

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA**

**FINANCIAL REPORT**

**DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](http://CLAconnect.com)

**BRAINERD PUBLIC UTILITIES  
TABLE OF CONTENTS  
DECEMBER 31, 2022 AND 2021**

**INTRODUCTORY SECTION**

Organizational Data ..... 1

**FINANCIAL SECTION**

Independent Auditors' Report..... 2  
Management's Discussion and Analysis..... 6  
Statements of Net Position... .. 15  
Statements of Revenues, Expenses and Changes in Net Position ..... 17  
Statements of Cash Flows ..... 19  
Notes to Financial Statements..... 21

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of BPU's Proportionate Share of the Net Pension Liability ..... 49  
Schedule of PERA Contributions..... 50  
Schedule of Changes in BPU's OPEB Liability, Related Ratios, and Notes..... 51  
Notes to the Required Supplementary Information ..... 52

**SUPPLEMENTARY INFORMATION**

Combining Statements of Net Position by Department ..... 56  
Combining Statements of Revenues, Expenses and Changes  
in Net Position by Department..... 58  
Schedule of Capital Assets and Accumulated Depreciation..... 60

**OTHER INFORMATION**

Electric Distribution Department Statistics ..... 62  
Water Department Statistics..... 64  
Wastewater Treatment Department Statistics ..... 66

**OTHER REPORTS SECTION**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance  
and other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards* ..... 68  
Independent Auditors' Report on Minnesota Legal Compliance ..... 70

## **INTRODUCTORY SECTION**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
ORGANIZATIONAL DATA  
DECEMBER 31, 2022**

**COMMISSION**

		<u>Term Expires December 31,</u>
President	Mark O'Day	2025
Vice President	Tad Johnson	2023
Commission Member	Dolly Matten	2024
Commission Member	Mike England	2022
Commission Member	Patrick Wussow	2026

**ADMINISTRATION**

Superintendent of Utilities	Scott Magnuson
Finance Director	Todd Wicklund
Operations Manager	Trent Hawkinson
Wastewater Treatment Plant Supervisor	Charlie Gammon
Technology Supervisor	Aaron Andersen
Accounting Supervisor	Jana Pernula

## **FINANCIAL SECTION**



## 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, 2022 and 2021, 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, 2022 and 2021, 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.

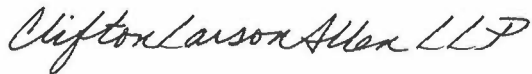
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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 13, 2023, 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 13, 2023

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021. This discussion and analysis should be read in conjunction with BPU's financial statements and accompanying notes, which follow this section.

**Financial Highlights from 2021 to 2022**

- BPU's combined net position increased \$816,036, or 1.5%, from \$54,710,705 to \$55,526,741.
- Combined total assets and deferred outflow of resources decreased \$3,391,991, or 3.4%, from \$98,620,457 to \$95,228,466.
- Combined total liabilities decreased \$2,056,877, or 5.0%, from \$41,543,507 to \$39,486,630.
- Combined total operating revenue increased \$961,500, or 3.5%, from \$27,673,774 to \$28,635,274.
- Combined total operating expenses increased \$1,578,912, or 6.0%, from \$26,450,321 to \$28,029,233.

**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, 2022 AND 2021**

**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 68.6% and 64.5% of total assets and deferred outflows of resources as of December 31, 2022 and 2021, respectively. Long-term liabilities represent 33.7% and 34.1% of total liabilities, net position, and deferred inflows of resources as of December 31, 2022 and 2021, respectively. Total net position increased 1.5% and 4.7% as of December 31, 2022 and 2021, respectively.

The largest portion of BPU's net position (68.3%), at December 31, 2022, 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 2022, \$6,581,652 or 11.9% of BPU's net position represents resources that are restricted for debt service and \$567,412 or 1.0% of BPU's net position represents resources that are restricted for capital outlay. The remaining balance of unrestricted net position of \$10,447,427 or 18.8% 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 2021 to 2022 decreased \$47,778, or 4.7%, from \$1,014,146 to \$966,368. The significant change for 2022 was a decrease in interest income due to fair market value adjustment offset with an increase in local option sales tax.

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Financial Analysis (Continued)**

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

	December 31,			Change	
	2022	2021	2020	2022 to 2021	2021 to 2020
Net Capital Assets	\$ 65,311,984	\$ 63,656,741	\$ 64,483,801	\$ 1,655,243	\$ (827,060)
Restricted Assets	8,866,126	9,844,493	9,871,990	(978,367)	(27,497)
Current Assets	19,025,253	22,658,557	16,186,633	(3,633,304)	6,471,924
Other Assets	239,683	257,416	275,149	(17,733)	(17,733)
<b>Total Assets</b>	<b>93,443,046</b>	<b>96,417,207</b>	<b>90,817,573</b>	<b>(2,974,161)</b>	<b>5,599,634</b>
Deferred Outflows of Resources	1,785,420	2,203,250	638,549	(417,830)	1,564,701
<b>Total Assets and Deferred Outflows</b>	<b>\$ 95,228,466</b>	<b>\$ 98,620,457</b>	<b>\$ 91,456,122</b>	<b>\$ (3,391,991)</b>	<b>\$ 7,164,335</b>
Current Liabilities	\$ 7,353,395	\$ 7,898,158	\$ 6,976,539	\$ (544,763)	\$ 921,619
Long-Term Liabilities	32,133,235	33,645,349	32,054,363	(1,512,114)	1,590,986
<b>Total Liabilities</b>	<b>39,486,630</b>	<b>41,543,507</b>	<b>39,030,902</b>	<b>(2,056,877)</b>	<b>2,512,605</b>
Net Investment in Capital Assets	37,930,250	35,956,868	34,851,167	1,973,382	1,105,701
Restricted Net Position	7,149,064	7,848,358	7,154,837	(699,294)	693,521
Unrestricted Net Position	10,447,427	10,905,479	10,252,252	(458,052)	653,227
<b>Total Net Position</b>	<b>55,526,741</b>	<b>54,710,705</b>	<b>52,258,256</b>	<b>816,036</b>	<b>2,452,449</b>
Deferred Inflows of Resources	215,095	2,366,245	166,964	(2,151,150)	2,199,281
<b>Total Liabilities, Net Position and Deferred Inflows</b>	<b>\$ 95,228,466</b>	<b>\$ 98,620,457</b>	<b>\$ 91,456,122</b>	<b>\$ (3,391,991)</b>	<b>\$ 7,164,335</b>

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Financial Analysis (Continued)**

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

**Table 2**

	2022	2021	Dollar Change	Percentage Change
<b>OPERATING REVENUES</b>				
Electric	\$ 22,394,774	\$ 20,840,444	\$ 1,554,330	7.5%
Water	3,307,300	3,973,580	(666,280)	-16.8%
Wastewater Treatment	2,933,200	2,859,750	73,450	2.6%
Total Operating Revenue	28,635,274	27,673,774	961,500	3.5%
<b>OPERATING EXPENSES</b>				
Production and Treatment	2,937,500	2,775,409	162,091	5.8%
Purchased Power	12,256,210	12,021,143	235,067	2.0%
Distribution and Collection	3,571,683	3,097,896	473,787	15.3%
Administration	3,990,949	3,094,768	896,181	29.0%
Depreciation and Amortization	5,272,891	5,461,105	(188,214)	-3.4%
Total Operating Expenses	28,029,233	26,450,321	1,578,912	6.0%
<b>OPERATING INCOME (LOSS)</b>	606,041	1,223,453	(617,412)	-50.5%
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest Income - Investments	(671,411)	(46,660)	(624,751)	1338.9%
Interest Income - Notes Receivable	117,505	135,313	(17,808)	-13.2%
Bond Issue Costs	-	(87,243)	87,243	-100.0%
Interest Expense	(543,286)	(823,648)	280,362	-34.0%
Local Option Sales Tax	1,940,891	1,714,974	225,917	13.2%
Federal Grant Revenue - Build America Bond	77,558	88,709	(11,151)	-12.6%
Gain on Disposal of Capital Assets	45,111	32,701	12,410	37.9%
Net Nonoperating Revenue	966,368	1,014,146	(47,778)	-4.7%
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS</b>	1,572,409	2,237,599	(665,190)	-29.7%
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	-	976,000	(976,000)	-100.0%
<b>TRANSFERS TO THE CITY</b>	(756,373)	(761,150)	4,777	-0.6%
<b>CHANGE IN NET POSITION</b>	816,036	2,452,449	(1,636,413)	-0.6%
Net Position - Beginning	54,710,705	52,258,256	2,452,449	-66.7%
<b>NET POSITION - ENDING</b>	\$ 55,526,741	\$ 54,710,705	\$ 816,036	4.7%

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Financial Analysis (Continued)**

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

	2021	2020	Dollar Change	Percentage Change
<b>OPERATING REVENUES</b>				
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	27,673,774	25,477,611	2,196,163	8.6%
<b>OPERATING EXPENSES</b>				
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	26,450,321	23,879,382	2,570,939	10.8%
<b>OPERATING INCOME (LOSS)</b>	1,223,453	1,598,229	(374,776)	-23.4%
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest Income - Investments	(46,660)	370,983	(417,643)	-112.6%
Interest Income - Notes Receivable	135,313	147,679	(12,366)	-8.4%
Bond Premium	(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%
Bond Issuance Costs	-	15,611	(15,611)	-100.0%
Gain (Loss) on Disposal of Capital Assets	32,701	12,584	20,117	159.9%
Net Nonoperating Revenue	1,014,146	1,305,516	(291,370)	-22.3%
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS</b>	2,237,599	2,903,745	(666,146)	-22.9%
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	976,000	111,951	864,049	771.8%
<b>TRANSFERS TO THE CITY</b>	(761,150)	(734,569)	(26,581)	3.6%
<b>CHANGE IN NET POSITION</b>	2,452,449	2,281,127	171,322	7.5%
Net Position - Beginning	52,258,256	49,977,129	2,281,127	4.6%
<b>NET POSITION - ENDING</b>	<u>\$ 54,710,705</u>	<u>\$ 52,258,256</u>	<u>\$ 2,452,449</u>	4.7%

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Capital Assets**

**Net Capital Assets – Table 3**, shows changes in net capital assets from 2020 to 2022. Total net capital assets as of December 31, 2022 and 2021 were \$65,311,984 and \$63,656,741, respectively.

