

CITY OF BRAINERD, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED DECEMBER 31, 2015

PREPARED BY:
Administrator's Office

Administrator
James Thoreen

**CITY OF BRAINERD, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2015**

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-5
GFOA Certificate of Achievement	6
Organizational Chart	7
Principal City Officials	8
 FINANCIAL SECTION	
Independent Auditors' Report	9-11
Management's Discussion and Analysis	12-21
 <u>Basic Financial Statements</u>	
Statement of Net Position	22-23
Statement of Activities	24-25
Balance Sheet – Governmental Funds	26-27
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	29-30
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Governmental Activities	31
Statement of Fund Net Position – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Notes to Financial Statements	35-95
 <u>Required Supplementary Information</u>	
Brainerd Fireman's Relief Association – Schedule of Changes in the Net Pension Asset and Related Ratios	96
Schedule of Funding Progress – Other Postemployment Benefits	97
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)	98
Schedule of City Pension Contributions – Last Two Years	99
Budgetary Comparison Schedule – General Fund	100
Budgetary Comparison Schedule – Public Safety Fund	101
Budgetary Comparison Schedule – Park and Recreation Fund	102
Budgetary Comparison Schedule – Street and Sewer Fund	103
Budgetary Comparison Schedule – Economic Development Authority Fund	104
Notes to the Required Supplementary Information	105
 <u>Combining and Individual Nonmajor Fund Statements and Schedules</u>	
Combining Balance Sheet – Nonmajor Governmental Funds	106-107
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	108-109
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Recycling Fund	110
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – City Parking Lots Fund	111

**CITY OF BRAINERD, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2015**

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
<u>Combining and Individual Nonmajor Fund Statements and Schedules (Continued)</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Transit Fund	112
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Permanent Improvement Fund	113
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Mayor’s Contingency Fund	114
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hydrant Rental and Electric Current Fund	115
<u>Component Unit Financial Statements</u>	
Brainerd Lakes Regional Airport	
Reconciliation of the Balance Sheet to the Statement of Net Position	116
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	117
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	118
Brainerd Public Library	
Reconciliation of the Balance Sheet to the Statement of Net Position	119
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	120
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	121
STATISTICAL INFORMATION SECTION (UNAUDITED)	
Net Position by Component – Last Ten Fiscal Years	122-123
Changes in Net Position – Last Ten Fiscal Years	124-127
Fund Balances – Governmental Funds – Last Ten Fiscal Years	128-129
Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years	130-131
Net Tax Capacity and Estimated Market Value of Property – Last Ten Fiscal Years	132-133
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	134-135
Property Tax Levies and Collections – Last Ten Fiscal Years	136-137
Principal Taxpayers – Current and Nine Years Ago	138
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	139-140
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Debt Per Capita – Last Ten Fiscal Years	141
Direct and Overlapping Governmental Activities Debt – December 31, 2015	142
Computation of Legal Debt Margin – Last Ten Fiscal Years	143-144
Pledged-Revenue Coverage – Last Ten Fiscal Years	145-146
Demographic and Economic Statistics – Last Ten Calendar Years	147
Principal Employers – Current Year and Ten Years Ago	148
Full-Time Equivalent Employees – City Government Employees by Function/Program – Last Ten Years	149-150
Operating Indicators by Function/Program – Last Ten Years	151-152
General Asset Statistics by Function/Program – Last Ten Years	153-154

**CITY OF BRAINERD, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2015**

	PAGE
OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	155-156
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	157-158
Schedule of Expenditures of Federal Awards	159
Independent Auditors' Report on Minnesota Legal Compliance	160
Schedule of Findings and Questioned Costs	161-162

INTRODUCTORY SECTION



www.ci.brainerd.mn.us

June 22, 2016

Honorable Mayor and
Members of the City Council
City of Brainerd
Brainerd, Minnesota

Minnesota Statutes require cities to issue an annual report on its financial position and activity prepared in accordance with Generally Accepted Accounting Principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Brainerd (the City) for the fiscal year ended December 31, 2015.

This report consists of management's representations concerning the finances of the City of Brainerd (the City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Brainerd has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Brainerd was incorporated in 1881 and is governed by a Home Rule Charter. Brainerd is the County seat of Crow Wing County and is located in central Minnesota approximately 125 miles north of the Minneapolis/St. Paul metropolitan area. The City is considered a regional center in the State and serves an estimated population of 16,659. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. The City is also empowered by state statute to extend its corporate limits by annexation which has been used to accommodate continued growth of the community.

Policy-making and legislative authority are vested in a City Council consisting of the Mayor and seven Council members. According to the Charter, the Mayor is the Chief Executive Officer of the City and the City Administrator is the Chief Administrative Officer of the City. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring staff including the City Administrator. The City Administrator is responsible for carrying out the policies of the City Council and for overseeing the day-to-day operations of the City government excluding the Public Utilities Department. The Council is elected on a non-partisan basis. The Mayor and Council members serve four-year staggered terms, with four Council members elected during an election and the Mayor and three Council members elected during the next election. Four Council members are elected by Wards and the Mayor and three Council members are elected at large.

The City of Brainerd provides a full range of municipal services. These include: public safety (police and fire), streets, economic development services, culture/parks/recreation, engineering, public improvements, animal control, civil defense, planning and zoning and general administrative services. The City also operates public electric, water, sanitary and storm sewer collection and treatment utilities and is co-owner of a municipal airport.

The annual budget serves as the foundation for the City of Brainerd financial planning and control. All departments and agencies of the City submit requests for appropriation to the City Administrator in July/August of each year. The City Administrator and Finance Director use these requests as the starting point for developing a proposed budget for the upcoming calendar/fiscal year. The City Administrator and Finance Director then present this proposed budget to the President of the Council and the Chair of the Personnel and Finance Committee for initial review. The Council President and Personnel and Finance Committee Chair then present their recommendation to the Council. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Brainerd's fiscal year. The appropriated budget is prepared by fund (e.g., General Fund), function (e.g., public safety), and department (e.g., police). Department Heads utilize the approved budget to make appropriations within their department. Transfers of appropriations between funds require the special approval of the City Council. Departmental appropriations are approved for payment by Council action at each regular City Council meeting. To provide the elected officials a further understanding of budgetary activity, a monthly financial report is provided to the City Council by the Finance Director. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Public Safety Fund, this comparison is presented starting on page 100 as part of the required supplementary information. For budgeted nonmajor special revenue funds this comparison is presented in the combining and individual nonmajor statements and schedules of this report, which starts on page 106.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Brainerd operates.

Local Economy

The City of Brainerd is situated in the heart of one of the prime resort and recreational areas in the state which includes Gull Lake, the Whitefish Chain of Lakes, the northwest shore of Mille Lacs Lake, as well as over 450 additional lakes located within 25 miles of the City. The greatest economic impact from tourism and recreation in the area is derived during the summer season due to the lake oriented amenities available in the region as well as the numerous championship golf courses located within 15-30 minutes of the City. Winter activities such as ice fishing, skiing and snowmobiling attract vacationers during the winter season.

The Cities of Brainerd and neighboring Baxter are the major commercial, service and industrial centers in the region. The trade area encompasses a year-round population in excess of 60,000 and includes major resort facilities on Gull Lake and the Whitefish Chain of Lakes. It is estimated that area population nearly doubles during the summer months due to the high number of second homes/seasonal residents and tourists. In recent years, a great deal of new commercial development and redevelopment has taken place along local state highways including the construction of numerous national chain stores, auto dealerships, motels, banks, gas and highway convenience stores and restaurants. In addition to commercial and industrial development, the Minnesota Department of Transportation, Minnesota Pollution Control Agency, and Minnesota Department of Natural Resources have their regional operations located in the Brainerd area, further diversifying the local job market.

The City's economic environment has improved since the Great Recession. The unemployment figures have declined but remain high compared to the rest of the state. The local economy seems to have stabilized. The City is experiencing a slow recovery similar to the national economy. The City is a regional center in the State which brings a great deal of commerce to the area which assists the local economy.

Past annexation of property located adjacent to the City and the development of industrial sites by the City will allow the community to continue to grow to accommodate commercial/industrial and residential opportunities.

Relevant Financial Policies and Long-term Financial Planning

The City Council has adopted financial management policies in order to allow for the planning of adequate funding of services desired by the public, to manage City finances wisely, and to carefully account for public funds. The financial management policies include: fund balance policies; annual budgeting policies; debt management policies; investment policies; credit card policies; capitalization policies; and internal control policies.

The City's fund balance policy is that the City will maintain spendable-unassigned portion of the fund balance in a range equal to 35 – 50% of the General Fund operating expenditures. The percentage of unassigned fund balance at December 31, 2015 is 142%. However, the combined "primary operating funds" which include the General, Public Safety, Park and Recreation and Street and Sewer funds are only at 37% of expenditures at December 31, 2015. One of the 2013 financial strategic goals is for the "primary operating funds" to 35-50% of operating expenditures.

The City typically issues debt for significant infrastructure projects, using revenue from identified beneficiaries as the source of repayment. The City has achieved a bond rating of AA- from Standard & Poor's. This rating reflects the status of the City with very strong budget flexibility, liquidity, strong management conditions, adequate budgetary performance, and debt and contingent liability profile, with an improving economy, and strong institutional framework.

Major Initiatives

The Brainerd Council is directing staff on numerous projects that will affect the growth of the City. A partial list of the major projects includes:

- Industrial Park. The Brainerd Economic Development Authority (EDA) and the City Council continue to market the Brainerd Industrial Park (the Park). In 2009, the industrial Park was expanded and through the use of a grant, infrastructure was constructed. The park was one of the first regions in the State to receive a “Shovel Ready” certification. The certification means that the building sites have all the appropriate preliminary work done to expedite the construction process. The lots are graded and “pad ready,” offering transportation, electric, water, gas and fiber optic infrastructure is already in place.
- River/Trail Development. The 2014 State Legislature appropriated bonding funds for constructing the Cuyuna Lakes State Trail through Brainerd. Also, a Minnesota Department of Transportation Alternatives Program grant was awarded to the City to construct a trail in 2017 on S. 6th Street (B371) from Joseph Drive to Industrial Park Boulevard.
- Riverfront Project. The Mississippi River runs through the City of Brainerd. The City Council appointed a steering committee to develop riverfront improvement concepts for a 2 mile section of the Mississippi River. The committee submitted a plan recommendation to the City Council which it accepted. The City also received a grant from a local organization for three years (2015-2018) to take the concepts to the next level.
- Brainerd Lakes Regional Airport. The Airport is a joint ownership between the City of Brainerd and Crow Wing County. A variety of other aviation-related businesses, as well as a full-service fixed base operator, are also located at the Airport with additional land available for private hangar construction and business development. In 2016, the City will be completing a 2.6 mile expansion of City water and sewer to the airport.
- Other. Several street and sanitary sewer reconstruction and resurfacing projects were started and/or completed in 2015 with a value of approximately \$1.4 million. The City continues to upgrade its existing streets and infrastructure as well as developing, improving, and officially adopting a capital improvement infrastructure plan.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brainerd for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. This was the 22nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

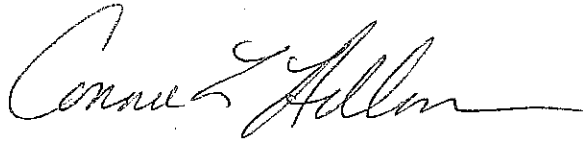
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

AWARDS AND ACKNOWLEDGEMENTS (CONTINUED)

The preparation of this report would not have been possible without the dedicated services of the Administration Department staff. We would like to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their support for maintaining the high standards of professionalism in the management of the City of Brainerd finances.

