

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024 AND 2023



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**BRAINERD PUBLIC UTILITIES
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DECEMBER 31, 2024 AND 2023**

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**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
ORGANIZATIONAL DATA
DECEMBER 31, 2024**

COMMISSION

		<u>Term Expires December 31,</u>
President	Mike Angland	2027
Vice President	Mark O'Day	2025
Commission Member	Dolly Matten	2024
Commission Member	VACANT	2026
Commission Member	Patrick Wussow	2028

ADMINISTRATION

Public Utilities Director	Chris Evans
Finance Manager	Danny Loch
Operations Manager	Trent Hawkinson
Water/Wastewater Manager	Charlie Gammon
Technology Supervisor	Aaron Andersen
Business Office Supervisor	Jana Pernula
Electric Distribution Supervisor	Mitch Lachelt



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, 2024 and 2023, 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, 2024 and 2023, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2024, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

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 financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole.

We also previously audited, in accordance with GAAS, the financial statements of BPU as of and for the year ended December 31, 2023, (not presented herein), and have issued our report thereon dated May 17, 2024 which contained unmodified opinions on the respective financial statements of BPU, an enterprise fund of the City of Brainerd, for the year ended December 31, 2023 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2023 financial statements. The information was subjected to the audit procedures applied in the audit of the 2023 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the changes in the financial position, and its cash flows are fairly stated in all material respects in relation to the financial statements as a whole for the year ended December 31, 2023.

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 financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 April 24, 2025, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 24, 2025

**BRainerd PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023. This discussion and analysis should be read in conjunction with BPU's financial statements and accompanying notes, which follow this section.

Financial Highlights from 2023 to 2024

- BPU's combined net position increased \$2,124,853, or 3.7%, from \$57,193,316 to \$59,318,169.
- Combined total assets and deferred outflow of resources decreased \$ 1,216,605 , or 1.3%, from \$95,754,562 to \$94,537,957.
- Combined total liabilities decreased \$3,878,567, or 10.4%, from \$37,257,941 to \$33,379,374.
- Combined total operating revenue increased \$4,558,858, or 15.2%, from \$29,928,737 to \$34,487,595.
- Combined total operating expenses increased \$4,461,991, or 15.3%, from \$29,237,028 to \$33,699,019.

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, 2024 AND 2023**

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 73.9% and 71.7% of total assets and deferred outflows of resources as of December 31, 2024 and 2023, respectively. Long-term liabilities represent 26.2% and 30.9% of total liabilities, net position, and deferred inflows of resources as of December 31, 2024 and 2023, respectively. Total net position increased 3.7% and 3.0% as of December 31, 2024 and 2023, respectively.

The largest portion of BPU's net position (74.8%), at December 31, 2024, 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 2024, \$5,649,704 or 9.5% of BPU's net position represents resources that are restricted for debt service and \$621,024 or 1.0% of BPU's net position represents resources that are restricted for capital outlay. The remaining balance of unrestricted net position of \$8,673,027 or 14.6% 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 2023 to 2024 increased \$3,725,464, or 15.8%, from \$23,624,637 to \$27,350,101. The significant change for 2024 was due to an increase in usage from BPU's commercial customers and an increase in utility rates. Purchased power expenses from 2023 to 2024 increased \$4,924,058, or 35.7%, from \$13,781,299 to \$18,705,357. The significant change for 2024 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 2023 to 2024 increased \$343,316, or 19.5%, from \$1,758,111 to \$2,101,427. The significant change for 2024 was an increase in interest income due to fair market value adjustment.

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

Financial Analysis (Continued)

**Condensed Statements of Net Position
Table 1**

	December 31,			Change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Net Capital Assets	\$ 69,877,564	\$ 68,672,203	\$ 65,311,984	\$ 1,205,361	\$ 3,360,219
Restricted Assets	8,538,160	9,482,258	8,866,126	(944,098)	616,132
Current Assets	15,466,247	16,335,871	19,025,253	(869,624)	(2,689,382)
Other Assets	176,083	213,283	239,683	(37,200)	(26,400)
 Total Assets	 94,058,054	 94,703,615	 93,443,046	 (645,561)	 1,260,569
 Deferred Outflows of Resources	 479,903	 1,050,947	 1,785,420	 (571,044)	 (734,473)
 Total Assets and Deferred Outflows	 <u>\$ 94,537,957</u>	 <u>\$ 95,754,562</u>	 <u>\$ 95,228,466</u>	 <u>\$ (1,216,605)</u>	 <u>\$ 526,096</u>
 Current Liabilities	 \$ 8,605,049	 \$ 7,693,877	 \$ 7,353,395	 \$ 911,172	 \$ 340,482
Long-Term Liabilities	24,774,325	29,564,064	32,133,235	(4,789,739)	(2,569,171)
 Total Liabilities	 33,379,374	 37,257,941	 39,486,630	 (3,878,567)	 (2,228,689)
 Net Investment in Capital Assets	 44,374,414	 40,594,106	 37,930,250	 3,780,308	 2,663,856
Restricted Net Position	6,270,728	6,670,284	7,149,064	(399,556)	(478,780)
Unrestricted Net Position	8,673,027	9,928,926	10,447,427	(1,255,899)	(518,501)
 Total Net Position	 59,318,169	 57,193,316	 55,526,741	 2,124,853	 1,666,575
 Deferred Inflows of Resources	 1,840,414	 1,303,305	 215,095	 537,109	 1,088,210
 Total Liabilities, Net Position and Deferred Inflows	 <u>\$ 94,537,957</u>	 <u>\$ 95,754,562</u>	 <u>\$ 95,228,466</u>	 <u>\$ (1,216,605)</u>	 <u>\$ 526,096</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

Financial Analysis (Continued)

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

	2024	2023	Dollar Change	Percentage Change
OPERATING REVENUES				
Electric	\$ 27,350,101	\$ 23,624,637	\$ 3,725,464	15.8%
Water	3,700,479	3,246,504	453,975	14.0%
Wastewater Treatment	3,437,015	3,057,596	379,419	12.4%
Total Operating Revenue	34,487,595	29,928,737	4,558,858	15.2%
OPERATING EXPENSES				
Production and Treatment	2,050,001	2,515,555	(465,554)	-18.5%
Purchased Power	18,705,357	13,781,299	4,924,058	35.7%
Distribution and Collection	3,455,925	3,520,539	(64,614)	-1.8%
Administration	4,068,538	4,126,036	(57,498)	-1.4%
Depreciation and Amortization	5,419,198	5,293,599	125,599	2.4%
Total Operating Expenses	33,699,019	29,237,028	4,461,991	15.3%
OPERATING INCOME (LOSS)	788,576	691,709	96,867	14.0%
NONOPERATING REVENUE (EXPENSE)				
Interest Income - Investments	568,540	395,522	173,018	-43.7%
Interest Income - Notes Receivable	104,659	121,159	(16,500)	-13.6%
Bond Issue Costs	-	(58,701)	58,701	-100.0%
Interest Expense	(663,872)	(656,331)	(7,541)	1.1%
Local Option Sales Tax	1,884,504	1,877,308	7,196	0.4%
Federal Grant Revenue - Build America Bond	186,269	70,570	115,699	163.9%
Gain on Disposal of Capital Assets	21,327	8,584	12,743	148.5%
Net Nonoperating Revenue	2,101,427	1,758,111	343,316	19.5%
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CONTRIBUTIONS	2,890,003	2,449,820	440,183	18.0%
TRANSFERS TO THE CITY	(765,150)	(783,245)	18,095	-2.3%
CHANGE IN NET POSITION	2,124,853	1,666,575	458,278	27.5%
Net Position - Beginning	57,193,316	55,526,741	1,666,575	3.0%
NET POSITION - ENDING	<u>\$ 59,318,169</u>	<u>\$ 57,193,316</u>	<u>\$ 2,124,853</u>	3.7%

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

Financial Analysis (Continued)

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

	2023	2022	Dollar Change	Percentage Change
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 Premium	(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 (Loss) 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, 2024 AND 2023**

Capital Assets

Net Capital Assets – Table 3, shows changes in net capital assets from 2022 to 2024. Total net capital assets as of December 31, 2024 and 2023 were \$69,877,564 and \$68,672,203, respectively.

**Net Capital Assets
Table 3**

	December 31,			Change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Electric Department					
Generation System	\$ 4,825,913	\$ 4,792,759	\$ 5,090,265	\$ 33,154	\$ (297,506)
Distribution System	16,715,737	15,446,108	15,371,739	1,269,629	74,369
Street and Security Lighting System	185,516	228,987	200,912	(43,471)	28,075
Water Department					
Production Facilities	1,433,898	1,200,960	1,254,416	232,938	(53,456)
Distribution System	21,471,134	21,091,973	14,186,363	379,161	6,905,610
Wastewater Treatment Department					
Lift Station Facilities	4,690,619	2,268,466	2,381,807	2,422,153	(113,341)
Treatment Facilities	13,773,754	14,607,021	15,589,991	(833,267)	(982,970)
Land and Land Improvements	1,851,796	1,864,144	1,879,793	(12,348)	(15,649)
Machinery and Equipment	442,930	482,788	539,732	(39,858)	(56,944)
Furniture and Fixtures	261,511	319,637	133,796	(58,126)	185,841
Transportation Equipment	638,764	555,607	711,548	83,157	(155,941)
Service Center	424,374	514,571	647,272	(90,197)	(132,701)
Construction in Progress	2,797,211	4,908,481	6,887,414	(2,111,270)	(1,978,933)
Right-to-Use Assets	364,407	390,701	436,936	(26,294)	(46,235)
Total	<u>\$ 69,877,564</u>	<u>\$ 68,672,203</u>	<u>\$ 65,311,984</u>	<u>\$ 1,205,361</u>	<u>\$ 3,360,219</u>

The changes in capital assets for the past three years and the events causing those changes are noted below. The main reason for the decrease in net capital assets is due to the investment in the water department's distribution systems finishing up which decreased \$6 million from 2023 to 2024.

