

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA**

FINANCIAL REPORT

DECEMBER 31, 2023 AND 2022



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**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
ORGANIZATIONAL DATA
DECEMBER 31, 2023**

COMMISSION

		<u>Term Expires December 31,</u>
President	Vacant	N/A
Vice President	Dolly Matten	2024
Commission Member	Mark O'Day	2025
Commission Member	Mike Angland	2027
Commission Member	Tad Johnson	2023

ADMINISTRATION

Public Utilities Director	Todd Wicklund
Finance Manager	Danny Loch
Operations Manager	Trent Hawkinson
Water/Wastewater Manager	Charlie Gammon
Technology Supervisor	Aaron Andersen
Business Office Supervisor	Jana Pernula



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), an enterprise fund of the City of Brainerd, as of and for the years ended December 31, 2023 and 2022, and the related notes to the 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, 2023 and 2022, 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*, issued 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Brainerd, as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as whole. 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 and Amortization 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 GAAS. 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 do 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024, 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 results 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
May 17, 2024

**BRainerd PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022. This discussion and analysis should be read in conjunction with BPU's financial statements and accompanying notes, which follow this section.

Financial Highlights from 2022 to 2023

- BPU's combined net position increased \$1,666,575, or 3.0%, from \$55,526,741 to \$57,193,316.
- Combined total assets and deferred outflow of resources increased \$526,096, or 0.6%, from \$95,228,466 to \$95,754,562.
- Combined total liabilities decreased \$2,228,689, or 5.6%, from \$39,486,630 to \$37,257,941.
- Combined total operating revenue increased \$2,141,852, or 7.7%, from \$27,786,885 to \$29,928,737.
- Combined total operating expenses increased \$2,056,184, or 7.6%, from \$27,180,844 to \$29,237,028.

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's operations, capital asset program and debt payments are funded entirely through rates, fees and other charges for these utility services. The fund is treated and accounted for as a separate enterprise fund of the City of Brainerd.

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 DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

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 71.7% and 68.6% of total assets and deferred outflows of resources as of December 31, 2023 and 2022, respectively. Long-term liabilities represent 30.9% and 33.7% of total liabilities, net position, and deferred inflows of resources as of December 31, 2023 and 2022, respectively. Total net position increased 3.0% and 1.5% as of December 31, 2023 and 2022, respectively.

The largest portion of BPU's net position (71.0%), at December 31, 2023, 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 2023, \$6,118,320 or 10.7% of BPU's net position represents resources that are restricted for debt service and \$551,964 or 1.0% of BPU's net position represents resources that are restricted for capital outlay. The remaining balance of unrestricted net position of \$9,928,926 or 17.4% may be used to meet BPU ongoing obligations.

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

Electric operating revenues from 2022 to 2023 increased \$1,989,980, or 9.2%, from \$21,634,657 to \$23,624,637. The significant change for 2023 was due to an increase in usage from BPU's commercial customers and an increase in utility rates. Purchased power expenses from 2022 to 2023 increased \$1,525,089, or 12.4%, from \$12,256,210 to \$13,781,299. The significant change for 2023 was due to an increase in power that had to be purchased to match the increase in usage from BPU's commercial customers mentioned above. Net nonoperating revenue (expense) from 2022 to 2023 increased \$791,743, or 81.9%, from \$966,368 to \$1,758,111. The significant change for 2023 was an increase in interest income due to fair market value adjustment.

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Financial Analysis (Continued)

Condensed Statements of Net Position
Table 1

	December 31,			Change	
	2023	2022	2021	2023 to 2022	2022 to 2021
Net Capital Assets	\$ 68,672,203	\$ 65,311,984	\$ 63,656,741	\$ 3,360,219	\$ 1,655,243
Restricted Assets	9,482,258	8,866,126	9,844,493	616,132	(978,367)
Current Assets	16,335,871	19,025,253	22,658,557	(2,689,382)	(3,633,304)
Other Assets	213,283	239,683	257,416	(26,400)	(17,733)
 Total Assets	 94,703,615	 93,443,046	 96,417,207	 1,260,569	 (2,974,161)
 Deferred Outflows of Resources	 1,050,947	 1,785,420	 2,203,250	 (734,473)	 (417,830)
 Total Assets and Deferred Outflows	 <u>\$ 95,754,562</u>	 <u>\$ 95,228,466</u>	 <u>\$ 98,620,457</u>	 <u>\$ 526,096</u>	 <u>\$ (3,391,991)</u>
 Current Liabilities	 \$ 7,693,877	 \$ 7,353,395	 \$ 7,898,158	 \$ 340,482	 \$ (544,763)
Long-Term Liabilities	29,564,064	32,133,235	33,645,349	(2,569,171)	(1,512,114)
 Total Liabilities	 37,257,941	 39,486,630	 41,543,507	 (2,228,689)	 (2,056,877)
 Net Investment in Capital Assets	 40,594,106	 37,930,250	 35,956,868	 2,663,856	 1,973,382
Restricted Net Position	6,670,284	7,149,064	7,848,358	(478,780)	(699,294)
Unrestricted Net Position	9,928,926	10,447,427	10,905,479	(518,501)	(458,052)
 Total Net Position	 57,193,316	 55,526,741	 54,710,705	 1,666,575	 816,036
 Deferred Inflows of Resources	 1,303,305	 215,095	 2,366,245	 1,088,210	 (2,151,150)
 Total Liabilities, Net Position and Deferred Inflows	 <u>\$ 95,754,562</u>	 <u>\$ 95,228,466</u>	 <u>\$ 98,620,457</u>	 <u>\$ 526,096</u>	 <u>\$ (3,391,991)</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Financial Analysis (Continued)

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

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
OPERATING REVENUES				
Electric	\$ 23,624,637	\$ 21,634,657	\$ 1,989,980	9.2%
Water	3,246,504	3,219,713	26,791	0.8%
Wastewater Treatment	3,057,596	2,932,515	125,081	4.3%
Total Operating Revenue	29,928,737	27,786,885	2,141,852	7.7%
OPERATING EXPENSES				
Production and Treatment	2,515,555	2,320,443	195,112	8.4%
Purchased Power	13,781,299	12,256,210	1,525,089	12.4%
Distribution and Collection	3,520,539	3,396,390	124,149	3.7%
Administration	4,126,036	3,934,910	191,126	4.9%
Depreciation and Amortization	5,293,599	5,272,891	20,708	0.4%
Total Operating Expenses	29,237,028	27,180,844	2,056,184	7.6%
OPERATING INCOME (LOSS)	691,709	606,041	85,668	14.1%
NONOPERATING REVENUE (EXPENSE)				
Interest Income - Investments	395,522	(671,411)	1,066,933	158.9%
Interest Income - Notes Receivable	121,159	117,505	3,654	3.1%
Bond Issue Costs	(58,701)	-	(58,701)	-100.0%
Interest Expense	(656,331)	(543,286)	(113,045)	20.8%
Local Option Sales Tax	1,877,308	1,940,891	(63,583)	-3.3%
Federal Grant Revenue - Build America Bond	70,570	77,558	(6,988)	-9.0%
Gain on Disposal of Capital Assets	8,584	45,111	(36,527)	-81.0%
Net Nonoperating Revenue	1,758,111	966,368	791,743	81.9%
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS	2,449,820	1,572,409	877,411	55.8%
TRANSFERS TO THE CITY	(783,245)	(756,373)	(26,872)	3.6%
CHANGE IN NET POSITION	1,666,575	816,036	850,539	104.2%
Net Position - Beginning	55,526,741	54,710,705	816,036	1.5%
NET POSITION - ENDING	<u>\$ 57,193,316</u>	<u>\$ 55,526,741</u>	<u>\$ 1,666,575</u>	3.0%

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Financial Analysis (Continued)

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

	2022	2021	Dollar Change	Percentage Change
OPERATING REVENUES				
Electric	\$ 21,634,657	\$ 20,840,444	\$ 794,213	3.8%
Water	3,219,713	3,973,580	(753,867)	-19.0%
Wastewater Treatment	2,932,515	2,859,750	72,765	2.5%
Total Operating Revenue	27,786,885	27,673,774	113,111	0.4%
OPERATING EXPENSES				
Production and Treatment	2,320,443	2,775,409	(454,966)	-16.4%
Purchased Power	12,256,210	12,021,143	235,067	2.0%
Distribution and Collection	3,396,390	3,097,896	298,494	9.6%
Administration	3,934,910	3,094,768	840,142	27.1%
Depreciation and Amortization	5,272,891	5,461,105	(188,214)	-3.4%
Total Operating Expenses	27,180,844	26,450,321	730,523	2.8%
OPERATING INCOME (LOSS)	606,041	1,223,453	(617,412)	-50.5%
NONOPERATING REVENUE (EXPENSE)				
Interest Income - Investments	(671,411)	(46,660)	(624,751)	1338.9%
Interest Income - Notes Receivable	117,505	135,313	(17,808)	-13.2%
Bond Premium	-	(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 (Loss) 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%
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS	1,572,409	2,237,599	(665,190)	-29.7%
CAPITAL GRANTS AND CONTRIBUTIONS	-	976,000	(976,000)	-100.0%
TRANSFERS TO THE CITY	(756,373)	(761,150)	4,777	-0.6%
CHANGE IN NET POSITION	816,036	2,452,449	(1,636,413)	-66.7%
Net Position - Beginning	54,710,705	52,258,256	2,452,449	4.7%
NET POSITION - ENDING	<u>\$ 55,526,741</u>	<u>\$ 54,710,705</u>	<u>\$ 816,036</u>	1.5%

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Capital Assets

Net Capital Assets – Table 3, shows changes in net capital assets from 2021 to 2023. Total net capital assets as of December 31, 2023 and 2022 were \$68,672,203 and \$65,311,984, respectively.

**Net Capital Assets
Table 3**

	December 31,			Change	
	2023	2022	2021	2023 to 2022	2022 to 2021
Electric Department					
Generation System	\$ 4,792,759	\$ 5,090,265	\$ 5,240,126	\$ (297,506)	\$ (149,861)
Distribution System	15,446,108	15,371,739	15,851,459	74,369	(479,720)
Street and Security Lighting System	228,987	200,912	224,315	28,075	(23,403)
Water Department					
Production Facilities	1,200,960	1,254,416	1,383,210	(53,456)	(128,794)
Distribution System	21,091,973	14,186,363	14,972,987	6,905,610	(786,624)
Wastewater Treatment Department					
Lift Station Facilities	2,268,466	2,381,807	2,526,723	(113,341)	(144,916)
Treatment Facilities	14,607,021	15,589,991	16,954,018	(982,970)	(1,364,027)
Land and Land Improvements	1,864,144	1,879,793	1,847,504	(15,649)	32,289
Machinery and Equipment	482,788	539,732	572,858	(56,944)	(33,126)
Furniture and Fixtures	319,637	133,796	216,533	185,841	(82,737)
Transportation Equipment	555,607	711,548	891,462	(155,941)	(179,914)
Service Center	514,571	647,272	826,348	(132,701)	(179,076)
Construction in Progress	4,908,481	6,887,414	2,149,198	(1,978,933)	4,738,216
Right-to-Use Assets	390,701	436,936	-	(46,235)	436,936
Total	\$ 68,672,203	\$ 65,311,984	\$ 63,656,741	\$ 3,360,219	\$ 1,655,243

The changes in capital assets for the past three years and the events causing those changes are noted below. The main reason for the increase in net capital assets is due to the continued investment in the water department's distribution systems which increased \$6,905,610 from 2022 to 2023.