Respectfully submitted,


James Thoreen
City Administrator


Connie L. Hillman
Finance Director

This Page Has Been Intentionally Left Blank.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Brainerd
Minnesota**

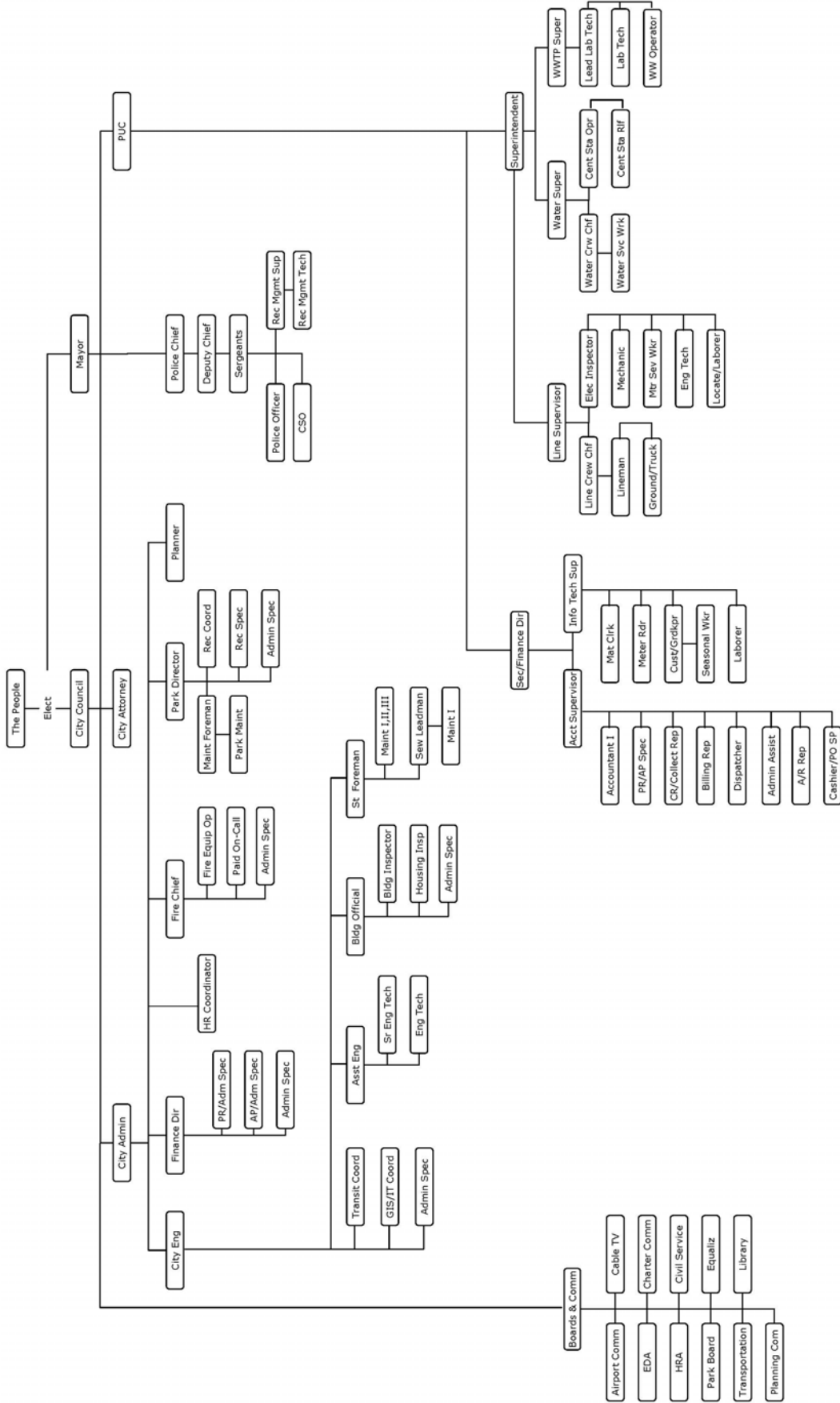
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

This Page Has Been Intentionally Left Blank.

City of Brainerd, Minnesota—Organizational Chart
 December 31, 2015



This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2015**

Position	Term Expires	Name
ELECTED OFFICIALS		
Mayor	12/31/18	James E. Wallin *
Mayor	12/31/16	Edwin L. Menk **
Council Member, President, Ward 3	12/31/16	Gary Scheeler
Council Member, Vice President, Ward 1	12/31/16	David Pritschet
Council Member, At Large	12/31/18	Sue Hilgart
Council Member, At Large	12/31/16	Chip Borkenhagen
Council Member, At Large	12/31/16	Mary Koep
Council Member, Ward 2	12/31/18	Kelly Bevans
Council Member, Ward 4	12/31/18	Gabe Johnson
APPOINTED OFFICIALS		
City Administrator		James Thoreen
Finance Director/Deputy Clerk		Connie Hillman
Engineer		Jeffrey Hulsether
Planner		Mark Ostgarden
Fire Chief		Timothy Holmes
Police Chief		Corky McQuiston
HRA Executive Director		Jennifer Bergman
Airport Manager		Jeff Wig
Public Utilities Superintendent		Scott Magnuson
Public Utilities Secretary		Todd Wicklund
CONTRACTUAL OFFICIALS		
City Civil Attorney		Eric J. Quiring
Auditor		CliftonLarsonAllen LLP

* Deceased 9/26/15
** Appointed 12/7/2015

This Page Has Been Intentionally Left Blank.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Brainerd
Brainerd, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brainerd (the City), Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Honorable Mayor and
Members of the City Council
City of Brainerd

Report on the Financial Statements (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brainerd, Minnesota, as of December 31, 2015, the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

For the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle on their governmental activities and business-type funds (See Note 12). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Net Pension Asset and Related Ratios, Schedule of Funding Progress, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of City Pension Contributions and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, introductory section, statistical information and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Honorable Mayor and
Members of the City Council
City of Brainerd

Other Matters (Continued)

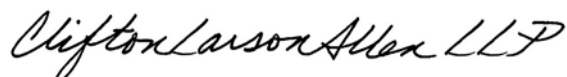
Supplementary and Other Information (Continued)

The combining and individual nonmajor fund financial statements and schedules, component unit financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, component unit financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the City'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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
June 22, 2016

This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

As management of the City of Brainerd (the City), Minnesota, we offer readers of the City of Brainerd's financial statements this narrative overview and analysis of the financial activities of the City of Brainerd for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- ◆ The assets and deferred outflows of the City of Brainerd exceeded its liabilities and deferred inflows at the close of the most recent financial year by \$49,418,336 (net position). Unrestricted net position is (\$482,691) and restricted net position is \$7,683,276 which will be used for debt service and economic development.
- ◆ The City's total net position increased by \$1,530,277 from operations, before the restatement. The City implemented GASB statements 68/71 which caused net position to be restated by approximately \$4,000,000.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,975,632.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,360,516 or 142% of total General Fund expenditures; however, it should be noted that unassigned fund balance for the combined "primary operating funds" including General, Public Safety, Park and Recreation, and Street and Sewer Funds was only 37% of 2015 expenditures.
- ◆ The City's total bonded debt decreased by \$60,000 during the current fiscal year as a net result of the issuance of new debt of approximately \$2.7 million and payments of approximately \$2.8 million on existing debt.
- ◆ The Sanitary Sewer Fund's net position decreased \$128,886 from the prior year due to charges for services not being enough to cover operating expenses. The Storm Sewer Fund's net position decreased \$71,237 from the prior year due to charges for services not being enough to cover operating expenses.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements for the year ended December 31, 2015. The information presented should be read in conjunction with the financial statements and the accompanying notes for the financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements are prepared on the accrual basis (government-wide) and modified accrual basis (fund level) of accounting in accordance with accounting principles generally accepted in the United States of America. This report also contains the independent auditors' report, notes that explain in more detail information in the financial statements, and statistical information on a multi-year basis.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows, deferred inflows and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation/sick leave).

The government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) including general government, public safety, public works, economic development, and culture and recreation.

The government-wide financial statements can be found on pages 22-25 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund Statement of Revenues, Expenditures, and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Public Safety Fund, Park And Recreation, Street and Sewer, Revolving Loans Fund, Economic Development Authority Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for the other nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-31 of this report.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Overview of the Financial Statements (Continued)

Proprietary Funds

The City reports three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and storm sewer utilities. Proprietary fund financial statements provide the same type of information as the government-wide statements, only in more detail. The City also maintains an internal service fund which is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health insurance and general risk management. These services have been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-95 of this report.