**Net Capital Assets  
Table 3**

	December 31,			Change	
	2022	2021	2020	2022 to 2021	2021 to 2020
Electric Department					
Generation System	\$ 5,090,265	\$ 5,240,126	\$ 5,816,895	\$ (149,861)	\$ (576,769)
Distribution System	15,371,739	15,851,459	16,493,131	(479,720)	(641,672)
Street and Security Lighting System	200,912	224,315	215,283	(23,403)	9,032
Water Department					
Production Facilities	1,254,416	1,383,210	1,466,140	(128,794)	(82,930)
Distribution System	14,186,363	14,972,987	14,270,784	(786,624)	702,203
Wastewater Treatment Department					
Lift Station Facilities	2,381,807	2,526,723	2,224,852	(144,916)	301,871
Treatment Facilities	15,589,991	16,954,018	18,482,112	(1,364,027)	(1,528,094)
Land and Land Improvements	1,879,793	1,847,504	1,178,783	32,289	668,721
Machinery and Equipment	539,732	572,858	747,839	(33,126)	(174,981)
Furniture and Fixtures	133,796	216,533	263,929	(82,737)	(47,396)
Transportation Equipment	711,548	891,462	988,554	(179,914)	(97,092)
Service Center	647,272	826,348	1,010,600	(179,076)	(184,252)
Construction in Progress	6,887,414	2,149,198	1,324,899	4,738,216	824,299
Right-to-Use Assets	436,936	-	-	436,936	-
<b>Total</b>	<b>\$ 65,311,984</b>	<b>\$ 63,656,741</b>	<b>\$ 64,483,801</b>	<b>\$ 1,655,243</b>	<b>\$ (827,060)</b>

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

	2022	2021	2020
Additions and Transfers to Capital Assets Being Depreciated (By Department)			
Electric	\$ 1,228,438	\$ 1,488,621	\$ 2,233,594
Water	190,654	1,438,372	1,046,052
Wastewater Treatment	242,653	768,207	906,008
General Plant	484,169	87,321	233,906
<b>Total</b>	<b>2,145,914</b>	<b>3,782,521</b>	<b>4,419,560</b>
Additions to Construction in Progress	5,496,477	2,267,934	1,917,364
Transfers from Construction in Progress to Capital Assets Being Depreciated	(758,261)	(1,443,636)	(1,219,532)
Normal Annual Depreciation/Amortization	(5,241,015)	(5,433,879)	(4,922,338)
<b>Total</b>	<b>\$ 1,643,115</b>	<b>\$ (827,060)</b>	<b>\$ 195,054</b>

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Capital Assets (Continued)**

Major capital asset transactions for 2022 and 2021 include the following:

	2022	2021
<b><u>Electric</u></b>		
Distribution Transformers and Metering Purchased	\$ 363,369	\$ 574,429
Expansion of Distribution Feeder System	331,849	270,850
Distribution System Improvements	209,292	350,758
SCADA/Fiber System	116,166	-
Substation Improvements	6,474	-
Hydroelectric Dam Improvements	37,771	53,051
Hydroelectric Dam Gate for Bay No. 6	130,000	-
Land Improvements	-	21,075
Street and Security Lighting	15,658	43,058
Machinery and Equipment	17,859	24,569
Leased Vehicle Buyouts	-	12,887
Chipper Truck and Dump Box	-	83,296
Morbark Chipper	-	54,648
<b><u>Water</u></b>		
Purchase of Meters and Valves	115,723	124,702
Distribution System Improvements	7,634	1,169,619
Well Improvements	-	73,261
Machinery and Equipment	33,796	7,100
SCADA/Fiber System	16,250	-
Building Improvements	-	8,583
Dumo Box for Truck	17,251	-
Dump Truck	-	55,106
<b><u>Wastewater</u></b>		
Lift Station Improvements	84,702	580,420
Treatment Facility Improvements	118,947	132,348
Hydraulic Floor Crane	39,004	-
Purchase of Meters	-	55,440
<b><u>General Plant</u></b>		
Fencing - East Entrance	43,913	-
Right-to-Use Assets	396,571	-
Computers	43,685	18,987
Software and Computer System Improvements	-	15,400
Locator Truck	-	41,374
Leased Vehicle Buyouts	-	11,561
<b><u>Construction in Progress</u></b>		
Hydroelectric FERC Relicensing	55,971	57,432
Water Storage Tank Design	3,333,325	1,447,850
Hydroelectric Relay Upgrade	35,000	-
Rehabilitation of Wells	-	4,929
Evergreen Lift Station Improvements	175,183	61,200
Main Lift Station Improvement Design	266,761	22,317
Treatment Facility Improvements	235,692	35,533
Substation Improvements	641,213	74,565
Expansion of Distribution Feeder System	-	76,668
Total	\$ 6,889,059	\$ 5,563,016



**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Long-Term Obligations**

The following table presents the change in the outstanding liabilities of BPU from 2020 to 2022.

	Balance as of December 31,			Increase (Decrease)	
	2022	2021	2020	2022 to 2021	2021 to 2020
Utility Revenue Bonds					
Series 2014A	\$ 3,125,000	\$ 3,520,000	\$ 3,905,000	\$ (395,000)	\$ (385,000)
Series 2015A	540,000	715,000	885,000	(175,000)	(170,000)
Series 2016A	4,067,200	4,439,200	4,792,600	(372,000)	(353,400)
Series 2016B (Equip. Certs.)	-	-	82,236	-	(82,236)
Series 2017A	3,455,000	4,055,000	4,620,000	(600,000)	(565,000)
Series 2018A	1,755,000	2,005,000	2,250,000	(250,000)	(245,000)
Series 2018A (Equip. Certs.)	65,000	130,000	190,000	(65,000)	(60,000)
G.O. Bonds					
Series 2021A	5,250,000	5,250,000	-	-	5,250,000
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	9,991,000	11,479,000	12,920,000	(1,488,000)	(1,441,000)
Lease Liability	439,198	57,780	79,546	381,418	(21,766)
Compensated Absences	1,152,568	1,158,842	978,465	(6,274)	180,377
Net Pension Liability	4,926,260	2,566,540	3,441,391	2,359,720	(874,851)
Revenue Bond Premium	890,731	1,294,093	760,752	(403,362)	533,341
OPEB Obligation	384,494	548,966	514,432	(164,472)	34,534
<b>Total Long-Term Liabilities</b>	<b>36,041,451</b>	<b>37,219,421</b>	<b>35,419,422</b>	<b>(1,177,970)</b>	<b>1,799,999</b>
Less: Current Portion					
Utility Revenue Bonds					
Series 2014A	405,000	395,000	385,000	10,000	10,000
Series 2015A	175,000	175,000	170,000	-	5,000
Series 2016A	390,600	372,000	353,400	18,600	18,600
Series 2016B (Equip. Certs.)	-	-	82,237	-	(82,237)
Series 2017A	635,000	600,000	565,000	35,000	35,000
Series 2018A	265,000	250,000	245,000	15,000	5,000
Series 2018A (Equip. Certs.)	65,000	65,000	60,000	-	5,000
G.O. Bonds					
Series 2021A	225,000	-	-	225,000	-
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	1,536,000	1,488,000	1,441,000	48,000	47,000
Lease Liability	28,497	17,536	21,768	10,961	(4,232)
<b>Total Current Portion of Long-Term Liabilities</b>	<b>3,725,097</b>	<b>3,362,536</b>	<b>3,323,405</b>	<b>362,561</b>	<b>39,131</b>
<b>Net Long-Term Liabilities</b>	<b>\$ 32,316,354</b>	<b>\$ 33,856,885</b>	<b>\$ 32,096,017</b>	<b>\$ (1,540,531)</b>	<b>\$ 1,760,868</b>

The total net long-term liabilities at December 31, 2022, 2021, and 2020 was \$32.3 million, \$33.9 million, and \$32.1 million, respectively.

**BRAINERD PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**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 2022 Operating Budget Analysis and the 2023 Operating Budget approved by the Commission is presented as follows:

	(In Thousands of Dollars)			
	2022 Budget	2022 Actual	Favorable (Unfavorable) Variance	2023 Budget
Utility Operating Revenue	\$ 27,038	\$ 27,736	\$ 698	\$ 33,990
Other Operating Revenue	324	899	575	432
<b>Total Operating Revenue</b>	<b>27,362</b>	<b>28,635</b>	<b>1,273</b>	<b>34,422</b>
Purchased Power	12,372	12,256	116	17,653
Other Operating Expense	9,340	10,500	(1,160)	10,413
Depreciation and Amortization Expense	5,140	5,273	(133)	4,969
<b>Total Operating Expense</b>	<b>26,852</b>	<b>28,029</b>	<b>(1,177)</b>	<b>33,035</b>
Operating Income	510	606	96	1,387
Net Nonoperating Revenue	873	966	93	1,153
Income Before Operating Transfers to City	1,383	1,572	189	2,540
Capital Grants and Contributions	-	-	-	-
Operating Transfers to the City	(760)	(756)	4	(834)
<b>Change in Net Position</b>	<b>\$ 623</b>	<b>\$ 816</b>	<b>\$ 193</b>	<b>\$ 1,706</b>