	2024	2023	2022
Additions and Transfers to Capital Assets Being Depreciated (By Department)			
Electric	\$ 3,456,432	\$ 1,728,493	\$ 1,228,438
Water	1,886,029	8,059,659	190,654
Wastewater Treatment	3,194,555	614,882	242,653
General Plant	130,896	263,623	484,169
Total	8,667,912	10,666,657	2,145,914
Additions to Construction in Progress	5,159,072	6,467,612	5,496,477
Transfers from Construction in Progress to Capital Assets Being Depreciated	(7,270,342)	(8,446,545)	(758,261)
Deletions and Transfers	-	(71,292)	-
Normal Annual Depreciation/Amortization	<u>(5,365,438)</u>	<u>(5,256,213)</u>	<u>(5,241,015)</u>
Total	<u>\$ 1,191,204</u>	<u>\$ 3,360,219</u>	<u>\$ 1,643,115</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

Capital Assets (Continued)

Major capital asset transactions for 2024 and 2023 include the following:

	2024	2023
<u>Electric</u>		
Distribution Transformers and Metering Purchased	\$ 27,399	\$ 736,277
Expansion of Distribution Feeder System	-	132,780
Distribution System Improvements	1,331,660	724,872
SCADA/Fiber System	122,217	138,376
Substation Improvements	1,387,003	-
Hydroelectric Dam Improvements	339,556	46,866
Street and Security Lighting	-	68,240
Machinery and Equipment	10,783	28,595
Vehicle Purchase	190,594	-
<u>Water</u>		
Purchase of Meters and Valves	-	100,656
Distribution System Improvements	1,329,237	1,078,398
Well Improvements	48,648	68,243
Liftstation improvements	43,591	-
Water Treatment Plant Improvements	33,679	-
Building Improvements	-	172,009
Kubota Side by Side	20,834	24,338
Filter Bed Improvements	-	60,638
Chemical Storage Building	9,420	51,072
Storage Tank	-	6,512,702
<u>Wastewater</u>		
Lift Station Improvements	563,717	122,400
Treatment Facility Improvements	490,934	202,811
River Crossing Collection Improvements	2,113,866	-
Machinery and Equipment	26,037	331,561
<u>General Plant</u>		
Software and Computer System Improvements	15,164	-
Vehicles	51,527	-
Service Center Improvements	99,085	-
<u>Construction in Progress</u>		
Hydroelectric FERC Relicensing	-	409,993
Waterplant Automation/Actuators	203,537	-
Reclamation/Backwash Tank	224,045	-
Security System Upgrades	55,406	-
Hydroelectric Relay Upgrade	-	289,002
River Crossing	-	1,172,017
Evergreen Lift Station Improvements	-	494,415
Main Lift Station Improvement Design	-	525,798
Treatment Facility Improvements	-	108,399
SCADA Improvements	93,623	267,817
Substation Improvements	-	1,086,734
Expansion of Distribution Feeder System	-	449,766
Hydroelectric Generation Upgrades	-	105,539
Total	\$ 8,831,562	\$ 15,510,314

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

Long-Term Obligations

The following table presents the change in the outstanding liabilities of BPU from 2022 to 2024.

	Balance as of December 31,			Increase (Decrease)	
	2024	2023	2022	2024 to 2023	2023 to 2022
Utility Revenue Bonds					
Series 2014A	\$ 2,305,000	\$ 2,720,000	\$ 3,125,000	\$ (415,000)	\$ (405,000)
Series 2015A	185,000	365,000	540,000	(180,000)	(175,000)
Series 2016A	3,267,400	3,676,600	4,067,200	(409,200)	(390,600)
Series 2017A	2,125,000	2,820,000	3,455,000	(695,000)	(635,000)
Series 2018A	1,210,000	1,490,000	1,755,000	(280,000)	(265,000)
Series 2018A (Equip. Certs.)	-	-	65,000	-	(65,000)
G.O. Bonds					
Series 2021A	4,755,000	5,025,000	5,250,000	(270,000)	(225,000)
G.O. Bonds					
Series 2023A	2,955,000	2,955,000	-	-	2,955,000
G.O. Bonds					
Series 2024A	1,225,000	-	-	1,225,000	-
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	6,870,000	8,455,000	9,991,000	(1,585,000)	(1,536,000)
Lease Liability	395,687	416,272	439,198	(20,585)	(22,926)
Compensated Absences	531,055	1,071,960	1,152,568	(540,905)	(80,608)
Net Pension Liability	2,068,564	3,405,460	4,926,260	(1,336,896)	(1,520,800)
Revenue Bond Premium	798,932	852,864	890,731	(53,932)	(37,867)
OPEB Obligation	332,217	366,208	384,494	(33,991)	(18,286)
Total Long-Term Liabilities	<u>29,023,855</u>	<u>33,619,364</u>	<u>36,041,451</u>	<u>(4,595,509)</u>	<u>(2,422,087)</u>
Less: Current Portion					
Utility Revenue Bonds					
Series 2014A	430,000	415,000	405,000	15,000	10,000
Series 2015A	185,000	180,000	175,000	5,000	5,000
Series 2016A	434,000	409,200	390,600	24,800	18,600
Series 2017A	690,000	695,000	635,000	(5,000)	60,000
Series 2018A	290,000	280,000	265,000	10,000	15,000
Series 2018A (Equip. Certs.)	-	-	65,000	-	(65,000)
G.O. Bonds					
Series 2021A	275,000	270,000	225,000	5,000	45,000
G.O. Bonds					
Series 2023A	110,000	-	-	110,000	-
G.O. Revenue Notes/Bonds					
Series 2009 - Build America	1,637,000	1,585,000	1,536,000	52,000	49,000
Lease Liability	17,606	29,171	28,497	(11,565)	674
Compensated Absences	175,000	175,000	175,000	-	-
OPEB Obligation	5,924	16,929	8,119	(11,005)	8,810
Total Current Portion of Long-Term Liabilities	<u>4,249,530</u>	<u>4,055,300</u>	<u>3,908,216</u>	<u>194,230</u>	<u>147,084</u>
Net Long-Term Liabilities	<u>\$ 24,774,325</u>	<u>\$ 29,564,064</u>	<u>\$ 32,133,235</u>	<u>\$ (4,789,739)</u>	<u>\$ (2,569,171)</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

The total net long-term liabilities at December 31, 2024, 2023, and 2022 was \$24.7 million, \$29.6 million, and \$32.1 million, respectively. Total net long-term liabilities decreased \$4,789,739 from 2023 to 2024 due primarily to the repayment of the outstanding Utility Revenue Bonds and G.O. Bonds totaling \$4,595,509. Net pension liability from 2023 to 2024 decreased \$1,336,896, from \$3,405,460 to \$2,068,564, due to a change in assumptions.

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 2024 Operating Budget Analysis and the 2025 Operating Budget approved by the Commission is presented is follows:

	(In Thousands of Dollars)			
	2024 Budget	2024 Actual	Favorable (Unfavorable) Variance	2025 Budget
Utility Operating Revenue	\$ 31,527	\$ 33,533	\$ 2,006	\$ 37,990
Other Operating Revenue	2,570	955	(1,615)	711
Total Operating Revenue	34,097	34,488	391	38,701
Purchased Power	15,276	18,705	(3,429)	19,960
Other Operating Expense	12,938	9,574	3,364	13,757
Depreciation and Amortization Expense	5,022	5,419	(397)	5,255
Total Operating Expense	33,236	33,698	(462)	38,972
Operating Income	861	790	(71)	(271)
Net Nonoperating Revenue	1,139	2,101	962	2,030
Income Before Operating Transfers to City	2,000	2,891	891	1,759
Capital Grants and Contributions	-	-	-	-
Operating Transfers to the City	(816)	(765)	51	(816)
Change in Net Position	<u>\$ 1,184</u>	<u>\$ 2,126</u>	<u>\$ 942</u>	<u>\$ 943</u>

**BRAINERD PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

Factors Bearing on the Future

The State of Minnesota has a mandatory renewable energy criterion 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 with approximately \$14M 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. Funding was not obtained during 2024 and this project and future funding have been postponed until funding is available.

In 2024, the BPU Commission began work on a water reclamation tank, this is funded by a \$5M grant through the state of Minnesota on a reimbursement basis. This project bid exceeded the funding available and is being re-bid with additional funding being requested. This project has been postponed to 2027.

The appointed commissioners considered multiple factors as it set the 2025 budget:

- 1) Total combined commission operations are expecting net position to increase \$943,890 or 2.0% of total revenue.
- 2) The Electric department is budgeting an increase in net position of \$999,320 or 3.1% of operating budget.
- 3) The Water department is budgeting a decrease in net position of \$176,210, with the balance being made up from electric operations or 3.68% of operations.
- 4) The wastewater department is expected to have an increase in net position of \$120,780 or 2.3% 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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CAPITAL ASSETS		
Construction in Progress	\$ 2,797,211	\$ 4,908,481
In Service	<u>134,711,896</u>	<u>126,038,545</u>
Total Investment in Capital Assets	137,509,107	130,947,026
Less: Accumulated Depreciation/Amortization	<u>(67,631,543)</u>	<u>(62,274,823)</u>
Net Capital Assets	69,877,564	68,672,203
RESTRICTED ASSETS		
Cash and Investments	6,217,718	5,736,535
Bonds and Notes Receivable	2,290,000	3,710,923
Notes Receivable - Interest	<u>30,442</u>	<u>34,800</u>
Total Restricted Assets	8,538,160	9,482,258
CURRENT ASSETS		
Cash and Investments	6,775,722	8,501,032
Accounts Receivable	5,106,474	4,512,768
Interest Receivable	27,529	34,254
Due from the City of Brainerd	475,774	456,232
Supplies	2,227,315	1,981,426
Prepaid Expenses	<u>853,433</u>	<u>850,159</u>
Total Current Assets	15,466,247	16,335,871
OTHER ASSETS		
Service Territory Acquisitions, Net of		
Accumulated Depreciation	<u>176,083</u>	<u>213,283</u>
Total Assets	94,058,054	94,703,615
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	402,737	939,904
OPEB Related	<u>77,166</u>	<u>111,043</u>
Total Deferred Outflows of Resources	479,903	1,050,947
Total Assets and Deferred Outflows of Resources	<u><u>\$ 94,537,957</u></u>	<u><u>\$ 95,754,562</u></u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net Investment in Capital Assets	\$ 44,253,648	\$ 40,594,106
Restricted for Debt Service	5,649,704	6,118,320
Restricted for Capital Outlay	621,024	551,964
Unrestricted	<u>8,793,793</u>	<u>9,928,926</u>
Total Net Position	59,318,169	57,193,316
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Portion	21,645,332	24,525,264
Lease Liability	378,081	387,101
Compensated Absences	356,055	896,960
Net Pension Liability	2,068,564	3,405,460
Other Postemployment Benefit Liability	<u>326,293</u>	<u>349,279</u>
Total Long-Term Liabilities	24,774,325	29,564,064
CURRENT LIABILITIES		
Accounts and Contracts Payable	1,956,010	1,692,921
Bonds Payable	4,051,000	3,834,200
Lease Liability	17,606	29,171
Compensated Absences	175,000	175,000
Other Postemployment Benefit Liability	5,924	16,929
Accrued Expenses		
Salaries and Withholding Taxes	431,818	352,263
Sales Taxes	222,041	156,701
Current Liabilities from Restricted Assets:		
Bond Interest	233,983	241,254
Payable to City of Brainerd	346,262	317,412
Conservation Incentive Program Payable	569,589	379,743
Customer Deposits	<u>595,816</u>	<u>498,283</u>
Total Current Liabilities	<u>8,605,049</u>	<u>7,693,877</u>
Total Liabilities	33,379,374	37,257,941
DEFERRED INFLOWS OF RESOURCES		
Pension Related	1,655,977	1,143,119
OPEB Related	<u>184,437</u>	<u>160,186</u>
Total Deferred Inflows of Resources	<u>1,840,414</u>	<u>1,303,305</u>
 Total Net Position, Liabilities and Deferred Inflows of Resources	 <u><u>\$ 94,537,957</u></u>	 <u><u>\$ 95,754,562</u></u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Utility Revenues		
Residential	\$ 9,510,829	\$ 9,920,664
Commercial	13,470,090	13,550,319
Large Commercial	10,066,242	5,427,075
City of Brainerd	485,561	512,773
Total Utility Revenues	33,532,722	29,410,831
Other Operating Revenues		
Penalties	208,181	193,514
Other	746,692	324,392
Total Other Operating Revenues	954,873	517,906
Total Operating Revenues	34,487,595	29,928,737
OPERATING EXPENSES		
Generation, Production, and Treatment		
Salaries and Wages	1,056,816	1,346,971
Purchased Services	295,741	410,711
Supplies and Maintenance	297,397	299,519
Employee Benefits	384,505	426,698
Other Charges	15,542	31,656
Total Generation, Production, and Treatment Expenses	2,050,001	2,515,555
Purchased Power	18,705,357	13,781,299
Distribution and Collection		
Salaries and Wages	2,042,106	2,059,981
Purchased Services	307,266	442,316
Supplies and Maintenance	401,853	319,146
Employee Benefits	632,964	604,079
Other Charges	71,736	95,017
Total Distribution and Collection Expenses	3,455,925	3,520,539
Administration		
Salaries and Wages	1,248,223	1,293,548
Purchased Services	1,035,499	930,870
Supplies and Maintenance	22,026	21,381
Insurance and Bonds	396,368	380,327
Employee Benefits	391,929	850,146
Other Charges	974,493	649,764
Total Administration Expenses	4,068,538	4,126,036
Depreciation and Amortization	5,419,198	5,293,599
Total Operating Expenses	33,699,019	29,237,028

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
OPERATING INCOME	\$ 788,576	\$ 691,709
NONOPERATING REVENUE (EXPENSE)		
Interest Income - Investments	568,540	395,522
Interest Income - Notes Receivable	104,659	121,159
Interest Expense	(663,872)	(656,331)
Local Option Sales Tax	1,884,504	1,877,308
Federal Grant Revenue - Build America Bond	186,269	70,570
Bond Issuance Costs	-	(58,701)
Gain on Disposal of Capital Assets	21,327	8,584
Net Nonoperating Revenue (Expense)	<u>2,101,427</u>	<u>1,758,111</u>
INCOME BEFORE TRANSFERS	2,890,003	2,449,820
TRANSFERS TO THE CITY	<u>(765,150)</u>	<u>(783,245)</u>
CHANGE IN NET POSITION	2,124,853	1,666,575
Net Position - Beginning	<u>57,193,316</u>	<u>55,526,741</u>
NET POSITION - ENDING	<u><u>\$ 59,318,169</u></u>	<u><u>\$ 57,193,316</u></u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 33,893,889	\$ 29,063,736
Cash Payments to Employees for Services	(6,480,627)	(6,338,923)
Cash Payments to Other Suppliers of Goods or Services	<u>(22,156,633)</u>	<u>(17,708,279)</u>
Net Cash Provided by Operating Activities	5,256,629	5,016,534
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Primary Government	(755,842)	(931,262)
Principal Received on Notes Receivable	892,589	107,411
Note Receivable to Primary Government	<u>-</u>	<u>(1,000,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	136,747	(1,823,851)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Utility Plant	(6,570,057)	(8,698,511)
Additions to Service Territories	(16,560)	(10,986)
Proceeds from Local Option Sales Tax	1,884,504	1,877,308
Principal Paid on Long-Term Debt	(3,834,200)	(3,696,600)
Interest Paid on Long-Term Debt	(826,785)	(912,286)
Bond Premium	101,710	132,966
Amounts Received from Utility Portion of Bonds	1,225,000	2,955,000
Proceeds from Lease Liability	14,157	-
Principal Received on Notes Receivable	528,334	512,000
Federal Grant Revenue - Build America Bond	186,269	70,570
Principal Paid on Lease Liability	(34,742)	(22,926)
Proceeds from Sale of Utility Plant	<u>-</u>	<u>90,663</u>
Net Cash Used by Capital and Related Financing Activities	(7,342,370)	(7,702,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	684,282	508,441
Purchase of Investments	(2,519,706)	(848,063)
Redemption of Investments	<u>3,609,111</u>	<u>2,607,375</u>
Net Cash Provided by Investing Activities	<u>1,773,687</u>	<u>2,267,753</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(175,307)	(2,242,366)
Cash and Cash Equivalents - Beginning	<u>4,524,516</u>	<u>6,766,882</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 4,349,209</u></u>	<u><u>\$ 4,524,516</u></u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 788,576	\$ 691,709
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	5,419,198	5,293,599
Revenue Reduced for Uncollectible Accounts	8,236	17,413
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(601,942)	(882,414)
Prepaid Expenses	(3,274)	(72,712)
Supplies	(245,889)	(431,942)
Change in Deferred Outflows of Resources - OPEB	33,877	14,066
Change in Deferred Outflows of Resources - Pension	537,167	720,407
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	328,429	(119,874)
Accrued Liabilities	177,088	189,068
Conservation Incentive Program Payable	189,846	128,698
Accrued Compensated Absences	(540,905)	(80,608)
Other Postemployment Benefit Liability	(33,991)	(18,286)
Change in Net Pension Liability	(1,336,896)	(1,520,800)
Change in Deferred Inflows of Resources - OPEB	24,251	17,751
Change in Deferred Inflows of Resources - Pension	512,858	1,070,459
Net Cash Provided by Operating Activities	<u>\$ 5,256,629</u>	<u>\$ 5,016,534</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Investments - Current Assets	\$ 6,775,722	\$ 8,501,032
Cash and Investments - Restricted Assets	<u>6,217,718</u>	<u>5,736,535</u>
Cash and Investments - Statements of Net Position	12,993,440	14,237,567
Less: Investments not Meeting the Definition of Cash Equivalents	<u>8,644,231</u>	<u>9,713,051</u>
Cash and Cash Equivalents - Ending	<u>\$ 4,349,209</u>	<u>\$ 4,524,516</u>
NONCASH INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Net Decrease in Fair Value of Investments	\$ (379,869)	\$ (708,356)
Acquisition of Plant Financed by Lease Liability	14,157	-
Amortization of Premiums	155,642	170,833

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024 AND 2023**

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, 2024 and 2023 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, 2024 AND 2023**

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. Employees are permitted to accumulate up to 240 hours of unused vacation benefits and 960 hours of unused sick benefits. The liability for compensated absences reported in the statement of net position consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. 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, 2024 AND 2023**

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 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 financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, Compensated Absences. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

BPU adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

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.

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, 2024 AND 2023**

NOTE 2 CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2024 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 4,908,481	\$ 5,159,072	\$ 7,270,342	\$ 2,797,211
Capital Assets, Being Depreciated				
Electric	44,331,677	3,456,432	-	47,788,109
Water	36,719,576	1,886,029	-	38,605,605
Wastewater Treatment	37,869,425	3,194,555	-	41,063,980
General Plant	6,655,889	130,896	-	6,786,785
Total Capital Assets, Being Depreciated	125,576,567	8,667,912	-	134,244,479
Less Accumulated Depreciation for:				
Electric	(22,578,355)	(2,145,410)	-	(24,723,765)
Water	(14,426,643)	(1,273,930)	-	(15,700,573)
Wastewater Treatment	(20,626,032)	(1,647,337)	-	(22,273,369)
General Plant	(4,572,516)	(258,310)	-	(4,830,826)
Total Accumulated Depreciation	(62,203,546)	(5,324,987)	-	(67,528,533)
Total Capital Assets, Being Depreciated, Net	63,373,021	3,342,925	-	66,715,946
Right-to-Use Lease Assets:				
Equipment	461,978	14,157	8,718	467,417
Total Right-to-Use Lease Assets	461,978	14,157	8,718	467,417
Less Accumulated Amortization:				
Equipment	(71,277)	(40,451)	(8,718)	(103,010)
Total Accumulated Amortization	(71,277)	(40,451)	(8,718)	(103,010)
Total Right-to-Use Lease Assets, Net	390,701	(26,294)	-	364,407
Net Capital Assets	<u>\$ 68,672,203</u>	<u>\$ 8,475,703</u>	<u>\$ 7,270,342</u>	<u>\$ 69,877,564</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 CAPITAL ASSETS (CONTINUED)

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	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>

NOTE 3 RESTRICTED ASSETS

Cash and Investments

At December 31, 2024 and 2023, restricted cash and investments consisted of the following:

	2024	2023
Customer Deposits	\$ 595,816	\$ 498,283
City of Brainerd Contribution	346,262	235,874
Conservation Incentive Program	569,589	379,743
Electric Utility Revenue Bonds Debt Service Reserve	1,117,250	1,117,250
General Obligation Revenue Notes and Bonds Debt Service Reserve (Water and Wastewater)	3,588,801	3,505,385
Total Restricted Cash	<u>\$ 6,217,718</u>	<u>\$ 5,736,535</u>

**BRainerd PUBLIC UTILITIES
BRainerd, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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. The City paid the note off as of December 31, 2024.

