	-
Series 2018A	154,118	-	24,331	129,787
Series 2021A	-	636,332	10,606	625,726
Capital Lease Payable	79,546	-	21,766	57,780
Compensated Absences	978,465	694,325	513,948	1,158,842
Total	\$ 31,463,599	\$ 6,580,657	\$ 3,940,341	\$ 34,103,915

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NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)

Long-term liability 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
Total	\$ 34,582,006	\$ 512,884	\$ 3,631,291	\$ 31,463,599

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, 2021 and 2020, with related accumulated depreciation of \$219,104 and \$205,825, respectively. Depreciation expense related to this asset for the years ended December 31, 2021 and 2020 was \$13,279 and \$13,279, respectively.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
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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 \$3,056 and \$611 at December 31, 2021 and 2020, respectively. Depreciation expense related to this asset for the years ended December 31, 2021 and 2020 was \$2,445 and \$611, 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 \$29,408 and \$14,704 at December 31, 2021 and 2020, respectively. Depreciation expense related to this asset for the years ended December 31, 2021 and 2020 was \$14,704 and \$14,704, 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 \$84,018 and \$74,953 at December 31, 2021 and 2020, respectively. Depreciation expense related to these assets for the years ended December 31, 2021 and 2020 was \$9,065 and \$16,962, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

<u>Year Ended December 31,</u>		
2022	\$	20,631
2023		20,631
2024		20,631
2025		6,084
		67,977
Total Minimum Lease Payments		67,977
Less: Amount Representing Interest		10,197
Present Value of Minimum Lease Payments	\$	57,780

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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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BRAINERD, MINNESOTA
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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 in fiscal years 2021 and 2020 and BPU was required to contribute 7.50% for Coordinated Plan members. BPU's contributions to the General Employees Fund for the years ended December 31, 2021 and 2020, were \$334,675 and \$313,075, respectively. BPU's contributions were equal to the required contributions as set by state statute.

General Employees Fund Pension Costs

At December 31, 2021 and 2020, BPU reported a liability of \$2,566,540 and \$3,441,391, respectively, for its proportionate share of the General Employees Fund's net pension liability. BPU's 2021 and 2020 net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2021 and 2020. The State of Minnesota is considered a non-employer 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 \$78,459 at December 31, 2021 for a total liability of \$2,644,999 and \$105,995 at December 31, 2020 for a total liability of \$3,547,386. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021, was based on BPU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the proportionate share was 0.0601% at the end of the measurement period and 0.0574% for the beginning of the period.

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.

For the years ended December 31, 2021 and 2020, BPU recognized pension expense of \$103,243 and \$218,967 for its proportionate share of the General Employees Plan's pension expense. In addition, BPU recognized an additional \$6,330 in 2021 and \$9,225 in 2020 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.

**BRAINERD PUBLIC UTILITIES
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NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Fund Pension Costs (Continued)

At December 31, 2021, 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	\$ 15,768	\$ 78,543
Changes in Actuarial Assumptions	1,567,077	56,775
Difference Between Projected and Actual Investment Earnings	-	2,222,731
Changes in Proportion	260,130	3,111
Contributions Paid to PERA Subsequent to the Measurement Date	168,895	-
Total	<u>\$ 2,011,870</u>	<u>\$ 2,361,160</u>

The \$168,895 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, 2022. 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
2022	\$ (3,990)
2023	70,997
2024	21,063
2025	(606,255)

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>

**BRainerd PUBLIC UTILITIES
BRainerd, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Long-Term Expected Return on Investment

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Cash	0.0%	0.00%
Total	100.0%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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BRAINERD, MINNESOTA
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NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5% and in 2020 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, 2021 and 2020 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:

<u>Description</u>	<u>December 31, 2021</u>		
	<u>1% Higher</u>	<u>Current Discount Rate</u>	<u>1% Lower</u>
General Employees Fund Discount Rate	5.50%	6.50%	7.50%
BPU's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 5,234,430	\$ 2,566,540	\$ 377,372

<u>Description</u>	<u>December 31, 2020</u>		
	<u>1% Higher</u>	<u>Current Discount Rate</u>	<u>1% Lower</u>
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

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.

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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 years 2021 and 2020, BPU contributed \$51,536 and \$41,654, respectively to the plan.