**Requests for Information**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CAPITAL ASSETS</b>		
Construction in Progress	\$ 6,887,414	\$ 2,149,198
In Service	115,589,390	113,552,488
Total Investment in Capital Assets	122,476,804	115,701,686
Less: Accumulated Depreciation/Amortization	(57,164,820)	(52,044,945)
Net Capital Assets	65,311,984	63,656,741
<b>RESTRICTED ASSETS</b>		
Cash and Investments	5,496,892	5,973,059
Bonds and Notes Receivable	3,330,334	3,826,334
Notes Receivable - Interest	38,900	45,100
Total Restricted Assets	8,866,126	9,844,493
<b>CURRENT ASSETS</b>		
Cash and Investments	12,742,353	17,656,542
Accounts Receivable	3,647,767	3,242,070
Interest Receivable	21,914	18,392
Due from the City of Brainerd	286,288	172,131
Supplies	1,549,484	1,424,178
Prepaid Expenses	777,447	145,244
Total Current Assets	19,025,253	22,658,557
<b>OTHER ASSETS</b>		
Service Territory Acquisitions, Net of Accumulated Depreciation	239,683	257,416
Total Assets	93,443,046	96,417,207
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	1,660,311	2,011,870
OPEB Related	125,109	191,380
Total Deferred Outflows of Resources	1,785,420	2,203,250
Total Assets and Deferred Outflows of Resources	\$ 95,228,466	\$ 98,620,457

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 37,930,250	\$ 35,956,868
Restricted for Debt Service	6,581,652	7,128,962
Restricted for Capital Outlay	567,412	719,396
Unrestricted	10,447,427	10,905,479
Total Net Position	55,526,741	54,710,705
<b>LONG-TERM LIABILITIES</b>		
Due to Primary Government, Less Current Portion	25,442,331	29,542,293
Lease Liability	410,701	40,244
Compensated Absences	977,568	998,842
Net Pension Liability	4,926,260	2,566,540
Other Postemployment Benefit Liability	376,375	497,430
Total Long-Term Liabilities	32,133,235	33,645,349
<b>CURRENT LIABILITIES</b>		
Accounts and Contracts Payable	1,880,225	2,383,166
Due to Primary Government	3,696,600	3,345,000
Lease Liability	28,497	17,536
Compensated Absences	175,000	160,000
Other Postemployment Benefit Liability	8,119	51,536
Accrued Expenses		
Salaries and Withholding Taxes	312,752	308,474
Sales Taxes	89,271	85,974
Current Liabilities from Restricted Assets:		
Bond Interest	267,675	264,500
Payable to City of Brainerd	295,485	735,400
Conservation Incentive Program Payable	251,045	198,948
Customer Deposits	348,726	347,624
Total Current Liabilities	7,353,395	7,898,158
Total Liabilities	39,486,630	41,543,507
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	72,660	2,361,160
OPEB Related	142,435	5,085
Total Deferred Inflows of Resources	215,095	2,366,245
 Total Net Position, Liabilities and Deferred Inflows of Resources	 \$ 95,228,466	 \$ 98,620,457

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>OPERATING REVENUES</b>		
Utility Revenues		
Residential	\$ 9,561,816	\$ 9,354,559
Commercial	13,117,691	13,519,251
Large Commercial	3,725,065	3,245,975
City of Brainerd	483,154	478,904
Internal Use	848,389	851,886
Total Utility Revenues	27,736,115	27,450,575
Other Operating Revenues		
Penalties	159,397	96,926
Other	739,762	126,273
Total Other Operating Revenues	899,159	223,199
Total Operating Revenues	28,635,274	27,673,774
<b>OPERATING EXPENSES</b>		
Generation, Production, and Treatment		
Salaries and Wages	1,314,069	1,241,224
Purchased Services	887,809	831,762
Supplies and Maintenance	225,645	284,911
Employee Benefits	428,750	345,995
Other Charges	81,227	71,517
Total Generation, Production, and Treatment Expenses	2,937,500	2,775,409
Purchased Power	12,256,210	12,021,143
Distribution and Collection		
Salaries and Wages	1,947,365	1,882,367
Purchased Services	573,429	403,388
Supplies and Maintenance	390,079	297,796
Employee Benefits	605,527	442,938
Other Charges	55,283	71,407
Total Distribution and Collection Expenses	3,571,683	3,097,896
Administration		
Salaries and Wages	1,332,209	1,352,847
Purchased Services	835,664	506,626
Supplies and Maintenance	29,893	49,167
Insurance and Bonds	278,468	234,766
Employee Benefits	967,719	481,892
Other Charges	546,996	469,470
Total Administration Expenses	3,990,949	3,094,768
Depreciation and Amortization	5,272,891	5,461,105
Total Operating Expenses	\$ 28,029,233	\$ 26,450,321

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING INCOME</b>	\$ 606,041	\$ 1,223,453
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest Income - Investments	(671,411)	(46,660)
Interest Income - Notes Receivable	117,505	135,313
Interest Expense	(543,286)	(823,648)
Local Option Sales Tax	1,940,891	1,714,974
Federal Grant Revenue - Build America Bond	77,558	88,709
Bond Issuance Costs	-	(87,243)
Gain on Disposal of Capital Assets	45,111	32,701
Net Nonoperating Revenue (Expense)	<u>966,368</u>	<u>1,014,146</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,572,409	2,237,599
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	-	976,000
<b>TRANSFERS TO THE CITY</b>	<u>(756,373)</u>	<u>(761,150)</u>
<b>CHANGE IN NET POSITION</b>	816,036	2,452,449
Net Position - Beginning	<u>54,710,705</u>	<u>52,258,256</u>
<b>NET POSITION - ENDING</b>	<u>\$ 55,526,741</u>	<u>\$ 54,710,705</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 28,229,577	\$ 27,554,001
Cash Payments to Employees for Services	(6,135,707)	(5,721,860)
Cash Payments to Other Suppliers of Goods or Services	(17,686,137)	(15,526,258)
Net Cash Provided by Operating Activities	4,407,733	6,305,883
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to Primary Government	(1,310,445)	(83,585)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to Utility Plant	(6,178,207)	(3,720,050)
Additions to Service Territories	(14,143)	(9,490)
Proceeds from Local Option Sales Tax	1,940,891	1,714,974
Payment to City for Principal Paid on Long-Term Debt	(3,345,000)	(3,301,636)
Payment to City for Interest Paid on Long-Term Debt	(935,846)	(373,700)
Capital Contribution	-	976,000
Amounts Received from Utility Portion of City Bonds	-	5,250,000
Principal Received on Notes Receivable	496,000	480,333
Federal Grant Revenue - Build America Bond	77,558	88,709
Principal Paid on Lease Liability	(22,780)	(21,766)
Proceeds from Sale of Utility Plant	45,111	32,701
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,936,416)	1,116,075
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	(551,228)	100,901
Purchase of Investments	(2,066,406)	(21,549,010)
Redemption of Investments	8,005,399	15,940,567
Net Cash Provided (Used) by Investing Activities	5,387,765	(5,507,542)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	548,637	1,830,831
Cash and Cash Equivalents - Beginning	6,218,245	4,387,414
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 6,766,882	\$ 6,218,245



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 606,041	\$ 1,223,453
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	5,272,891	5,461,105
Revenue Reduced for Uncollectible Accounts	17,413	36,467
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(423,110)	(156,240)
Prepaid Expenses	(632,203)	(12,753)
Supplies	(125,306)	(131,433)
Change in Deferred Outflows of Resources - OPEB	66,271	(8,057)
Change in Deferred Outflows of Resources - Pension	351,559	(1,556,644)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(821,124)	(227,235)
Accrued Liabilities	5,380	68,505
Conservation Incentive Program Payable	52,097	69,374
Accrued Compensated Absences	(6,274)	180,377
Other Postemployment Benefit Liability	(164,472)	34,534
Change in Net Pension Liability	2,359,720	(874,851)
Change in Deferred Inflows of Resources - OPEB	137,350	(1,274)
Change in Deferred Inflows of Resources - Pension	(2,288,500)	2,200,555
Net Cash Provided by Operating Activities	\$ 4,407,733	\$ 6,305,883
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and Investments - Current Assets	\$ 12,742,353	\$ 17,656,542
Cash and Investments - Restricted Assets	5,496,892	5,973,059
Cash and Investments - Balance Sheets	18,239,245	23,629,601
Less: Investments not Meeting the Definition of Cash Equivalents	11,472,363	17,411,356
Cash and Cash Equivalents - Ending	\$ 6,766,882	\$ 6,218,245
<b>NONCASH INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets through Contracts and Retainage Payable	\$ 321,480	\$ 886,772
Net Decrease in Fair Value of Investments	(949,921)	(77,049)
Acquisition of Plant Financed by Lease Liability	396,571	-
Amortization of Premiums	403,362	102,991

**THIS PAGE INTENTIONALLY LEFT BLANK**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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, 2022 AND 2021**

**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

**Leases**

BPU determines if an arrangement is a lease at inception. Leases are included in intangible assets and lease liabilities in the statements of net position.

Right-to-use assets represent BPU's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent BPU's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that BPU will exercise that option.

BPU has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

BPU accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to eliminate the price of such components, BPU treats the components as a single lease unit.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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, 2022 and 2021 was zero for both years.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Expenses are allocated over the periods benefited.

**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.

**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.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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.

**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.

**Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and a Right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflows of resources.