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 106-121 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$49,418,336 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, building, equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Government-Wide Financial Analysis (Continued)

City's net position:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 17,228,904	\$ 14,446,438	\$ 216,382	\$ 135,351	\$ 17,445,286	\$ 14,581,789
Capital Assets	37,782,249	39,187,480	13,940,275	13,454,002	51,722,524	52,641,482
Total Assets	55,011,153	53,633,918	14,156,657	13,589,353	69,167,810	67,223,271
Deferred Outflows of Resources	964,099	-	7,495	-	971,594	-
Long-Term Liabilities						
Outstanding	17,336,498	13,376,023	1,930,190	1,099,073	19,266,688	14,475,096
Other Liabilities	730,518	746,514	44,089	55,509	774,607	802,023
Total Liabilities	18,067,016	14,122,537	1,974,279	1,154,582	20,041,295	15,277,119
Deferred Inflows of Resources	673,671	-	6,102	-	679,773	-
Net Position						
Net Investment in Capital Assets	29,274,442	28,215,682	12,943,309	12,385,761	42,217,751	40,601,443
Restricted	7,683,276	7,572,337	-	-	7,683,276	7,572,337
Unrestricted	276,847	3,723,362	(759,538)	49,010	(482,691)	3,772,372
Total Net Position	\$ 37,234,565	\$ 39,511,381	\$ 12,183,771	\$ 12,434,771	\$ 49,418,336	\$ 51,946,152

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (-\$482,691) may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Government-Wide Financial Analysis (Continued)

City's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues:						
Charges for Services	\$ 3,281,988	\$ 3,512,801	\$ 702,205	\$ 514,299	\$ 3,984,193	\$ 4,027,100
Operating Grants and Contributions	1,633,211	1,887,902	-	-	1,633,211	1,887,902
Capital Grants and Contributions	790,375	1,056,045	-	-	790,375	1,056,045
General Revenues:						
Property Taxes	4,883,849	4,342,119	-	-	4,883,849	4,342,119
Sales Taxes	905,665	882,484	-	-	905,665	882,484
Grants and Contributions not Restricted to Specific Programs	4,089,134	4,036,949	-	-	4,089,134	4,036,949
Unrestricted Investment Earnings	22,142	8,478	438	620	22,580	9,098
Other	263,995	313,152	1,546	-	265,541	313,152
Total Revenues	15,870,359	16,039,930	704,189	514,919	16,574,548	16,554,849
Expenses						
General Government	2,264,850	2,450,864	-	-	2,264,850	2,450,864
Public Safety	5,094,506	4,911,805	-	-	5,094,506	4,911,805
Public Works	3,654,249	3,782,720	-	-	3,654,249	3,782,720
Culture and Recreation	1,069,824	961,494	-	-	1,069,824	961,494
Economic Development	1,715,635	1,675,233	-	-	1,715,635	1,675,233
Debt Service	340,895	365,052	-	-	340,895	365,052
Sanitary Sewer	-	-	523,043	526,040	523,043	526,040
Storm Sewer	-	-	381,269	374,793	381,269	374,793
Total Expenses	14,139,959	14,147,168	904,312	900,833	15,044,271	15,048,001
Increase (Decrease) in Net Position	1,730,400	1,892,762	(200,123)	(385,914)	1,530,277	1,506,848
Net Position, Beginning	39,511,381	37,618,619	12,434,771	12,820,685	51,946,152	50,439,304
Change in Accounting Principle	(4,007,216)	-	(50,877)	-	(4,058,093)	-
Net Position, Beginning, Restated	35,504,165	37,618,619	12,383,894	12,820,685	47,888,059	50,439,304
Net Position, Ending	\$ 37,234,565	\$ 39,511,381	\$ 12,183,771	\$ 12,434,771	\$ 49,418,336	\$ 51,946,152

Governmental Activities

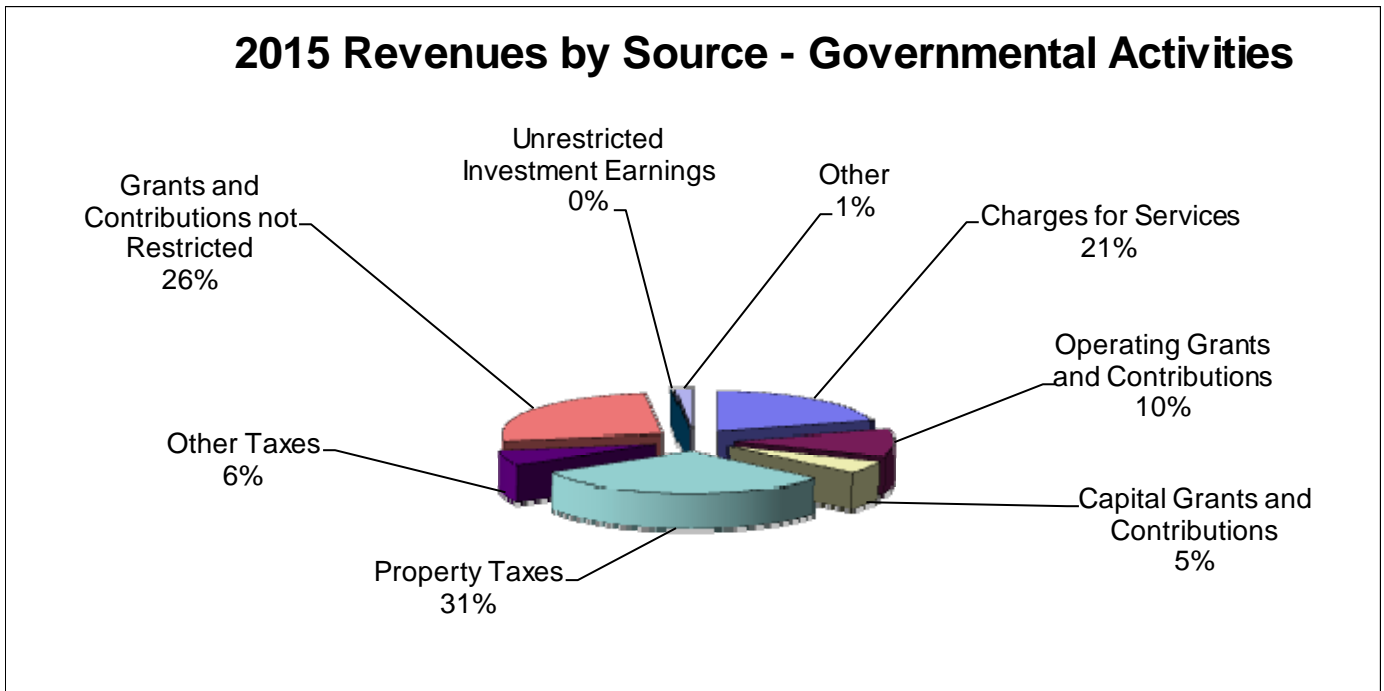
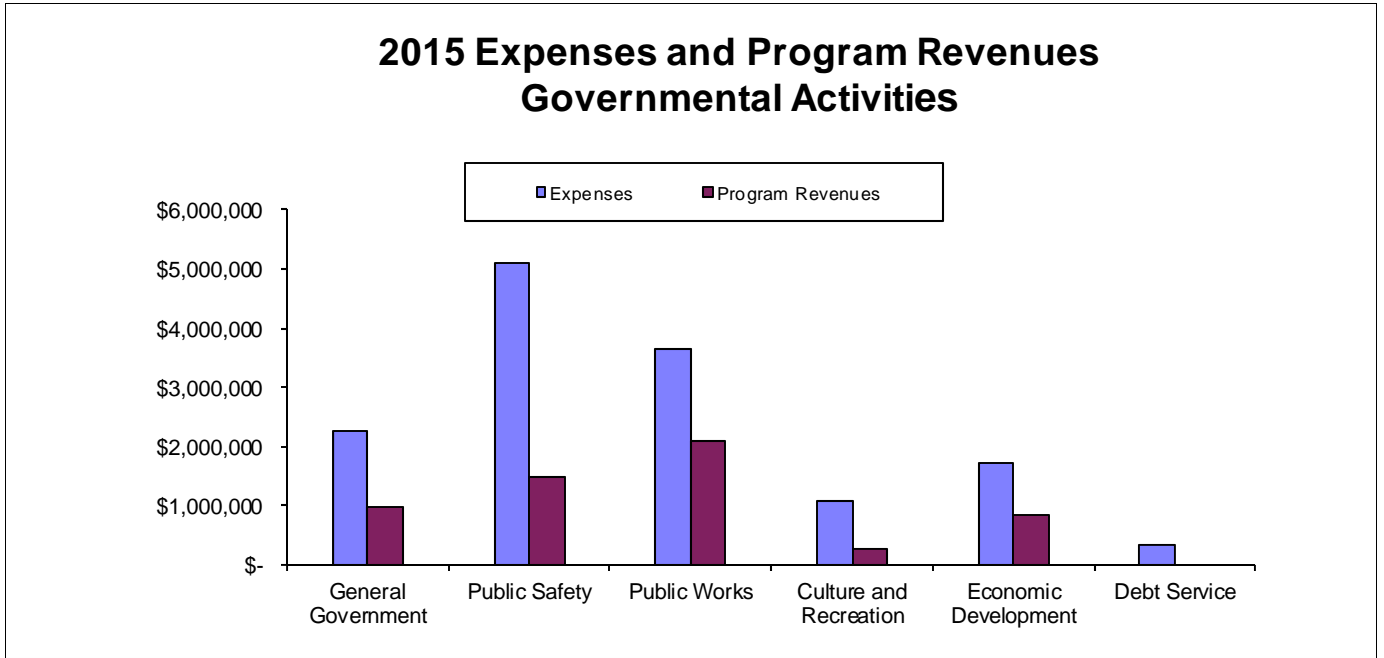
Governmental activities increased the City's net position by approximately \$1,700,000 compared to an increase of approximately \$1,900,000 in the prior year. Overall City expenses were up by \$57,000 and government-wide revenues were down by \$105,000. Overall changes to net position were very minimal in the current year compared to the prior year.