Actuarial Methods and Assumptions

BPU's OPEB liability was measured as of January 1, 2021, 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:

Assumptions	
Inflation	2.50%
Salary Increase	3.00%
Health Care Tread Rates	6.25% 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 2.0%. 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 2.90% to 2.00%.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Net OPEB Liability

	Total OPEB Liability 2021	Total OPEB Liability 2020
Balance at January 1,	\$ 514,432	\$ 339,439
Changes for the Year:		
Service Cost	39,670	33,722
Interest	15,469	13,537
Assumption Changes	21,049	9,122
Difference Between Expected and Actual	-	152,787
Benefit Payments	<u>(41,654)</u>	<u>(34,175)</u>
Net Change in Total OPEB Liability	34,534	174,993
Balance at December 31,	<u>\$ 548,966</u>	<u>\$ 514,432</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:

2021	1% Decrease 1.0%	Discount Rate 2.0%	1% Increase 3.0%
Description			
Net OPEB Liability	\$ 578,680	\$ 548,966	\$ 520,082
2020	1% Decrease 1.9%	Discount Rate 2.9%	1% Increase 3.9%
Description			
Net OPEB Liability	\$ 542,635	\$ 514,432	\$ 487,245

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 or 1% higher than the current health care cost trend rates:

2021	1% Decrease (5.5% Decreasing to 4.0%)	Current Trend Rates (6.5% Decreasing to 5.0%)	1% Increase (7.5% Decreasing to 6.0%)
Medical Trend Rate			
Net OPEB Liability	\$ 496,346	\$ 548,966	\$ 611,248
2020	1% Decrease (5.5% Decreasing to 4.0%)	Current Trend Rates (6.5% Decreasing to 5.0%)	1% Increase (7.5% Decreasing to 6.0%)
Medical Trend Rate			
Net OPEB Liability	\$ 471,953	\$ 514,432	\$ 564,114

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Net OPEB Liability (Continued)

For the years ended December 31, 2021 and 2020, BPU recognized OPEB expense of \$76,738 and \$66,226, respectively. At December 31, 2021, 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	\$ 51,536	\$ -
Difference Between Expected and Actual Experience	114,587	-
Changes in Actuarial Assumptions	25,257	5,085
Total	<u>\$ 191,380</u>	<u>\$ 5,085</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>
2022	\$ 21,599
2023	21,597
2024	21,598
2025	21,596
2026	22,871
Thereafter	25,499

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>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF BPU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SEVEN 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
2021	0.0601%	\$ 2,566,540	\$ 78,459	\$ 2,644,999	\$ 4,329,687	59.28%	87.00%
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.

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

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF PERA CONTRIBUTIONS
LAST EIGHT 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)
2021	\$ 334,675	\$ 334,675	\$ -	\$ 4,462,333	7.50%
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 FOUR MEASUREMENT PERIODS**

	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018
Total OPEB Liability				
Service Cost	\$ 39,670	\$ 33,722	\$ 22,563	\$ 23,674
Interest	15,469	13,537	11,642	12,031
Assumption Changes	21,049	9,122	(8,905)	-
Difference Between Expected and Actual Experience	-	152,787	-	-
Benefit Payments	(41,654)	(34,175)	(31,901)	(60,631)
Net Change in Total OPEB Liability	34,534	174,993	(6,601)	(24,926)
Total OPEB - Beginning of the Year	514,432	339,439	346,040	370,966
Total OPEB - End of the Year	<u>\$ 548,966</u>	<u>\$ 514,432</u>	<u>\$ 339,439</u>	<u>\$ 346,040</u>
Covered-Employee Payroll	\$ 3,947,822	\$ 3,823,556	\$ 3,409,972	\$ 3,310,652
BPU's OPEB Liability as a Percentage of Covered-Employee Payroll	14%	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, 2021**

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

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

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.
- 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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

2020 (Continued)

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 morality projection scale was changed from MP-2017 to MP-2018.

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

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.

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:

2021

- The discount rate was changed from 2.90% to 2.00%.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

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%.