BPU adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period adoption.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 CAPITAL ASSETS**

A summary of capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance, as Restated	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 2,149,198	\$ 5,496,477	\$ 758,261	\$ 6,887,414
Capital Assets, Being Depreciated/Amortized				
Electric	41,413,642	1,228,438	38,896	42,603,184
Water	28,496,333	190,654	27,070	28,659,917
Wastewater Treatment	37,229,392	242,653	-	37,472,045
General Plant	* 6,327,378	87,598	22,710	6,392,266
Right-to-Use Assets	* 65,407	396,571	-	461,978
Total Capital Assets, Being Depreciated/Amortized	113,532,152	2,145,914	88,676	115,589,390
Less Accumulated Depreciation/Amortization for:				
Electric	(18,512,941)	(2,040,600)	(38,896)	(20,514,645)
Water	(12,140,136)	(1,106,072)	(27,070)	(13,219,138)
Wastewater Treatment	(17,272,962)	(1,792,173)	-	(19,065,135)
General Plant	* (4,086,442)	(277,128)	(22,710)	(4,340,860)
Right-to-Use Assets	* -	(25,042)	-	(25,042)
Total Accumulated Depreciation/Amortization	(52,012,481)	(5,241,015)	(88,676)	(57,164,820)
Total Capital Assets, Being Depreciated/ Amortized, Net	61,519,671	(3,095,101)	-	58,424,570
Net Capital Assets	<u>\$ 63,668,869</u>	<u>\$ 2,401,376</u>	<u>\$ 758,261</u>	<u>\$ 65,311,984</u>

\*The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 CAPITAL ASSETS (CONTINUED)**

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/Amortized				
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/Amortized	112,325,623	3,782,524	2,555,659	113,552,488
Less Accumulated Depreciation/Amortization 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/Amortization	(49,166,722)	(5,433,882)	(2,555,659)	(52,044,945)
Total Capital Assets, Being Depreciated/ Amortized, Net	63,158,901	(1,651,358)	-	61,507,543
Net Capital Assets	<u>\$ 64,483,801</u>	<u>\$ 616,576</u>	<u>\$ 1,443,636</u>	<u>\$ 63,656,741</u>

Capital assets not being depreciated totaled \$7,262,247 and \$2,524,031 at December 31, 2022 and 2021, respectively.

**NOTE 3 RESTRICTED ASSETS**

**Cash and Investments**

At December 31, 2022 and 2021, restricted cash and investments consisted of the following:

	2022	2021
Customer Deposits	\$ 348,726	\$ 347,624
City of Brainerd Contribution	295,485	735,400
Conservation Incentive Program	251,045	198,948
Electric Utility Revenue Bonds Debt Service Reserve	1,142,873	1,188,029
General Obligation Revenue Notes and Bonds Debt Service Reserve (Water and Wastewater)	3,458,763	3,503,058
Total Restricted Cash	<u>\$ 5,496,892</u>	<u>\$ 5,973,059</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, 2022 AND 2021**

**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, 2022, is as follows:

	<u>Note No. 2</u>
Beginning Balance	\$ 3,826,334
Payments Received	(496,000)
Ending Balance	<u>\$ 3,330,334</u>

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>

Interest accrued on the notes receivable as of December 31, 2022 and 2021 of \$38,900 and \$45,100, respectively, is recorded as a restricted asset. Interest received from Baxter which is recorded as Interest Income for the years ended December 31, 2022 and 2021 was \$117,505 and \$135,313, respectively.

**NOTE 4 DEPOSITS AND INVESTMENTS**

Cash and investments are presented at December 31, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Restricted Cash and Investments	\$ 5,496,892	\$ 5,973,059
Current Cash and Investments	12,742,353	17,656,542
Total	<u>\$ 18,239,245</u>	<u>\$ 23,629,601</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

Cash and investments at December 31, 2022 and 2021, consisted of the following:

	2022	2021
Petty Cash	\$ 1,500	\$ 1,500
Deposits	6,765,382	6,216,745
Investments	11,472,363	17,411,356
Total	<u>\$ 18,239,245</u>	<u>\$ 23,629,601</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, 2022 and 2021 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, 2022 AND 2021**

**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, 2022 and 2021 by maturity:

December 31, 2022	Investment Maturities (in Years)			Fair Value	% of Investments
	Investment Type	Less Than 1	1-5		
Negotiable CDs	\$ 968,088	\$ 1,647,503	\$ 5,940,465	\$ 8,556,056	N/A
FHLMC	-	413,461	418,915	832,376	7.3%
FFCB	-	-	224,053	224,053	2.0%
Money Market	1,859,878	-	-	1,859,878	16.2%
Total	<u>\$ 2,827,966</u>	<u>\$ 2,060,964</u>	<u>\$ 6,583,433</u>	<u>\$ 11,472,363</u>	25.4%

December 31, 2021	Investment Maturities (in Years)			Fair Value	% of Investments
	Investment Type	Less Than 1	1-5		
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%

**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, 2022 and 2021 are as follows:

Investment Type	S & P Rating	Investment Type	S & P Rating
<b>December 31, 2022</b>		<b>December 31, 2021</b>	
Negotiable CDs	NA	Negotiable CDs	NA
US Government Short-Term	NA	US Government Short-Term	NA
FHLMC	AAA	FHLMC	AAA
FFCB	NA	Money Market	NA
Money Market	NA		

\* NA - Not Rated

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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, 2022, are disclosed above. All negotiable CD's by issuer are less than 5% of total investments.

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.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

The categorization of financial assets at December 31, 2022 and 2021, consisted of the following:

<u>Type</u>	<u>Level</u>	<u>2022</u>	<u>2021</u>
Negotiable CDs	2	\$ 8,556,056	\$ 10,383,822
US Government Short-Term	1	-	1,081,600
FHLMC	2	832,376	485,130
FFCB	2	224,053	-
Money Market	NA	1,859,878	5,460,804
Total Investments		<u>\$ 11,472,363</u>	<u>\$ 17,411,356</u>

\* NA - Recorded at Amortized Cost

**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, 2022 and 2021, BPU owed the City the following:

	<u>2022</u>	<u>2021</u>
Monthly Operating Contribution	\$ 60,586	\$ 60,631
Reimbursement of Other Costs	8,258	461,000
Wastewater Collection and Storm Sewer Charges	226,641	213,769
Total	<u>\$ 295,485</u>	<u>\$ 735,400</u>

**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.

**BRainerd PUBLIC UTILITIES  
BRainerd, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)**

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.

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, 2022 was \$1,120,945. The interest payments are made semi-annually on June 1 and December 1, and principal payments on December 1.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)**

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, 2022 was \$0. The Interest payments are made semi-annually on February 20 and August 20, and principal payments on August 20.

General Obligation Water Utility Revenue Bonds, Series 2015A

The resolutions authorizing the issuance of water utility revenue bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. The amount shown as restricted cash and investments as of December 31, 2022 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, 2022 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, 2022 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, 2022, 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, 2022 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, 2022 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, 2022 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)**

Long-term bonds and notes debt consists of the following as of December 31, 2022 and 2021:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	
					2022	2021
Direct Borrowings - G.O. Build America						
Bonds, Series 2009	3.233%	6/24/2009	8/20/2028	\$ 25,966,788	\$ 9,991,000	\$ 11,479,000
Electric Utility Revenue						
Bonds, Series 2014A	2.0 - 4.0%	10/9/2014	12/1/2029	6,070,000	3,125,000	3,520,000
G.O. Water Utility Revenue						
Bonds, Series 2015A	2.25 - 4.0%	12/15/2014	2/1/2025	1,700,000	540,000	715,000
G.O. Utility Revenue						
Bonds, Series 2016A						
Water	1.625 - 5.0%	7/20/2016	10/1/2031	4,845,000	3,280,000	3,580,000
Sewer	1.625 - 5.0%	7/20/2016	10/1/2031	1,162,800	787,200	859,200
Electric Utility Revenue and Refunding						
Bonds, Series 2017A	2.25%	10/18/2017	12/1/2027	6,035,000	3,455,000	4,055,000
G.O. Utility Revenue Bonds (Water), Series 2018A	3.0 - 5.0%	3/22/2018	2/1/2028	2,720,000	1,755,000	2,005,000
G.O. Equipment Certificates of Indebtedness Series 2018A						
Electric	5.0%	3/22/2018	2/1/2023	97,600	20,800	41,600
Water	5.0%	3/22/2018	2/1/2023	79,300	16,900	33,800
Sewer	5.0%	3/22/2018	2/1/2023	128,100	27,300	54,600
G.O. Bonds						
Series 2021A	1.1 - 5.0%	9/20/2021	2/1/2037	5,250,000	5,250,000	5,250,000
Total Due to Primary Government				<u>\$ 54,054,588</u>	<u>28,248,200</u>	<u>31,593,200</u>
<u>Less Amount Due Within One Year</u>						
Direct Borrowings - G.O. Build America Bonds					1,536,000	1,488,000
Electric Utility Revenue Bonds, Series 2014A					405,000	395,000
Water Utility Revenue Bonds, Series 2015A					175,000	175,000
G.O. Utility Revenue Bonds (Water), Series 2016A					315,000	300,000
G.O. Utility Revenue Bonds (Sewer), Series 2016A					75,600	72,000
Electric Utility Revenue and Refunding Bonds, Series 2017A					635,000	600,000
G.O. Utility Revenue Bonds (Water), Series 2018A					265,000	250,000
G.O. Equipment Certificates of Indebtedness (Electric), Series 2018A					20,800	20,800
G.O. Equipment Certificates of Indebtedness (Water), Series 2018A					16,900	16,900
G.O. Equipment Certificates of Indebtedness (Sewer), Series 2018A					27,300	27,300
G.O. Bonds, Series 2021A					225,000	-
Net Due to Primary Government					<u>\$ 24,551,600</u>	<u>\$ 28,248,200</u>



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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			
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	1,744,000	114,578	1,858,578
2028	1,800,000	58,194	1,858,194
Total	<u>\$ 9,991,000</u>	<u>\$ 1,160,421</u>	<u>\$ 11,151,421</u>
Electric Utility Revenue Bonds, Series 2014A			
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	460,000	53,750	513,750
2028-2029	970,000	58,600	1,028,600
Total	<u>\$ 3,125,000</u>	<u>\$ 460,305</u>	<u>\$ 3,585,305</u>
G.O. Water Utility Revenue Bonds, Series 2015A			
2023	\$ 175,000	\$ 11,262	\$ 186,262
2024	180,000	5,963	185,963
2025	185,000	2,081	187,081
Total	<u>\$ 540,000</u>	<u>\$ 19,306</u>	<u>\$ 559,306</u>
Year Ending December 31,	Principal	Interest	Total
G.O. Utility Revenue Bonds, Series 2016A (Water Portion)			
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	370,000	38,762	408,762
2028-2031	1,550,000	82,962	1,632,962
Total	<u>\$ 3,280,000</u>	<u>\$ 401,750</u>	<u>\$ 3,681,750</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)**