	2023	2022	2021
Additions and Transfers to Capital Assets Being Depreciated (By Department)			
Electric	\$ 1,728,493	\$ 1,228,438	\$ 1,488,621
Water	8,059,659	190,654	1,438,372
Wastewater Treatment	614,882	242,653	768,207
General Plant	263,623	484,169	87,321
Total	10,666,657	2,145,914	3,782,521
Additions to Construction in Progress	6,467,612	5,496,477	2,267,934
Transfers from Construction in Progress to Capital Assets Being Depreciated	(8,446,545)	(758,261)	(1,443,636)
Deletions and Transfers	(71,292)	-	-
Normal Annual Depreciation/Amortization	(5,256,213)	(5,241,015)	(5,433,879)
Total	\$ 3,360,219	\$ 1,643,115	\$ (827,060)

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Capital Assets (Continued)

Major capital asset transactions for 2023 and 2022 include the following:

	<u>2023</u>	<u>2022</u>
<u>Electric</u>		
Distribution Transformers and Metering Purchased	\$ 736,277	\$ 363,369
Expansion of Distribution Feeder System	132,780	331,849
Distribution System Improvements	724,872	209,292
SCADA/Fiber System	138,376	116,166
Substation Improvements	-	6,474
Hydroelectric Dam Improvements	46,866	37,771
Hydroelectric Dam Gate for Bay No. 6	-	130,000
Street and Security Lighting	68,240	15,658
Machinery and Equipment	28,595	17,859
<u>Water</u>		
Purchase of Meters and Valves	100,656	115,723
Distribution System Improvements	1,078,398	7,634
Well Improvements	68,243	-
Machinery and Equipment	-	33,796
SCADA/Fiber System	-	16,250
Building Improvements	172,009	-
Dump Box for Truck	-	17,251
Kubota Side by Side	24,338	-
Filter Bed Improvements	60,638	-
Chemical Storage Building	51,072	-
Storage Tank	6,512,702	-
<u>Wastewater</u>		
Lift Station Improvements	122,400	84,702
Treatment Facility Improvements	202,811	118,947
Hydraulic Floor Crane	-	39,004
Machinery and Equipment	331,561	-
<u>General Plant</u>		
Fencing - East Entrance	-	43,913
Right-to-Use Assets	-	396,571
Computers	-	43,685
<u>Construction in Progress</u>		
Hydroelectric FERC Relicensing	409,993	55,971
Water Storage Tank Design	-	3,333,325
Hydroelectric Relay Upgrade	289,002	35,000
River Crossing	1,172,017	-
Evergreen Lift Station Improvements	494,415	175,183
Main Lift Station Improvement Design	525,798	266,761
Treatment Facility Improvements	108,399	235,692
SCADA Improvements	267,817	-
Substation Improvements	1,086,734	641,213
Expansion of Distribution Feeder System	449,766	-
Hydroelectric Generation Upgrades	105,539	-
Total	<u>\$ 15,510,314</u>	<u>\$ 6,889,059</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Long-Term Obligations

The following table presents the change in the outstanding liabilities of BPU from 2021 to 2023.

	Balance as of December 31,			Increase (Decrease)	
	2023	2022	2021	2023 to 2022	2022 to 2021
Utility Revenue Bonds					
Series 2014A	\$ 2,720,000	\$ 3,125,000	\$ 3,520,000	\$ (405,000)	\$ (395,000)
Series 2015A	365,000	540,000	715,000	(175,000)	(175,000)
Series 2016A	3,676,600	4,067,200	4,439,200	(390,600)	(372,000)
Series 2017A	2,820,000	3,455,000	4,055,000	(635,000)	(600,000)
Series 2018A	1,490,000	1,755,000	2,005,000	(265,000)	(250,000)
Series 2018A (Equip. Certs.)	-	65,000	130,000	(65,000)	(65,000)
G.O. Bonds					
Series 2021A	5,025,000	5,250,000	5,250,000	(225,000)	-
G.O. Bonds					
Series 2023A	2,955,000	-	-	2,955,000	-
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	8,455,000	9,991,000	11,479,000	(1,536,000)	(1,488,000)
Lease Liability	416,272	439,198	57,780	(22,926)	381,418
Compensated Absences	1,071,960	1,152,568	1,158,842	(80,608)	(6,274)
Net Pension Liability	3,405,460	4,926,260	2,566,540	(1,520,800)	2,359,720
Revenue Bond Premium	852,864	890,731	1,294,093	(37,867)	(403,362)
OPEB Obligation	366,208	384,494	548,966	(18,286)	(164,472)
Total Long-Term Liabilities	33,619,364	36,041,451	37,219,421	(2,422,087)	(1,177,970)
Less: Current Portion					
Utility Revenue Bonds					
Series 2014A	415,000	405,000	395,000	10,000	10,000
Series 2015A	180,000	175,000	175,000	5,000	-
Series 2016A	409,200	390,600	372,000	18,600	18,600
Series 2017A	695,000	635,000	600,000	60,000	35,000
Series 2018A	280,000	265,000	250,000	15,000	15,000
Series 2018A (Equip. Certs.)	-	65,000	65,000	(65,000)	-
G.O. Bonds					
Series 2021A	270,000	225,000	-	45,000	225,000
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	1,585,000	1,536,000	1,488,000	49,000	48,000
Lease Liability	29,171	28,497	17,536	674	10,961
Compensated Absences	175,000	175,000	160,000	-	15,000
OPEB Obligation	16,929	8,119	51,536	8,810	(43,417)
Total Current Portion of Long-Term Liabilities	4,055,300	3,908,216	3,574,072	147,084	334,144
Net Long-Term Liabilities	\$ 29,564,064	\$ 32,133,235	\$ 33,645,349	\$ (2,569,171)	\$ (1,512,114)

The total net long-term liabilities at December 31, 2023, 2022, and 2021 was \$29.6 million, \$32.1 million, and \$33.6 million, respectively. Total net long-term liabilities decreased \$2,569,171 from 2022 to 2023 due primarily to the repayment of the outstanding Utility Revenue Bonds and G.O. Bonds totaling \$3,696,600, offset by the issuance of the new G.O. Bonds Series 2023A for \$2,955,000. Net pension liability from 2022 to 2023 decreased \$1,520,800, from \$4,926,260 to \$3,405,460, due to a change in assumptions.

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

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 2023 Operating Budget Analysis and the 2024 Operating Budget approved by the Commission is presented as follows:

	(In Thousands of Dollars)			
	2023 Budget	2023 Actual	Favorable (Unfavorable) Variance	2024 Budget
Utility Operating Revenue	\$ 33,990	\$ 29,411	\$ (4,579)	\$ 31,527
Other Operating Revenue	432	518	86	2,570
Total Operating Revenue	34,422	29,929	(4,493)	34,097
Purchased Power	17,653	13,781	3,872	15,276
Other Operating Expense	10,413	10,162	251	12,938
Depreciation and Amortization Expense	4,969	5,294	(325)	5,022
Total Operating Expense	33,035	29,237	3,798	33,236
Operating Income	1,387	692	(695)	861
Net Nonoperating Revenue	1,153	1,758	605	1,139
Income Before Operating Transfers to City	2,540	2,450	(90)	2,000
Capital Grants and Contributions	-	-	-	-
Operating Transfers to the City	(834)	(783)	51	(816)
Change in Net Position	\$ 1,706	\$ 1,667	\$ (39)	\$ 1,184

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Factors Bearing on the Future

The State of Minnesota has a mandatory renewable energy criteria for all utility providers to be carbon free by the year 2040. As this mandate approaches the utility will require a substantial increase in purchased power costs as the renewable energy credits are expected to be considerably more in cost than current day prices. Related to this mandate the utility is pursuing the acquisition of two additional hydro generators approximately \$10M in cost, and related grant revenue, to assist in the acquisition cost of this generator project to meet some of the needs of the carbon free state initiative.

In 2024, the BPU Commission began work on a water reclamation tank, this is fully funded by a \$5M grant through the state of Minnesota on a reimbursement basis. This project was bid in December of 2023 and is expected to be completed by September of 2025.

The appointed commissioners considered multiple factors as it set the 2024 budget:

- 1) Total combined commission operations are expecting net position to increase \$1,183,600 or 3.6% of total revenue.
- 2) The Electric department is budgeting an increase in net position of \$1,556,800 or 3.1% of operating budget.
- 3) The Water department is budgeting a decrease in net position of \$444,000, with the balance being made up from electric operations or 11.3% of operations.
- 4) The wastewater department is expected to have an increase in net position of \$70,800 or 2.1% of operations."

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 Manager, 8027 Highland Scenic Road, Brainerd, MN 56401 or by email at dloch@bpu.org or by phone at (218) 825-3213.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CAPITAL ASSETS		
Construction in Progress	\$ 4,908,481	\$ 6,887,414
In Service	126,038,545	115,589,390
Total Investment in Capital Assets	130,947,026	122,476,804
Less: Accumulated Depreciation/Amortization	(62,274,823)	(57,164,820)
Net Capital Assets	68,672,203	65,311,984
RESTRICTED ASSETS		
Cash and Investments	5,736,535	5,496,892
Bonds and Notes Receivable	3,710,923	3,330,334
Notes Receivable - Interest	34,800	38,900
Total Restricted Assets	9,482,258	8,866,126
CURRENT ASSETS		
Cash and Investments	8,501,032	12,742,353
Accounts Receivable	4,512,768	3,647,767
Interest Receivable	34,254	21,914
Due from the City of Brainerd	456,232	286,288
Supplies	1,981,426	1,549,484
Prepaid Expenses	850,159	777,447
Total Current Assets	16,335,871	19,025,253
OTHER ASSETS		
Service Territory Acquisitions, Net of Accumulated Depreciation	213,283	239,683
Total Assets	94,703,615	93,443,046
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	939,904	1,660,311
OPEB Related	111,043	125,109
Total Deferred Outflows of Resources	1,050,947	1,785,420
Total Assets and Deferred Outflows of Resources	\$ 95,754,562	\$ 95,228,466