Note receivable activity for the year ended December 31, 2024, is as follows:

	City of Baxter	City of Brainerd	Total
Beginning Balance	\$ 2,818,334	\$ 892,589	\$ 3,710,923
Payments Received	(528,334)	(892,589)	(1,420,923)
Ending Balance	<u>\$ 2,290,000</u>	<u>\$ -</u>	<u>\$ 2,290,000</u>

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

	City of Baxter	City of Brainerd	Total
Beginning Balance	\$ 3,330,334	\$ -	\$ 3,330,334
City of Brainerd Note	-	1,000,000	1,000,000
Payments Received	(512,000)	(107,411)	(619,411)
Ending Balance	<u>\$ 2,818,334</u>	<u>\$ 892,589</u>	<u>\$ 3,710,923</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 3 RESTRICTED ASSETS (CONTINUED)

Interest accrued on the notes receivable as of December 31, 2024 and 2023 of \$30,442 and \$34,800, respectively, is recorded as a restricted asset. Interest received from Baxter which is recorded as Interest Income for the years ended December 31, 2024 and 2023 was \$104,659 and \$121,159, respectively. Interest received from Brainerd which is recorded as interest income for the years ended December 31, 2024 and 2023 was \$26,851 and \$19,790.

NOTE 4 DEPOSITS AND INVESTMENTS

Cash and investments are presented at December 31, 2024 and 2023, as follows:

	2024	2023
Restricted Cash and Investments	\$ 6,217,718	\$ 5,736,535
Current Cash and Investments	6,775,722	8,501,032
Total	<u>\$ 12,993,440</u>	<u>\$ 14,237,567</u>

Cash and investments at December 31, 2024 and 2023, consisted of the following:

	2024	2023
Petty Cash	\$ 1,500	\$ 1,500
Deposits	4,151,589	4,310,031
Investments	8,840,351	9,926,036
Total	<u>\$ 12,993,440</u>	<u>\$ 14,237,567</u>

Deposits

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

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

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

BPU's deposits in financial institutions at December 31, 2024 and 2023 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, 2024 AND 2023**

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, 2024 AND 2023**

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, 2024 and 2023 by maturity:

December 31, 2024		Investment Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	Fair Value	% of Investments	
Negotiable CDs	\$ 1,800,931	\$ 5,699,268	\$ 472,125	\$ 7,972,324	N/A	
FHLMC	-	441,945	-	441,945	5.0%	
FFCB	-	229,962	-	229,962	2.6%	
Money Market	196,120	-	-	196,120	2.2%	
Total	<u>\$ 1,997,051</u>	<u>\$ 6,371,175</u>	<u>\$ 472,125</u>	<u>\$ 8,840,351</u>	9.8%	

December 31, 2023		Investment Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	Fair Value	% of Investments	
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%	

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, 2024 and 2023 are as follows:

Investment Type	S & P Rating	Investment Type	S & P Rating
December 31, 2024		December 31, 2023	
Negotiable CDs	NA	Negotiable CDs	NA
FHLMC	AAA	FNMA	AAA
FFCB	NA	FHLMC	AAA
Money Market	NA	FFCB	NA
		Money Market	NA

* NA - Not Rated

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024, 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, 2024 AND 2023**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

The categorization of financial assets at December 31, 2024 and 2023, consisted of the following:

Type	Level	2024	2023
Negotiable CDs	2	\$ 7,972,324	\$ 8,631,717
FNMA	2	-	418,068
FHLMC	2	441,945	435,820
FFCB	2	229,962	227,446
Money Market	NA	196,120	212,985
Total Investments		<u>\$ 8,840,351</u>	<u>\$ 9,926,036</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, 2024 and 2023, BPU owed the City the following:

	2024	2023
Monthly Operating Contribution	\$ 84,070	\$ 69,644
Reimbursement of Other Costs	19,550	19,550
Wastewater Collection and Storm Sewer Charges	<u>242,642</u>	<u>228,218</u>
Total	<u>\$ 346,262</u>	<u>\$ 317,412</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, 2024 AND 2023**

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 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%, matured 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.

On December 18, 2024, the City of Brainerd, on behalf of BPU, issued \$1,225,000 in General Obligation Bonds, Series 2024A, with interest rates from 4.0% to 5.0%, maturing in February 2035, for improvements to the water system. Also, as part of this debt issue, the City's portion related to utility improvements is \$1,685,000. The total amount of the debt issue is \$2,910,000.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024 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 \$3,664,779 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$1,110,000 and \$156,345, 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, 2024 was \$1,858,183. 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, 2024 was \$0. 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 \$1,193,296 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$180,000 and \$5,963, 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, 2024 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 \$1,541,989 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$409,200 and \$97,581, 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, 2024 was \$338,048. 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 \$1,193,296 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$280,000 and \$43,300, respectively.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024 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 \$1,579,675 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$270,000 and \$151,170, 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, 2024 was \$107,231 (Water portion) and \$177,043 (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 \$3,155,654 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$0 and \$99,078, respectively.

General Obligation Bonds, Series 2024A

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, 2024 was \$105,000. 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 \$1,193,296 as of December 31, 2024. Principal and interest paid from net revenue available for debt service totaled \$0 and \$0, respectively.

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

Long-term bonds and notes debt consists of the following as of December 31, 2024 and 2023:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	
					2024	2023
Direct Borrowings - G.O. Build America Bonds, Series 2009	3.233%	6/24/2009	8/20/2028	\$ 25,966,788	\$ 6,870,000	\$ 8,455,000
Electric Utility Revenue Bonds, Series 2014A	2.0 - 4.0%	10/9/2014	12/1/2029	6,070,000	2,305,000	2,720,000
G.O. Water Utility Revenue Bonds, Series 2015A	2.0 - 4.0%	12/15/2014	2/1/2025	1,700,000	185,000	365,000
G.O. Utility Revenue Bonds, Series 2016A						
Water	1.625 - 5.0%	7/20/2016	10/1/2031	4,845,000	2,635,000	2,965,000
Sewer	1.625 - 5.0%	7/20/2016	10/1/2031	1,162,800	632,400	711,600
Electric Utility Revenue and Refunding Bonds, Series 2017A	2.25%	10/18/2017	12/1/2027	6,035,000	2,125,000	2,820,000
G.O. Utility Revenue Bonds (Water), Series 2018A	3.0 - 5.0%	3/22/2018	2/1/2028	2,720,000	1,210,000	1,490,000
G.O. Bonds Series 2021A	1.1 - 5.0%	9/20/2021	2/1/2037	5,250,000	4,755,000	5,025,000
G.O. Bonds Series 2023A						
Water	4.125 - 5.0%	11/16/2023	2/1/2039	1,100,000	1,100,000	1,100,000
Sewer	4.125 - 5.0%	11/16/2023	2/1/2039	1,855,000	1,855,000	1,855,000
G.O. Bonds Series 2024A						
Water	4.00-5.00%	12/18/2024	2/1/2035	1,225,000	1,225,000	-
Total Long-Term Liabilities				<u>\$ 57,929,588</u>	24,897,400	27,506,600
Less Amount Due Within One Year						
Direct Borrowings - G.O. Build America Bonds					1,637,000	1,585,000
Electric Utility Revenue Bonds, Series 2014A					430,000	415,000
Water Utility Revenue Bonds, Series 2015A					185,000	180,000
G.O. Utility Revenue Bonds (Water), Series 2016A					350,000	330,000
G.O. Utility Revenue Bonds (Sewer), Series 2016A					84,000	79,200
Electric Utility Revenue and Refunding Bonds, Series 2017A					690,000	695,000
G.O. Utility Revenue Bonds (Water), Series 2018A					290,000	280,000
G.O. Bonds, Series 2021A					275,000	270,000
G.O. Bonds (Sewer), Series 2023A					70,000	-
G.O. Bonds (Water), Series 2023A					40,000	-
Net Long-Term Liabilities					<u>\$ 20,846,400</u>	<u>\$ 23,672,400</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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			
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>\$ 6,870,000</u>	<u>\$ 564,062</u>	<u>\$ 7,434,062</u>
Electric Utility Revenue Bonds, Series 2014A			
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>\$ 2,305,000</u>	<u>\$ 260,340</u>	<u>\$ 2,565,340</u>
G.O. Water Utility Revenue Bonds, Series 2015A			
2025	\$ 185,000	\$ 2,081	\$ 187,081
Total	<u>\$ 185,000</u>	<u>\$ 2,081</u>	<u>\$ 187,081</u>
G.O. Utility Revenue Bonds, Series 2016A (Water Portion)			
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	385,000	24,788	409,788
2030-2031	790,000	25,887	815,887
Total	<u>\$ 2,635,000</u>	<u>\$ 228,613</u>	<u>\$ 2,863,613</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
G.O. Utility Revenue Bonds, Series 2016A (Wastewater Portion)			
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	92,400	5,949	98,349
2030-2031	189,600	6,213	195,813
Total	<u>\$ 632,400</u>	<u>\$ 54,867</u>	<u>\$ 687,267</u>
Electric Utility Revenue and Refunding Bonds, Series 2017A			
2025	\$ 690,000	\$ 47,813	\$ 737,813
2026	710,000	32,288	742,288
2027	725,000	16,313	741,313
Total	<u>\$ 2,125,000</u>	<u>\$ 96,414</u>	<u>\$ 2,221,414</u>
G.O. Water Utility Revenue Bonds, Series 2018A			
2025	\$ 290,000	\$ 31,950	\$ 321,950
2026	300,000	23,100	323,100
2027	305,000	14,025	319,025
2028	315,000	4,725	319,725
Total	<u>\$ 1,210,000</u>	<u>\$ 73,800</u>	<u>\$ 1,283,800</u>
G.O. Bonds, Series 2021A			
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	355,000	80,045	435,045
2030-2034	2,000,000	208,785	2,208,785
2035-2037	1,290,000	39,100	1,329,100
Total	<u>\$ 4,755,000</u>	<u>\$ 795,110</u>	<u>\$ 5,550,110</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
G.O. Improvement Bonds, Series 2023A (Water Portion)			
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	65,000	39,950	104,950
2030-2034	365,000	147,750	512,750
2035-2039	460,000	50,513	510,513
Total	<u>\$ 1,100,000</u>	<u>\$ 427,013</u>	<u>\$ 1,527,013</u>
G.O. Improvement Bonds, Series 2023A (Wastewater Portion)			
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	105,000	67,425	172,425
2030-2034	615,000	250,375	865,375
2035-2039	780,000	85,688	865,688
Total	<u>\$ 1,855,000</u>	<u>\$ 721,563</u>	<u>\$ 2,576,563</u>
G.O. Improvement Bonds, Series 2024A (Water Portion)			
2025	\$ -	\$ 36,114	\$ 36,114
2026	90,000	56,050	146,050
2027	105,000	51,175	156,175
2028	110,000	45,800	155,800
2029	115,000	40,175	155,175
2030-2034	655,000	108,350	763,350
2035	150,000	3,000	153,000
Total	<u>\$ 1,225,000</u>	<u>\$ 340,664</u>	<u>\$ 1,565,664</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
	<u>Lease Liability</u>		
2025	\$ 17,606	\$ 14,478	\$ 43,794
2026	12,134	14,107	29,007
2027	7,657	13,792	23,163
2028	7,762	13,541	18,372
2029	8,050	13,253	18,225
2030 - 2034	32,924	62,701	93,375
2035 - 2039	52,302	54,574	104,625
2040 - 2044	75,773	42,352	115,875
2045 - 2049	104,204	25,171	127,125
2050 - 2054	77,275	4,399	108,900
Total	<u>\$ 395,687</u>	<u>\$ 258,368</u>	<u>\$ 682,461</u>