This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Government-Wide Financial Analysis (Continued)

Governmental Activities (Continued)



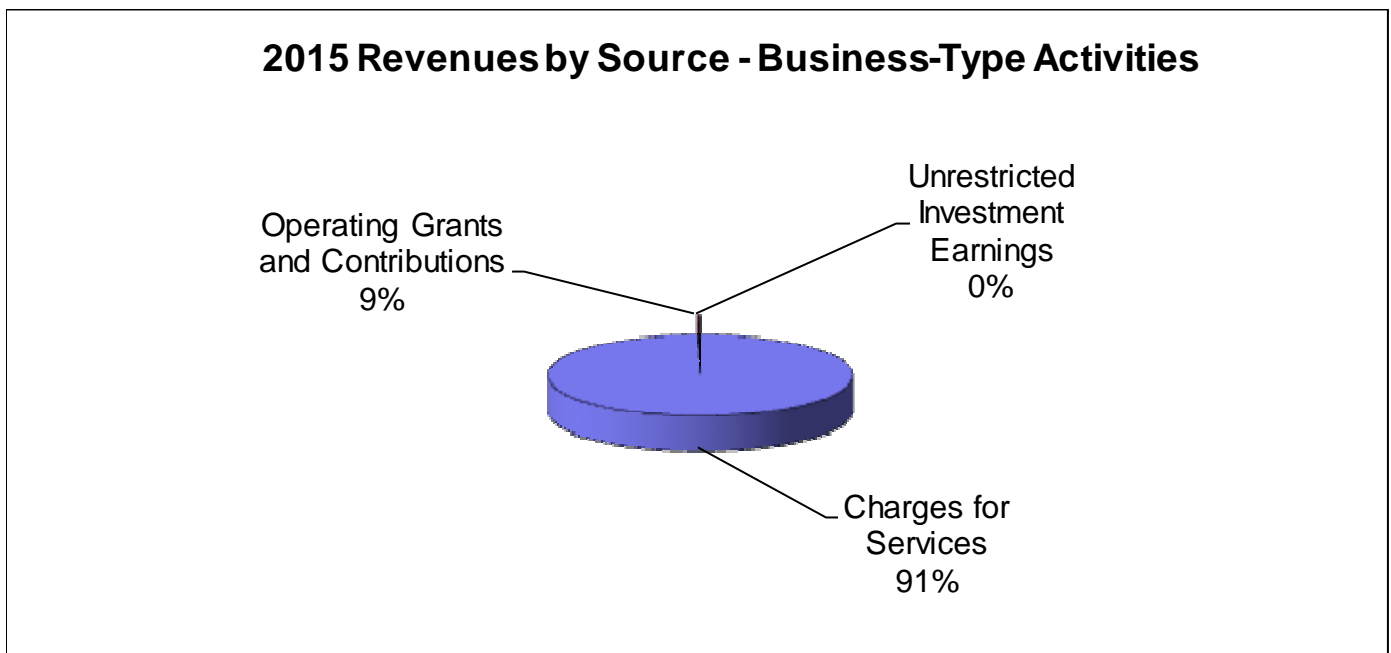
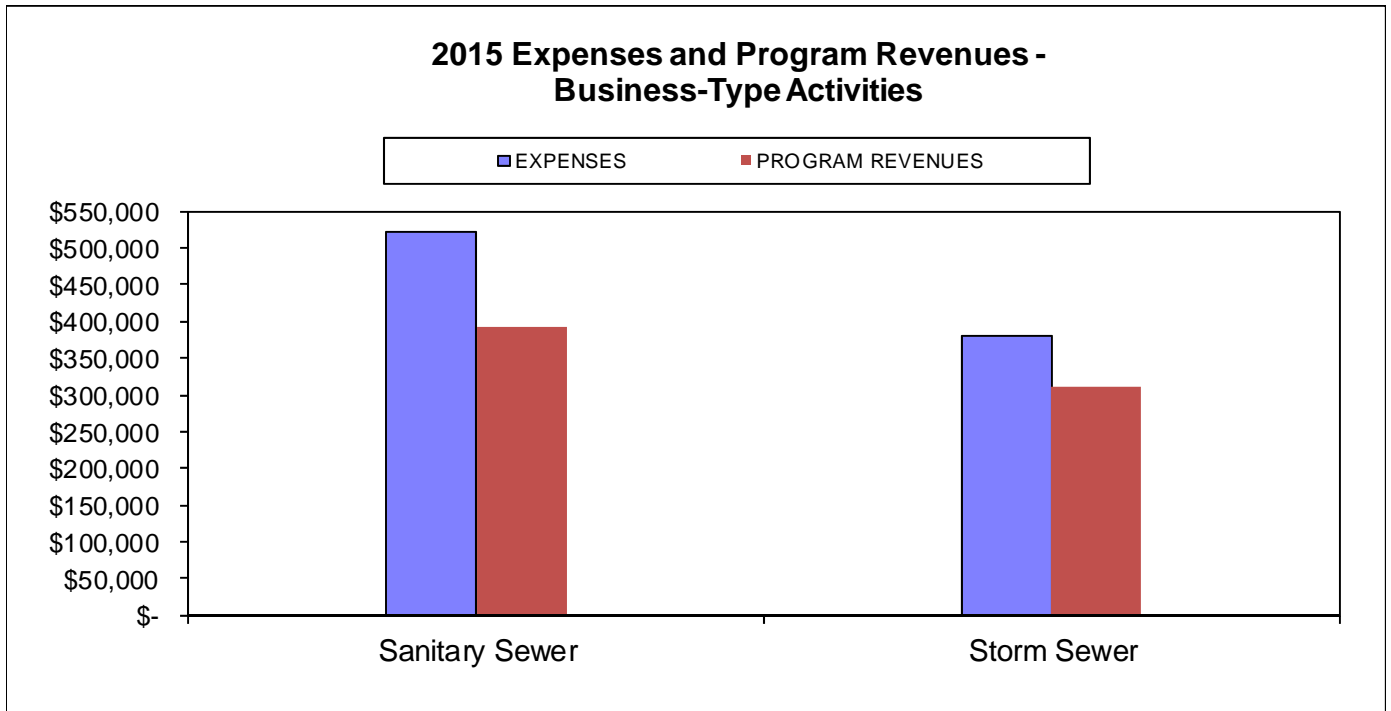
This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Government-Wide Financial Analysis (Continued)

Business-Type Activities

Business-Type Activities decreased the City's net position by approximately \$200,000 compared to a decrease of approximately \$386,000 in the prior year. Overall City expenses were up by \$8,000 and revenues were up by \$200,000. Overall changes to net position were very minimal in the current year compared to the prior year.



This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Financial Analysis of Governmental Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,975,632. Approximately 34% of this total amount (\$3,360,516) constitutes of unassigned fund balance. Approximately 40% of the fund balance is restricted to indicate that it is not available for new spending because it must be used only for debt retirement or other restricted purposes (\$4,033,924).

General Fund increased its fund balance by \$420,164 in the current year due to an increase in taxes collected, an increase in building permits sold, and the nuisance fees being recorded in this fund for the first time.

The Public Safety Fund increased its fund balance by approximately \$77,000 in 2015. The Public Safety Fund received proceeds from insurance along with the use of budget savings for the purchase of a squad car.

The Park and Recreation Fund slightly decreased its fund balance in 2015. The Park and Recreation Fund was slightly over budget for expenditures and revenues which directly affects the decrease in fund balance.

The Street and Sewer Fund slightly decreased its fund balance in 2015. The Street and Sewer Fund was over budget for expenditures and revenues.

The Revolving Loans Fund increased its fund balance by \$74,100 in 2015, primarily as a result of an early loan payoff.

The Economic Development Authority Fund decreased its fund balance of \$1,536 due to property tax revenues slightly decreasing.

The Debt Service Fund increased its fund balance by \$1,522,561 in 2015. The main reason for the large increase is due to the City issuing refunding bonds that are going to be used to refund debt next year.

The Capital Projects Fund increased its fund balance by \$841,588 in 2015. The increase is due to the transfers in and debt proceeds covering most of the expenditures related to projects that were ongoing in the current year.

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Financial Analysis of Governmental Funds (Continued)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$51,722,524 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

The City's capital assets (net of depreciation):

	Governmental Activities	Business-Type Activities	Total
Land	\$ 3,615,052	\$ 79,123	\$ 3,694,175
Construction-in-Progress	47,244	789,452	836,696
Land Improvements	1,873,402	-	1,873,402
Buildings	3,997,710	-	3,997,710
Improvements Other Than Buildings	1,235,491	5,202	1,240,693
Machinery and Equipment	847,664	22,003	869,667
Infrastructure	25,262,853	13,044,495	38,307,348
Motor Vehicles	705,427	-	705,427
Office Equipment	197,406	-	197,406
Total	<u>\$ 37,782,249</u>	<u>\$ 13,940,275</u>	<u>\$ 51,722,524</u>

Additional information on the City's capital assets can be found in Note 4A5 starting on page 56 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total indebtedness of \$12,770,838. Of this amount, \$60,893 is capital lease related, \$1,222,500 comprises debt backed by the full faith and credit of the City and \$9,230,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder (\$2,065,000) of the City's debt is secured by specified revenue sources (i.e., revenue bonds); however, \$1,765,000 represents revenue bonds backed by the full faith and credit of the City in the event that the revenue source was inadequate to fund debt payments.

The City's outstanding bonded indebtedness at December 31, 2015:

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 587,500	\$ -	\$ 587,500
General Obligation Revenue Bonds	-	1,765,000	1,765,000
General Obligation Capital Improvement Bonds	635,000	-	635,000
Equipment Certificates	300,000	-	300,000
Special Assessment Improvement Bonds	9,230,000	-	9,230,000
Public Facility Lease Revenue Bonds	-	-	-
Capital Lease Payable	60,893	-	60,893
Subtotal	10,813,393	1,765,000	12,578,393
Plus: Issuance Premiums	140,479	51,966	192,445
Net Outstanding Indebtedness	<u>\$ 10,953,872</u>	<u>\$ 1,816,966</u>	<u>\$ 12,770,838</u>

**CITY OF BRAINERD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Capital Assets and Debt Administration (Continued)

Long-Term Debt (Continued)

The City's total long term liabilities increased \$68,299. The City retired debt in the amount of \$2,817,983 and issued new debt in the amount of \$2,886,282 during the year.

The City of Brainerd is rated AA- from Standard & Poor's Rating Services on all of its general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City of Brainerd is \$18,963,486. Only \$945,000 of the City's outstanding debt is counted against the statutory limitation as the debt is wholly financed by general tax levy, leaving the City with additional legal borrowing capacity of nearly \$18,018,486.

Additional information on the City's long-term debt can be found in Note 4B1 beginning on page 60 of this report.

Economic Factors and Next Year's Budgets and Rates

On May 3, 2016, the City's application for a 2016 Minnesota Small Cities Development Program grant was approved for funding in the amount of \$650,105, pending DEED's expected award from the Department of Housing and Urban Development. The grant money will be for commercial and rental rehabilitation in the historic Downtown of Brainerd.

On March 22, 2016, the City of Brainerd passed a resolution providing for the issuance and sale of General Obligation Utility Revenue Bonds, Series 2016A in the proposed aggregate principal amount of \$10,715,000 for the construction of various improvements to the City's water, sanitary sewer and wastewater treatment systems, including utility improvements related to the Brainerd Lakes Regional Airport. The construction and accounting of the debt will be in the City's Enterprise Fund and by Brainerd Public Utilities (Component Unit).

The City's total estimated taxable market value remained flat for pay year 2016. All labor union contracts have been settled for 2016 and the budget has reflected the contract settlements. The adopted 2016 levy resulted in a \$318,425 dollar increase over the 2015 levy. The City Council continues to monitor debt levels and to work toward obtaining the City's strategic financial goals.