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022**

	2023	2022
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net Investment in Capital Assets	\$ 40,594,106	\$ 37,930,250
Restricted for Debt Service	6,118,320	6,581,652
Restricted for Capital Outlay	551,964	567,412
Unrestricted	9,928,926	10,447,427
Total Net Position	57,193,316	55,526,741
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Portion	24,525,264	25,442,331
Lease Liability	387,101	410,701
Compensated Absences	896,960	977,568
Net Pension Liability	3,405,460	4,926,260
Other Postemployment Benefit Liability	349,279	376,375
Total Long-Term Liabilities	29,564,064	32,133,235
CURRENT LIABILITIES		
Accounts and Contracts Payable	1,692,921	1,880,225
Bonds Payable	3,834,200	3,696,600
Lease Liability	29,171	28,497
Compensated Absences	175,000	175,000
Other Postemployment Benefit Liability	16,929	8,119
Accrued Expenses		
Salaries and Withholding Taxes	352,263	312,752
Sales Taxes	156,701	89,271
Current Liabilities from Restricted Assets:		
Bond Interest	241,254	267,675
Payable to City of Brainerd	317,412	295,485
Conservation Incentive Program Payable	379,743	251,045
Customer Deposits	498,283	348,726
Total Current Liabilities	7,693,877	7,353,395
Total Liabilities	37,257,941	39,486,630
DEFERRED INFLOWS OF RESOURCES		
Pension Related	1,143,119	72,660
OPEB Related	160,186	142,435
Total Deferred Inflows of Resources	1,303,305	215,095
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 95,754,562	\$ 95,228,466

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Utility Revenues		
Residential	\$ 9,920,664	\$ 9,561,816
Commercial	13,550,319	13,117,691
Large Commercial	5,427,075	3,725,065
City of Brainerd	512,773	483,154
Total Utility Revenues	29,410,831	26,887,726
Other Operating Revenues		
Penalties	193,514	159,397
Other	324,392	739,762
Total Other Operating Revenues	517,906	899,159
Total Operating Revenues	29,928,737	27,786,885
 OPERATING EXPENSES		
Generation, Production, and Treatment		
Salaries and Wages	1,346,971	1,314,069
Purchased Services	410,711	270,752
Supplies and Maintenance	299,519	225,645
Employee Benefits	426,698	428,750
Other Charges	31,656	81,227
Total Generation, Production, and Treatment Expenses	2,515,555	2,320,443
Purchased Power	13,781,299	12,256,210
Distribution and Collection		
Salaries and Wages	2,059,981	1,947,365
Purchased Services	442,316	398,136
Supplies and Maintenance	319,146	390,079
Employee Benefits	604,079	605,527
Other Charges	95,017	55,283
Total Distribution and Collection Expenses	3,520,539	3,396,390
Administration		
Salaries and Wages	1,293,548	1,332,209
Purchased Services	930,870	779,625
Supplies and Maintenance	21,381	29,893
Insurance and Bonds	380,327	278,468
Employee Benefits	850,146	967,719
Other Charges	649,764	546,996
Total Administration Expenses	4,126,036	3,934,910
Depreciation and Amortization	5,293,599	5,272,891
Total Operating Expenses	\$ 29,237,028	\$ 27,180,844

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING INCOME	\$ 691,709	\$ 606,041
NONOPERATING REVENUE (EXPENSE)		
Interest Income - Investments	395,522	(671,411)
Interest Income - Notes Receivable	121,159	117,505
Interest Expense	(656,331)	(543,286)
Local Option Sales Tax	1,877,308	1,940,891
Federal Grant Revenue - Build America Bond	70,570	77,558
Bond Issuance Costs	(58,701)	-
Gain on Disposal of Capital Assets	8,584	45,111
Net Nonoperating Revenue (Expense)	<u>1,758,111</u>	<u>966,368</u>
INCOME BEFORE TRANSFERS	2,449,820	1,572,409
TRANSFERS TO THE CITY	<u>(783,245)</u>	<u>(756,373)</u>
CHANGE IN NET POSITION	1,666,575	816,036
Net Position - Beginning	<u>55,526,741</u>	<u>54,710,705</u>
NET POSITION - ENDING	<u>\$ 57,193,316</u>	<u>\$ 55,526,741</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 29,063,736	\$ 28,229,577
Cash Payments to Employees for Services	(6,338,923)	(6,135,707)
Cash Payments to Other Suppliers of Goods or Services	(17,708,279)	(17,686,137)
Net Cash Provided by Operating Activities	5,016,534	4,407,733
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Primary Government	(931,262)	(1,310,445)
Principal Received on Notes Receivable	107,411	-
Note Receivable to Primary Government	(1,000,000)	-
Net Cash Used by Noncapital Financing Activities	(1,823,851)	(1,310,445)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Utility Plant	(8,698,511)	(6,178,207)
Additions to Service Territories	(10,986)	(14,143)
Proceeds from Local Option Sales Tax	1,877,308	1,940,891
Principal Paid on Long-Term Debt	(3,696,600)	(3,345,000)
Interest Paid on Long-Term Debt	(912,286)	(935,846)
Bond Premium	132,966	-
Amounts Received from Utility Portion of Bonds	2,955,000	-
Principal Received on Notes Receivable	512,000	496,000
Federal Grant Revenue - Build America Bond	70,570	77,558
Principal Paid on Lease Liability	(22,926)	(22,780)
Proceeds from Sale of Utility Plant	90,663	45,111
Net Cash Used by Capital and Related Financing Activities	(7,702,802)	(7,936,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	508,441	(551,228)
Purchase of Investments	(848,063)	(2,066,406)
Redemption of Investments	2,607,375	8,005,399
Net Cash Provided by Investing Activities	2,267,753	5,387,765
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,242,366)	548,637
Cash and Cash Equivalents - Beginning	6,766,882	6,218,245
CASH AND CASH EQUIVALENTS - ENDING	\$ 4,524,516	\$ 6,766,882

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 691,709	\$ 606,041
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	5,293,599	5,272,891
Revenue Reduced for Uncollectible Accounts	17,413	17,413
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(882,414)	(423,110)
Prepaid Expenses	(72,712)	(632,203)
Supplies	(431,942)	(125,306)
Change in Deferred Outflows of Resources - OPEB	14,066	66,271
Change in Deferred Outflows of Resources - Pension	720,407	351,559
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(119,874)	(821,124)
Accrued Liabilities	189,068	5,380
Conservation Incentive Program Payable	128,698	52,097
Accrued Compensated Absences	(80,608)	(6,274)
Other Postemployment Benefit Liability	(18,286)	(164,472)
Change in Net Pension Liability	(1,520,800)	2,359,720
Change in Deferred Inflows of Resources - OPEB	17,751	137,350
Change in Deferred Inflows of Resources - Pension	1,070,459	(2,288,500)
	\$ 5,016,534	\$ 4,407,733
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Investments - Current Assets	\$ 8,501,032	\$ 12,742,353
Cash and Investments - Restricted Assets	5,736,535	5,496,892
 Cash and Investments - Balance Sheets	14,237,567	18,239,245
 Less: Investments not Meeting the Definition of Cash Equivalents	9,713,051	11,472,363
 Cash and Cash Equivalents - Ending	\$ 4,524,516	\$ 6,766,882
 NONCASH INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets through Contracts and Retainage Payable	\$ -	\$ 321,480
Net Decrease in Fair Value of Investments	(708,356)	(949,921)
Acquisition of Plant Financed by Lease Liability	-	396,571
Amortization of Premiums	170,833	403,362

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 Electric, Water and Wastewater Treatment Departments are treated as a single enterprise fund. 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

The financial statements include the operations of the City of Brainerd's Public Utilities. BPU's principal operations is providing electric, water and wastewater services to local residents and business customers residing in Brainerd, Minnesota.

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 nonoperating 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, 2023 AND 2022**

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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, 2023 and 2022 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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. BPU will not recognize the related outflow until a future event occurs.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

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

Customer Deposits

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

Long-Term Liabilities

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

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 May 2020, the Governmental Accounting Standards (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

BPU adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period adoption. The implementation of this standard did not result in any material agreements being identified.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Reporting Entity

BPU was previously reported as a discretely presented component unit of the City of Brainerd. However, after the charter was updated, it was determined that BPU was not a separate legal entity from the City of Brainerd. Therefore, BPU is now considered a fund of the City of Brainerd. There is no effect on beginning net position.

Emphasis of Matter

The Electric, Water and Wastewater Treatment Departments are treated as a single enterprise fund of the City of Brainerd and present only the enterprise fund activity and does not present the financial position of the City of Brainerd. 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 financial statements include the operations of the City of Brainerd's Public Utilities. BPU's principal operations is providing electric, water and wastewater services to local residents and business customers residing in Brainerd, Minnesota.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 6,887,414	\$ 6,467,612	\$ 8,446,545	\$ 4,908,481
Capital Assets, Being Depreciated				
Electric	42,603,184	1,728,493	-	44,331,677
Water	28,659,917	8,059,659	-	36,719,576
Wastewater Treatment	37,472,045	614,882	217,502	37,869,425
General Plant	6,392,266	263,623	-	6,655,889
Total Capital Assets, Being Depreciated	115,127,412	10,666,657	217,502	125,576,567
Less Accumulated Depreciation for:				
Electric	(20,514,645)	(2,063,710)	-	(22,578,355)
Water	(13,219,138)	(1,207,505)	-	(14,426,643)
Wastewater Treatment	(19,065,135)	(1,707,107)	(146,210)	(20,626,032)
General Plant	(4,340,860)	(231,656)	-	(4,572,516)
Total Accumulated Depreciation	(57,139,778)	(5,209,978)	(146,210)	(62,203,546)
Total Capital Assets, Being Depreciated, Net	57,987,634	5,456,679	71,292	63,373,021
Right-to-Use Lease Assets:				
Equipment	461,978	-	-	461,978
Total Right-to-Use Lease Assets	461,978	-	-	461,978
Less Accumulated Amortization:				
Equipment	(25,042)	(46,235)	-	(71,277)
Total Accumulated Amortization	(25,042)	(46,235)	-	(71,277)
Total Right-to-Use Lease Assets, Net	436,936	(46,235)	-	390,701
Net Capital Assets	<u>\$ 65,311,984</u>	<u>\$ 11,878,056</u>	<u>\$ 8,517,837</u>	<u>\$ 68,672,203</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	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				
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
Total Capital Assets, Being Depreciated	113,466,745	1,749,343	88,676	115,127,412
Less Accumulated Depreciation 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)
Total Accumulated Depreciation	(52,012,481)	(5,215,973)	(88,676)	(57,139,778)
Total Capital Assets, Being Depreciated	61,454,264	(3,466,630)	-	57,987,634
Right-to-Use Lease Assets:				
Equipment	65,407	396,571	-	461,978
Total Right-to-Use Lease Assets	65,407	396,571	-	461,978
Less Accumulated Amortization:				
Equipment	-	(25,042)	-	(25,042)
Total Accumulated Amortization	-	(25,042)	-	(25,042)
Total Right-to-Use Lease Assets, Net	65,407	371,529	-	436,936
Net Capital Assets	\$ 63,668,869	\$ 2,401,376	\$ 758,261	\$ 65,311,984

NOTE 3 RESTRICTED ASSETS

Cash and Investments

At December 31, 2023 and 2022, restricted cash and investments consisted of the following:

	2023	2022
Customer Deposits	\$ 498,283	\$ 348,726
City of Brainerd Contribution	235,874	295,485
Conservation Incentive Program	379,743	251,045
Electric Utility Revenue Bonds Debt Service Reserve	1,117,250	1,142,873
General Obligation Revenue Notes and Bonds Debt Service Reserve (Water and Wastewater)	3,505,385	3,458,763
Total Restricted Cash	\$ 5,736,535	\$ 5,496,892

**BRainerd PUBLIC UTILITIES
BRainerd, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 RESTRICTED ASSETS (CONTINUED)

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.