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%.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CAPITAL ASSETS					
Construction in Progress	\$ 500,248	\$ 1,503,001	\$ 145,949	\$ 2,149,198	\$ 1,324,900
In Service	44,821,924	29,852,514	38,878,050	113,552,488	112,325,623
Total Investment in Capital Assets	45,322,172	31,355,515	39,023,999	115,701,686	113,650,523
Less: Accumulated Depreciation	(21,177,291)	(13,179,630)	(17,688,024)	(52,044,945)	(49,166,722)
Net Capital Assets	24,144,881	18,175,885	21,335,975	63,656,741	64,483,801
RESTRICTED ASSETS					
Cash and Investments					
Customer Deposits	347,624	-	-	347,624	329,882
City of Brainerd Contribution	77,774	442,034	215,592	735,400	824,060
Conservation Incentive Program	198,948	-	-	198,948	129,574
Debt Service Reserve	1,188,029	1,509,667	1,993,391	4,691,087	4,232,207
Total Restricted Cash and Investments	1,812,375	1,951,701	2,208,983	5,973,059	5,515,723
Bonds and Notes Receivable					
Notes Receivable - Interest	-	-	3,826,334	3,826,334	4,306,667
Total Restricted Assets	1,812,375	1,951,701	6,080,417	9,844,493	9,871,990
CURRENT ASSETS					
Cash and Investments	5,655,111	6,194,671	5,806,760	17,656,542	10,674,604
Accounts Receivable	2,272,654	463,300	506,116	3,242,070	3,122,297
Interest Receivable	6,094	1,746	10,552	18,392	26,140
Due from the City of Brainerd	28,515	7,138	136,478	172,131	938,356
Inventory	1,297,757	126,421	-	1,424,178	1,292,745
Prepaid Expenses	108,696	16,674	19,874	145,244	132,491
Total Current Assets	9,368,827	6,809,950	6,479,780	22,658,557	16,186,633
OTHER ASSETS					
Service Territory Acquisitions, Net of Accumulated Depreciation	257,416	-	-	257,416	275,149
Total Assets	35,583,499	26,937,536	33,896,172	96,417,207	90,817,573
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	1,207,122	402,374	402,374	2,011,870	455,226
OPEB Related	114,828	38,276	38,276	191,380	183,323
Total Deferred Outflows of Resources	1,321,950	440,650	440,650	2,203,250	638,549
Total Assets and Deferred Outflows of Resources	\$ 36,905,449	\$ 27,378,186	\$ 34,336,822	\$ 98,620,457	\$ 91,456,122

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT (CONTINUED)
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2021	2020
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
NET POSITION					
Net Investment in Capital Assets	\$ 17,125,378	\$ 10,038,037	\$ 8,793,453	\$ 35,956,868	\$ 34,851,167
Restricted for Debt Service	-	1,407,167	5,721,795	7,128,962	7,154,837
Restricted for Capital Outlay	-	719,396	-	719,396	-
Unrestricted	5,958,860	(364,475)	5,311,094	10,905,479	10,252,252
Total Net Position	23,084,238	11,800,125	19,826,342	54,710,705	52,258,256
LONG-TERM LIABILITIES					
Due to Primary Government, Less Current Portion	6,721,603	11,938,224	10,882,466	29,542,293	27,103,951
Capital Lease Payable	24,146	8,049	8,049	40,244	57,778
Compensated Absences	704,658	283,080	171,104	1,158,842	978,465
Net Pension Liability	1,539,924	513,308	513,308	2,566,540	3,441,391
Other Postemployment Benefit Obligation	298,458	99,486	99,486	497,430	472,778
Total Long-Term Liabilities	9,288,789	12,842,147	11,674,413	33,805,349	32,054,363
CURRENT LIABILITIES					
Accounts and Contracts Payable	1,145,820	885,434	351,912	2,383,166	1,726,938
Due to Primary Government	1,015,800	741,900	1,587,300	3,345,000	3,301,637
Capital Lease Payable	10,522	3,507	3,507	17,536	21,768
Other Postemployment Benefit Obligation	30,922	10,307	10,307	51,536	41,654
Accrued Expenses					
Salaries and Withholding Taxes	182,555	74,749	51,170	308,474	257,711
Sales Taxes	83,740	2,234	-	85,974	82,665
Current Liabilities from Restricted Assets:					
Bond Interest	18,970	102,500	143,030	264,500	260,650
Payable to City of Brainerd	77,774	442,034	215,592	735,400	824,060
Conservation Incentive Program Payable	198,948	-	-	198,948	129,574
Customer Deposits	347,624	-	-	347,624	329,882
Total Current Liabilities	3,112,675	2,262,665	2,362,818	7,738,158	6,976,539
Total Liabilities	12,401,464	15,104,812	14,037,231	41,543,507	39,030,902
DEFERRED INFLOWS OF RESOURCES					
Pension Related	1,416,696	472,232	472,232	2,361,160	160,605
OPEB Related	3,051	1,017	1,017	5,085	6,359
Total Deferred Outflows of Resources	1,419,747	473,249	473,249	2,366,245	166,964
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 36,905,449	\$ 27,378,186	\$ 34,336,822	\$ 98,620,457	\$ 91,456,122