Year Ending December 31,	Principal	Interest	Total
<u>G.O. Utility Revenue Bonds, Series 2016A (Wastewater Portion)</u>			
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	88,800	9,302	98,102
2028-2031	372,000	19,910	391,910
Total	<u>\$ 787,200</u>	<u>\$ 96,420</u>	<u>\$ 883,620</u>
<u>Electric Utility Revenue and Refunding Bonds, Series 2017A</u>			
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	725,000	16,313	741,313
Total	<u>\$ 3,455,000</u>	<u>\$ 237,602</u>	<u>\$ 3,692,602</u>
<u>G.O. Water Utility Revenue Bonds, Series 2018A</u>			
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	305,000	15,025	320,025
2028	315,000	4,725	319,725
Total	<u>\$ 1,755,000</u>	<u>\$ 175,025</u>	<u>\$ 1,930,025</u>
<u>G.O. Equipment Certificates of Indebtedness (Electric Portion) - Series 2018A</u>			
2023	<u>\$ 20,800</u>	<u>\$ 520</u>	<u>\$ 21,320</u>
<u>G.O. Equipment Certificates of Indebtedness (Water Portion) - Series 2018A</u>			
2023	<u>\$ 16,900</u>	<u>\$ 423</u>	<u>\$ 17,323</u>
<u>G.O. Equipment Certificates of Indebtedness (Sewer Portion) - Series 2018A</u>			
2023	<u>\$ 27,300</u>	<u>\$ 682</u>	<u>\$ 27,982</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)**

Year Ending December 31,	Principal	Interest	Total
<u>G.O. Bonds, Series 2021A</u>			
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	280,000	109,920	389,920
2028-2032	1,810,000	322,598	2,132,598
2033-2037	2,115,000	101,252	2,216,252
Total	<u>\$ 5,250,000</u>	<u>\$ 1,109,825</u>	<u>\$ 6,359,825</u>
<u>Lease Liability</u>			
2023	\$ 28,497	\$ 15,297	\$ 43,794
2024	29,171	14,623	43,794
2025	14,960	14,047	29,007
2026	9,398	13,765	23,163
2027	4,829	13,543	18,372
2028-2032	26,155	64,970	91,125
2033-2037	44,102	58,273	102,375
2038-2042	65,841	47,784	113,625
2043-2047	92,174	32,701	124,875
2048-2052	124,071	12,054	136,125
Total	<u>\$ 439,198</u>	<u>\$ 287,057</u>	<u>\$ 726,255</u>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 DUE TO PRIMARY GOVERNMENT (CONTINUED)**

Long-term liability activity for the year ended December 31, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings -				
G.O. Build America Bonds	\$ 11,479,000	\$ -	\$ 1,488,000	\$ 9,991,000
Electric Utility Revenue				
Bonds, Series 2014A	3,520,000	-	395,000	3,125,000
G.O. Water Utility Revenue				
Bonds, Series 2015A	715,000	-	175,000	540,000
G.O. Utility Revenue				
Bonds, Series 2016A	4,439,200	-	372,000	4,067,200
Electric Utility Revenue				
and Refunding Bonds,				
Series 2017A	4,055,000	-	600,000	3,455,000
G.O. Utility Revenue				
Bonds, Series 2018A	2,005,000	-	250,000	1,755,000
G.O. Equipment Certificates of				
Indebtedness, Series 2018A	130,000	-	65,000	65,000
G.O. Bonds, Series 2021A	5,250,000	-	-	5,250,000
Revenue Bond Premium				
Series 2014A	119,018	-	59,099	59,919
Series 2015A	33,980	-	26,326	7,654
Series 2016A	385,582	-	197,840	187,742
Series 2018A	129,787	-	63,256	66,531
Series 2021A	625,726	-	56,841	568,885
Lease Liability	* 65,407	396,571	22,780	439,198
Compensated Absences	1,158,842	595,344	601,618	1,152,568
Total	<u>\$ 34,111,542</u>	<u>\$ 991,915</u>	<u>\$ 4,372,760</u>	<u>\$ 30,730,697</u>

\*The beginning balance of the lease liability was restated due to the implementation of GASB Statement No. 87.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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
Lease Liability	79,546	-	21,766	57,780
Compensated Absences	978,465	694,325	513,948	1,158,842
<b>Total</b>	<b>\$ 31,463,599</b>	<b>\$ 6,580,657</b>	<b>\$ 3,940,341</b>	<b>\$ 34,103,915</b>

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 7 LEASE LIABILITY**

In 2019, BPU entered into a sixty-month agreement for financing a billing inserter and a mailroom copier with payments due monthly with a discount rate of 2.23%. In 2020, BPU entered into a sixty-month agreement for financing a copier with payments due monthly with a discount rate of 1.87%. In 2022, BPU entered into a sixty-month agreement for financing a copier with payments due monthly with a discount rate of 1.87%. In 2022, BPU entered into a second sixty-month agreement for financing a meter machine with payments due quarterly with a discount rate of 2.44%. In 2022, BPU entered into a third agreement for 30 years for financing solar energy ground with payments due quarterly with a discount rate of 3.4%.

Right-to-use assets acquired through outstanding agreements are shown below by underlying asset class:

Land	\$ 361,249
Equipment	100,729
Less: Accumulated Amortization	<u>(25,042)</u>
	<u>\$ 436,936</u>

**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.

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.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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.

**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 2022 and 2021 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, 2022 and 2021, were \$361,230 and \$334,675, respectively. BPU's contributions were equal to the required contributions as set by state statute.

**General Employees Fund Pension Costs**

At December 31, 2022 and 2021, BPU reported a liability of \$4,926,260 and \$2,566,540, respectively, for its proportionate share of the General Employees Fund's net pension liability. BPU's 2022 and 2021 net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022 and 2021. 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 \$144,370 at December 31, 2022 for a total liability of \$5,070,630 and \$78,459 at December 31, 2021 for a total liability of \$2,644,999. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

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

BPU's proportion of the net pension liability for December 31, 2022, was based on BPU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the proportionate share was 0.0622% at the end of the measurement period and 0.0601% for the beginning of the period.

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.

For the years ended December 31, 2022 and 2021, BPU recognized pension expense of \$784,275 and \$103,243 for its proportionate share of the General Employees Plan's pension expense. In addition, BPU recognized an additional \$67 in 2022 and \$6,330 in 2021 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.

At December 31, 2022, 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	\$ 41,148	\$ 52,624
Changes in Actuarial Assumptions	1,114,902	20,036
Difference Between Projected and Actual Investment Earnings	85,448	-
Changes in Proportion	238,167	-
Contributions Paid to PERA Subsequent to the Measurement Date	180,646	-
Total	<u>\$ 1,660,311</u>	<u>\$ 72,660</u>

The \$180,646 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, 2023. 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
2023	\$ 569,291
2024	520,005
2025	(127,797)
2026	445,506



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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>

**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	<u>100.0%</u>	

**Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2022, 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 27 years of service.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Actuarial Methods and Assumptions (Continued)**

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 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 2022 and in 2021 was 6.5%. 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, 2022 and 2021 for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what BPU's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	December 31, 2022		
	1% Higher	Current Discount Rate	1% Lower
General Employees Fund Discount Rate	5.50%	6.50%	7.50%
BPU's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 7,781,287	\$ 4,926,260	\$ 2,584,699

Description	December 31, 2021		
	1% Higher	Current Discount Rate	1% Lower
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

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Pension Plan Fiduciary Net Position**

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

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

BPU operates a single-employer retiree benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through BPU's health insurance plan. There are 52 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 2022 and 2021, BPU contributed \$8,118 and \$51,536, respectively to the plan.

**Actuarial Methods and Assumptions**

BPU's OPEB liability was measured as of January 1, 2022, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Assumptions</u>	
Inflation	2.00%
Salary Increase	Services Graded Table
Health Care Tread Rates	6.50% Decreasing to 5.00% Over 6 Yrs.

Mortality Rates were based on the Pub-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2021 generational improvement scale.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2021 to December 31, 2021.

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.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Actuarial Methods and Assumptions (Continued)**

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

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2019 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2019 generational improvement scale to the Pub-2019 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2021 generational improvement scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

**Changes in Net OPEB Liability**

	Total OPEB Liability 2022	Total OPEB Liability 2021
Balance at January 1,	\$ 548,966	\$ 514,432
Changes for the Year:		
Service Cost	34,331	39,670
Interest	11,153	15,469
Assumption Changes	(18,204)	21,049
Difference Between Expected and Actual	(140,216)	-
Benefit Payments	(51,536)	(41,654)
Net Change in Total OPEB Liability	(164,472)	34,534
Balance at December 31,	\$ 384,494	\$ 548,966

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:

2022 Description	1% Decrease 1.0%	Discount Rate 2.0%	1% Increase 3.0%
Net OPEB Liability	\$ 411,301	\$ 384,494	\$ 358,637
2021 Description	1% Decrease 1.0%	Discount Rate 2.0%	1% Increase 3.0%
Net OPEB Liability	\$ 578,680	\$ 548,966	\$ 520,082

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

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

The following presents the net OPEB liability of BPU, as well as what BPU's net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current health care cost trend rates:

<u>2022</u>	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	\$ 340,416	\$ 384,494	\$ 437,110
<u>2021</u>	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

For the years ended December 31, 2022 and 2021, BPU recognized OPEB expense of \$47,280 and \$76,738, respectively. At December 31, 2022, 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	\$ 8,118	\$ -
Difference Between Expected and Actual Experience	95,494	122,688
Changes in Actuarial Assumptions	21,497	19,747
Total	<u>\$ 125,109</u>	<u>\$ 142,435</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>
2023	\$ 1,794
2024	1,796
2025	1,793
2026	3,069
2027	3,066
Thereafter	(36,962)

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

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

At December 31, 2021, BPU reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	\$ 191,380	\$ 5,085

**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. The monthly cash contribution to the City for medium and large industrial customers (crypto mining customers) will be equal to \$0.00025 per kWh. This rate will be reevaluated on December 31, 2023, but BPU and the City.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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
2022	0.0622%	\$ 4,926,260	\$ 144,370	\$ 5,070,630	\$ 4,659,511	105.72%	76.70%
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.