Requests for Information

This financial report is designed to provide a general overview of the City of Brainerd's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the City Finance Director, 501 Laurel Street, Brainerd Minnesota 56401.

This Page Has Been Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

CITY OF BRAINERD, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

Primary Government

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 8,084,072	\$ 118,838	\$ 8,202,910
Cash Held with Escrow Agent	1,061,896	861,223	1,923,119
Receivables			
Taxes - Delinquent	275,771	-	275,771
Accounts	153,186	-	153,186
Special Assessments	4,092,134	-	4,092,134
Accrued Interest	11,848	-	11,848
Loans	1,155,101	-	1,155,101
Due from Other Governments	545,613	-	545,613
Due from Component Unit	48,691	112,337	161,028
Due from Primary Government	-	-	-
Internal Balances	876,033	(876,033)	-
Inventory	-	-	-
Prepayments	24,328	17	24,345
Net Pension Asset	411,979	-	411,979
Restricted Assets			
Cash and Investments	-	-	-
Bonds and Notes Receivable	-	-	-
Notes Receivable - Interest	-	-	-
Land Held for Resale	488,252	-	488,252
Service Territory Acquisitions, Net of			
Amortization	-	-	-
Other Assets	-	-	-
Capital Assets			
Land and Construction In Progress	3,662,296	868,575	4,530,871
Other Capital Assets, Net of Depreciation	34,119,953	13,071,700	47,191,653
Total Assets	<u>55,011,153</u>	<u>14,156,657</u>	<u>69,167,810</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	964,099	7,495	971,594
LIABILITIES			
Current Liabilities			
Accounts Payable	330,755	14,978	345,733
Contracts Payable	8,935	-	8,935
Accrued Liabilities	97,521	1,888	99,409
Deposits Payable	8,075	-	8,075
Accrued Interest Payable	110,670	25,449	136,119
Unearned Revenue	-	-	-
Prepaid Rent	-	-	-
FSS Escrow	-	-	-
Due to Other Governments	55,903	1,774	57,677
Due to Primary Government	-	-	-
Due to Component Unit	118,659	-	118,659
Long-Term Liabilities			
Due within One Year	3,262,335	954,799	4,217,134
Due in More than One Year	8,960,950	911,536	9,872,486
Other Postemployment Benefits	317,739	10,335	328,074
Net Pension Liability	4,795,474	53,520	4,848,994
Total Liabilities	<u>18,067,016</u>	<u>1,974,279</u>	<u>20,041,295</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	<u>673,671</u>	<u>6,102</u>	<u>679,773</u>
NET POSITION			
Net Investment in Capital Assets	29,274,442	12,943,309	42,217,751
Restricted for Debt Service	5,186,164	-	5,186,164
Restricted for Economic Development	2,497,112	-	2,497,112
Restricted for HAP or FSS Escrow Liabilities	-	-	-
Restricted for Security Deposit Refunds	-	-	-
Restricted for Reserve Requirements	-	-	-
Unrestricted	276,847	(759,538)	(482,691)
Total Net Position	<u>\$ 37,234,565</u>	<u>\$ 12,183,771</u>	<u>\$ 49,418,336</u>

See accompanying Notes to Financial Statements.

Component Units

Brainerd Public Library	Brainerd Lakes Regional Airport	Brainerd Public Utilities	Housing and Redevelopment Authority of Brainerd
\$ 191,810	\$ 1,665,272	\$ 7,888,783	\$ 1,142,279
-	-	-	-
8,125	-	-	-
-	25,817	2,688,508	15,142
-	-	-	-
-	-	23,654	-
-	-	-	-
-	251,520	-	-
-	-	1,497	-
-	-	118,659	-
-	-	-	-
-	-	947,508	-
-	35	92,906	49,617
-	-	4,162,923	204,415
-	-	6,635,000	-
-	-	77,000	-
-	-	-	-
-	-	260,063	-
-	-	-	2,897
9,041	1,166,229	292,249	462,853
446,731	32,815,105	59,534,142	3,693,983
<u>655,707</u>	<u>35,923,978</u>	<u>82,722,892</u>	<u>5,571,186</u>
-	15,967	501,785	-
2,099	22,879	979,362	16,156
-	-	-	-
-	6,036	454,905	44,680
-	-	252,748	63,803
-	-	290,400	93,989
-	-	-	40,351
-	-	-	588
-	-	-	32,308
-	-	-	21,896
-	-	161,028	-
1,497	-	-	-
-	57,008	2,746,865	133,275
-	201,257	31,776,935	1,027,326
-	2,353	17,337	52,005
-	114,021	2,814,108	-
<u>3,596</u>	<u>403,554</u>	<u>39,493,688</u>	<u>1,526,377</u>
-	13,000	141,878	-
455,772	33,981,334	26,627,660	3,608,043
-	-	9,293,302	-
-	-	-	-
-	-	-	25,856
-	-	-	4,862
-	-	-	77,039
196,339	1,542,057	7,668,149	329,009
<u>\$ 652,111</u>	<u>\$ 35,523,391</u>	<u>\$ 43,589,111</u>	<u>\$ 4,044,809</u>

**CITY OF BRAINERD, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Primary Government				
Governmental Activities				
General Government	\$ 2,264,850	\$ 941,998	\$ 17,895	\$ 30,761
Public Safety	5,094,506	947,757	453,461	82,866
Public Works	3,654,249	595,306	845,845	664,118
Culture and Recreation	1,069,824	262,425	9,759	12,630
Economic Development	1,715,635	534,502	306,251	-
Interest on Long-Term Debt	340,895	-	-	-
Total Governmental Activities	14,139,959	3,281,988	1,633,211	790,375
Business-Type Activities				
Sanitary Sewer	523,043	392,175	-	-
Storm Sewer	381,269	310,030	-	-
Total Business-Type Activities	904,312	702,205	-	-
Total Primary Government	\$ 15,044,271	\$ 3,984,193	\$ 1,633,211	\$ 790,375
Component Units				
Brainerd Public Library	219,751	-	50,002	-
Brainerd Lakes Regional Airport	3,885,014	664,534	374,716	709,886
Brainerd Public Utilities	23,627,764	23,043,883	907,123	-
Housing and Redevelopment Authority of Brainerd	3,246,300	1,118,847	1,649,554	116,129
Total Component Units	\$ 30,978,829	\$ 24,827,264	\$ 2,981,395	\$ 826,015

General Revenues

Taxes
Property Taxes and Franchise Fees, Levied for General Purpose
Sales Taxes
Grants and Contributions not Restricted to Specific Programs
Unrestricted Investment Earnings (Interest)
Gain on Sale of Capital Assets
Miscellaneous
Total General Revenues
Change in Net Position
Net Position - Beginning of Year
Change in Accounting Principle
Net Position - Beginning of Year, as Restated
Net Position - End of Year

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Brainerd Public Library	Brainerd Lakes Regional Airport	Brainerd Public Utilities	Housing and Redevelopment Authority of Brainerd
\$ (1,274,196)	\$ -	\$ (1,274,196)	\$ -	\$ -	\$ -	\$ -
(3,610,422)	-	(3,610,422)	-	-	-	-
(1,548,980)	-	(1,548,980)	-	-	-	-
(785,010)	-	(785,010)	-	-	-	-
(874,882)	-	(874,882)	-	-	-	-
(340,895)	-	(340,895)	-	-	-	-
<u>(8,434,385)</u>	-	<u>(8,434,385)</u>	-	-	-	-
-	(130,868)	(130,868)	-	-	-	-
-	(71,239)	(71,239)	-	-	-	-
<u>-</u>	<u>(202,107)</u>	<u>(202,107)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(8,434,385)	(202,107)	(8,636,492)	-	-	-	-
-	-	-	(169,749)	-	-	-
-	-	-	-	(2,135,878)	-	-
-	-	-	-	-	323,242	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(361,770)</u>
-	-	-	(169,749)	(2,135,878)	323,242	(361,770)
4,883,849	-	4,883,849	140,894	-	-	160,589
905,665	-	905,665	-	-	-	-
4,089,134	-	4,089,134	-	-	141,217	5
22,142	438	22,580	362	2,261	425,573	(231)
-	-	-	-	-	5,231	-
263,995	1,546	265,541	4,023	-	26,684	211,431
<u>10,164,785</u>	<u>1,984</u>	<u>10,166,769</u>	<u>145,279</u>	<u>2,261</u>	<u>598,705</u>	<u>371,794</u>
1,730,400	(200,123)	1,530,277	(24,470)	(2,133,617)	921,947	10,024
39,511,381	12,434,771	51,946,152	676,581	37,765,398	44,954,095	4,034,785
(4,007,216)	(50,877)	(4,058,093)	-	(108,390)	(2,286,931)	-
<u>35,504,165</u>	<u>12,383,894</u>	<u>47,888,059</u>	<u>676,581</u>	<u>37,657,008</u>	<u>42,667,164</u>	<u>4,034,785</u>
<u>\$ 37,234,565</u>	<u>\$ 12,183,771</u>	<u>\$ 49,418,336</u>	<u>\$ 652,111</u>	<u>\$ 35,523,391</u>	<u>\$ 43,589,111</u>	<u>\$ 4,044,809</u>

**CITY OF BRAINERD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	GENERAL FUND	PUBLIC SAFETY FUND	PARK AND RECREATION FUND	STREET AND SEWER FUND
ASSETS				
Cash and Investments	\$ 3,262,642	\$ 164,025	\$ 10,805	\$ 7,743
Cash Held with Escrow Agent	-	-	-	-
Receivables				
Taxes - Delinquent	129,319	2,651	2,017	2,305
Accounts	128,877	4,963	-	-
Special Assessments	56,754	-	805	3,410
Accrued Interest	11,848	-	-	-
Loans and Notes	-	-	-	-
Due from Other Funds	15,868	5,797	2,598	20,253
Due from Other Governments	353	44,512	-	327
Due from Component Unit	4,275	-	-	-
Prepayments	1,536	148	239	19
Land Held for Resale	-	-	-	-
Total Assets	\$ 3,611,472	\$ 222,096	\$ 16,464	\$ 34,057
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 15,113	\$ 19,369	\$ 2,259	\$ 1,656
Contracts Payable	-	-	-	-
Accrued Liabilities	19,826	58,568	8,611	6,583
Deposit Payable	8,075	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	28,149	-	-
Due to Component Unit	2,366	5,797	2,598	20,253
Total Liabilities	45,380	111,883	13,468	28,492
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	98,800	1,979	1,507	1,722
Unavailable Revenue - Special Assessments	55,240	-	805	3,315
Unavailable Revenue - Notes	-	-	-	-
Unavailable Revenue - Other	-	2,169	-	-
Unavailable Revenue - Grants	-	5,383	-	-
Unavailable Revenue - Land Held For Resale	-	-	-	-
Total Deferred Inflows of Resources	154,040	9,531	2,312	5,037
Fund Balances				
Nonspendable	1,536	148	239	19
Restricted	-	-	-	-
Committed	-	100,534	445	509
Assigned	50,000	-	-	-
Unassigned	3,360,516	-	-	-
Total Fund Balances	3,412,052	100,682	684	528
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,611,472	\$ 222,096	\$ 16,464	\$ 34,057