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2021	2020
OPERATING REVENUES					
Utility Revenues					
Residential	\$ 6,471,225	\$ 1,469,941	\$ 1,413,393	\$ 9,354,559	\$ 9,084,392
Commercial	9,836,029	2,265,451	1,417,771	13,519,251	9,627,825
Large Commercial	3,245,975	-	-	3,245,975	5,302,067
City of Brainerd	353,436	114,859	10,609	478,904	460,474
Internal Use	766,335	84,865	686	851,886	841,196
Total Utility Revenues	20,673,000	3,935,116	2,842,459	27,450,575	25,315,954
Other Operating Revenues					
Penalties	66,145	13,427	17,354	96,926	47,069
Other	101,299	25,037	(63)	126,273	114,588
Total Other Operating Revenues	167,444	38,464	17,291	223,199	161,657
Total Operating Revenues	20,840,444	3,973,580	2,859,750	27,673,774	25,477,611
OPERATING EXPENSES					
Generation, Production, and Treatment					
Salaries and Wages	499,416	297,088	444,720	1,241,224	1,158,572
Purchased Services	7,324	172,426	652,012	831,762	760,226
Supplies and Maintenance	19,523	130,758	134,630	284,911	225,514
Employee Benefits	125,390	111,952	108,653	345,995	413,914
Other Charges	32,874	933	37,710	71,517	69,166
Total Generation, Production, and Treatment Expenses	684,527	713,157	1,377,725	2,775,409	2,627,392
Purchased Power	12,021,143	-	-	12,021,143	10,559,355
Distribution and Collection					
Salaries and Wages	1,348,660	399,764	133,943	1,882,367	1,579,206
Purchased Services	76,315	171,090	155,983	403,388	424,708
Supplies and Maintenance	242,845	45,436	9,515	297,796	302,101
Employee Benefits	302,748	101,612	38,578	442,938	486,490
Other Charges	46,945	24,432	30	71,407	56,583
Total Distribution and Collection Expenses	2,017,513	742,334	338,049	3,097,896	2,849,088

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DEPARTMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2021	2020
OPERATING EXPENSES (CONTINUED)					
Administration					
Salaries and Wages	\$ 793,347	\$ 284,583	\$ 274,917	\$ 1,352,847	\$ 1,289,664
Purchased Services	331,310	103,619	71,697	506,626	374,179
Supplies and Maintenance	32,638	10,559	5,970	49,167	110,070
Insurance and Bonds	144,451	44,301	46,014	234,766	243,481
Employee Benefits	293,776	99,664	88,452	481,892	474,292
Other Charges	316,571	76,020	76,879	469,470	403,611
Total Administration Expenses	<u>1,912,093</u>	<u>618,746</u>	<u>563,929</u>	<u>3,094,768</u>	<u>2,895,297</u>
Depreciation and Amortization	<u>2,268,647</u>	<u>1,182,152</u>	<u>2,010,306</u>	<u>5,461,105</u>	<u>4,948,250</u>
Total Operating Expenses	<u>18,903,923</u>	<u>3,256,389</u>	<u>4,290,009</u>	<u>26,450,321</u>	<u>23,879,382</u>
OPERATING INCOME (LOSS)	1,936,521	717,191	(1,430,259)	1,223,453	1,598,229
NONOPERATING REVENUE (EXPENSE)					
Interest Income - Investments	(62)	6,765	(53,363)	(46,660)	370,983
Interest Income - Notes Receivable	-	-	135,313	135,313	147,679
Interest Expense	(219,164)	(178,331)	(426,153)	(823,648)	(905,501)
Local Option Sales Tax	-	308,891	1,406,083	1,714,974	1,562,848
Federal Grant Revenue - Build America Bond	-	-	88,709	88,709	101,312
Bond Issuance Costs	-	(87,243)	-	(87,243)	-
Federal Grant Revenue - CARES	-	-	-	-	15,611
Gain on Disposal of Capital Assets	<u>31,522</u>	<u>1,051</u>	<u>128</u>	<u>32,701</u>	<u>12,584</u>
Net Nonoperating Revenue (Expense)	<u>(187,704)</u>	<u>51,133</u>	<u>1,150,717</u>	<u>1,014,146</u>	<u>1,305,516</u>
INCOME (LOSS) BEFORE TRANSFERS	1,748,817	768,324	(279,542)	2,237,599	2,903,745
CAPITAL GRANTS AND CONTRIBUTIONS	-	976,000	-	976,000	111,951
TRANSFERS TO THE CITY	<u>(761,150)</u>	-	-	<u>(761,150)</u>	<u>(734,569)</u>
CHANGE IN NET POSITION	<u>\$ 987,667</u>	<u>\$ 1,744,324</u>	<u>\$ (279,542)</u>	<u>\$ 2,452,449</u>	<u>\$ 2,281,127</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021**