**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)
2022	\$ 361,230	\$ 361,230	\$ -	\$ 4,816,400	7.50%
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, 2022	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018
<b>Total OPEB Liability</b>					
Service Cost	\$ 34,331	\$ 39,670	\$ 33,722	\$ 22,563	\$ 23,674
Interest	11,153	15,469	13,537	11,642	12,031
Assumption Changes	(18,204)	21,049	9,122	(8,905)	-
Difference Between Expected and Actual Experience	(140,216)	-	152,787	-	-
Benefit Payments	<u>(51,536)</u>	<u>(41,654)</u>	<u>(34,175)</u>	<u>(31,901)</u>	<u>(60,631)</u>
Net Change in Total OPEB Liability	(164,472)	34,534	174,993	(6,601)	(24,926)
Total OPEB - Beginning of the Year	548,966	514,432	339,439	346,040	370,966
Total OPEB - End of the Year	<u>\$ 384,494</u>	<u>\$ 548,966</u>	<u>\$ 514,432</u>	<u>\$ 339,439</u>	<u>\$ 346,040</u>
Covered-Employee Payroll	\$ 4,438,200	\$ 3,947,822	\$ 3,823,556	\$ 3,409,972	\$ 3,310,652
BPU's OPEB Liability as a Percentage of Covered-Employee Payroll	9%	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, 2022**

**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:

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

- The 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, 2022**

**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:

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

2022

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2019 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2019 generational improvement scale to the Pub-2019 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2021 generational improvement scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

2021

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

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%.

## **SUPPLEMENTARY INFORMATION**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT  
DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>CAPITAL ASSETS</b>					
Construction in Progress	\$ 1,232,433	\$ 4,831,396	\$ 823,585	\$ 6,887,414	\$ 2,149,198
In Service	46,280,715	30,097,493	39,211,182	115,589,390	113,552,488
Total Investment in Capital Assets	47,513,148	34,928,889	40,034,767	122,476,804	115,701,686
Less: Accumulated Depreciation/Amortization	(23,333,899)	(14,309,290)	(19,521,631)	(57,164,820)	(52,044,945)
Net Capital Assets	24,179,249	20,619,599	20,513,136	65,311,984	63,656,741
<b>RESTRICTED ASSETS</b>					
Cash and Investments					
Customer Deposits	348,726	-	-	348,726	347,624
City of Brainerd Contribution	61,190	7,654	226,641	295,485	735,400
Conservation Incentive Program	251,045	-	-	251,045	198,948
Debt Service Reserve	1,142,873	1,464,959	1,993,804	4,601,636	4,691,087
Total Restricted Cash and Investments	1,803,834	1,472,613	2,220,445	5,496,892	5,973,059
Bonds and Notes Receivable	-	-	3,330,334	3,330,334	3,826,334
Notes Receivable - Interest	-	-	38,900	38,900	45,100
Total Restricted Assets	1,803,834	1,472,613	5,589,679	8,866,126	9,844,493
<b>CURRENT ASSETS</b>					
Cash and Investments	5,310,631	2,213,288	5,218,434	12,742,353	17,656,542
Accounts Receivable	2,732,900	382,343	532,524	3,647,767	3,242,070
Interest Receivable	9,457	524	11,933	21,914	18,392
Due from the City of Brainerd	30,916	7,299	248,073	286,288	172,131
Supplies	1,389,381	160,103	-	1,549,484	1,424,178
Prepaid Expenses	699,684	32,921	44,842	777,447	145,244
Total Current Assets	10,172,969	2,796,478	6,055,806	19,025,253	22,658,557
<b>OTHER ASSETS</b>					
Service Territory Acquisitions, Net of Accumulated Depreciation	239,683	-	-	239,683	257,416
Total Assets	36,395,735	24,888,690	32,158,621	93,443,046	96,417,207
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	996,187	332,062	332,062	1,660,311	2,011,870
OPEB Related	75,065	25,022	25,022	125,109	191,380
Total Deferred Outflows of Resources	1,071,252	357,084	357,084	1,785,420	2,203,250
Total Assets and Deferred Outflows of Resources	\$ 37,466,987	\$ 25,245,774	\$ 32,515,705	\$ 95,228,466	\$ 98,620,457



**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT (CONTINUED)  
DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2022	2021
<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 17,912,715	\$ 10,755,780	\$ 9,261,755	\$ 37,930,250	\$ 35,956,868
Restricted for Debt Service	-	1,341,458	5,240,194	6,581,652	7,128,962
Restricted for Capital Outlay	-	567,412	-	567,412	719,396
Unrestricted	6,527,668	(1,137,697)	5,057,456	10,447,427	10,905,479
Total Net Position	24,440,383	11,526,953	19,559,405	55,526,741	54,710,705
<b>LONG-TERM LIABILITIES</b>					
Due to Primary Government, Less Current Portion	5,600,214	10,638,958	9,203,159	25,442,331	29,542,293
Lease Liability	246,421	82,140	82,140	410,701	40,244
Compensated Absences	620,805	208,392	148,371	977,568	998,842
Net Pension Liability	2,955,756	985,252	985,252	4,926,260	2,566,540
Other Postemployment Benefit Obligation	225,827	75,274	75,274	376,375	497,430
Total Long-Term Liabilities	9,649,023	11,990,016	10,494,196	32,133,235	33,645,349
<b>CURRENT LIABILITIES</b>					
Accounts and Contracts Payable	1,104,142	430,711	345,372	1,880,225	2,383,166
Due to Primary Government	1,060,800	996,900	1,638,900	3,696,600	3,345,000
Lease Liability	17,099	5,699	5,699	28,497	17,536
Compensated Absences	110,250	36,750	28,000	175,000	160,000
Other Postemployment Benefit Obligation	4,871	1,624	1,624	8,119	51,536
Accrued Expenses					
Salaries and Withholding Taxes	186,709	76,269	49,774	312,752	308,474
Sales Taxes	86,642	2,629	-	89,271	85,974
Current Liabilities from Restricted Assets:					
Bond Interest	17,050	127,550	123,075	267,675	264,500
Payable to City of Brainerd	61,190	7,654	226,641	295,485	735,400
Conservation Incentive Program Payable	251,045	-	-	251,045	198,948
Customer Deposits	348,726	-	-	348,726	347,624
Total Current Liabilities	3,248,524	1,685,786	2,419,085	7,353,395	7,898,158
Total Liabilities	12,897,547	13,675,802	12,913,281	39,486,630	41,543,507
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related	43,596	14,532	14,532	72,660	2,361,160
OPEB Related	85,461	28,487	28,487	142,435	5,085
Total Deferred Outflows of Resources	129,057	43,019	43,019	215,095	2,366,245
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 37,466,987	\$ 25,245,774	\$ 32,515,705	\$ 95,228,466	\$ 98,620,457

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY DEPARTMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2022	2021
<b>OPERATING REVENUES</b>					
Utility Revenues					
Residential	\$ 6,591,857	\$ 1,564,247	\$ 1,405,712	\$ 9,561,816	\$ 9,354,559
Commercial	10,128,886	1,506,912	1,481,893	13,117,691	13,519,251
Large Commercial	3,725,065	-	-	3,725,065	3,245,975
City of Brainerd	349,837	124,465	8,852	483,154	478,904
Internal Use	760,117	87,587	685	848,389	851,886
Total Utility Revenues	21,555,762	3,283,211	2,897,142	27,736,115	27,450,575
Other Operating Revenues					
Penalties	111,151	20,861	27,385	159,397	96,926
Other	727,861	3,228	8,673	739,762	126,273
Total Other Operating Revenues	839,012	24,089	36,058	899,159	223,199
Total Operating Revenues	22,394,774	3,307,300	2,933,200	28,635,274	27,673,774
<b>OPERATING EXPENSES</b>					
Generation, Production, and Treatment					
Salaries and Wages	519,799	410,218	384,052	1,314,069	1,241,224
Purchased Services	16,240	144,428	727,141	887,809	831,762
Supplies and Maintenance	13,088	119,721	92,836	225,645	284,911
Employee Benefits	160,938	146,507	121,305	428,750	345,995
Other Charges	35,447	-	45,780	81,227	71,517
Total Generation, Production, and Treatment Expenses	745,512	820,874	1,371,114	2,937,500	2,775,409
Purchased Power	12,256,210	-	-	12,256,210	12,021,143
Distribution and Collection					
Salaries and Wages	1,312,281	539,354	95,730	1,947,365	1,882,367
Purchased Services	177,713	228,952	166,764	573,429	403,388
Supplies and Maintenance	323,480	59,894	6,705	390,079	297,796
Employee Benefits	404,456	170,048	31,023	605,527	442,938
Other Charges	39,523	15,730	30	55,283	71,407
Total Distribution and Collection Expenses	2,257,453	1,013,978	300,252	3,571,683	3,097,896