REVOLVING LOANS FUND	ECONOMIC DEVELOPMENT AUTHORITY	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 717,098	\$ 15,651	\$ 1,628,047	\$ 1,338,754	\$ 826,523	\$ 7,971,288
-	-	1,061,896	-	-	1,061,896
-	6,582	105,943	65	26,889	275,771
-	-	-	7,066	12,280	153,186
-	-	3,575,853	455,312	-	4,092,134
-	-	-	-	-	11,848
1,155,101	-	-	-	-	1,155,101
-	-	-	876,033	-	920,549
37,769	-	-	125,840	336,812	545,613
-	-	-	-	44,516	48,791
-	-	-	12	708	2,662
-	488,252	-	-	-	488,252
<u>\$ 1,909,968</u>	<u>\$ 510,485</u>	<u>\$ 6,371,739</u>	<u>\$ 2,803,082</u>	<u>\$ 1,247,728</u>	<u>\$ 16,727,091</u>
\$ 71	\$ -	\$ 13,009	\$ 210,079	\$ 69,641	\$ 331,197
5,860	-	-	-	-	5,860
-	360	-	2,596	977	97,521
-	-	-	-	-	8,075
-	-	-	-	44,516	44,516
-	-	-	15,510	12,244	55,903
-	-	-	-	87,645	118,659
5,931	360	13,009	228,185	215,023	661,731
-	4,898	79,049	-	20,030	207,985
-	-	3,515,358	454,530	-	4,029,248
1,155,101	-	-	-	-	1,155,101
-	-	-	45,399	-	47,568
-	-	-	83,781	72,410	161,574
-	488,252	-	-	-	488,252
1,155,101	493,150	3,594,407	583,710	92,440	6,089,728
-	-	-	12	708	2,662
748,936	-	2,764,323	-	520,665	4,033,924
-	16,975	-	-	418,892	537,355
-	-	-	1,991,175	-	2,041,175
-	-	-	-	-	3,360,516
<u>748,936</u>	<u>16,975</u>	<u>2,764,323</u>	<u>1,991,187</u>	<u>940,265</u>	<u>9,975,632</u>
<u>\$ 1,909,968</u>	<u>\$ 510,485</u>	<u>\$ 6,371,739</u>	<u>\$ 2,803,082</u>	<u>\$ 1,247,728</u>	<u>\$ 16,727,091</u>

This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Total Fund Balances for Governmental Funds \$ 9,975,632

Total net position reported for governmental activities in the statement of net position different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital Assets	\$ 62,971,291	
Accumulated Depreciation	<u>(25,189,042)</u>	37,782,249

Some of the City's property taxes, special assessments, notes, sales of land held for resale and revenues will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 6,089,728

Net Pension Asset, Liability and related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net Pension Asset	411,979	
Net Pension Liability	(4,795,474)	
Deferred Inflows of Resources - Pension Related	(673,671)	
Deferred Outflows of Resources - Pension Related	<u>964,099</u>	(4,093,067)

Net position held in Internal Service funds are included in the statement of net position. 131,717

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (110,670)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.

Bonds Payable	(10,752,500)	
Unamortized Discounts and Premiums	(140,479)	
Obligations Under Capital Leases	(60,893)	
Compensated Absences Payable	(1,269,413)	
Other Postemployment Benefits Payable	<u>(317,739)</u>	<u>(12,541,024)</u>

Total Net Position of Governmental Activities \$ 37,234,565

See accompanying Notes to Financial Statements.

CITY OF BRAINERD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	GENERAL FUND	PUBLIC SAFETY FUND	PARK AND RECREATION FUND	STREET AND SEWER FUND
REVENUES				
Taxes	\$ 1,810,530	\$ 734,963	\$ 34,941	\$ 39,892
Sales Tax	-	-	-	-
Tax Increments	-	-	-	-
Licenses and Permits	400,253	-	-	-
Intergovernmental	78,829	3,320,169	675,200	543,700
Charges for Services	32,971	683,187	203,208	-
Fines and Forfeits	-	183,473	-	-
Special Assessments	30,761	-	-	6,595
Interest	13,749	332	52	32
Contributions and Donations	-	-	9,759	-
Miscellaneous	425,995	118,050	77,436	257,309
Total Revenues	2,793,088	5,040,174	1,000,596	847,528
EXPENDITURES				
Current				
General Government	2,352,865	-	-	-
Public Safety	-	4,828,890	-	-
Public Works	-	-	-	850,431
Culture and Recreation	-	-	959,597	-
Economic Development	-	-	-	-
Capital Outlay	-	104,079	36,545	-
Debt Service				
Principal Retirement	10,611	298	1,667	-
Interest and Fiscal Charges	454	-	467	-
Total Expenditures	2,363,930	4,933,267	998,276	850,431
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	429,158	106,907	2,320	(2,903)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	38,917	15,142	-	-
Issuance of Debt	-	-	-	-
Payment on Refunded Bonds	-	-	-	-
Premiums on Bonds Issued	-	-	-	-
Sale of Capital Assets	-	24,828	1,129	-
Transfers In	48,650	11,561	-	2,339
Transfers Out	(96,561)	(81,445)	(3,675)	-
Total Other Financing Sources (Uses)	(8,994)	(29,914)	(2,546)	2,339
NET CHANGE IN FUND BALANCES	420,164	76,993	(226)	(564)
Fund Balances - Beginning of Year	2,991,888	23,689	910	1,092
FUND BALANCES - END OF YEAR	\$ 3,412,052	\$ 100,682	\$ 684	\$ 528

See accompanying Notes to Financial Statements.

REVOLVING LOANS FUND	ECONOMIC DEVELOPMENT AUTHORITY	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 113,984	\$ 1,804,734	\$ 3,540	\$ 463,296	\$ 5,005,880
-	-	-	-	905,665	905,665
-	-	-	-	287,200	287,200
-	-	-	-	-	400,253
306,329	-	-	788,664	1,015,936	6,728,827
-	-	-	-	300,939	1,220,305
-	-	-	-	11,749	195,222
-	-	890,466	16,749	-	944,571
1,284	574	1,823	2,121	1,898	21,865
-	-	-	27,161	-	36,920
140,753	-	102,990	19,615	19,097	1,161,245
<u>448,366</u>	<u>114,558</u>	<u>2,800,013</u>	<u>857,850</u>	<u>3,005,780</u>	<u>16,907,953</u>
-	-	-	-	4,701	2,357,566
-	-	-	-	14,111	4,843,001
-	-	-	-	1,119,671	1,970,102
-	-	-	-	-	959,597
38,690	116,094	-	-	1,274,170	1,428,954
286,926	-	-	803,399	139,821	1,370,770
-	-	2,020,000	-	-	2,032,576
-	-	359,930	-	-	360,851
<u>325,616</u>	<u>116,094</u>	<u>2,379,930</u>	<u>803,399</u>	<u>2,552,474</u>	<u>15,323,417</u>
122,750	(1,536)	420,083	54,451	453,306	1,584,536
-	-	-	-	-	54,059
-	-	1,671,200	243,800	-	1,915,000
-	-	(670,000)	-	-	(670,000)
-	-	45,257	-	-	45,257
-	56,021	-	3,846	3,600	89,424
-	-	56,021	539,491	-	658,062
(48,650)	(56,021)	-	-	(311,710)	(598,062)
<u>(48,650)</u>	<u>-</u>	<u>1,102,478</u>	<u>787,137</u>	<u>(308,110)</u>	<u>1,493,740</u>
74,100	(1,536)	1,522,561	841,588	145,196	3,078,276
674,836	18,511	1,241,762	1,149,599	795,069	6,897,356
<u>\$ 748,936</u>	<u>\$ 16,975</u>	<u>\$ 2,764,323</u>	<u>\$ 1,991,187</u>	<u>\$ 940,265</u>	<u>\$ 9,975,632</u>

This Page Has Been Intentionally Left Blank.

CITY OF BRAINERD, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 3,078,276

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Outlay	\$ 949,076	
Loss on Disposal of Capital Assets	(55,933)	
Depreciation Expense	<u>(1,929,274)</u>	(1,036,131)

The statement of activities reports a transfer of capital assets from governmental activities to the component unit. Such a transfer is not recorded at the fund level because governmental funds do not report the capital assets being reassigned.

Cost of Assets Transferred	(958,559)	
Accumulated Depreciation	<u>566,417</u>	(392,142)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Principal payments of capital leases are reported as expenditures in the governmental funds. In the statement of net position, however, the repayment of principal reduces the liability.

Proceeds from Capital Lease		(54,059)
Principal Payments of Capital Leases		12,576

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The effect of these items is as follows:

Issuance of Debt	(1,915,000)	
Repayment of Debt Principal	2,690,000	
Change in Accrued Interest	15,780	
Premium on Bond Issuance	(45,257)	
Amortization of Bond Discount/Premium	<u>10,407</u>	755,930

In the statement of activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Change in Compensated Absences	169,151	
Change in Other Postemployment Benefits	<u>(40,984)</u>	128,167

Delinquent property taxes, special assessments, notes receivable, accounts receivable and sales of land held for resale will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred inflows of resources in the governmental funds.

(645,728)

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measure by the change in Net Pension Liability and the related deferred inflows and outflows of resources.

(85,851)

Internal service funds are used by management to charge the costs of health insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported in governmental activities.

(30,638)

Change in Net Position of Governmental Activities \$ 1,730,400

See accompanying Notes to Financial Statements.