	Cost			
	12/31/2020	Additions	Retirements	12/31/2021
Electric Department				
<u>Generation</u>				
Land and Land Improvements	\$ 330,036	\$ -	\$ -	\$ 330,036
Generation Facilities	6,960,937	26,446	-	6,987,383
Machinery and Equipment	64,925	26,605	-	91,530
Transportation Equipment	16,666	5,699	-	22,365
Total Generation	<u>7,372,564</u>	<u>58,750</u>	<u>-</u>	<u>7,431,314</u>
<u>Distribution</u>				
Land and Land Improvements	300,028	21,075	-	321,103
Distribution System	30,824,646	1,187,196	1,568,041	30,443,801
Street and Security Lighting System	579,729	45,058	-	624,787
Machinery and Equipment	986,233	31,413	42,631	975,015
Transportation Equipment	1,478,448	145,131	5,957	1,617,622
Total Distribution	<u>34,169,084</u>	<u>1,429,873</u>	<u>1,616,629</u>	<u>33,982,328</u>
Total Electric Department	<u>41,541,648</u>	<u>1,488,623</u>	<u>1,616,629</u>	<u>41,413,642</u>
Water Department				
<u>Production</u>				
Structures and Improvements	1,803,213	8,583	-	1,811,796
Wells, Pumps and Accessories	801,325	73,261	-	874,586
Water Treatment Plant Equipment	2,135,366	124,702	-	2,260,068
Total Production	<u>4,739,904</u>	<u>206,546</u>	<u>-</u>	<u>4,946,450</u>
<u>Distribution</u>				
Distribution System	21,485,308	1,165,288	-	22,650,596
Machinery and Equipment	429,277	11,432	-	440,709
Transportation Equipment	403,472	55,106	-	458,578
Total Water Distribution	<u>22,318,057</u>	<u>1,231,826</u>	<u>-</u>	<u>23,549,883</u>
Total Water Department	<u>27,057,961</u>	<u>1,438,372</u>	<u>-</u>	<u>28,496,333</u>
Wastewater Treatment Department				
Land and Land Improvements	53,730	-	-	53,730
Collection System	5,317,761	580,419	487,360	5,410,820
Treatment Facility	31,070,603	132,348	451,669	30,751,282
Machinery and Equipment	675,785	55,440	-	731,225
Transportation Equipment	282,335	-	-	282,335
Total Wastewater Treatment Department	<u>37,400,214</u>	<u>768,207</u>	<u>939,029</u>	<u>37,229,392</u>
General Plant				
Land and Land Improvements	1,393,190	-	-	1,393,190
Service Center	4,030,725	-	-	4,030,725
Furniture and Fixtures	637,594	34,387	-	671,981
Transportation Equipment	198,491	52,934	-	251,425
Storage Building	65,800	-	-	65,800
Total General Plant	<u>6,325,800</u>	<u>87,321</u>	<u>-</u>	<u>6,413,121</u>
Total Capital Assets in Service	112,325,623	3,782,523	2,555,658	113,552,488
Construction Work in Progress	1,324,900	2,267,934	1,443,636	2,149,198
Total Investment in Capital Assets	<u>\$ 113,650,523</u>	<u>\$ 6,050,457</u>	<u>\$ 3,999,294</u>	<u>\$ 115,701,686</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION (CONTINUED)
DECEMBER 31, 2021**