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.

On May 1, 2023, the City of Brainerd entered into an agreement with BPU to borrow \$1,000,000. The note is payable over 6 years. The note carries a 3% interest rate. Annual payments are made in December of each year.

Note receivable activity for the year ended December 31, 2023, is as follows:

	<u>Note No. 2</u>	<u>City of Brainerd</u>	<u>Total</u>
Beginning Balance - Baxter	\$ 3,330,334	\$ -	\$ 3,330,334
City of Brainerd Note	-	1,000,000	1,000,000
Payments Received	<u>(512,000)</u>	<u>(107,411)</u>	<u>(619,411)</u>
Ending Balance	<u>\$ 2,818,334</u>	<u>\$ 892,589</u>	<u>\$ 3,710,923</u>

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	<u>(496,000)</u>
Ending Balance	<u>\$ 3,330,334</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 RESTRICTED ASSETS (CONTINUED)

Interest accrued on the notes receivable as of December 31, 2023 and 2022 of \$34,800 and \$38,900, respectively, is recorded as a restricted asset. Interest received from Baxter which is recorded as Interest Income for the years ended December 31, 2023 and 2022 was \$121,159 and \$117,505, respectively. Interest received from Brainerd which is recorded as interest income for the years ended December 31, 2023 and 2022 was \$19,790 and \$0.

NOTE 4 DEPOSITS AND INVESTMENTS

Cash and investments are presented at December 31, 2023 and 2022, as follows:

	2023	2022
Restricted Cash and Investments	\$ 5,736,535	\$ 5,496,892
Current Cash and Investments	8,501,032	12,742,353
Total	\$ 14,237,567	\$ 18,239,245

Cash and investments at December 31, 2023 and 2022, consisted of the following:

	2023	2022
Petty Cash	\$ 1,500	\$ 1,500
Deposits	4,310,031	6,765,382
Investments	9,926,036	11,472,363
Total	\$ 14,237,567	\$ 18,239,245

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, 2023 and 2022 were entirely covered by federal depository insurance or collateral in accordance with Minnesota Statutes.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Under the provisions of the City of Brainerd's investment policy revised by Council on February 6, 2023 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
- with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investments trust, and guaranteed investment contracts.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023 and 2022 by maturity:

December 31, 2023		<u>Investment Maturities (in Years)</u>			Fair Value	% of Investments
Investment Type	Less Than 1	1-5	6-10			
Negotiable CDs	\$ 1,697,640	\$ 6,724,234	\$ 209,843	\$ 8,631,717	N/A	
FNMA	418,068	-	-	418,068	4.2%	
FHLMC	-	-	435,820	435,820	4.4%	
FFCB	-	-	227,446	227,446	2.3%	
Money Market	212,985	-	-	212,985	2.1%	
Total	<u>\$ 2,328,693</u>	<u>\$ 6,724,234</u>	<u>\$ 873,109</u>	<u>\$ 9,926,036</u>	13.0%	

December 31, 2022		<u>Investment Maturities (in Years)</u>			Fair Value	% of Investments
Investment Type	Less Than 1	1-5	6-10			
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%	

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, 2023 and 2022 are as follows:

Investment Type	S & P Rating	Investment Type	S & P Rating
December 31, 2023		December 31, 2022	
Negotiable CDs	NA	Negotiable CDs	NA
FNMA	AAA	FHLMC	NA
FHLMC	AAA	FFCB	AAA
FFCB	NA	Money Market	NA
Money Market	NA		

* NA - Not Rated

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023, 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, 2023 AND 2022**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

The categorization of financial assets at December 31, 2023 and 2022, consisted of the following:

Type	Level	2023	2022
Negotiable CDs	2	\$ 8,631,717	\$ 8,556,056
FNMA	2	418,068	-
FHLMC	2	435,820	832,376
FFCB	2	227,446	224,053
Money Market	NA	212,985	1,859,878
Total Investments		<u>\$ 9,926,036</u>	<u>\$ 11,472,363</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, 2023 and 2022, BPU owed the City the following:

	2023	2022
Monthly Operating Contribution	\$ 69,644	\$ 60,586
Reimbursement of Other Costs	19,550	8,258
Wastewater Collection and Storm Sewer Charges	228,218	226,641
Total	<u>\$ 317,412</u>	<u>\$ 295,485</u>

NOTE 6 LONG-TERM LIABILITIES

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, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (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 2018A, with interest rate of 5.0%, maturing in February 2023, for the purchase of capital equipment. The electric portion is \$97,600, the water portion is \$79,300, and the sewer portion is \$128,100. Also, as part of this bond issue, the City's portion related to capital equipment acquisitions is \$955,000. The total amount of the certificates of indebtedness 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 4.25% 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.

On November 16, 2023, the City of Brainerd, on behalf of BPU, issued \$2,955,000 in General Obligation Bonds, Series 2023A, with interest rates from 4.125% to 5.0%, maturing in February 2039, for improvements to the water system and construction of a sewer river crossing project. Also, as part of this debt issue, the City's portion related to utility improvements is \$2,155,000. The total amount of the debt issue is \$5,110,000.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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, 2023 was \$1,117,250. The interest payments are made semi-annually on June 1 and December 1, and principal payments on December 1. Net revenue available for debt service was \$5,354,263 as of December 31, 2023. Principal and interest paid from net revenue available for debt service totaled \$840,000 and \$158,258, respectively.

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, 2023 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, 2023 was \$196,435. The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1. Net revenue available for debt service was \$383,438 as of December 31, 2023. Principal and interest paid from net revenue available for debt service totaled \$175,000 and \$11,263, respectively.

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, 2023 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. Net revenue available for debt service was \$732,131 as of December 31, 2023. Principal and interest paid from net revenue available for debt service totaled \$315,000 and \$94,444, respectively.

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, 2023 was \$339,465. The interest payments are made semi-annually on February 1 and August 1, and principal payments on August 1. Net revenue available for debt service was \$1,026,567 as of December 31, 2023. Principal and interest paid from net revenue available for debt service totaled \$265,000 and \$56,925, respectively.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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, 2023 was \$466,620. The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1. Net revenue available for debt service was \$732,131 as of December 31, 2023. Principal and interest paid from net revenue available for debt service totaled \$225,000 and \$163,545, respectively.

General Obligation Bonds, Series 2023A

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, 2023 was \$107,179 (Water portion) and \$176,845 (Wastewater portion). The interest payments are made semi-annually on February 1 and August 1, and principal payments on February 1. Net revenue available for debt service was \$383,438 as of December 31, 2023. Principal and interest paid from net revenue available for debt service totaled \$0 and \$0, respectively.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Long-term bonds and notes debt consists of the following as of December 31, 2023 and 2022:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	
					2023	2022
Direct Borrowings - G.O. Build America Bonds, Series 2009	3.233%	6/24/2009	8/20/2028	\$ 25,966,788	\$ 8,455,000	\$ 9,991,000
Electric Utility Revenue Bonds, Series 2014A	2.0 - 4.0%	10/9/2014	12/1/2029	6,070,000	2,720,000	3,125,000
G.O. Water Utility Revenue Bonds, Series 2015A	2.0 - 4.0%	12/15/2014	2/1/2025	1,700,000	365,000	540,000
G.O. Utility Revenue Bonds, Series 2016A						
Water	1.625 - 5.0%	7/20/2016	10/1/2031	4,845,000	2,965,000	3,280,000
Sewer	1.625 - 5.0%	7/20/2016	10/1/2031	1,162,800	711,600	787,200
Electric Utility Revenue and Refunding Bonds, Series 2017A	2.25%	10/18/2017	12/1/2027	6,035,000	2,820,000	3,455,000
G.O. Utility Revenue Bonds (Water), Series 2018A	3.0 - 5.0%	3/22/2018	2/1/2028	2,720,000	1,490,000	1,755,000
G.O. Equipment Certificates of Indebtedness Series 2018A						
Electric	5.0%	3/22/2018	2/1/2023	97,600	-	20,800
Water	5.0%	3/22/2018	2/1/2023	79,300	-	16,900
Sewer	5.0%	3/22/2018	2/1/2023	128,100	-	27,300
G.O. Bonds Series 2021A	1.1 - 5.0%	9/20/2021	2/1/2037	5,250,000	5,025,000	5,250,000
G.O. Bonds Series 2023A						
Water	4.125 - 5.0%	11/16/2023	2/1/2039	1,100,000	1,100,000	-
Sewer	4.125 - 5.0%	11/16/2023	2/1/2039	1,855,000	1,855,000	-
Total Long-Term Liabilities				<u>\$ 57,009,588</u>	<u>27,506,600</u>	<u>28,248,200</u>
<u>Less Amount Due Within One Year</u>						
Direct Borrowings - G.O. Build America Bonds					1,585,000	1,536,000
Electric Utility Revenue Bonds, Series 2014A					415,000	405,000
Water Utility Revenue Bonds, Series 2015A					180,000	175,000
G.O. Utility Revenue Bonds (Water), Series 2016A					330,000	315,000
G.O. Utility Revenue Bonds (Sewer), Series 2016A					79,200	75,600
Electric Utility Revenue and Refunding Bonds, Series 2017A					695,000	635,000
G.O. Utility Revenue Bonds (Water), Series 2018A					280,000	265,000
G.O. Equipment Certificates of Indebtedness (Electric), Series 2018A					-	20,800
G.O. Equipment Certificates of Indebtedness (Water), Series 2018A					-	16,900
G.O. Equipment Certificates of Indebtedness (Sewer), Series 2018A					-	27,300
G.O. Bonds, Series 2021A					270,000	225,000
Net Long-Term Liabilities					<u>\$ 23,672,400</u>	<u>\$ 24,551,600</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (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			
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>\$ 8,455,000</u>	<u>\$ 837,412</u>	<u>\$ 9,292,412</u>
Electric Utility Revenue Bonds, Series 2014A			
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	475,000	38,800	513,800
2029	495,000	19,800	514,800
Total	<u>\$ 2,720,000</u>	<u>\$ 353,235</u>	<u>\$ 3,073,235</u>
G.O. Water Utility Revenue Bonds, Series 2015A			
2024	\$ 180,000	\$ 5,963	\$ 185,963
2025	185,000	2,081	187,081
Total	<u>\$ 365,000</u>	<u>\$ 8,044</u>	<u>\$ 373,044</u>
G.O. Utility Revenue Bonds, Series 2016A (Water Portion)			
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	375,000	32,288	407,288
2029-2031	1,175,000	50,675	1,225,675
Total	<u>\$ 2,965,000</u>	<u>\$ 307,307</u>	<u>\$ 3,272,307</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
<u>G.O. Utility Revenue Bonds, Series 2016A (Wastewater Portion)</u>			
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	90,000	7,749	97,749
2029-2031	<u>282,000</u>	<u>12,162</u>	<u>294,162</u>
Total	<u>\$ 711,600</u>	<u>\$ 73,754</u>	<u>\$ 785,354</u>
<u>Electric Utility Revenue and Refunding Bonds, Series 2017A</u>			
2024	\$ 695,000	\$ 63,450	\$ 758,450
2025	690,000	47,813	737,813
2026	710,000	32,288	742,288
2027	<u>725,000</u>	<u>16,313</u>	<u>741,313</u>
Total	<u>\$ 2,820,000</u>	<u>\$ 159,864</u>	<u>\$ 2,979,864</u>
<u>G.O. Water Utility Revenue Bonds, Series 2018A</u>			
2024	\$ 280,000	\$ 43,300	\$ 323,300
2025	290,000	31,950	321,950
2026	300,000	23,100	323,100
2027	305,000	14,025	319,025
2028	<u>315,000</u>	<u>4,725</u>	<u>319,725</u>
Total	<u>\$ 1,490,000</u>	<u>\$ 117,100</u>	<u>\$ 1,607,100</u>
<u>G.O. Bonds, Series 2021A</u>			
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	280,000	95,920	375,920
2029-2033	1,940,000	260,333	2,200,333
2034-2037	<u>1,705,000</u>	<u>67,598</u>	<u>1,772,598</u>
Total	<u>\$ 5,025,000</u>	<u>\$ 946,280</u>	<u>\$ 5,971,280</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
G.O. Improvement Bonds, Series 2023A (Water Portion)			
2024	\$ -	\$ 36,886	\$ 36,886
2025	40,000	51,075	91,075
2026	55,000	48,700	103,700
2027	55,000	45,950	100,950
2028	60,000	43,075	103,075
2029-2033	350,000	165,625	515,625
2034-2038	440,000	70,463	510,463
2039	100,000	2,125	102,125
	<u>\$ 1,100,000</u>	<u>\$ 463,899</u>	<u>\$ 1,563,899</u>
G.O. Improvement Bonds, Series 2023A (Wastewater Portion)			
2024	\$ -	\$ 62,192	\$ 62,192
2025	70,000	86,050	156,050
2026	90,000	82,050	172,050
2027	95,000	77,425	172,425
2028	100,000	72,550	172,550
2029-2033	585,000	280,375	865,375
2034-2038	745,000	119,500	864,500
2039	170,000	3,613	173,613
Total	<u>\$ 1,855,000</u>	<u>\$ 783,754</u>	<u>\$ 2,638,754</u>
Lease Liability			
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	4,838	13,387	18,225
2029-2033	29,475	63,900	93,375
2034-2038	48,123	56,502	104,625
2039-2043	70,712	45,163	115,875
2044-2048	98,074	29,051	127,125
2049-2052	106,692	7,778	108,900
Total	<u>\$ 416,272</u>	<u>\$ 271,759</u>	<u>\$ 682,461</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended December 31, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings -				
G.O. Build America Bonds	\$ 9,991,000	\$ -	\$ 1,536,000	\$ 8,455,000
Electric Utility Revenue				
Bonds, Series 2014A	3,125,000	-	405,000	2,720,000
G.O. Water Utility Revenue				
Bonds, Series 2015A	540,000	-	175,000	365,000
G.O. Utility Revenue				
Bonds, Series 2016A	4,067,200	-	390,600	3,676,600
Electric Utility Revenue				
and Refunding Bonds,				
Series 2017A	3,455,000	-	635,000	2,820,000
G.O. Utility Revenue				
Bonds, Series 2018A	1,755,000	-	265,000	1,490,000
G.O. Equipment Certificates of				
Indebtedness, Series 2018A	65,000	-	65,000	-
G.O. Bonds, Series 2021A	5,250,000	-	225,000	5,025,000
G.O. Improvement Bonds,				
Series 2023A	-	2,955,000	-	2,955,000
Revenue Bond Premium				
Series 2014A	59,919	-	13,938	45,981
Series 2015A	7,654	-	4,465	3,189
Series 2016A	187,742	-	44,135	143,607
Series 2018A	66,531	-	21,978	44,553
Series 2021A	568,885	-	83,832	485,053
Series 2023A	-	132,966	2,485	130,481
Lease Liability	439,198	-	22,926	416,272
Compensated Absences	1,152,568	602,264	682,872	1,071,960
Total	\$ 30,730,697	\$ 3,690,230	\$ 4,573,231	\$ 29,847,696