**CITY OF BRAINERD, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	SANITARY SEWER COLLECTION SYSTEM	STORM SEWER FUND	TOTALS	
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 118,838	\$ -	\$ 118,838	\$ 112,784
Cash Held with Escrow Agent	297,233	563,990	861,223	-
Accounts Receivable	-	-	-	-
Due from Other Funds	121,468	-	121,468	-
Due from Component Unit	61,077	51,260	112,337	-
Prepayments	12	5	17	21,666
Total Current Assets	<u>598,628</u>	<u>615,255</u>	<u>1,213,883</u>	<u>134,450</u>
NONCURRENT ASSETS				
Capital Assets				
Land (Non-Depreciable)	-	79,123	79,123	-
Construction in Progress (Non-Depreciable)	781,085	8,367	789,452	-
Improvements other than Buildings	24,966	-	24,966	-
Machinery and Equipment	329,212	-	329,212	-
Infrastructure	11,014,513	10,636,193	21,650,706	-
Motor Vehicles	63,050	-	63,050	-
Accumulated Depreciation	<u>(4,819,339)</u>	<u>(4,176,895)</u>	<u>(8,996,234)</u>	<u>-</u>
Net Capital Assets	<u>7,393,487</u>	<u>6,546,788</u>	<u>13,940,275</u>	<u>-</u>
Total Assets	7,992,115	7,162,043	15,154,158	134,450
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	5,540	1,955	7,495	-
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	8,762	6,216	14,978	2,733
Due to Other Governments	-	1,774	1,774	-
Due to Other Funds	832,809	164,692	997,501	-
Accrued Liabilities	1,541	347	1,888	-
Accrued Interest Payable	8,831	16,618	25,449	-
Bonds Payable - Due Within One Year	325,000	620,000	945,000	-
Compensated Absences Payable - Due Within One Year	6,496	3,303	9,799	-
Total Current Liabilities	<u>1,183,439</u>	<u>812,950</u>	<u>1,996,389</u>	<u>2,733</u>
NONCURRENT LIABILITIES				
Bonds Payable - Due in More than One Year	300,885	571,081	871,966	-
Other Postemployment Benefits Payable - Due in More Than One Year	7,456	2,879	10,335	-
Compensated Absences Payable - Due in More Than One Year	26,231	13,339	39,570	-
Net Pension Liability	39,558	13,962	53,520	-
Total Noncurrent Liabilities	<u>374,130</u>	<u>601,261</u>	<u>975,391</u>	<u>-</u>
Total Liabilities	1,557,569	1,414,211	2,971,780	2,733
DEFERRED INFLOWS OF RESOURCES				
Pension Related	4,510	1,592	6,102	-
NET POSITION				
Net Investment in Capital Assets	7,047,602	5,895,707	12,943,309	-
Unrestricted	<u>(612,026)</u>	<u>(147,512)</u>	<u>(759,538)</u>	<u>131,717</u>
Total Net Position	<u>\$ 6,435,576</u>	<u>\$ 5,748,195</u>	<u>\$ 12,183,771</u>	<u>\$ 131,717</u>

See accompanying Notes to Financial Statements.

CITY OF BRAINERD, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	SANITARY SEWER COLLECTION SYSTEM	STORM SEWER FUND	TOTALS	
OPERATING REVENUES				
Charges for Services	\$ 392,175	\$ 310,030	\$ 702,205	\$ 904,817
Miscellaneous	1,546	-	1,546	-
Total Operating Revenues	393,721	310,030	703,751	904,817
OPERATING EXPENSES				
Salaries and Benefits	186,311	63,548	249,859	-
Professional Services	7,278	13,303	20,581	-
Repairs and Maintenance	21,134	15,000	36,134	-
Insurance	7,227	3,613	10,840	-
Depreciation	256,705	248,642	505,347	-
Materials and Supplies	27,094	3,322	30,416	-
Other Services and Supplies	-	-	-	875,732
Miscellaneous	228	1,037	1,265	-
Total Operating Expenses	505,977	348,465	854,442	875,732
OPERATING INCOME (LOSS)	(112,256)	(38,435)	(150,691)	29,085
NONOPERATING REVENUES (EXPENSES)				
Interest Income	436	2	438	277
Interest Expense and Fiscal Charges	(17,066)	(32,804)	(49,870)	-
Total Nonoperating Revenues (Expenses)	(16,630)	(32,802)	(49,432)	277
CHANGE IN NET POSITION BEFORE TRANSFERS	(128,886)	(71,237)	(200,123)	29,362
Transfers Out	-	-	-	(60,000)
CHANGE IN NET POSITION	(128,886)	(71,237)	(200,123)	(30,638)
Net Position - Beginning of Year	6,602,067	5,832,704	12,434,771	162,355
Change in Accounting Principle	(37,605)	(13,272)	(50,877)	-
Net Position - Beginning of Year, as Restated	<u>6,564,462</u>	<u>5,819,432</u>	<u>12,383,894</u>	<u>162,355</u>
NET POSITION - END OF YEAR	<u>\$ 6,435,576</u>	<u>\$ 5,748,195</u>	<u>\$ 12,183,771</u>	<u>\$ 131,717</u>

See accompanying Notes to Financial Statements.

CITY OF BRAINERD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	SANITARY SEWER COLLECTION SYSTEM	STORM SEWER FUND	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 392,175	\$ 310,030	\$ 702,205	\$ 904,817
Receipts from Other Sources	(130,465)	(16,528)	(146,993)	-
Payments to Suppliers	(54,250)	(29,037)	(83,287)	(879,829)
Payments to Employees	(185,252)	(64,233)	(249,485)	-
Net Cash Provided (Used) by Operating Activities	<u>22,208</u>	<u>200,232</u>	<u>222,440</u>	<u>24,988</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers	-	-	-	(60,000)
Interfund Borrowing	809,768	49,686	859,454	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>809,768</u>	<u>49,686</u>	<u>859,454</u>	<u>(60,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(827,695)	(163,925)	(991,620)	-
Proceeds from the Sale of Bonds	280,000	540,000	820,000	-
Principal Paid on Bonds	(19,115)	(33,919)	(53,034)	-
Interest and Fiscal Charges Paid on Bonds	(14,576)	(28,086)	(42,662)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(581,386)</u>	<u>314,070</u>	<u>(267,316)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	436	2	438	277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	251,026	563,990	815,016	(34,735)
Cash and Cash Equivalents - Beginning of Year	165,045	-	165,045	147,519
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 416,071</u>	<u>\$ 563,990</u>	<u>\$ 980,061</u>	<u>\$ 112,784</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and Investments	118,838	-	118,838	112,784
Cash Held with Escrow Agent	297,233	563,990	861,223	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 416,071</u>	<u>\$ 563,990</u>	<u>\$ 980,061</u>	<u>\$ 112,784</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (112,256)	\$ (38,435)	\$ (150,691)	\$ 29,085
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities				
Depreciation Expense	256,705	248,642	505,347	-
(Increase) Decrease in Assets and Deferred Outflows of Resources				
Due from Other Funds	(121,468)	-	(121,468)	-
Due from Component Units	(10,543)	(16,528)	(27,071)	-
Prepaid Items	20	9	29	(4,369)
Deferred Outflows of Resources	(5,540)	(1,955)	(7,495)	-
Increase (Decrease) in Liabilities and Deferred Inflows of Resources				
Accounts Payable	8,691	7,229	15,920	272
Accrued Liabilities	(1,905)	(1,437)	(3,342)	-
Compensated Absences	925	59	984	-
Other Postemployment Benefits	1,116	366	1,482	-
Net Pension Liability	1,953	690	2,643	-
Deferred Inflows of Resources	4,510	1,592	6,102	-
Total Adjustments	<u>134,464</u>	<u>238,667</u>	<u>373,131</u>	<u>(4,097)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,208</u>	<u>\$ 200,232</u>	<u>\$ 222,440</u>	<u>\$ 24,988</u>

See accompanying Notes to Financial Statements.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Brainerd (the City), Minnesota, conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

A. Financial Reporting Entity

The City was incorporated under the laws of the State of Minnesota and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the Primary Government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Component Units

Component units are legally separate entities for which the City (Primary Government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefits or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

The Economic Development Authority (EDA) was organized to promote development, improve housing and reduce blighted areas in the City. It has been blended in these financial statements since members to this board are appointed by the mayor and approved by the City Council. The members of the EDA board act as an advisory board to the Council, which is the governing board of the EDA. The City Council has the final approval for the EDA's actions. Additionally, the City provides a material portion of the EDA's annual operating budget and the EDA provides services entirely to the City. City staff handles the EDA activity including the funds and the City approves the tax levies and bonding activity. The EDA is reported as a major special revenue fund. No separate financial statements for the EDA are issued.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the City's discretely presented component units. These component units are reported in a separate column to emphasize that they are legally separate from the City.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Component Units (Continued)

Discretely Presented Component Units (Continued)

1. Brainerd Public Library

The members of the governing board of the Library are appointed by the Mayor and approved by the City Council. The Library requests tax levy revenue from the City each year since the Library does not have the authority to levy its own tax. The tax levy request and any bonded debt must be approved by the City Council. Separate financial statements have not been issued.

2. Brainerd Lakes Regional Airport

The Airport is a joint venture between the City and Crow Wing County. The City Council and the Crow Wing County Board of Commissioners each appoint three members of the Airport Commission. Any bonded debt must be approved by the City Council. The City pledges its full faith and credit for its share for the airport's bonded indebtedness and provides a material portion of its annual operating budget. Separate financial statements have not been issued. See Note 8 for additional information on the Airport.

3. Brainerd Public Utilities (BPU)

BPU includes the operations of the electric, water, and wastewater departments and is governed by a five-member Board of Commissioners, appointed by the Mayor and approved by the City Council to serve five-year terms. The City has the authority to approve or modify BPU's operational and capital budgets and any bonded debt must be approved by the City Council.

Complete financial statements of the Utilities can be obtained from the Brainerd Public Utilities, P.O. Box 373, Brainerd, Minnesota 56401.

4. Housing and Redevelopment Authority of Brainerd (HRA)

The members of the governing board of the HRA are appointed by the Mayor and approved by the City Council. The HRA requests tax levy revenue from the City each year since the HRA does not have the authority to levy its own tax. The tax levy request and any bonded debt must be approved by the City Council.

Complete financial statements of the HRA can be obtained from the Housing and Redevelopment Authority of Brainerd, 324 East River Road, Brainerd, Minnesota 56401.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Other Organizations

The Brainerd Fire Department Relief Association (Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to its members in accordance with *Minnesota Statutes*. The membership appoints the board of this Association, and separate financial statements are issued for this Association. All funding is conducted in accordance with *Minnesota Statutes*. The City's portion of the costs of the Association's pension benefits is included in the Public Safety Fund. The Association does not have any significant operational or financial relationship with the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the Primary Government and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Franchise fees are also shown as general revenues as they are based on the gross receipts of the related services.