Composite Depreciation Rates	Accumulated Depreciation				Percent of Asset Balance
	12/31/2020	Additions	Retirements	12/31/2021	
2.0%	\$ 24,008	\$ 6,504	\$ -	\$ 30,512	9.2%
4.3%	1,450,072	297,185	-	1,747,257	25.0%
13.8%	21,083	12,620	-	33,703	36.8%
7.9%	15,555	1,776	-	17,331	77.5%
4.3%	<u>1,510,718</u>	<u>318,085</u>	-	<u>1,828,803</u>	24.6%
0.0%	-	-	-	-	0.0%
5.0%	14,631,545	1,528,838	1,568,041	14,592,342	47.9%
5.8%	364,446	36,026	-	400,472	64.1%
6.3%	752,315	60,985	42,631	770,669	79.0%
7.3%	808,913	117,699	5,957	920,655	56.9%
5.1%	<u>16,557,219</u>	<u>1,743,548</u>	<u>1,616,629</u>	<u>16,684,138</u>	49.1%
	<u>18,067,937</u>	<u>2,061,633</u>	<u>1,616,629</u>	<u>18,512,941</u>	
1.1%	1,631,714	19,664	-	1,651,378	91.1%
8.6%	368,023	74,988	-	443,011	50.7%
8.6%	<u>1,274,030</u>	<u>194,821</u>	-	<u>1,468,851</u>	65.0%
5.9%	<u>3,273,767</u>	<u>289,473</u>	-	<u>3,563,240</u>	72.0%
3.3%	7,214,522	755,536	-	7,970,058	35.2%
7.8%	257,323	34,366	-	291,689	66.2%
8.6%	<u>275,906</u>	<u>39,243</u>	-	<u>315,149</u>	68.7%
3.5%	<u>7,747,751</u>	<u>829,145</u>	-	<u>8,576,896</u>	36.4%
3.9%	<u>11,021,518</u>	<u>1,118,618</u>	-	<u>12,140,136</u>	42.6%
0.0%	-	-	-	-	0.0%
4.2%	3,146,638	224,819	487,360	2,884,097	53.3%
5.4%	12,588,492	1,660,441	451,669	13,797,264	44.9%
5.9%	377,662	42,878	-	420,540	57.5%
13.1%	<u>134,038</u>	<u>37,023</u>	-	<u>171,061</u>	60.6%
5.3%	16,246,830	1,965,161	939,029	17,272,962	46.4%
0.4%	214,406	5,637	-	220,043	15.8%
4.6%	3,020,124	184,253	-	3,204,377	79.5%
12.2%	373,665	81,783	-	455,448	67.8%
6.7%	156,442	16,796	-	173,238	68.9%
0.0%	<u>65,800</u>	-	-	<u>65,800</u>	100.0%
4.5%	<u>3,830,437</u>	<u>288,469</u>	-	<u>4,118,906</u>	64.2%
4.8%	49,166,722	5,433,881	2,555,658	52,044,945	45.8%
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
4.7%	<u>\$ 49,166,722</u>	<u>\$ 5,433,881</u>	<u>\$ 2,555,658</u>	<u>\$ 52,044,945</u>	45.0%

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
ELECTRIC DISTRIBUTION DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2012 THROUGH 2021
(UNAUDITED)**

	2012	2013	2014	2015	2016
Electric Capital Assets					
In Service (Thousands)	\$ 30,874	\$ 32,385	\$ 36,146	\$ 39,034	\$ 40,295
Investment Per Meter	\$ 3,948	\$ 4,120	\$ 4,558	\$ 4,912	\$ 5,046
Investment Per Dollar of Electric Revenue	\$ 1.71	\$ 1.91	\$ 2.01	\$ 2.15	\$ 2.22
Accumulated Depreciation (Thousands)	\$ 12,556	\$ 13,651	\$ 14,892	\$ 15,838	\$ 17,441
Percent of Capital Assets	40.7%	42.2%	41.2%	40.6%	43.3%
Annual Depreciation (Thousands)	\$ 1,199	\$ 1,238	\$ 1,344	\$ 1,520	\$ 1,636
Percent of Annual Depreciation to Average Capital Assets in Service	4.0%	3.9%	3.9%	4.0%	4.1%
Number of Meters (Year-End)	7,820	7,861	7,931	7,946	7,986
Cost of Power					
KWH Purchased (Thousands)	247,092	202,882	186,738	167,978	166,984
KWH Generated	-	-	5,601	18,554	20,116
Total Cost (Thousands)	\$ 14,498	\$ 12,881	\$ 12,270	\$ 11,287	\$ 12,475
Cost Per KWH Purchased (Cents)	5.87	6.35	6.60	6.72	7.47
Percent of System Loss	2.7%	2.1%	3.6%	3.4%	3.6%
Average Load Factor for Year	72.4%	67.6%	69.9%	66.8%	66.5%
Electric Revenue					
KWH Sold (Thousands)	240,530	198,534	185,427	180,256	180,334
Electric Utility Revenue (Thousands)	\$ 18,054	\$ 16,973	\$ 18,009	\$ 18,119	\$ 18,159
Per KWH Sold (Cents)	7.51	8.56	9.71	10.05	10.07
Gross Margin Per KWH (Cents)	1.64	2.21	3.11	3.33	2.60
Operating Income (Loss) (Thousands)	\$ 223	\$ 556	\$ 1,653	\$ 1,666	\$ 556
Change in Net Position (Thousands)	\$ (772)	\$ (400)	\$ 621	\$ 707	\$ (457)