Long-term liability activity for the year ended December 31, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings -				
G.O. Build America Bonds	\$ 8,455,000	\$ -	\$ 1,585,000	\$ 6,870,000
Electric Utility Revenue				
Bonds, Series 2014A	2,720,000	-	415,000	2,305,000
G.O. Water Utility Revenue				
Bonds, Series 2015A	365,000	-	180,000	185,000
G.O. Utility Revenue				
Bonds, Series 2016A	3,676,600	-	409,200	3,267,400
Electric Utility Revenue				
and Refunding Bonds,				
Series 2017A	2,820,000	-	695,000	2,125,000
G.O. Utility Revenue				
Bonds, Series 2018A	1,490,000	-	280,000	1,210,000
G.O. Bonds, Series 2021A	5,025,000	-	270,000	4,755,000
G.O. Improvement Bonds,				
Series 2023A	2,955,000	-	-	2,955,000
G.O. Improvement Bonds,				
Series 2024A	-	1,225,000	-	1,225,000
Revenue Bond Premium				
Series 2014A	45,981	-	12,092	33,889
Series 2015A	3,189	-	2,364	825
Series 2016A	143,607	-	36,774	106,833
Series 2018A	44,553	-	16,365	28,188
Series 2021A	485,053	-	77,488	407,565
Series 2023A	130,481	-	10,559	119,922
Series 2024A	-	101,710	-	101,710
Lease Liability	416,272	14,157	34,742	395,687
Compensated Absences	1,071,960	-	540,905	531,055
Total	<u>\$ 29,847,696</u>	<u>\$ 1,340,867</u>	<u>\$ 4,565,489</u>	<u>\$ 26,623,074</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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 2016B	-	-	-	-
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
	<u>\$ 30,730,697</u>	<u>\$ 3,690,230</u>	<u>\$ 4,573,231</u>	<u>\$ 29,847,696</u>
Total	<u>\$ 30,730,697</u>	<u>\$ 3,690,230</u>	<u>\$ 4,573,231</u>	<u>\$ 29,847,696</u>

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%. In 2024, BPU entered into a sixty-month agreement for financing a copier with payments due monthly with a discount rate of 3.33%.

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, 2024 AND 2023**

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, 2024 and 2023, is presented below:

	2024		
	Electric	Water	Wastewater Treatment
Condensed Statement of Net Position			
Assets:			
Net Capital Assets	\$ 25,233,731	\$ 23,732,038	\$ 20,911,795
Restricted Assets	2,366,725	1,469,252	4,702,183
Current Assets	10,182,931	(1,359,869)	6,643,185
Other Assets	176,083	-	-
Total Assets	37,959,470	23,841,421	32,257,163
Deferred Outflows of Resources	287,943	95,980	95,980
Liabilities:			
Current Liabilities	4,821,466	1,479,979	2,303,604
Long-Term Liabilities	5,354,456	11,203,566	8,216,303
Total Liabilities	10,175,922	12,683,545	10,519,907
Net Position:			
Net Investment in Capital Assets	20,833,087	11,950,210	11,470,351
Restricted Net Position	-	1,967,636	4,303,092
Unrestricted Net Position	6,134,154	(3,032,072)	5,691,711
Total Net Position	26,967,241	10,885,774	21,465,154
Deferred Inflows of Resources	1,104,250	368,082	368,082
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues (Expenses):			
Charges (Pledged Against Bonds)	26,775,533	3,406,981	3,350,208
Depreciation and Amortization Expense	(2,390,907)	(1,333,639)	(1,694,652)
Other Operating Expenses	(23,867,246)	(2,539,191)	(1,873,384)
Other Operating Revenues	574,568	293,498	86,807
Operating Income (Loss)	1,091,948	(172,351)	(131,021)
Nonoperating Revenues (Expenses):			
Interest Income	137,805	32,008	503,386
Other Revenue	77,600	386,379	1,628,121
Interest Expense	(141,168)	(177,579)	(345,125)
Change in Net Position	401,035	68,457	1,655,361
Beginning Net Position	26,566,206	10,817,317	19,809,793
Ending Net Position	26,967,241	10,885,774	21,465,154
Condensed Statement of Cash Flows			
Net Cash Provided (Used) by:			
Operating Activities	3,011,167	935,345	1,310,117
Noncapital Financing Activities	(678,481)	83,663	367,310
Capital and Related Financing Activities	(3,634,079)	(2,073,491)	(1,270,545)
Investing Activities	1,279,189	692,204	(197,706)
Net Increase (Decrease)	(22,204)	(362,279)	209,176
Beginning Cash and Cash Equivalents	1,878,203	176,410	2,469,902
Ending Cash and Cash Equivalents	1,855,999	(185,869)	2,679,078

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
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DECEMBER 31, 2024 AND 2023**

NOTE 8 SEGMENT INFORMATION (CONTINUED)

	2023		
	<u>Electric</u>	<u>Water</u>	<u>Wastewater Treatment</u>
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	<u>6,040,929</u>	<u>(2,139,807)</u>	<u>6,027,804</u>
Total Net Position	<u>25,790,462</u>	<u>10,905,263</u>	<u>20,497,591</u>
Deferred Inflows of Resources	<u>781,983</u>	<u>260,661</u>	<u>260,661</u>
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	<u>420,533</u>	<u>60,616</u>	<u>36,757</u>
Operating Income (Loss)	<u>2,205,199</u>	<u>(824,647)</u>	<u>(688,843)</u>
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	<u>(783,245)</u>	<u>(22,113)</u>	<u>(36,588)</u>
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	<u>25,790,462</u>	<u>10,905,263</u>	<u>20,497,591</u>
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	<u>716,638</u>	<u>1,870,899</u>	<u>(319,784)</u>
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	<u>1,878,203</u>	<u>176,410</u>	<u>2,469,902</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Plan Benefits Provided (Continued)

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 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 prorated increase.

General Employees Fund Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal years 2024 and 2023 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, 2024 and 2023, 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, 2024 and 2023, BPU reported a liability of \$2,068,564 and \$3,405,460, respectively, for its proportionate share of the General Employees Fund's net pension liability. BPU's 2024 and 2023 net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2024 and 2023. 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

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Fund Pension Costs (Continued)

proportionate share of the net pension liability associated with BPU totaled \$53,489 at December 31, 2024 for a total liability of \$2,122,053 and \$93,909 at December 31, 2023 for a total liability of \$3,499,369.

	<u>2024</u>	<u>2023</u>
BPU's Proportionate Share of the Net Pension Liability	\$ 2,068,564	\$ 3,405,460
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with BPU Total	<u>53,489</u> <u>\$ 2,122,053</u>	<u>93,909</u> <u>\$ 3,499,369</u>

The net pension liability was measured as of June 30, 2024 for December 31, 2024, 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, 2024, was based on BPU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the proportionate share was 0.0560% at the end of the measurement period and 0.0609% for the beginning of the period.

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 proportion 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.

For the years ended December 31, 2024 and 2023, BPU recognized pension expense of \$155,546 and \$630,353 for its proportionate share of the General Employees Plan's pension expense. In addition, BPU recognized an additional \$663 in 2024 and \$422 in 2023 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, 2024, 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	\$ 194,499	\$ -
Changes in Actuarial Assumptions	10,099	782,916
Net difference Between Projected and Actual Investment Earnings	-	600,694
Changes in Proportion	29,192	272,367
Contributions Paid to PERA Subsequent to the Measurement Date	168,947	-
Total	<u>\$ 402,737</u>	<u>\$ 1,655,977</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Fund Pension Costs (Continued)

The \$168,947 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, 2025. 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
2025	\$ (722,649)
2026	(209,850)
2027	(331,145)
2028	(158,543)

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>

Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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, 2024 AND 2023**

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 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0% and in 2023 was 7.0%. 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, 2024 and 2023 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, 2024		
	1% Lower	Current Discount Rate	1% Higher
General Employees Fund Discount Rate	6.00%	7.00%	8.00%
BPU's Proportionate Share of the			
General Employees Fund Net Pension Liability	\$ 4,518,075	\$ 2,068,564	\$ 53,616

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liability Sensitivity (Continued)

Description	December 31, 2023		
	1% Lower	Current Discount Rate	1% Higher
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

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 46 active employees 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 2024 and 2023, BPU contributed \$5,924 and \$16,928, respectively to the plan.

Actuarial Methods and Assumptions

BPU's OPEB liability was measured as of January 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2024. The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, 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	6.50% Decreasing to 5.00 then 4.00% Over 6 Yrs.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2023 to December 31, 2023.

The discount rate used to measure the total OPEB liability was 3.7%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

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

- The health care trend rates were updated.
- The percentage of future retirees assumed to continue on one of the BPU's medical plans post-employment was reduced from 40% to 35%.
- The discount rate was changed from 4.00% to 3.70%.