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM LIABILITIES (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	\$ 34,111,542	\$ 991,915	\$ 4,372,760	\$ 30,730,697

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%.

The right-to-use lease assets and the related accumulated amortization are detailed in Note 2.

**BRainerd Public Utilities
BRainerd, Minnesota
Notes to Financial Statements
December 31, 2023 and 2022**

NOTE 8 SEGMENT INFORMATION

BPU has issued revenue bonds for each of the following departments: Electric, the plant provides electricity to users; Water, which operates the water distribution system; and Wastewater, which operates the sewer collection system. Summary financial information for each of these departments for fiscal year ending December 31, 2023 and 2022, is presented below:

	2023		
	Electric	Water	Wastewater Treatment
Condensed Statement of Net Position			
Assets:			
Net Capital Assets	\$ 25,176,470	\$ 22,658,511	\$ 20,837,222
Restricted Assets	1,995,276	1,550,157	5,936,825
Current Assets	10,253,514	(283,006)	6,365,363
Other Assets	213,283	-	-
Total Assets	<u>37,638,543</u>	<u>23,925,662</u>	<u>33,139,410</u>
Deferred Outflows of Resources	<u>630,567</u>	<u>210,190</u>	<u>210,190</u>
Liabilities:			
Current Liabilities	4,078,644	1,398,483	2,216,750
Long-Term Liabilities	7,618,021	11,571,445	10,374,598
Total Liabilities	<u>11,696,665</u>	<u>12,969,928</u>	<u>12,591,348</u>
Net Position:			
Net Investment in Capital Assets	19,749,533	11,074,208	9,770,365
Restricted Net Position	-	1,970,862	4,699,422
Unrestricted Net Position	6,040,929	(2,139,807)	6,027,804
Total Net Position	<u>25,790,462</u>	<u>10,905,263</u>	<u>20,497,591</u>
Deferred Inflows of Resources	781,983	260,661	260,661
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues (Expenses):			
Charges (Pledged Against Bonds)	23,204,104	3,185,888	3,020,839
Depreciation and Amortization Expense	(2,281,847)	(1,261,910)	(1,749,842)
Other Operating Expenses	(19,137,591)	(2,809,241)	(1,996,597)
Other Operating Revenues	420,533	60,616	36,757
Operating Income (Loss)	2,205,199	(824,647)	(688,843)
Nonoperating Revenues (Expenses):			
Interest Income	89,702	34,116	392,863
Other Revenue	8,584	348,693	1,599,185
Interest Expense	(169,193)	(158,224)	(328,914)
Other Expenses	-	(22,113)	(36,588)
Change in Net Position	<u>1,351,047</u>	<u>(622,175)</u>	<u>937,703</u>
Beginning Net Position	<u>24,439,415</u>	<u>11,527,438</u>	<u>19,559,888</u>
Ending Net Position	25,790,462	10,905,263	20,497,591
Condensed Statement of Cash Flows			
Net Cash Provided (Used) by:			
Operating Activities	3,891,363	181,578	943,593
Noncapital Financing Activities	(818,383)	(124,390)	(881,078)
Capital and Related Financing Activities	(4,550,929)	(3,119,171)	(32,702)
Investing Activities	716,638	1,870,899	(319,784)
Net Increase (Decrease)	<u>(761,311)</u>	<u>(1,191,084)</u>	<u>(289,971)</u>
Beginning Cash and Cash Equivalents	<u>2,639,514</u>	<u>1,367,494</u>	<u>2,759,874</u>
Ending Cash and Cash Equivalents	1,878,203	176,410	2,469,902

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 SEGMENT INFORMATION (CONTINUED)

	2022		
	Electric	Water	Wastewater Treatment
Condensed Statement of Net Position			
Assets:			
Net Capital Assets	\$ 24,179,249	\$ 20,619,599	\$ 20,513,136
Restricted Assets	1,803,834	1,472,613	5,589,679
Current Assets	10,172,969	2,796,478	6,055,806
Other Assets	239,683	-	-
Total Assets	<u>36,395,735</u>	<u>24,888,690</u>	<u>32,158,621</u>
Deferred Outflows of Resources	<u>1,071,252</u>	<u>357,084</u>	<u>357,084</u>
Liabilities:			
Current Liabilities	3,248,524	1,685,786	2,419,085
Long-Term Liabilities	9,649,023	11,990,016	10,494,196
Total Liabilities	<u>12,897,547</u>	<u>13,675,802</u>	<u>12,913,281</u>
Net Position:			
Net Investment in Capital Assets	17,912,715	10,755,780	9,261,755
Restricted Net Position	-	1,908,870	-
Unrestricted Net Position	6,527,668	(1,137,697)	5,057,456
Total Net Position	<u>24,440,383</u>	<u>11,526,953</u>	<u>14,319,211</u>
Deferred Inflows of Resources	129,057	43,019	43,019
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues (Expenses):			
Charges (Pledged Against Bonds)	21,555,762	3,283,211	2,897,142
Depreciation and Amortization Expense	2,260,484	1,172,307	1,840,100
Other Operating Expenses	17,669,522	2,665,209	(667,793)
Other Operating Revenues	839,012	24,089	36,058
Operating Income (Loss)	2,464,768	(530,216)	(1,328,511)
Nonoperating Revenues (Expenses):			
Interest Income	(235,020)	(24,837)	(294,049)
Other Revenue	33,954	334,915	1,694,691
Interest Expense	(151,184)	(53,034)	(339,068)
Other Expenses	-	-	-
Change in Net Position	<u>2,112,518</u>	<u>(273,172)</u>	<u>(266,937)</u>
Beginning Net Position	<u>22,327,865</u>	<u>11,800,125</u>	<u>19,826,342</u>
Ending Net Position	24,440,383	11,526,953	19,559,405
Condensed Statement of Cash Flows			
Net Cash Provided (Used) by:			
Operating Activities	3,583,046	274,758	549,929
Noncapital Financing Activities	(775,358)	(434,541)	(100,546)
Capital and Related Financing Activities	(3,001,834)	(4,288,230)	(646,352)
Investing Activities	868,555	3,671,749	847,461
Net Increase (Decrease)	<u>674,409</u>	<u>(776,264)</u>	<u>650,492</u>
Beginning Cash and Cash Equivalents	<u>1,965,105</u>	<u>2,143,758</u>	<u>2,109,382</u>
Ending Cash and Cash Equivalents	2,639,514	1,367,494	2,759,874

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 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 10 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 and certain part-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, 2023 AND 2022**

NOTE 10 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. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years 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. 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% 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. 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 2023 and 2022 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, 2023 and 2022, were \$359,946 and \$361,230, respectively. BPU's contributions were equal to the required contributions as set by state statute.

General Employees Fund Pension Costs

At December 31, 2023 and 2022, BPU reported a liability of \$3,405,460 and \$4,926,260, respectively, for its proportionate share of the General Employees Fund's net pension liability. BPU's 2023 and 2022 net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2023 and 2022. 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 \$93,909 at December 31, 2023 for a total liability of \$3,499,369 and \$144,370 at December 31, 2022 for a total liability of \$5,070,630. The net pension liability was measured as of June 30, 2023 and 2022, 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, 2023 AND 2022**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023 for December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. BPU's proportionate share of the net pension liability for December 31, 2023, was based on BPU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the proportionate share was 0.0609% at the end of the measurement period and 0.0622% for the beginning of the period.