**BRainerd PUBLIC UTILITIES  
BRainerd, MINNESOTA  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY DEPARTMENT (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2022	2021
<b>OPERATING EXPENSES (CONTINUED)</b>					
Administration					
Salaries and Wages	\$ 784,609	\$ 283,822	\$ 263,778	\$ 1,332,209	\$ 1,352,847
Purchased Services	496,016	200,752	138,896	835,664	506,626
Supplies and Maintenance	19,993	5,678	4,222	29,893	49,167
Insurance and Bonds	170,377	46,779	61,312	278,468	234,766
Employee Benefits	583,292	195,851	188,576	967,719	481,892
Other Charges	356,060	97,475	93,461	546,996	469,470
Total Administration Expenses	2,410,347	830,357	750,245	3,990,949	3,094,768
Depreciation and Amortization	2,260,484	1,172,307	1,840,100	5,272,891	5,461,105
Total Operating Expenses	19,930,006	3,837,516	4,261,711	28,029,233	26,450,321
<b>OPERATING INCOME (LOSS)</b>	2,464,768	(530,216)	(1,328,511)	606,041	1,223,453
<b>NONOPERATING REVENUE (EXPENSE)</b>					
Interest Income - Investments	(235,020)	(24,837)	(411,554)	(671,411)	(46,660)
Interest Income - Notes Receivable	-	-	117,505	117,505	135,313
Interest Expense	(151,184)	(53,034)	(339,068)	(543,286)	(823,648)
Local Option Sales Tax	-	323,758	1,617,133	1,940,891	1,714,974
Federal Grant Revenue - Build America Bond	-	-	77,558	77,558	88,709
Bond Issuance Costs	-	-	-	-	(87,243)
Gain on Disposal of Capital Assets	33,954	11,157	-	45,111	32,701
Net Nonoperating Revenue (Expense)	(352,250)	257,044	1,061,574	966,368	1,014,146
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	2,112,518	(273,172)	(266,937)	1,572,409	2,237,599
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	-	-	-	-	976,000
<b>TRANSFERS TO THE CITY</b>	(756,373)	-	-	(756,373)	(761,150)
<b>CHANGE IN NET POSITION</b>	\$ 1,356,145	\$ (273,172)	\$ (266,937)	\$ 816,036	\$ 2,452,449

**BRainerd PUBLIC UTILITIES  
BRainerd, MINNESOTA  
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2022**

	Cost			
	12/31/2021 as Restated	Additions	Retirements	12/31/2022
<b>Electric Department</b>				
<u>Generation</u>				
Land and Land Improvements	\$ 330,036	\$ -	\$ -	\$ 330,036
Generation Facilities	6,987,383	151,696	-	7,139,079
Machinery and Equipment	91,530	16,076	-	107,606
Transportation Equipment	22,365	-	-	22,365
Total Generation	7,431,314	167,772	-	7,599,086
<u>Distribution</u>				
Land and Land Improvements	321,103	-	-	321,103
Distribution System	30,443,801	1,015,167	-	31,458,968
Street and Security Lighting System	624,787	15,658	-	640,445
Machinery and Equipment	975,015	29,841	-	1,004,856
Transportation Equipment	1,617,622	-	38,896	1,578,726
Total Distribution	33,982,328	1,060,666	38,896	35,004,098
Total Electric Department	41,413,642	1,228,438	38,896	42,603,184
<b>Water Department</b>				
<u>Production</u>				
Structures and Improvements	1,811,796	-	-	1,811,796
Wells, Pumps and Accessories	874,586	11,795	-	886,381
Water Treatment Plant Equipment	2,260,068	128,138	-	2,388,206
Total Production	4,946,450	139,933	-	5,086,383
<u>Distribution</u>				
Distribution System	22,650,596	3,630	-	22,654,226
Machinery and Equipment	440,709	29,840	-	470,549
Transportation Equipment	458,578	17,251	27,070	448,759
Total Water Distribution	23,549,883	50,721	27,070	23,573,534
Total Water Department	28,496,333	190,654	27,070	28,659,917
<b>Wastewater Treatment Department</b>				
Land and Land Improvements	53,730	-	-	53,730
Collection System	5,410,820	80,708	-	5,491,528
Treatment Facility	30,751,282	118,947	-	30,870,229
Machinery and Equipment	731,225	42,998	-	774,223
Transportation Equipment	282,335	-	-	282,335
Total Wastewater Treatment Department	37,229,392	242,653	-	37,472,045
<b>General Plant</b>				
Land and Land Improvements	1,393,190	43,913	-	1,437,103
Service Center	4,030,725	-	-	4,030,725
Furniture and Fixtures	586,238	43,685	-	629,923
Right-to-Use Asset	65,407	396,571	-	461,978
Transportation Equipment	251,425	-	22,710	228,715
Storage Building	65,800	-	-	65,800
Total General Plant	6,392,785	484,169	22,710	6,854,244
Total Capital Assets in Service	113,532,152	2,145,914	88,676	115,589,390
Construction Work in Progress	2,149,198	5,496,477	758,261	6,887,414
Total Investment in Capital Assets	\$ 115,681,350	\$ 7,642,391	\$ 846,937	\$ 122,476,804

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION (CONTINUED)  
DECEMBER 31, 2022**

Composite Depreciation Rates	Accumulated Depreciation				Percent of Asset Balance
	12/31/2021 as Restated	Additions	Retirements	12/31/2022	
2.0%	\$ 30,512	\$ 6,504	\$ -	\$ 37,016	11.2%
4.2%	1,747,257	301,557	-	2,048,814	28.7%
13.2%	33,703	14,228	-	47,931	44.5%
5.1%	17,331	1,140	-	18,471	82.6%
4.3%	1,828,803	323,429	-	2,152,232	28.3%
0.0%	-	-	-	-	0.0%
4.8%	14,592,342	1,494,887	-	16,087,229	51.1%
6.1%	400,472	39,061	-	439,533	68.6%
6.1%	770,669	61,261	-	831,930	82.8%
7.7%	920,655	121,962	38,896	1,003,721	63.6%
4.9%	16,684,138	1,717,171	38,896	18,362,413	52.5%
	18,512,941	2,040,600	38,896	20,514,645	
0.7%	1,651,378	12,124	-	1,663,502	91.8%
8.6%	443,011	76,307	-	519,318	58.6%
7.5%	1,468,851	180,296	-	1,649,147	69.1%
5.3%	3,563,240	268,727	-	3,831,967	75.3%
3.3%	7,970,058	757,985	-	8,728,043	38.5%
7.9%	291,689	37,048	-	328,737	69.9%
9.4%	315,149	42,312	27,070	330,391	73.6%
3.6%	8,576,896	837,345	27,070	9,387,171	39.8%
3.9%	12,140,136	1,106,072	27,070	13,219,138	46.1%
0.0%	-	-	-	-	0.0%
4.1%	2,884,097	225,624	-	3,109,721	56.6%
4.8%	13,797,264	1,482,974	-	15,280,238	49.5%
6.0%	420,540	46,552	-	467,092	60.3%
13.1%	171,061	37,023	-	208,084	73.7%
4.8%	17,272,962	1,792,173	-	19,065,135	50.9%
0.4%	220,043	5,120	-	225,163	15.7%
4.4%	3,204,377	179,076	-	3,383,453	83.9%
11.6% *	422,984	73,143	-	496,127	78.8%
5.4% *	-	25,042	-	25,042	5.4%
8.7%	173,238	19,789	22,710	170,317	74.5%
0.0%	65,800	-	-	65,800	100.0%
4.4%	4,086,442	302,170	22,710	4,365,902	63.7%
4.5%	52,012,481	5,241,015	88,676	57,164,820	49.5%
	-	-	-	-	
4.3%	<u>\$ 52,012,481</u>	<u>\$ 5,241,015</u>	<u>\$ 88,676</u>	<u>\$ 57,164,820</u>	46.7%

\*The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **OTHER INFORMATION**

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
ELECTRIC DISTRIBUTION DEPARTMENT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2013 THROUGH 2022  
(UNAUDITED)**

	2013	2014	2015	2016	2017
<b>Electric Capital Assets</b>					
In Service (Thousands)	\$ 32,385	\$ 36,146	\$ 39,034	\$ 40,295	\$ 43,225
Investment Per Meter	\$ 4,120	\$ 4,558	\$ 4,912	\$ 5,046	\$ 5,377
Investment Per Dollar of Electric Revenue	\$ 1.91	\$ 2.01	\$ 2.15	\$ 2.22	\$ 2.23
<b>Accumulated Depreciation (Thousands)</b>	\$ 13,651	\$ 14,892	\$ 15,838	\$ 17,441	\$ 19,024
Percent of Capital Assets	42.2%	41.2%	40.6%	43.3%	44.0%
Annual Depreciation (Thousands)	\$ 1,238	\$ 1,344	\$ 1,520	\$ 1,636	\$ 1,763
Percent of Annual Depreciation to Average Capital Assets in Service	3.9%	3.9%	4.0%	4.1%	4.2%
<b>Number of Meters (Year-End)</b>	7,861	7,931	7,946	7,986	8,039
<b>Cost of Power</b>					
KWH Purchased (Thousands)	202,882	186,738	167,978	166,984	165,645
KWH Generated	-	5,601	18,554	20,116	19,401
Total Cost (Thousands)	\$ 12,881	\$ 12,270	\$ 11,287	\$ 12,475	\$ 12,754
Cost Per KWH Purchased (Cents)	6.35	6.60	6.72	7.47	7.70
Percent of System Loss	2.1%	3.6%	3.4%	3.6%	3.5%
Average Load Factor for Year	67.6%	69.9%	66.8%	66.5%	66.9%
<b>Electric Revenue</b>					
KWH Sold (Thousands)	198,534	185,427	180,256	180,334	178,511
Electric Utility Revenue (Thousands)	\$ 16,973	\$ 18,009	\$ 18,119	\$ 18,159	\$ 19,412
Per KWH Sold (Cents)	8.56	9.71	10.05	10.07	10.87
Gross Margin Per KWH (Cents)	2.21	3.11	3.33	2.60	3.17
<b>Operating Income (Loss) (Thousands)</b>	\$ 556	\$ 1,653	\$ 1,666	\$ 556	\$ 1,504
<b>Change in Net Position (Thousands)</b>	\$ (400)	\$ 621	\$ 707	\$ (457)	\$ 473