Changes in Net OPEB Liability

	Total OPEB Liability 2024	Total OPEB Liability 2023
Balance at January 1,	\$ 366,208	\$ 384,494
Changes for the Year:		
Service Cost	24,860	26,085
Interest	15,307	8,131
Assumption Changes	(29,973)	(44,384)
Difference Between Expected and Actual	(27,257)	-
Benefit Payments	(16,928)	(8,118)
Net Change in Total OPEB Liability	(33,991)	(18,286)
Balance at December 31,	<u>\$ 332,217</u>	<u>\$ 366,208</u>

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

2024	1% Decrease 2.7%	Discount Rate 3.7%	1% Increase 4.7%
Description			
Net OPEB Liability	\$ 294,194	\$ 332,217	\$ 377,710
2023	1% Decrease 3.0%	Discount Rate 4.0%	1% Increase 5.0%
Description			
Net OPEB Liability	\$ 392,463	\$ 366,208	\$ 341,485

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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>2024</u>				
	1% Decrease (5.5% Decreasing to 4.0% then 3.0%)	Current Trend Rates (6.5% Decreasing to 5.0% then 4.0%)	1% Increase (7.5% Decreasing to 6.0% then 5.0%)	
Medical Trend Rate				
Net OPEB Liability	\$ 294,194	\$ 332,217	\$ 377,710	
<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	

For the years ended December 31, 2024 and 2023, BPU recognized OPEB expense of \$30,055 and \$30,462, respectively. At December 31, 2024, 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	\$ 5,924	\$ -
Difference Between Expected and Actual Experience	57,292	111,863
Changes in Actuarial Assumptions	13,950	72,574
Total	<u>\$ 77,166</u>	<u>\$ 184,437</u>

The \$5,924 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. 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>
2025	\$ (3,755)
2026	(2,479)
2027	(2,482)
2028	(22,705)
2029	(30,898)
Thereafter	(50,876)

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Net OPEB Liability (Continued)

At December 31, 2023, 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	\$ 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>

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
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
2024	0.0560%	\$ 2,068,564	\$ 53,489	\$ 2,122,053	\$ 4,735,645	43.68%	89.08%
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%

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

**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)
2024	\$ 346,787	\$ 346,787	\$ -	\$ 4,623,827	7.50%
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%

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, 2024	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	\$ 24,860	\$ 26,085	\$ 34,331	\$ 39,670	\$ 33,722	\$ 22,563	\$ 23,674
Interest	15,307	8,131	11,153	15,469	13,537	11,642	12,031
Assumption Changes	(29,973)	(44,384)	(18,204)	21,049	9,122	(8,905)	-
Difference Between Expected and Actual Experience	(27,257)	-	(140,216)	-	152,787	-	-
Benefit Payments	<u>(16,928)</u>	<u>(8,118)</u>	<u>(51,536)</u>	<u>(41,654)</u>	<u>(34,175)</u>	<u>(31,901)</u>	<u>(60,631)</u>
Net Change in Total OPEB Liability	(33,991)	(18,286)	(164,472)	34,534	174,993	(6,601)	(24,926)
Total OPEB - Beginning 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>	<u>370,966</u>
Total OPEB - End of the Year	<u><u>\$ 332,217</u></u>	<u><u>\$ 366,208</u></u>	<u><u>\$ 384,494</u></u>	<u><u>\$ 548,966</u></u>	<u><u>\$ 514,432</u></u>	<u><u>\$ 339,439</u></u>	<u><u>\$ 346,040</u></u>
Covered-Employee Payroll	\$ 4,056,858	\$ 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%	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, 2024**

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:

2024

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

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

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

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

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

2017 (Continued)

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

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:

2024

Assumption Changes:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The percentage of future retirees assumed to continue on one of the City's medical plans post-employment was reduced from 40% to 35%.
- The discount rate was changed from 4.00% to 3.70%.

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%.

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, 2024
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2023)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CAPITAL ASSETS					
Construction in Progress	\$ 1,298,879	\$ 576,611	\$ 921,721	\$ 2,797,211	\$ 4,908,481
In Service	51,845,124	40,058,523	42,808,249	134,711,896	126,038,545
Total Investment in Capital Assets	53,144,003	40,635,134	43,729,970	137,509,107	130,947,026
Less: Accumulated Depreciation/Amortization	(27,910,272)	(16,903,096)	(22,818,175)	(67,631,543)	(62,274,823)
Net Capital Assets	25,233,731	23,732,038	20,911,795	69,877,564	68,672,203
RESTRICTED ASSETS					
Cash and Investments					
Customer Deposits	595,816	-	-	595,816	498,283
City of Brainerd Contribution	84,070	19,550	242,642	346,262	235,874
Conservation Incentive Program	569,589	-	-	569,589	379,743
Debt Service Reserve	1,117,250	1,449,702	2,139,099	4,706,051	4,622,635
Total Restricted Cash and Investments	2,366,725	1,469,252	2,381,741	6,217,718	5,736,535
Bonds and Notes Receivable	-	-	2,290,000	2,290,000	3,710,923
Notes Receivable - Interest	-	-	30,442	30,442	34,800
Total Restricted Assets	2,366,725	1,469,252	4,702,183	8,538,160	9,482,258
CURRENT ASSETS					
Cash and Investments	3,178,149	(2,024,542)	5,622,115	6,775,722	8,501,032
Accounts Receivable	4,107,777	431,509	567,188	5,106,474	4,512,768
Interest Receivable	14,727	2,421	10,381	27,529	34,254
Due from the City of Brainerd	2,265	59,922	413,587	475,774	456,232
Supplies	2,105,987	121,328	-	2,227,315	1,981,426
Prepaid Expenses	774,026	49,493	29,914	853,433	850,159
Total Current Assets	10,182,931	(1,359,869)	6,643,185	15,466,247	16,335,871
OTHER ASSETS					
Service Territory Acquisitions, Net of Accumulated Depreciation	176,083	-	-	176,083	213,283
Total Assets	37,959,470	23,841,421	32,257,163	94,058,054	94,703,615
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	241,643	80,547	80,547	402,737	939,904
OPEB Related	46,300	15,433	15,433	77,166	111,043
Total Deferred Outflows of Resources	287,943	95,980	95,980	479,903	1,050,947
Total Assets and Deferred Outflows of Resources	\$ 38,247,413	\$ 23,937,401	\$ 32,353,143	\$ 94,537,957	\$ 95,754,562

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF NET POSITION BY DEPARTMENT (CONTINUED)
DECEMBER 31, 2024
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2023)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2024	2023
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
NET POSITION					
Net Investment in Capital Assets	\$ 20,917,345	\$ 11,968,464	\$ 11,488,605	\$ 44,374,414	\$ 40,594,106
Restricted for Debt Service	-	1,346,612	4,303,092	5,649,704	6,118,320
Restricted for Capital Outlay	-	621,024	-	621,024	551,964
Unrestricted	6,049,896	(3,050,326)	5,673,457	8,673,027	9,928,926
Total Net Position	26,967,241	10,885,774	21,465,154	59,318,169	57,193,316
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Portion	3,343,889	10,637,580	7,663,863	21,645,332	24,525,264
Lease Liability	369,705	4,188	4,188	378,081	387,101
Compensated Absences	203,947	82,827	69,281	356,055	896,960
Net Pension Liability	1,241,138	413,713	413,713	2,068,564	3,405,460
Other Postemployment Benefit Obligation	195,777	65,258	65,258	326,293	349,279
Total Long-Term Liabilities	5,354,456	11,203,566	8,216,303	24,774,325	29,564,064
CURRENT LIABILITIES					
Accounts and Contracts Payable	1,881,160	34,796	40,054	1,956,010	1,692,921
Bonds Payable	1,120,000	1,140,000	1,791,000	4,051,000	3,834,200
Lease Liability	11,470	3,068	3,068	17,606	29,171
Compensated Absences	110,250	36,750	28,000	175,000	175,000
Other Postemployment Benefit Obligation	3,554	1,185	1,185	5,924	16,929
Accrued Expenses					
Salaries and Withholding Taxes	214,912	138,081	78,825	431,818	352,263
Sales Taxes	218,582	3,459	-	222,041	156,701
Current Liabilities from Restricted Assets:					
Bond Interest	12,063	103,090	118,830	233,983	241,254
Payable to City of Brainerd	84,070	19,550	242,642	346,262	317,412
Conservation Incentive Program Payable	569,589	-	-	569,589	379,743
Customer Deposits	595,816	-	-	595,816	498,283
Total Current Liabilities	4,821,466	1,479,979	2,303,604	8,605,049	7,693,877
Total Liabilities	10,175,922	12,683,545	10,519,907	33,379,374	37,257,941
DEFERRED INFLOWS OF RESOURCES					
Pension Related	993,587	331,195	331,195	1,655,977	1,143,119
OPEB Related	110,663	36,887	36,887	184,437	160,186
Total Deferred Outflows of Resources	1,104,250	368,082	368,082	1,840,414	1,303,305
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 38,247,413	\$ 23,937,401	\$ 32,353,143	\$ 94,537,957	\$ 95,754,562

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2024	2023
OPERATING REVENUES					
Utility Revenues					
Residential	\$ 6,342,943	\$ 1,612,865	\$ 1,555,021	\$ 9,510,829	\$ 9,920,664
Commercial	10,019,998	1,668,074	1,782,018	13,470,090	13,550,319
Large Commercial	10,066,242	-	-	10,066,242	5,427,075
City of Brainerd	346,350	126,042	13,169	485,561	512,773
Total Utility Revenues	26,775,533	3,406,981	3,350,208	33,532,722	29,410,831
Other Operating Revenues					
Penalties	142,490	27,920	37,771	208,181	193,514
Other	432,078	265,578	49,036	746,692	324,392
Total Other Operating Revenues	574,568	293,498	86,807	954,873	517,906
Total Operating Revenues	27,350,101	3,700,479	3,437,015	34,487,595	29,928,737
OPERATING EXPENSES					
Generation, Production, and Treatment					
Salaries and Wages	251,741	412,588	392,487	1,056,816	1,346,971
Purchased Services	7,568	86,564	201,609	295,741	410,711
Supplies and Maintenance	4,951	111,478	180,968	297,397	299,519
Employee Benefits	97,194	143,605	143,706	384,505	426,698
Other Charges	340	566	14,636	15,542	31,656
Total Generation, Production, and Treatment Expenses	361,794	754,801	933,406	2,050,001	2,515,555
Purchased Power	18,705,357	-	-	18,705,357	13,781,299
Distribution and Collection					
Salaries and Wages	1,386,770	564,275	91,061	2,042,106	2,059,981
Purchased Services	99,261	162,770	45,235	307,266	442,316
Supplies and Maintenance	342,013	55,832	4,008	401,853	319,146
Employee Benefits	442,016	152,479	38,469	632,964	604,079
Other Charges	53,879	17,807	50	71,736	95,017
Total Distribution and Collection Expenses	2,323,939	953,163	178,823	3,455,925	3,520,539

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DEPARTMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)**