The net pension liability was measured as of June 30, 2022 for December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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.

For the years ended December 31, 2023 and 2022, BPU recognized pension expense of \$630,353 and \$784,275 for its proportionate share of the General Employees Plan's pension expense. In addition, BPU recognized an additional \$422 in 2023 and \$67 in 2022 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, 2023, 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	\$ 111,837	\$ 23,460
Changes in Actuarial Assumptions	551,296	933,408
Net difference Between Projected and Actual Investment Earnings	-	127,352
Changes in Proportion	99,436	58,899
Contributions Paid to PERA Subsequent to the Measurement Date	177,335	-
Total	<u>\$ 939,904</u>	<u>\$ 1,143,119</u>

The \$177,335 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, 2024. 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
2024	\$ 134,287
2025	(500,835)
2026	59,877
2027	(73,879)

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Fund Pension Costs (Continued)

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
Net 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>

Total Pension Expense

The total pension expense for all plans recognized by the BPU for the year ended December 31, 2023 and 2022 was \$630,775 and 784,342, respectively.

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 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%
Total	<u>100.0%</u>	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7.0%. 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 7.0% 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, 2023 AND 2022**

NOTE 10 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate was changed from 6.5% to 7.0%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period for those hired after June 30, 2010 was changed from five years from allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0% and in 2022 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, 2023 and 2022 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, 2023		
	1% Higher	Current Discount Rate	1% Lower
General Employees Fund Discount Rate	6.00%	7.00%	8.00%
BPU's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 6,024,532	\$ 3,405,460	\$ 1,251,173

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liability Sensitivity (Continued)

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

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.

NOTE 11 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 2023 and 2022, BPU contributed \$16,928 and \$8,118, respectively to the plan.

Actuarial Methods and Assumptions

BPU's OPEB liability was measured as of January 1, 2023, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2022. Updating procedures were performed to roll forward the total OPEB liability to the measurement date. 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:

Assumptions	
Inflation	2.50%
Salary Increase	Services Graded Table
Health Care Trend Rates	6.25% Decreasing to 5.00% then 4.00% Over 6 Yrs.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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 4.0%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

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

- The discount rate was changed from 2.00% to 4.00%.
- The inflation rate was changed from 2.00% to 2.50%.

Changes in Net OPEB Liability

	Total OPEB Liability 2023	Total OPEB Liability 2022
Balance at January 1,	\$ 384,494	\$ 548,966
Changes for the Year:		
Service Cost	26,085	34,331
Interest	8,131	11,153
Assumption Changes	(44,384)	(18,204)
Difference Between Expected and Actual	-	(140,216)
Benefit Payments	(8,118)	(51,536)
Net Change in Total OPEB Liability	(18,286)	(164,472)
Balance at December 31,	\$ 366,208	\$ 384,494

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:

2023 Description	1% Decrease 3.0%	Discount Rate 4.0%	1% Increase 5.0%
Net OPEB Liability	\$ 392,463	\$ 366,208	\$ 341,485
2022 Description	1% Decrease 1.0%	Discount Rate 2.0%	1% Increase 3.0%
Net OPEB Liability	\$ 411,301	\$ 384,494	\$ 358,637

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 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>2023</u>	1% Decrease (5.25% Decreasing to 3.0%)	Current Trend Rates (6.25% Decreasing to 4.0%)	1% Increase (7.25% Decreasing to 5.0%)
Medical Trend Rate			
Net OPEB Liability	\$ 325,871	\$ 366,208	\$ 414,125
<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

For the years ended December 31, 2023 and 2022, BPU recognized OPEB expense of \$30,462 and \$47,280, respectively. At December 31, 2023, 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	\$ 16,928	\$ -
Difference Between Expected and Actual Experience	76,391	105,160
Changes in Actuarial Assumptions	17,724	55,026
Total	<u>\$ 111,043</u>	<u>\$ 160,186</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>
2024	\$ (3,752)
2025	(3,755)
2026	(2,479)
2027	(2,482)
2028	(22,705)
Thereafter	(30,898)

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Net OPEB Liability (Continued)

At December 31, 2022, 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	\$ 8,118	\$ -
Difference Between Expected and Actual Experience	95,494	122,688
Changes in Actuarial Assumptions	21,497	19,747
Total	\$ 125,109	\$ 142,435

NOTE 12 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.

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 13 COMMITMENTS

Power Contracts

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

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 14 EMPHASIS OF MATTER

The Electric, Water and Wastewater Treatment Departments are treated as a single enterprise fund of the City of Brainerd and present only the enterprise fund activity and does not present the financial position of the City of Brainerd. 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 financial statements include the operations of the City of Brainerd's Public Utilities. BPU's principal operations is providing electric, water and wastewater services to local residents and business customers residing in Brainerd, Minnesota.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF BPU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN 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
2023	0.0609%	\$ 3,405,460	\$ 93,909	\$ 3,499,369	\$ 4,843,449	70.31%	83.10%
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 TEN 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)
2023	\$ 359,946	\$ 359,946	\$ -	\$ 4,799,280	7.50%
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%

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

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

	Measurement Date December 31, 2023	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
Total OPEB Liability						
Service Cost	\$ 26,085	\$ 34,331	\$ 39,670	\$ 33,722	\$ 22,563	\$ 23,674
Interest	8,131	11,153	15,469	13,537	11,642	12,031
Assumption Changes	(44,384)	(18,204)	21,049	9,122	(8,905)	-
Difference Between Expected and Actual Experience	-	(140,216)	-	152,787	-	-
Benefit Payments	(8,118)	(51,536)	(41,654)	(34,175)	(31,901)	(60,631)
Net Change in Total OPEB Liability	(18,286)	(164,472)	34,534	174,993	(6,601)	(24,926)
Total OPEB - Beginning of the Year	384,494	548,966	514,432	339,439	346,040	370,966
Total OPEB - End of the Year	<u>\$ 366,208</u>	<u>\$ 384,494</u>	<u>\$ 548,966</u>	<u>\$ 514,432</u>	<u>\$ 339,439</u>	<u>\$ 346,040</u>
Covered-Employee Payroll	\$ 4,571,346	\$ 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	8%	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, 2023**

**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:

2023

Changes in Actuarial Assumptions

- The discount rate was changed from 6.50% to 7.00%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period for those hired after June 30, 2010 was changed from five years from allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

2018 (Continued)

Changes in Plan Provisions (Continued)

- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

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

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015..

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:

2023

- The discount rate was changed from 2.00% to 4.00%.
- The inflation rate was changed from 2.00% to 2.50%.

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%.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

2019

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

2018

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

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT
DECEMBER 31, 2023
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2022)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CAPITAL ASSETS					
Construction in Progress	\$ 2,453,600	\$ 93,288	\$ 2,361,593	\$ 4,908,481	\$ 6,887,414
In Service	48,301,225	38,136,424	39,600,896	126,038,545	115,589,390
Total Investment in Capital Assets	50,754,825	38,229,712	41,962,489	130,947,026	122,476,804
Less: Accumulated Depreciation/Amortization	(25,578,355)	(15,571,201)	(21,125,267)	(62,274,823)	(57,164,820)
Net Capital Assets	25,176,470	22,658,511	20,837,222	68,672,203	65,311,984
RESTRICTED ASSETS					
Cash and Investments					
Customer Deposits	498,283	-	-	498,283	348,726
City of Brainerd Contribution	-	7,654	228,220	235,874	295,485
Conservation Incentive Program	379,743	-	-	379,743	251,045
Debt Service Reserve	1,117,250	1,542,503	1,962,882	4,622,635	4,601,636
Total Restricted Cash and Investments	1,995,276	1,550,157	2,191,102	5,736,535	5,496,892
Bonds and Notes Receivable					
Notes Receivable - Interest	-	-	3,710,923	3,710,923	3,330,334
Total Restricted Assets	1,995,276	1,550,157	5,936,825	9,482,258	8,866,126
CURRENT ASSETS					
Cash and Investments	3,914,979	(995,037)	5,581,090	8,501,032	12,742,353
Accounts Receivable	3,607,146	409,450	496,172	4,512,768	3,647,767
Interest Receivable	16,605	2,432	15,217	34,254	21,914
Due from the City of Brainerd	74,509	143,585	238,138	456,232	286,288
Supplies	1,841,020	140,406	-	1,981,426	1,549,484
Prepaid Expenses	799,255	16,158	34,746	850,159	777,447
Total Current Assets	10,253,514	(283,006)	6,365,363	16,335,871	19,025,253
OTHER ASSETS					
Service Territory Acquisitions, Net of					
Accumulated Depreciation	213,283	-	-	213,283	239,683
Total Assets	37,638,543	23,925,662	33,139,410	94,703,615	93,443,046
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	563,942	187,981	187,981	939,904	1,660,311
OPEB Related	66,625	22,209	22,209	111,043	125,109
Total Deferred Outflows of Resources	630,567	210,190	210,190	1,050,947	1,785,420
Total Assets and Deferred Outflows of Resources	\$ 38,269,110	\$ 24,135,852	\$ 33,349,600	\$ 95,754,562	\$ 95,228,466

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT (CONTINUED)
DECEMBER 31, 2023
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2022)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2023	2022
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
NET POSITION					
Net Investment in Capital Assets	\$ 19,749,533	\$ 11,074,208	\$ 9,770,365	\$ 40,594,106	\$ 37,930,250
Restricted for Debt Service	-	1,418,898	4,699,422	6,118,320	6,581,652
Restricted for Capital Outlay	-	551,964	-	551,964	567,412
Unrestricted	6,040,929	(2,139,807)	6,027,804	9,928,926	10,447,427
Total Net Position	25,790,462	10,905,263	20,497,591	57,193,316	55,526,741
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Portion	4,475,981	10,580,684	9,468,599	24,525,264	25,442,331
Lease Liability	376,363	5,369	5,369	387,101	410,701
Compensated Absences	512,832	234,445	149,683	896,960	977,568
Net Pension Liability	2,043,276	681,092	681,092	3,405,460	4,926,260
Other Postemployment Benefit Obligation	209,569	69,855	69,855	349,279	376,375
Total Long-Term Liabilities	7,618,021	11,571,445	10,374,598	29,564,064	32,133,235
CURRENT LIABILITIES					
Accounts and Contracts Payable	1,490,405	78,714	123,802	1,692,921	1,880,225
Bonds Payable	1,110,000	1,060,000	1,664,200	3,834,200	3,696,600
Lease Liability	18,593	5,289	5,289	29,171	28,497
Compensated Absences	110,250	36,750	28,000	175,000	175,000
Other Postemployment Benefit Obligation	10,157	3,386	3,386	16,929	8,119
Accrued Expenses					
Salaries and Withholding Taxes	222,519	80,285	49,459	352,263	312,752
Sales Taxes	153,901	2,800	-	156,701	89,271
Current Liabilities from Restricted Assets:					
Bond Interest	15,148	111,709	114,397	241,254	267,675
Payable to City of Brainerd	69,645	19,550	228,217	317,412	295,485
Conservation Incentive Program Payable	379,743	-	-	379,743	251,045
Customer Deposits	498,283	-	-	498,283	348,726
Total Current Liabilities	4,078,644	1,398,483	2,216,750	7,693,877	7,353,395
Total Liabilities	11,696,665	12,969,928	12,591,348	37,257,941	39,486,630
DEFERRED INFLOWS OF RESOURCES					
Pension Related	685,871	228,624	228,624	1,143,119	72,660
OPEB Related	96,112	32,037	32,037	160,186	142,435
Total Deferred Outflows of Resources	781,983	260,661	260,661	1,303,305	215,095
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 38,269,110	\$ 24,135,852	\$ 33,349,600	\$ 95,754,562	\$ 95,228,466