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



	2018	2019	2020	2021	2022
\$	44,612	\$ 43,103	\$ 44,904	\$ 45,322	\$ 47,513
\$	5,510	\$ 5,288	\$ 5,464	\$ 5,503	\$ 5,668
\$	2.11	\$ 2.05	\$ 2.25	\$ 2.19	\$ 2.20
\$	20,711	\$ 18,888	\$ 20,552	\$ 21,177	\$ 23,334
	46.4%	43.8%	45.8%	46.7%	49.1%
\$	1,914	\$ 2,088	\$ 2,233	\$ 2,269	\$ 2,260
	4.4%	4.8%	5.1%	5.0%	4.9%
	8,096	8,151	8,218	8,236	8,383
	170,684	167,222	159,528	171,355	172,586
	19,081	17,744	18,727	12,983	16,584
\$	11,854	\$ 11,928	\$ 10,559	\$ 12,021	\$ 12,256
	6.94	7.10	6.60	7.02	7.34
	3.4%	3.6%	3.3%	5.7%	2.5%
	66.3%	64.3%	68.8%	62.3%	62.9%
	183,244	178,392	172,315	178,605	184,500
\$	21,183	\$ 21,007	\$ 19,905	\$ 20,673	\$ 21,556
	11.56	11.78	11.55	11.57	11.68
	4.62	4.68	4.95	4.55	4.34
\$	3,594	\$ 3,131	\$ 2,855	\$ 1,937	\$ 2,465
\$	2,690	\$ 2,250	\$ 2,087	\$ 988	\$ 1,356

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
WATER DEPARTMENT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2013 THROUGH 2022  
(UNAUDITED)**

	2013	2014	2015	2016	2017
<b>Water Capital Assets</b>					
In Service (Thousands)	\$ 16,153	\$ 17,653	\$ 17,655	\$ 17,930	\$ 24,356
Investment Per Meter	\$ 3,473	\$ 3,814	\$ 3,797	\$ 3,835	\$ 5,160
Investment Per Dollar of Water Revenue	\$ 7.62	\$ 8.60	\$ 8.11	\$ 7.95	\$ 10.43
<b>Accumulated Depreciation (Thousands)</b>					
Percent of Capital Assets	48.4%	45.0%	45.2%	48.0%	38.5%
Annual Depreciation (Thousands)	\$ 493	\$ 553	\$ 656	\$ 702	\$ 821
Percent of Annual Depreciation to Average Capital Assets in Service	3.1%	3.3%	3.7%	4.0%	3.9%
<b>Number of Meters (Year-End)</b>	4,651	4,629	4,650	4,675	4,720
<b>Cost of Water Production</b>					
Gallons Pumped into Distribution System (Thousands)	507,118	500,441	506,271	492,846	482,159
Total Cost (Thousands)	\$ 478	\$ 481	\$ 442	\$ 459	\$ 472
Cost Per Thousand Gallons Pumped	\$ 0.94	\$ 0.96	\$ 0.87	\$ 0.93	\$ 0.98
Percent of System Loss	14.7%	16.3%	18.7%	18.8%	19.5%
<b>Water Revenue</b>					
Gallons Sold (Thousands)	432,521	418,668	411,825	400,226	388,296
Water Utility Revenue (Thousands)	\$ 2,119	\$ 2,053	\$ 2,177	\$ 2,254	\$ 2,335
Per Thousand Gallons Sold	\$ 4.90	\$ 4.90	\$ 5.29	\$ 5.63	\$ 6.01
Gross Margin Per Thousand Gallons Sold	\$ 3.96	\$ 3.94	\$ 4.42	\$ 4.70	\$ 5.03
<b>Operating Income (Loss) (Thousands)</b>	\$ 304	\$ 171	\$ 184	\$ 72	\$ (87)
<b>Change in Net Position (Thousands) Before Capital Contributions from City</b>					
	\$ 299	\$ 143	\$ 153	\$ 12	\$ 133

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

2018	2019	2020	2021	2022
\$ 25,582	\$ 27,467	\$ 28,398	\$ 31,356	\$ 34,929
\$ 5,368	\$ 5,725	\$ 5,865	\$ 6,448	\$ 7,058
\$ 10.24	\$ 10.72	\$ 10.54	\$ 7.96	\$ 10.63
\$ 10,310	\$ 11,009	\$ 11,997	\$ 13,180	\$ 14,309
40.3%	40.1%	42.2%	42.0%	41.0%
\$ 1,005	\$ 1,060	\$ 1,142	\$ 1,182	\$ 1,172
4.1%	4.0%	4.1%	4.0%	3.5%
4,766	4,798	4,842	4,863	4,949
465,743	473,439	490,593	908,885	576,007
\$ 493	\$ 495	\$ 593	\$ 713	\$ 821
\$ 1.06	\$ 1.05	\$ 1.21	\$ 0.78	\$ 1.42
15.6%	18.5%	19.5%	15.3%	14.4%
393,241	385,936	395,137	770,302	493,350
\$ 2,499	\$ 2,563	\$ 2,695	\$ 3,935	\$ 3,283
\$ 6.35	\$ 6.64	\$ 6.82	\$ 5.11	\$ 6.65
\$ 5.29	\$ 5.59	\$ 5.61	\$ 4.33	\$ 5.23
\$ (178)	\$ (295)	\$ (252)	\$ 717	\$ (530)
\$ (122)	\$ (132)	\$ (102)	\$ 768	\$ (273)

**BRAINERD PUBLIC UTILITIES  
BRAINERD, MINNESOTA  
WASTEWATER TREATMENT DEPARTMENT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2013 THROUGH 2022  
(UNAUDITED)**

	2013	2014	2015	2016	2017
<b>Wastewater Treatment Capital Assets</b>					
In Service (Thousands)	\$ 36,325	\$ 36,368	\$ 36,403	\$ 36,453	\$ 37,612
Investment Per Account	\$ 7,892	\$ 7,937	\$ 7,914	\$ 7,882	\$ 8,045
Investment Per Dollar of Wastewater Treatment Revenue	\$ 15.93	\$ 15.78	\$ 15.44	\$ 14.75	\$ 14.38
<b>Accumulated Depreciation (Thousands)</b>	\$ 7,046	\$ 8,424	\$ 9,746	\$ 11,113	\$ 12,421
Percent of Capital Assets	19.4%	23.2%	26.8%	30.5%	33.0%
Annual Depreciation (Thousands)	\$ 1,384	\$ 1,382	\$ 1,392	\$ 1,402	\$ 1,429
Percent of Annual Depreciation to Average Capital Assets in Service	3.8%	3.8%	3.8%	3.9%	3.9%
<b>Number of Accounts (Year-End)</b>	4,603	4,582	4,600	4,625	4,675
<b>Cost of Wastewater Treatment</b>					
Flow in Gallons Processed (Thousands)	677,322	799,681	700,235	764,803	844,303
Total Treatment Cost (Thousands)	\$ 1,082	\$ 1,106	\$ 1,001	\$ 1,084	\$ 1,189
Cost Per Thousand Gallons Processed	\$ 1.60	\$ 1.38	\$ 1.43	\$ 1.42	\$ 1.41
Percent of System Loss	19.7%	30.7%	22.7%	28.7%	31.8%
<b>Wastewater Treatment Revenue</b>					
Flow in Gallons Sold (Thousands)	544,183	554,578	541,213	545,513	575,734
Wastewater Treatment Utility Revenue (Thousands)	\$ 2,281	\$ 2,304	\$ 2,357	\$ 2,471	\$ 2,616
Per Thousand Gallons Sold	\$ 4.19	\$ 4.15	\$ 4.36	\$ 4.53	\$ 4.54
Gross Margin Per Thousand Gallons Sold	\$ 2.59	\$ 2.77	\$ 2.93	\$ 3.11	\$ 3.13
<b>Operating Income (Loss) (Thousands)</b>	\$ (843)	\$ (831)	\$ (642)	\$ (719)	\$ (797)
<b>Change in Net Position (Thousands)</b>	\$ (482)	\$ 2	\$ 61	\$ 15	\$ 135

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

2018	2019	2020	2021	2022
\$ 37,870	\$ 38,240	\$ 39,441	\$ 39,024	\$ 40,035
\$ 8,040	\$ 8,045	\$ 8,236	\$ 8,106	\$ 8,165
\$ 13.81	\$ 13.28	\$ 14.51	\$ 13.73	\$ 13.81
\$ 13,767	\$ 15,250	\$ 16,617	\$ 17,688	\$ 19,522
36.4%	39.9%	42.1%	45.3%	48.8%
\$ 1,497	\$ 1,499	\$ 1,547	\$ 2,010	\$ 1,840
4.0%	3.9%	4.0%	5.1%	4.7%
4,710	4,753	4,789	4,814	4,903
751,581	808,631	753,696	659,261	734,406
\$ 1,372	\$ 1,351	\$ 1,358	\$ 1,378	\$ 1,371
\$ 1.83	\$ 1.67	\$ 1.80	\$ 2.09	\$ 1.86
23.3%	28.1%	26.2%	12.3%	24.5%
567,477	581,822	556,108	578,185	554,669
\$ 2,742	\$ 2,880	\$ 2,717	\$ 2,842	\$ 2,897
\$ 4.76	\$ 4.95	\$ 4.89	\$ 4.91	\$ 5.22
\$ 2.93	\$ 3.28	\$ 3.09	\$ 2.82	\$ 3.36
\$ (887)	\$ (776)	\$ (1,005)	\$ (1,430)	\$ (1,329)
\$ (27)	\$ 428	\$ 296	\$ (280)	\$ (267)

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **OTHER REPORTS SECTION**



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

Brainerd Public Utilities Commission  
Brainerd Public Utilities  
Brainerd, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brainerd Public Utilities (BPU), a component unit of the City of Brainerd, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements, and have issued our report thereon dated April 13, 2023.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BPU's internal control. Accordingly, we do not express an opinion on the effectiveness of BPU's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 or significant deficiencies may exist that were not 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 13, 2023



## 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, 2022, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements and have issued our report thereon dated April 13, 2023.

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, 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 13, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.