	ELECTRIC	WATER	WASTEWATER TREATMENT	TOTALS	
				2024	2023
OPERATING EXPENSES (CONTINUED)					
Administration					
Salaries and Wages	\$ 741,099	\$ 262,596	\$ 244,528	\$ 1,248,223	\$ 1,293,548
Purchased Services	640,263	238,855	156,381	1,035,499	930,870
Supplies and Maintenance	13,251	4,426	4,349	22,026	21,381
Insurance and Bonds	233,165	68,602	94,601	396,368	380,327
Employee Benefits	228,728	88,084	75,117	391,929	850,146
Other Charges	619,650	168,664	186,179	974,493	649,764
Total Administration Expenses	2,476,156	831,227	761,155	4,068,538	4,126,036
Depreciation and Amortization	2,390,907	1,333,639	1,694,652	5,419,198	5,293,599
Total Operating Expenses	26,258,153	3,872,830	3,568,036	33,699,019	29,237,028
OPERATING INCOME (LOSS)	1,091,948	(172,351)	(131,021)	788,576	691,709
NONOPERATING REVENUE (EXPENSE)					
Interest Income - Investments	137,805	32,008	398,727	568,540	395,522
Interest Income - Notes Receivable	-	-	104,659	104,659	121,159
Interest Expense	(141,168)	(177,579)	(345,125)	(663,872)	(656,331)
Local Option Sales Tax	-	366,513	1,517,991	1,884,504	1,877,308
Federal Grant Revenue	57,104	19,035	110,130	186,269	70,570
Bond Issuance Costs	-	-	-	-	(58,701)
Gain on Disposal of Capital Assets	20,496	831	-	21,327	8,584
Net Nonoperating Revenue (Expense)	74,237	240,808	1,786,382	2,101,427	1,758,111
INCOME BEFORE TRANSFERS	1,166,185	68,457	1,655,361	2,890,003	2,449,820
TRANSFERS TO THE CITY	(765,150)	-	-	(765,150)	(783,245)
CHANGE IN NET POSITION	<u>\$ 401,035</u>	<u>\$ 68,457</u>	<u>\$ 1,655,361</u>	<u>\$ 2,124,853</u>	<u>\$ 1,666,575</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
AND AMORTIZATION
DECEMBER 31, 2024**

	Cost			
	<u>12/31/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2024</u>
Electric Department				
<u>Generation</u>				
Land and Land Improvements	\$ 330,036	\$ -	\$ -	\$ 330,036
Generation Facilities	7,148,122	339,551	-	7,487,673
Machinery and Equipment	145,429	-	-	145,429
Transportation Equipment	22,365	-	-	22,365
Total Generation	7,645,952	339,551	-	7,985,503
<u>Distribution</u>				
Land and Land Improvements	321,103	-	-	321,103
Distribution System	33,050,898	2,868,281	-	35,919,179
Street and Security Lighting System	710,685	-	-	710,685
Machinery and Equipment	1,024,312	58,008	-	1,082,320
Transportation Equipment	1,578,726	190,593	-	1,769,319
Total Distribution	36,685,724	3,116,882	-	39,802,606
Total Electric Department	44,331,676	3,456,433	-	47,788,109
Water Department				
Land and Land Improvements	-	410,040	-	410,040
<u>Production</u>				
Structures and Improvements	1,872,948	-	-	1,872,948
Wells, Pumps and Accessories	956,614	48,649	-	1,005,263
Water Treatment Plant Equipment	2,462,311	33,679	-	2,495,990
Total Production	5,291,873	492,368	-	5,784,241
<u>Distribution</u>				
Distribution System	30,394,774	1,372,827	-	31,767,601
Machinery and Equipment	559,832	20,834	-	580,666
Transportation Equipment	473,097	-	-	473,097
Total Water Distribution	31,427,703	1,393,661	-	32,821,364
Total Water Department	36,719,576	1,886,029	-	38,605,605
Wastewater Treatment Department				
Land and Land Improvements	53,730	-	-	53,730
Collection System	5,613,928	2,677,584	-	8,291,512
Treatment Facility	31,134,597	490,934	-	31,625,531
Machinery and Equipment	784,835	26,037	-	810,872
Transportation Equipment	282,335	-	-	282,335
Total Wastewater Treatment Department	37,869,425	3,194,555	-	41,063,980
General Plant				
Land and Land Improvements	1,437,103	-	-	1,437,103
Service Center	4,030,725	39,250	-	4,069,975
Furniture and Fixtures	893,546	40,120	-	933,666
Right-to-Use Asset	461,978	14,157	8,718	467,417
Transportation Equipment	228,715	51,526	-	280,241
Storage Building	65,800	-	-	65,800
Total General Plant	7,117,867	145,053	8,718	7,254,202
Total Capital Assets in Service	126,038,544	8,682,070	8,718	134,711,896
Construction Work in Progress	4,908,481	5,159,072	7,270,342	2,797,211
Total Investment in Capital Assets	<u>\$ 130,947,025</u>	<u>\$ 13,841,142</u>	<u>\$ 7,279,060</u>	<u>\$ 137,509,107</u>

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
AND AMORTIZATION (CONTINUED)
DECEMBER 31, 2024**

Composite Depreciation Rates	Accumulated Depreciation				Percent of Asset Balance
	12/31/2023	Additions	Retirements	12/31/2024	
1.0%	\$ 43,520	\$ 3,203	\$ -	\$ 46,723	14.2%
4.1%	2,355,363	306,397	-	2,661,760	35.5%
11.3%	62,492	16,466	-	78,958	54.3%
5.1%	19,611	1,139	-	20,750	92.8%
4.1%	2,480,986	327,205	-	2,808,191	35.2%
0.0%	-	-	-	-	0.0%
4.5%	17,604,790	1,598,652	-	19,203,442	53.5%
6.1%	481,698	43,471	-	525,169	73.9%
5.2%	891,087	56,109	-	947,196	87.5%
6.8%	1,119,794	119,973	-	1,239,767	70.1%
4.6%	20,097,369	1,818,205	-	21,915,574	55.1%
	22,578,355	2,145,410	-	24,723,765	
0.0%	-	-	-	-	0.0%
0.9%	1,674,986	16,669	-	1,691,655	90.3%
9.1%	598,280	91,973	-	690,253	68.7%
6.0%	1,817,648	150,787	-	1,968,435	78.9%
4.5%	4,090,914	259,429	-	4,350,343	75.2%
3.0%	9,595,268	940,392	-	10,535,660	33.2%
8.7%	373,136	50,467	-	423,603	73.0%
5.0%	367,326	23,641	-	390,967	82.6%
3.1%	10,335,730	1,014,500	-	11,350,230	34.6%
3.3%	14,426,644	1,273,929	-	15,700,573	40.7%
0.0%	-	-	-	-	0.0%
3.1%	3,345,462	255,431	-	3,600,893	43.4%
4.2%	16,527,576	1,324,201	-	17,851,777	56.4%
6.3%	518,210	51,327	-	569,537	70.2%
5.8%	234,784	16,378	-	251,162	89.0%
4.0%	20,626,032	1,647,337	-	22,273,369	54.2%
0.6%	234,308	9,145	-	243,453	16.9%
3.2%	3,516,154	129,447	-	3,645,601	89.6%
10.5%	573,909	98,246	-	672,155	72.0%
8.7%	71,277	40,451	8,718	103,010	22.0%
7.7%	182,345	21,472	-	203,817	72.7%
0.0%	65,800	-	-	65,800	100.0%
4.1%	4,643,793	298,761	8,718	4,933,836	68.0%
4.0%	62,274,824	5,365,437	8,718	67,631,543	50.2%
	-	-	-	-	
3.9%	\$ 62,274,824	\$ 5,365,437	\$ 8,718	\$ 67,631,543	49.2%

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
ELECTRIC DISTRIBUTION DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2015 THROUGH 2024
(UNAUDITED)**

	2015	2016	2017	2018	2019
Electric Capital Assets					
In Service (Thousands)	\$ 39,034	\$ 40,295	\$ 43,225	\$ 44,612	\$ 43,103
Investment Per Meter	\$ 4,912	\$ 5,046	\$ 5,377	\$ 5,510	\$ 5,288
Investment Per Dollar of Electric Revenue	\$ 2.15	\$ 2.22	\$ 2.23	\$ 2.11	\$ 2.05
Accumulated Depreciation (Thousands)	\$ 15,838	\$ 17,441	\$ 19,024	\$ 20,711	\$ 18,888
Percent of Capital Assets	40.6%	43.3%	44.0%	46.4%	43.8%
Annual Depreciation (Thousands)	\$ 1,520	\$ 1,636	\$ 1,763	\$ 1,914	\$ 2,088
Percent of Annual Depreciation to Average Capital Assets in Service	4.0%	4.1%	4.2%	4.4%	4.8%
Number of Meters (Year-End)	7,946	7,986	8,039	8,096	8,151
Cost of Power					
KWH Purchased (Thousands)	167,978	166,984	165,645	170,684	167,222
KWH Generated	18,554	20,116	19,401	19,081	17,744
Total Cost (Thousands)	\$ 11,287	\$ 12,475	\$ 12,754	\$ 11,854	\$ 11,928
Cost Per KWH Purchased (Cents)	6.72	7.47	7.70	6.94	7.10
Percent of System Loss	3.4%	3.6%	3.5%	3.4%	3.6%
Average Load Factor for Year	66.8%	66.5%	66.9%	66.3%	64.3%
Electric Revenue					
KWH Sold (Thousands)	180,256	180,334	178,511	183,244	178,392
Electric Utility Revenue (Thousands)	\$ 18,119	\$ 18,159	\$ 19,412	\$ 21,183	\$ 21,007
Per KWH Sold (Cents)	10.05	10.07	10.87	11.56	11.78
Gross Margin Per KWH (Cents)	3.33	2.60	3.17	4.62	4.68
Operating Income (Loss) (Thousands)	\$ 1,666	\$ 556	\$ 1,504	\$ 3,594	\$ 3,131
Change in Net Position (Thousands)	\$ 707	\$ (457)	\$ 473	\$ 2,690	\$ 2,250