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2023	2022
OPERATING REVENUES					
Utility Revenues					
Residential	\$ 6,832,295	\$ 1,649,491	\$ 1,438,878	\$ 9,920,664	\$ 9,561,816
Commercial	10,583,243	1,397,676	1,569,400	13,550,319	13,117,691
Large Commercial	5,427,075	-	-	5,427,075	3,725,065
City of Brainerd	361,491	138,721	12,561	512,773	483,154
Total Utility Revenues	23,204,104	3,185,888	3,020,839	29,410,831	26,887,726
Other Operating Revenues					
Penalties	136,974	25,270	31,270	193,514	159,397
Other	283,559	35,346	5,487	324,392	739,762
Total Other Operating Revenues	420,533	60,616	36,757	517,906	899,159
Total Operating Revenues	23,624,637	3,246,504	3,057,596	29,928,737	27,786,885
OPERATING EXPENSES					
Generation, Production, and Treatment					
Salaries and Wages	450,978	467,672	428,321	1,346,971	1,314,069
Purchased Services	19,995	73,887	316,829	410,711	270,752
Supplies and Maintenance	18,375	150,234	130,910	299,519	225,645
Employee Benefits	128,282	170,523	127,893	426,698	428,750
Other Charges	1,542	591	29,523	31,656	81,227
Total Generation, Production, and Treatment Expenses	619,172	862,907	1,033,476	2,515,555	2,320,443
Purchased Power	13,781,299	-	-	13,781,299	12,256,210
Distribution and Collection					
Salaries and Wages	1,395,871	574,997	89,113	2,059,981	1,947,365
Purchased Services	128,870	239,515	73,931	442,316	398,136
Supplies and Maintenance	261,645	56,822	679	319,146	390,079
Employee Benefits	402,716	165,503	35,860	604,079	605,527
Other Charges	70,340	24,317	360	95,017	55,283
Total Distribution and Collection Expenses	2,259,442	1,061,154	199,943	3,520,539	3,396,390

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DEPARTMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2023	2022
OPERATING EXPENSES (CONTINUED)					
Administration					
Salaries and Wages	\$ 760,318	\$ 272,491	\$ 260,739	\$ 1,293,548	\$ 1,332,209
Purchased Services	539,338	261,585	129,947	930,870	779,625
Supplies and Maintenance	11,290	5,046	5,045	21,381	29,893
Insurance and Bonds	232,445	68,642	79,240	380,327	278,468
Employee Benefits	514,670	169,138	166,338	850,146	967,719
Other Charges	419,617	108,278	121,869	649,764	546,996
Total Administration Expenses	2,477,678	885,180	763,178	4,126,036	3,934,910
Depreciation and Amortization	2,281,847	1,261,910	1,749,842	5,293,599	5,272,891
Total Operating Expenses	21,419,438	4,071,151	3,746,439	29,237,028	27,180,844
OPERATING INCOME (LOSS)	2,205,199	(824,647)	(688,843)	691,709	606,041
NONOPERATING REVENUE (EXPENSE)					
Interest Income - Investments	89,702	34,116	271,704	395,522	(671,411)
Interest Income - Notes Receivable	-	-	121,159	121,159	117,505
Interest Expense	(169,193)	(158,224)	(328,914)	(656,331)	(543,286)
Local Option Sales Tax	-	348,693	1,528,615	1,877,308	1,940,891
Federal Grant Revenue - Build America Bond	-	-	70,570	70,570	77,558
Bond Issuance Costs	-	(22,113)	(36,588)	(58,701)	-
Gain on Disposal of Capital Assets	8,584	-	-	8,584	45,111
Net Nonoperating Revenue (Expense)	(70,907)	202,472	1,626,546	1,758,111	966,368
INCOME (LOSS) BEFORE TRANSFERS	2,134,292	(622,175)	937,703	2,449,820	1,572,409
TRANSFERS TO THE CITY	(783,245)	-	-	(783,245)	(756,373)
CHANGE IN NET POSITION	\$ 1,351,047	\$ (622,175)	\$ 937,703	\$ 1,666,575	\$ 816,036

**BRainerd PUBLIC UTILITIES
BRainerd, MINNESOTA
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
AND AMORTIZATION
DECEMBER 31, 2023**

	Cost			
	12/31/2022	Additions	Retirements	12/31/2023
Electric Department				
<u>Generation</u>				
Land and Land Improvements	\$ 330,036	\$ -	\$ -	\$ 330,036
Generation Facilities	7,139,079	9,043	-	7,148,122
Machinery and Equipment	107,606	37,823	-	145,429
Transportation Equipment	22,365	-	-	22,365
Total Generation	7,599,086	46,866	-	7,645,952
<u>Distribution</u>				
Land and Land Improvements	321,103	-	-	321,103
Distribution System	31,458,968	1,591,931	-	33,050,898
Street and Security Lighting System	640,445	70,240	-	710,685
Machinery and Equipment	1,004,856	19,456	-	1,024,312
Transportation Equipment	1,578,726	-	-	1,578,726
Total Distribution	35,004,098	1,681,627	-	36,685,725
Total Electric Department	42,603,184	1,728,493	-	44,331,677
Water Department				
<u>Production</u>				
Structures and Improvements	1,811,796	61,152	-	1,872,948
Wells, Pumps and Accessories	886,381	70,233	-	956,614
Water Treatment Plant Equipment	2,388,206	74,105	-	2,462,311
Total Production	5,086,383	205,490	-	5,291,873
<u>Distribution</u>				
Distribution System	22,654,226	7,740,548	-	30,394,774
Machinery and Equipment	470,549	89,283	-	559,832
Transportation Equipment	448,759	24,338	-	473,097
Total Water Distribution	23,573,534	7,854,169	-	31,427,703
Total Water Department	28,659,917	8,059,659	-	36,719,576
Wastewater Treatment Department				
Land and Land Improvements	53,730	-	-	53,730
Collection System	5,491,528	122,400	-	5,613,928
Treatment Facility	30,870,229	481,870	217,502	31,134,597
Machinery and Equipment	774,223	10,612	-	784,835
Transportation Equipment	282,335	-	-	282,335
Total Wastewater Treatment Department	37,472,045	614,882	217,502	37,869,425
General Plant				
Land and Land Improvements	1,437,103	-	-	1,437,103
Service Center	4,030,725	-	-	4,030,725
Furniture and Fixtures	629,923	263,623	-	893,546
Right-to-Use Asset	461,978	-	-	461,978
Transportation Equipment	228,715	-	-	228,715
Storage Building	65,800	-	-	65,800
Total General Plant	6,854,244	263,623	-	7,117,867
Total Capital Assets in Service	115,589,390	10,666,657	217,502	126,038,545
Construction Work in Progress	6,887,414	6,467,612	8,446,545	4,908,481
Total Investment in Capital Assets	<u>\$ 122,476,804</u>	<u>\$ 17,134,269</u>	<u>\$ 8,664,047</u>	<u>\$ 130,947,026</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
AND AMORTIZATION (CONTINUED)
DECEMBER 31, 2023**

Composite Depreciation Rates	Accumulated Depreciation				Percent of Asset Balance
	12/31/2022	Additions	Retirements	12/31/2023	
2.0%	\$ 37,016	\$ 6,504	\$ -	\$ 43,520	13.2%
4.3%	2,048,814	306,549	-	2,355,363	33.0%
10.0%	47,931	14,561	-	62,492	43.0%
5.1%	18,471	1,140	-	19,611	87.7%
4.3%	2,152,232	328,754	-	2,480,986	32.4%
0.0%	-	-	-	-	0.0%
4.6%	16,087,229	1,517,561	-	17,604,790	53.3%
5.9%	439,533	42,165	-	481,698	67.8%
5.8%	831,930	59,157	-	891,087	87.0%
7.4%	1,003,721	116,073	-	1,119,794	70.9%
4.7%	18,362,413	1,734,956	-	20,097,369	54.8%
	20,514,645	2,063,710	-	22,578,355	
0.6%	1,663,502	11,484	-	1,674,986	89.4%
8.3%	519,318	78,962	-	598,280	62.5%
6.8%	1,649,147	168,501	-	1,817,648	73.8%
4.9%	3,831,967	258,946	-	4,090,913	77.3%
2.9%	8,728,043	867,225	-	9,595,268	31.6%
7.9%	328,737	44,399	-	373,136	66.7%
7.8%	330,391	36,935	-	367,326	77.6%
3.0%	9,387,171	948,559	-	10,335,730	32.9%
3.3%	13,219,138	1,207,505	-	14,426,643	39.3%
0.0%	-	-	-	-	0.0%
4.2%	3,109,721	235,741	-	3,345,462	59.6%
4.5%	15,280,238	1,393,548	146,210	16,527,576	53.1%
6.5%	467,092	51,118	-	518,210	66.0%
9.5%	208,084	26,700	-	234,784	83.2%
4.5%	19,065,135	1,707,107	146,210	20,626,032	54.5%
0.6%	225,163	9,145	-	234,308	16.3%
3.3%	3,383,453	132,701	-	3,516,154	87.2%
8.7%	496,127	77,782	-	573,909	64.2%
10.0%	25,042	46,235	-	71,277	15.4%
5.3%	170,317	12,028	-	182,345	79.7%
0.0%	65,800	-	-	65,800	100.0%
3.9%	4,365,902	277,891	-	4,643,793	65.2%
4.2%	57,164,820	5,256,213	146,210	62,274,823	49.4%
	-	-	-	-	
4.0%	\$ 57,164,820	\$ 5,256,213	\$ 146,210	\$ 62,274,823	47.6%

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
ELECTRIC DISTRIBUTION DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2014 THROUGH 2023
(UNAUDITED)**