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

2017	2018	2019	2020	2021
\$ 43,225	\$ 44,612	\$ 43,103	\$ 44,904	\$ 45,322
\$ 5,377	\$ 5,510	\$ 5,288	\$ 5,464	\$ 5,503
\$ 2.23	\$ 2.11	\$ 2.05	\$ 2.25	\$ 2.19
\$ 19,024	\$ 20,711	\$ 18,888	\$ 20,552	\$ 21,177
44.0%	46.4%	43.8%	45.8%	46.7%
\$ 1,763	\$ 1,914	\$ 2,088	\$ 2,233	\$ 2,269
4.2%	4.4%	4.8%	5.1%	5.0%
8,039	8,096	8,151	8,218	8,236
165,645	170,684	167,222	159,528	171,355
19,401	19,081	17,744	18,727	12,983
\$ 12,754	\$ 11,854	\$ 11,928	\$ 10,559	\$ 12,021
7.70	6.94	7.10	6.60	7.02
3.5%	3.4%	3.6%	3.3%	5.7%
66.9%	66.3%	64.3%	68.8%	62.3%
178,511	183,244	178,392	172,315	178,605
\$ 19,412	\$ 21,183	\$ 21,007	\$ 19,905	\$ 20,673
10.87	11.56	11.78	11.55	11.57
3.17	4.62	4.68	4.95	4.55
\$ 1,504	\$ 3,594	\$ 3,131	\$ 2,855	\$ 1,937
\$ 473	\$ 2,690	\$ 2,250	\$ 2,087	\$ 988

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
WATER DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2012 THROUGH 2021
(UNAUDITED)**

	2012	2013	2014	2015	2016
Water Capital Assets					
In Service (Thousands)	\$ 15,814	\$ 16,153	\$ 17,653	\$ 17,655	\$ 17,930
Investment Per Meter	\$ 3,407	\$ 3,473	\$ 3,814	\$ 3,797	\$ 3,835
Investment Per Dollar of Water Revenue	\$ 8.03	\$ 7.62	\$ 8.60	\$ 8.11	\$ 7.95
Accumulated Depreciation (Thousands)	\$ 7,349	\$ 7,815	\$ 7,949	\$ 7,974	\$ 8,608
Percent of Capital Assets	46.5%	48.4%	45.0%	45.2%	48.0%
Annual Depreciation (Thousands)	\$ 483	\$ 493	\$ 553	\$ 656	\$ 702
Percent of Annual Depreciation to Average Capital Assets in Service	3.1%	3.1%	3.3%	3.7%	4.0%
Number of Meters (Year-End)	4,642	4,651	4,629	4,650	4,675
Cost of Water Production					
Gallons Pumped into Distribution System (Thousands)	497,183	507,118	500,441	506,271	492,846
Total Cost (Thousands)	\$ 477	\$ 478	\$ 481	\$ 442	\$ 459
Cost Per Thousand Gallons Pumped	\$ 0.96	\$ 0.94	\$ 0.96	\$ 0.87	\$ 0.93
Percent of System Loss	11.8%	14.7%	16.3%	18.7%	18.8%
Water Revenue					
Gallons Sold (Thousands)	438,609	432,521	418,668	411,825	400,226
Water Utility Revenue (Thousands)	\$ 1,969	\$ 2,119	\$ 2,053	\$ 2,177	\$ 2,254
Per Thousand Gallons Sold	\$ 4.49	\$ 4.90	\$ 4.90	\$ 5.29	\$ 5.63
Gross Margin Per Thousand Gallons Sold	\$ 3.53	\$ 3.96	\$ 3.94	\$ 4.42	\$ 4.70
Operating Income (Loss) (Thousands)	\$ 183	\$ 304	\$ 171	\$ 184	\$ 72
Change in Net Position (Thousands) Before Capital Contributions from City	\$ 184	\$ 299	\$ 143	\$ 153	\$ 12

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

2017	2018	2019	2020	2021
\$ 24,356	\$ 25,582	\$ 27,467	\$ 28,398	\$ 31,356
\$ 5,160	\$ 5,368	\$ 5,725	\$ 5,865	\$ 6,448
\$ 10.43	\$ 10.24	\$ 10.72	\$ 10.54	\$ 7.96
\$ 9,387	\$ 10,310	\$ 11,009	\$ 11,997	\$ 13,180
38.5%	40.3%	40.1%	42.2%	42.0%
\$ 821	\$ 1,005	\$ 1,060	\$ 1,142	\$ 1,182
3.9%	4.1%	4.0%	4.1%	4.0%
4,720	4,766	4,798	4,842	4,863
482,159	465,743	473,439	490,593	908,885
\$ 472	\$ 493	\$ 495	\$ 593	\$ 713
\$ 0.98	\$ 1.06	\$ 1.05	\$ 1.21	\$ 0.78
19.5%	15.6%	18.5%	19.5%	15.3%
388,296	393,241	385,936	395,137	770,302
\$ 2,335	\$ 2,499	\$ 2,563	\$ 2,695	\$ 3,935
\$ 6.01	\$ 6.35	\$ 6.64	\$ 6.82	\$ 5.11
\$ 5.03	\$ 5.29	\$ 5.59	\$ 5.61	\$ 4.33
\$ (87)	\$ (178)	\$ (295)	\$ (252)	\$ 717
\$ 133	\$ (122)	\$ (132)	\$ (102)	\$ 768