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

2020	2021	2022	2023	2024
\$ 44,904	\$ 45,322	\$ 47,513	\$ 48,301	\$ 51,845
\$ 5,464	\$ 5,503	\$ 5,668	\$ 5,843	\$ 6,213
\$ 2.25	\$ 2.19	\$ 2.20	\$ 1.97	\$ 1.90
\$ 20,552	\$ 21,177	\$ 23,334	\$ 25,578	\$ 27,910
45.8%	46.7%	49.1%	53.0%	53.8%
\$ 2,233	\$ 2,269	\$ 2,260	\$ 2,282	\$ 2,391
5.1%	5.0%	4.9%	4.7%	4.6%
8,218	8,236	8,383	8,267	8,344
159,528	171,355	172,586	194,577	329,298
18,727	12,983	16,584	10,866	9,203
\$ 10,559	\$ 12,021	\$ 12,256	\$ 13,781	\$ 18,705
6.60	7.02	7.34	7.08	5.68
3.3%	3.1%	2.3%	2.0%	2.4%
68.8%	66.8%	67.6%	58.7%	87.8%
172,315	178,605	184,500	218,085	330,542
\$ 19,905	\$ 20,673	\$ 21,556	\$ 24,024	\$ 27,530
11.55	11.57	11.68	11.02	8.27
4.95	4.55	4.34	3.93	2.59
\$ 2,855	\$ 1,937	\$ 2,465	\$ 2,983	\$ 1,092
\$ 2,087	\$ 988	\$ 1,356	\$ 2,129	\$ 401

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
WATER DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2015 THROUGH 2024
(UNAUDITED)**

	2015	2016	2017	2018	2019
Water Capital Assets					
In Service (Thousands)	\$ 17,655	\$ 17,930	\$ 24,356	\$ 25,582	\$ 27,467
Investment Per Meter	\$ 3,797	\$ 3,835	\$ 5,160	\$ 5,368	\$ 5,725
Investment Per Dollar of Water Revenue	\$ 8.11	\$ 7.95	\$ 10.43	\$ 10.24	\$ 10.72
Accumulated Depreciation (Thousands)	\$ 7,974	\$ 8,608	\$ 9,387	\$ 10,310	\$ 11,009
Percent of Capital Assets	45.2%	48.0%	38.5%	40.3%	40.1%
Annual Depreciation (Thousands)	\$ 656	\$ 702	\$ 821	\$ 1,005	\$ 1,060
Percent of Annual Depreciation to Average Capital Assets in Service	3.7%	4.0%	3.9%	4.1%	4.0%
Number of Meters (Year-End)	4,650	4,675	4,720	4,766	4,798
Cost of Water Production					
Gallons Pumped into Distribution System (Thousands)	506,271	492,846	482,159	465,743	473,439
Total Cost (Thousands)	\$ 442	\$ 459	\$ 472	\$ 493	\$ 495
Cost Per Thousand Gallons Pumped	\$ 0.87	\$ 0.93	\$ 0.98	\$ 1.06	\$ 1.05
Percent of System Loss	18.7%	18.8%	19.5%	15.6%	18.5%
Water Revenue					
Gallons Sold (Thousands)	411,825	400,226	388,296	393,241	385,936
Water Utility Revenue (Thousands)	\$ 2,177	\$ 2,254	\$ 2,335	\$ 2,499	\$ 2,563
Per Thousand Gallons Sold	\$ 5.29	\$ 5.63	\$ 6.01	\$ 6.35	\$ 6.64
Gross Margin Per Thousand Gallons Sold	\$ 4.42	\$ 4.70	\$ 5.03	\$ 5.29	\$ 5.59
Operating Income (Loss) (Thousands)	\$ 184	\$ 72	\$ (87)	\$ (178)	\$ (295)
Change in Net Position (Thousands) Before Capital Contributions from City	\$ 153	\$ 12	\$ 133	\$ (122)	\$ (132)

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

2020	2021	2022	2023	2024
\$ 28,398	\$ 31,356	\$ 34,929	\$ 38,136	\$ 40,059
\$ 5,865	\$ 6,448	\$ 7,058	\$ 7,754	\$ 8,116
\$ 10.54	\$ 7.96	\$ 10.63	\$ 11.55	\$ 11.76
\$ 11,997	\$ 13,180	\$ 14,309	\$ 15,571	\$ 16,903
42.2%	42.0%	41.0%	40.8%	42.2%
\$ 1,142	\$ 1,182	\$ 1,172	\$ 1,256	\$ 1,334
4.1%	4.0%	3.5%	3.3%	3.3%
4,842	4,863	4,949	4,918	4,936
490,593	908,885	576,007	524,270	518,659
\$ 593	\$ 713	\$ 821	\$ 974	\$ 855
\$ 1.21	\$ 0.78	\$ 1.42	\$ 1.86	\$ 1.65
19.5%	15.3%	14.4%	20.0%	16.4%
395,137	770,302	493,350	420,688	433,466
\$ 2,695	\$ 3,935	\$ 3,283	\$ 3,302	\$ 3,407
\$ 6.82	\$ 5.11	\$ 6.65	\$ 7.85	\$ 7.86
\$ 5.61	\$ 4.33	\$ 5.23	\$ 5.99	\$ 6.21
\$ (252)	\$ 717	\$ (530)	\$ (913)	\$ (173)
\$ (102)	\$ 768	\$ (273)	\$ (710)	\$ 68

**BRAINERD PUBLIC UTILITIES
BRAINERD, MINNESOTA
WASTEWATER TREATMENT DEPARTMENT STATISTICS
FOR THE TEN YEARS ENDED DECEMBER 31, 2015 THROUGH 2024
(UNAUDITED)**

	2015	2016	2017	2018	2019
Wastewater Treatment Capital Assets					
In Service (Thousands)	\$ 36,403	\$ 36,453	\$ 37,612	\$ 37,870	\$ 38,240
Investment Per Account	\$ 7,914	\$ 7,882	\$ 8,045	\$ 8,040	\$ 8,045
Investment Per Dollar of Wastewater Treatment Revenue	\$ 15.44	\$ 14.75	\$ 14.38	\$ 13.81	\$ 13.28
Accumulated Depreciation (Thousands)	\$ 9,746	\$ 11,113	\$ 12,421	\$ 13,767	\$ 15,250
Percent of Capital Assets	26.8%	30.5%	33.0%	36.4%	39.9%
Annual Depreciation (Thousands)	\$ 1,392	\$ 1,402	\$ 1,429	\$ 1,497	\$ 1,499
Percent of Annual Depreciation to Average Capital Assets in Service	3.8%	3.9%	3.9%	4.0%	3.9%
Number of Accounts (Year-End)	4,600	4,625	4,675	4,710	4,753
Cost of Wastewater Treatment					
Flow in Gallons Processed (Thousands)	700,235	764,803	844,303	751,581	808,631
Total Treatment Cost (Thousands)	\$ 1,001	\$ 1,084	\$ 1,189	\$ 1,372	\$ 1,351
Cost Per Thousand Gallons Processed	\$ 1.43	\$ 1.42	\$ 1.41	\$ 1.83	\$ 1.67
Percent of System Loss	22.7%	28.7%	31.8%	23.3%	28.1%
Wastewater Treatment Revenue					
Flow in Gallons Sold (Thousands)	541,213	545,513	575,734	567,477	581,822
Wastewater Treatment Utility Revenue (Thousands)	\$ 2,357	\$ 2,471	\$ 2,616	\$ 2,742	\$ 2,880
Per Thousand Gallons Sold	\$ 4.36	\$ 4.53	\$ 4.54	\$ 4.76	\$ 4.95
Gross Margin Per Thousand Gallons Sold	\$ 2.93	\$ 3.11	\$ 3.13	\$ 2.93	\$ 3.28
Operating Income (Loss) (Thousands)	\$ (642)	\$ (719)	\$ (797)	\$ (887)	\$ (776)
Change in Net Position (Thousands)	\$ 61	\$ 15	\$ 135	\$ (27)	\$ 428

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

2020	2021	2022	2023	2024
\$ 39,441	\$ 39,024	\$ 40,035	\$ 39,601	\$ 42,808
\$ 8,236	\$ 8,106	\$ 8,165	\$ 8,120	\$ 8,740
\$ 14.51	\$ 13.73	\$ 13.81	\$ 10.73	\$ 12.45
\$ 16,617	\$ 17,688	\$ 19,522	\$ 21,125	\$ 22,818
42.1%	45.3%	48.8%	53.3%	53.3%
\$ 1,547	\$ 2,010	\$ 1,840	\$ 1,750	\$ 1,695
4.0%	5.1%	4.7%	4.4%	4.0%
4,789	4,814	4,903	4,877	4,898
753,696	659,261	734,406	682,215	726,977
\$ 1,358	\$ 1,378	\$ 1,371	\$ 1,596	\$ 1,455
\$ 1.80	\$ 2.09	\$ 1.86	\$ 2.34	\$ 2.00
26.2%	12.3%	24.5%	14.8%	22.3%
556,108	578,185	554,669	580,914	564,990
\$ 2,717	\$ 2,842	\$ 2,897	\$ 3,689	\$ 3,438
\$ 4.89	\$ 4.91	\$ 5.22	\$ 6.35	\$ 6.09
\$ 3.09	\$ 2.82	\$ 3.36	\$ 4.01	\$ 4.09
\$ (1,005)	\$ (1,430)	\$ (1,329)	\$ (1,378)	\$ (131)
\$ 296	\$ (280)	\$ (267)	\$ 248	\$ 1,655



**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, 2024, and the related notes to the financial statements, which collectively comprise BPU's financial statements, and have issued our report thereon dated April 24, 2025.

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.

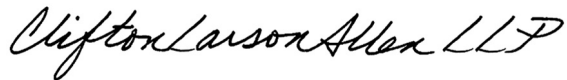
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 24, 2025



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, 2024, and the related notes to the financial statements, which collectively comprise BPU's financial statements and have issued our report thereon dated April 24, 2025.

In connection with our audit, we noted BPU failed to comply with provisions of the claims and disbursements sections of *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 described in the schedule of findings and responses as item 2024-001. Also, 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, 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
April 24, 2025

**BRAINERD PUBLIC UTILITIES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024**

A. FINDINGS – MINNESOTA LEGAL COMPLIANCE

Finding 2024-001 - Late Payment of Claims

Type of Finding: Minnesota Legal Compliance

Condition: There were checks that were not paid within the 35-day requirement. However, it was noted that BPU paid the required interest with the payments per MN Statute.

Criteria or specific requirement: Per *Minnesota State Statute* § 471.425, subd. 2, BPU must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period (35 days) unless the Utility in good faith disputes the obligation.

Effect: BPU is not in compliance with Minnesota Statute.

Cause: There was staff turnover within the office.

Repeat Finding: No.

Recommendation: We recommend BPU pay all contractors within the terms of the contract or within the standard payment period (35 days).

Views of responsible officials: There is no disagreement with the audit finding.



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