	2014	2015	2016	2017	2018
Electric Capital Assets					
In Service (Thousands)	\$ 36,146	\$ 39,034	\$ 40,295	\$ 43,225	\$ 44,612
Investment Per Meter	\$ 4,558	\$ 4,912	\$ 5,046	\$ 5,377	\$ 5,510
Investment Per Dollar of Electric Revenue	\$ 2.01	\$ 2.15	\$ 2.22	\$ 2.23	\$ 2.11
Accumulated Depreciation (Thousands)	\$ 14,892	\$ 15,838	\$ 17,441	\$ 19,024	\$ 20,711
Percent of Capital Assets	41.2%	40.6%	43.3%	44.0%	46.4%
Annual Depreciation (Thousands)	\$ 1,344	\$ 1,520	\$ 1,636	\$ 1,763	\$ 1,914
Percent of Annual Depreciation to Average Capital Assets in Service	3.9%	4.0%	4.1%	4.2%	4.4%
Number of Meters (Year-End)	7,931	7,946	7,986	8,039	8,096
Cost of Power					
KWH Purchased (Thousands)	186,738	167,978	166,984	165,645	170,684
KWH Generated	5,601	18,554	20,116	19,401	19,081
Total Cost (Thousands)	\$ 12,270	\$ 11,287	\$ 12,475	\$ 12,754	\$ 11,854
Cost Per KWH Purchased (Cents)	6.60	6.72	7.47	7.70	6.94
Percent of System Loss	3.6%	3.4%	3.6%	3.5%	3.4%
Average Load Factor for Year	69.9%	66.8%	66.5%	66.9%	66.3%
Electric Revenue					
KWH Sold (Thousands)	185,427	180,256	180,334	178,511	183,244
Electric Utility Revenue (Thousands)	\$ 18,009	\$ 18,119	\$ 18,159	\$ 19,412	\$ 21,183
Per KWH Sold (Cents)	9.71	10.05	10.07	10.87	11.56
Gross Margin Per KWH (Cents)	3.11	3.33	2.60	3.17	4.62
Operating Income (Loss) (Thousands)	\$ 1,653	\$ 1,666	\$ 556	\$ 1,504	\$ 3,594
Change in Net Position (Thousands)	\$ 621	\$ 707	\$ (457)	\$ 473	\$ 2,690

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

2019	2020	2021	2022	2023
\$ 43,103	\$ 44,904	\$ 45,322	\$ 47,513	\$ 48,301
\$ 5,288	\$ 5,464	\$ 5,503	\$ 5,668	\$ 5,843
\$ 2.05	\$ 2.25	\$ 2.19	\$ 2.20	\$ 1.97
\$ 18,888	\$ 20,552	\$ 21,177	\$ 23,334	\$ 25,578
43.8%	45.8%	46.7%	49.1%	53.0%
\$ 2,088	\$ 2,233	\$ 2,269	\$ 2,260	\$ 2,282
4.8%	5.1%	5.0%	4.9%	4.7%
8,151	8,218	8,236	8,383	8,267
167,222	159,528	171,355	172,586	194,577
17,744	18,727	12,983	16,584	10,866
\$ 11,928	\$ 10,559	\$ 12,021	\$ 12,256	\$ 13,781
7.10	6.60	7.02	7.34	7.08
3.6%	3.3%	3.1%	2.3%	2.0%
64.3%	68.8%	66.8%	67.6%	58.7%
178,392	172,315	178,605	184,500	218,085
\$ 21,007	\$ 19,905	\$ 20,673	\$ 21,556	\$ 24,024
11.78	11.55	11.57	11.68	11.02
4.68	4.95	4.55	4.34	3.93
\$ 3,131	\$ 2,855	\$ 1,937	\$ 2,465	\$ 2,983
\$ 2,250	\$ 2,087	\$ 988	\$ 1,356	\$ 2,129

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
WATER DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2014 THROUGH 2023
(UNAUDITED)**

	2014	2015	2016	2017	2018
Water Capital Assets					
In Service (Thousands)	\$ 17,653	\$ 17,655	\$ 17,930	\$ 24,356	\$ 25,582
Investment Per Meter	\$ 3,814	\$ 3,797	\$ 3,835	\$ 5,160	\$ 5,368
Investment Per Dollar of Water Revenue	\$ 8.60	\$ 8.11	\$ 7.95	\$ 10.43	\$ 10.24
Accumulated Depreciation (Thousands)	\$ 7,949	\$ 7,974	\$ 8,608	\$ 9,387	\$ 10,310
Percent of Capital Assets	45.0%	45.2%	48.0%	38.5%	40.3%
Annual Depreciation (Thousands)	\$ 553	\$ 656	\$ 702	\$ 821	\$ 1,005
Percent of Annual Depreciation to Average Capital Assets in Service	3.3%	3.7%	4.0%	3.9%	4.1%
Number of Meters (Year-End)	4,629	4,650	4,675	4,720	4,766
Cost of Water Production					
Gallons Pumped into Distribution System (Thousands)	500,441	506,271	492,846	482,159	465,743
Total Cost (Thousands)	\$ 481	\$ 442	\$ 459	\$ 472	\$ 493
Cost Per Thousand Gallons Pumped	\$ 0.96	\$ 0.87	\$ 0.93	\$ 0.98	\$ 1.06
Percent of System Loss	16.3%	18.7%	18.8%	19.5%	15.6%
Water Revenue					
Gallons Sold (Thousands)	418,668	411,825	400,226	388,296	393,241
Water Utility Revenue (Thousands)	\$ 2,053	\$ 2,177	\$ 2,254	\$ 2,335	\$ 2,499
Per Thousand Gallons Sold	\$ 4.90	\$ 5.29	\$ 5.63	\$ 6.01	\$ 6.35
Gross Margin Per Thousand Gallons Sold	\$ 3.94	\$ 4.42	\$ 4.70	\$ 5.03	\$ 5.29
Operating Income (Loss) (Thousands)	\$ 171	\$ 184	\$ 72	\$ (87)	\$ (178)
Change in Net Position (Thousands) Before Capital Contributions from City	\$ 143	\$ 153	\$ 12	\$ 133	\$ (122)

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

2019	2020	2021	2022	2023
\$ 27,467	\$ 28,398	\$ 31,356	\$ 34,929	\$ 38,136
\$ 5,725	\$ 5,865	\$ 6,448	\$ 7,058	\$ 7,754
\$ 10.72	\$ 10.54	\$ 7.96	\$ 10.63	\$ 11.55
\$ 11,009	\$ 11,997	\$ 13,180	\$ 14,309	\$ 15,571
40.1%	42.2%	42.0%	41.0%	40.8%
\$ 1,060	\$ 1,142	\$ 1,182	\$ 1,172	\$ 1,256
4.0%	4.1%	4.0%	3.5%	3.3%
4,798	4,842	4,863	4,949	4,918
473,439	490,593	908,885	576,007	524,270
\$ 495	\$ 593	\$ 713	\$ 821	\$ 974
\$ 1.05	\$ 1.21	\$ 0.78	\$ 1.42	\$ 1.86
18.5%	19.5%	15.3%	14.4%	20.0%
385,936	395,137	770,302	493,350	420,688
\$ 2,563	\$ 2,695	\$ 3,935	\$ 3,283	\$ 3,302
\$ 6.64	\$ 6.82	\$ 5.11	\$ 6.65	\$ 7.85
\$ 5.59	\$ 5.61	\$ 4.33	\$ 5.23	\$ 5.99
\$ (295)	\$ (252)	\$ 717	\$ (530)	\$ (913)
\$ (132)	\$ (102)	\$ 768	\$ (273)	\$ (710)

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
WASTEWATER TREATMENT DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2014 THROUGH 2023
(UNAUDITED)**

	2014	2015	2016	2017	2018
Wastewater Treatment Capital Assets					
In Service (Thousands)	\$ 36,368	\$ 36,403	\$ 36,453	\$ 37,612	\$ 37,870
Investment Per Account	\$ 7,937	\$ 7,914	\$ 7,882	\$ 8,045	\$ 8,040
Investment Per Dollar of Wastewater Treatment Revenue	\$ 15.78	\$ 15.44	\$ 14.75	\$ 14.38	\$ 13.81
Accumulated Depreciation (Thousands)	\$ 8,424	\$ 9,746	\$ 11,113	\$ 12,421	\$ 13,767
Percent of Capital Assets	23.2%	26.8%	30.5%	33.0%	36.4%
Annual Depreciation (Thousands)	\$ 1,382	\$ 1,392	\$ 1,402	\$ 1,429	\$ 1,497
Percent of Annual Depreciation to Average Capital Assets in Service	3.8%	3.8%	3.9%	3.9%	4.0%
Number of Accounts (Year-End)	4,582	4,600	4,625	4,675	4,710
Cost of Wastewater Treatment					
Flow in Gallons Processed (Thousands)	799,681	700,235	764,803	844,303	751,581
Total Treatment Cost (Thousands)	\$ 1,106	\$ 1,001	\$ 1,084	\$ 1,189	\$ 1,372
Cost Per Thousand Gallons Processed	\$ 1.38	\$ 1.43	\$ 1.42	\$ 1.41	\$ 1.83
Percent of System Loss	30.7%	22.7%	28.7%	31.8%	23.3%
Wastewater Treatment Revenue					
Flow in Gallons Sold (Thousands)	554,578	541,213	545,513	575,734	567,477
Wastewater Treatment Utility Revenue (Thousands)	\$ 2,304	\$ 2,357	\$ 2,471	\$ 2,616	\$ 2,742
Per Thousand Gallons Sold	\$ 4.15	\$ 4.36	\$ 4.53	\$ 4.54	\$ 4.76
Gross Margin Per Thousand Gallons Sold	\$ 2.77	\$ 2.93	\$ 3.11	\$ 3.13	\$ 2.93
Operating Income (Loss) (Thousands)	\$ (831)	\$ (642)	\$ (719)	\$ (797)	\$ (887)
Change in Net Position (Thousands)	\$ 2	\$ 61	\$ 15	\$ 135	\$ (27)

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

2019	2020	2021	2022	2023
\$ 38,240	\$ 39,441	\$ 39,024	\$ 40,035	\$ 39,601
\$ 8,045	\$ 8,236	\$ 8,106	\$ 8,165	\$ 8,120
\$ 13.28	\$ 14.51	\$ 13.73	\$ 13.81	\$ 10.73
\$ 15,250	\$ 16,617	\$ 17,688	\$ 19,522	\$ 21,125
39.9%	42.1%	45.3%	48.8%	53.3%
\$ 1,499	\$ 1,547	\$ 2,010	\$ 1,840	\$ 1,750
3.9%	4.0%	5.1%	4.7%	4.4%
4,753	4,789	4,814	4,903	4,877
808,631	753,696	659,261	734,406	682,215
\$ 1,351	\$ 1,358	\$ 1,378	\$ 1,371	\$ 1,596
\$ 1.67	\$ 1.80	\$ 2.09	\$ 1.86	\$ 2.34
28.1%	26.2%	12.3%	24.5%	14.8%
581,822	556,108	578,185	554,669	580,914
\$ 2,880	\$ 2,717	\$ 2,842	\$ 2,897	\$ 3,689
\$ 4.95	\$ 4.89	\$ 4.91	\$ 5.22	\$ 6.35
\$ 3.28	\$ 3.09	\$ 2.82	\$ 3.36	\$ 4.01
\$ (776)	\$ (1,005)	\$ (1,430)	\$ (1,329)	\$ (1,378)
\$ 428	\$ 296	\$ (280)	\$ (267)	\$ 248



**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) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements, and have issued our report thereon dated May 17, 2024.

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
May 17, 2024



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), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise BPU's basic financial statements and have issued our report thereon dated May 17, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that BPU failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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 BPU'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 Cities* 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
May 17, 2024



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