**BRainerd PUBLIC UTILITIES
BRainerd, MINNESOTA
WASTEWATER TREATMENT DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2012 THROUGH 2021
(UNAUDITED)**

	2012	2013	2014	2015	2016
Wastewater Treatment Capital Assets					
In Service (Thousands)	\$ 36,329	\$ 36,325	\$ 36,368	\$ 36,403	\$ 36,453
Investment Per Account	\$ 7,908	\$ 7,892	\$ 7,937	\$ 7,914	\$ 7,882
Investment Per Dollar of Wastewater Treatment Revenue	\$ 15.77	\$ 15.93	\$ 15.78	\$ 15.44	\$ 14.75
Accumulated Depreciation (Thousands)	\$ 5,708	\$ 7,046	\$ 8,424	\$ 9,746	\$ 11,113
Percent of Capital Assets	15.7%	19.4%	23.2%	26.8%	30.5%
Annual Depreciation (Thousands)	\$ 1,374	\$ 1,384	\$ 1,382	\$ 1,392	\$ 1,402
Percent of Annual Depreciation to Average Capital Assets in Service	3.8%	3.8%	3.8%	3.8%	3.9%
Number of Accounts (Year-End)	4,594	4,603	4,582	4,600	4,625
Cost of Wastewater Treatment					
Flow in Gallons Processed (Thousands)	725,787	677,322	799,681	700,235	764,803
Total Treatment Cost (Thousands)	\$ 975	\$ 1,082	\$ 1,106	\$ 1,001	\$ 1,084
Cost Per Thousand Gallons Processed	\$ 1.34	\$ 1.60	\$ 1.38	\$ 1.43	\$ 1.42
Percent of System Loss	24.6%	19.7%	30.7%	22.7%	28.7%
Wastewater Treatment Revenue					
Flow in Gallons Sold (Thousands)	547,053	544,183	554,578	541,213	545,513
Wastewater Treatment Utility Revenue (Thousands)	\$ 2,304	\$ 2,281	\$ 2,304	\$ 2,357	\$ 2,471
Per Thousand Gallons Sold	\$ 4.21	\$ 4.19	\$ 4.15	\$ 4.36	\$ 4.53
Gross Margin Per Thousand Gallons Sold	\$ 2.87	\$ 2.59	\$ 2.77	\$ 2.93	\$ 3.11
Operating Income (Loss) (Thousands)	\$ (706)	\$ (843)	\$ (831)	\$ (642)	\$ (719)
Change in Net Position (Thousands)	\$ (2)	\$ (482)	\$ 2	\$ 61	\$ 15

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

2017	2018	2019	2020	2021
\$ 37,612	\$ 37,870	\$ 38,240	\$ 39,441	\$ 39,024
\$ 8,045	\$ 8,040	\$ 8,045	\$ 8,236	\$ 8,106
\$ 14.38	\$ 13.81	\$ 13.28	\$ 14.51	\$ 13.73
\$ 12,421	\$ 13,767	\$ 15,250	\$ 16,617	\$ 17,688
33.0%	36.4%	39.9%	42.1%	45.3%
\$ 1,429	\$ 1,497	\$ 1,499	\$ 1,547	\$ 2,010
3.9%	4.0%	3.9%	4.0%	5.1%
4,675	4,710	4,753	4,789	4,814
844,303	751,581	808,631	753,696	659,261
\$ 1,189	\$ 1,372	\$ 1,351	\$ 1,358	\$ 1,378
\$ 1.41	\$ 1.83	\$ 1.67	\$ 1.80	\$ 2.09
31.8%	23.3%	28.1%	26.2%	12.3%
575,734	567,477	581,822	556,108	578,185
\$ 2,616	\$ 2,742	\$ 2,880	\$ 2,717	\$ 2,842
\$ 4.54	\$ 4.76	\$ 4.95	\$ 4.89	\$ 4.91
\$ 3.13	\$ 2.93	\$ 3.28	\$ 3.09	\$ 2.82
\$ (797)	\$ (887)	\$ (776)	\$ (1,005)	\$ (1,430)
\$ 135	\$ (27)	\$ 428	\$ 296	\$ (280)



**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, 2021, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements, and have issued our report thereon dated April 20, 2022.

Report on 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 opinions 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.

Report on 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 20, 2022



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, 2021, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements and have issued our report thereon dated April 20, 2022.

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 – bid laws, depositories of public funds and public 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 20, 2022



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