Separate financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Public Safety Fund – The Public Safety Fund, a special revenue fund, accounts for property tax levy, fines and forfeitures, and charges for services that are committed for the operations and maintenance of the fire, police, and other public safety functions of the City.

Parks and Recreation Fund – The Parks and Recreation Fund, a special revenue fund, accounts for local government aid and charges for services which are committed for the acquisition and maintenance of public parks and public recreation activities.

Street and Sewer Fund – The Street and Sewer Fund, a special revenue fund, accounts for local government aid and reimbursement for utility expenses that are committed to be used for all expenses of cleaning and repairing of streets, alleys and sewers.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Revolving Loans Fund – The Revolving Loans Fund, a special revenue fund, accounts for grant proceeds and has current loan repayment proceeds, which are restricted in that they are to be used in funding various revolving loans maintained by the City, including residential and commercial loans

Economic Development Authority Fund – The Economic Development Authority Fund, a special revenue fund, was established by the bylaws of the Economic Development Authority and accounts for property tax levy revenues which are committed for the activities of the Economic Development Authority.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following proprietary funds:

Sanitary Sewer Collection System – The Sanitary Sewer Collection System Fund provides for the operation and maintenance of the wastewater collections. The fund charges user fees to those served by the system.

Storm Sewer Fund – The Storm Sewer Fund provides for the maintenance to the City's storm sewer system. The fund charges user fees to those served by the system.

Internal Service Fund – The City reports an internal service fund to account for the health insurance provided to other departments of the City on a cost reimbursement basis and general risk management.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through to pronouncements (statements and interpretations).

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenue of the City's proprietary funds are charges to customers for sales of goods and services and charges to the City's governmental funds related to employee insurance benefits. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and the cost of services and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. When committed or assigned resources are available for use, it is the City's policy that the resources are considered to be spent in this order; committed, assigned and then unassigned.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Investments (Including Cash Equivalents)

Cash balances from all funds (including cash equivalents) are pooled and invested to the extent available in various securities as authorized by *Minnesota Statutes*. Investments are stated at fair value. Investment earnings are allocated to all funds on the basis of average cash balance.

For the purpose of reporting cash flows in the proprietary funds, the City considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents.

Cash and cash equivalents consist of checking and savings certificate accounts and cash on hand.

2. Taxes Receivable

Taxes which remain unpaid are classified as delinquent taxes receivable. Delinquent taxes represent the past seven years of uncollected tax years. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources because it is not known to be available to finance the operations of the City in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Property Tax Collection Calendar

The City levies its property tax for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Crow Wing County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The county auditor makes up the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The county auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The county auditor turns over a list of taxes and special assessments to be collected on each parcel of property to the county treasurer in January of each year.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

2. Taxes Receivable (Continued)

Property Tax Collection Calendar (Continued)

Property owners are required to pay one-half of their real estate taxes by May 15 and the balance by October 15.

Within 30 days after the May settlement, the county treasurer is required to pay 70% of the estimated collections of taxes to the City treasurer. The county treasurer must pay the balance to the city treasurer within 60 days after settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

3. Accounts Receivable

No substantial losses are anticipated from present receivable balances, therefore, no allowances for uncollectible accounts are deemed necessary.

4. Special Assessments Receivable

Special assessments receivable are levied against the benefited properties for the assessable costs of improvement projects in accordance with *Minnesota Statutes*. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the county for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as unavailable revenue at the time of the levy. Unavailable revenue is recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

Delinquent special assessments represent the uncollected special assessments that have not been collected within 60 days of year-end. Significant portions of special assessments receivable are not expected to be collected within one year.

5. Due from Other Governments

Amounts due from other governments is composed primarily of state and federal grants and aids for which the City has spent or will be incurring costs for the various grant purposes.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

6. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

7. Inventories and Prepaids

Inventory for BPU consists of supplies and replacement parts for the water and electrical distribution system. Inventory is valued using a moving average cost method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

8. Restricted Assets

The City has money held with an escrow account and it is required to be restricted.

BPU, based on certain grant agreements, is required to establish and maintain prescribed amounts of resources (consisting of cash, temporary investments, and certain notes receivable) that can be used for plant replacement and debt service retirement. Also, amounts have been set aside for customer deposits.

9. Land Held for Resale

Land held for resale represents land acquired by the Primary Government for subsequent resale for redevelopment purposes. Land held for resale is reported at the lower of cost or estimated realizable value. Realizable value estimates have been based on estimated realizable sales proceeds net of expected selling expenses.

10. Capital and Intangible Assets

Capital and intangible assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), easements and computer software are reported in the governmental activities column in the government-wide financial statements. Capital and intangible assets are defined by the government as assets with an initial, individual cost greater than a range of \$1,000 to \$5,000 (depending on the type of capital asset) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

10. Capital and Intangible Assets (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital and intangible assets of the Primary Government are depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	20
Buildings and Improvements	5-20
Machinery and Equipment	3-20
Furniture and Fixtures	5-15
Vehicles	3-20
Infrastructure	20-40
Permanent Easements	N/A
Temporary Easements	Length of Term or 5 years
Software	5

11. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

12. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay allowable is accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion for vacation pay is calculated based on historical trends. For governmental activities, compensated absences are generally liquidated by the General, Public Safety, Park, and Street and Sewer Funds.

13. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

14. Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by a City Council resolution at a meeting prior to the close of the period. Committed fund balance may be uncommitted by a City Council resolution only. Assigned fund balance reflects funds intended to be used by the government for specific purposes assigned by more informal operational plans. The City Council policy authorizes the City Administrator or the Finance Director to assign fund balance as necessary. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. It is the City's policy that at the end of each fiscal year, the City will maintain unassigned portion of the fund balance for cash flow in a range equal to 35 – 50% of the General Fund operating expenditures.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

15. Deferred Inflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs.

16. Pension

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Brainerd Firefighters Relief Association plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of 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.

17. Use of Estimates

The preparation of financial statements in conformity 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 and liabilities and disclosure 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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are submitted by all department heads to the City Administrator. The Administrator's office compiles the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

2. The preliminary budget is submitted to the Personnel and Finance Committee of the City Council for their review and/or modification.
3. The City administration presents the proposed budget to the City Council which in turn holds a truth-in-taxation public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the fund level for the General Fund and certain special revenue funds.
4. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council. Budget amendments for the year are deemed immaterial.
5. The City has legally adopted budgets for the General Fund and these special revenue funds: Transit Fund, Public Safety Fund, Recycling Fund, Park and Recreation Fund, Street and Sewer Fund, City Parking Lots Fund, Permanent Improvement Fund, Mayor's Contingency Fund, Hydrant Rental Fund and Economic Development Authority Fund. Expenditures may not legally exceed budgeted appropriations at the total fund level. All amounts over budget have been approved by the City Council through the disbursement process. The City is not required to legally adopt an annual budget for the Debt Service Fund and formal budgetary integration is not employed for Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General Fund and certain special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. The City does not utilize encumbrances. Budget appropriations for all funds lapse at year end.

B. Expenditures in Excess of Appropriations

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2015:

	Expenditures	Appropriations	Expenditures Over Appropriations
Public Safety Fund	\$ 4,933,267	\$ 4,828,229	\$ 105,038
Park and Recreation Fund	998,276	982,096	16,180
Transit Fund	1,031,198	1,001,700	29,498

The above overages were considered by the City's management to be the result of necessary expenditures critical to operations and were approved by the Council.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 COMPONENTS OF FUND BALANCE

At December 31, 2015, portions of the City's fund balance are not available for appropriation due to legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General Fund	Public Safety Fund	Park and Recreation Fund	Street and Sewer Fund	Revolving Loans Fund	Economic Development Authority	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Fund Balances:									
Nonspendable:	\$ 1,536	\$ 148	\$ 239	\$ 19	\$ -	\$ -	\$ -	\$ 12	\$ 708
Restricted:									
Debt Service	-	-	-	-	-	-	2,764,323	-	-
Revolving Loans	-	-	-	-	748,936	-	-	-	-
School Patrol Operations	-	-	-	-	-	-	-	-	15,142
Recycling Operations	-	-	-	-	-	-	-	-	6,282
Transit Operations	-	-	-	-	-	-	-	-	283,337
Economic Development	-	-	-	-	-	-	-	-	167,676
Police Forfeiture Purchases	-	-	-	-	-	-	-	-	35,872
Employee Wellness	-	-	-	-	-	-	-	-	12,356
Committed to:									
Economic Development	-	-	445	-	-	16,975	-	-	-
City Parking Lot Improvements	-	-	-	-	-	-	-	-	10,614
Public Safety	-	100,534	-	-	-	-	-	-	-
Street Maintenance	-	-	-	509	-	-	-	-	-
Water and Sewer Availability Operations	-	-	-	-	-	-	-	-	401,254
Capital Projects	-	-	-	-	-	-	-	-	4,572
Other Purposes	-	-	-	-	-	-	-	-	2,452
Assigned:									
Severance	50,000	-	-	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	-	-	-	1,991,175	-
Unassigned:	3,360,516	-	-	-	-	-	-	-	-
Total Fund Balances	\$ 3,412,052	\$ 100,682	\$ 684	\$ 528	\$ 748,936	\$ 16,975	\$ 2,764,323	\$ 1,991,187	\$ 940,265

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits - Primary Government and Library/Airport Component Units (Pooled with Primary Government)

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows Minnesota Statutes for deposits.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits - Primary Government and Library/Airport Component Units (Pooled with Primary Government)(Continued)

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. 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 departments of a commercial bank or other financial institution not owned or controlled by the depository.

The bank balance of City deposits at December 31, 2015 were fully covered by federal depository insurance, irrevocable standby letters of credit, or pledged collateral in accordance with Minnesota Statutes.

2. Investments – Primary Government and Library/Airport Component Units (Pooled with Primary Government)

The City has an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

- ◆ Direct obligations or obligations guaranteed by the United States or its agencies.
- ◆ Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- ◆ General obligations rated "A" or better; revenue obligations rated "AA" or better.
- ◆ General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- ◆ Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- ◆ Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- ◆ Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments – Primary Government and Library/Airport Component Units (Pooled with Primary Government) (Continued)

- ◆ Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City invests \$1,132,746 with 4M fund which is regulated by Minnesota Statutes. The 4M fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of the pool shares.

	Credit Quality Rating	Amortized Cost
Money Market Account	Not Rated	\$ 639,441
Brokered CD's	Not Rated	3,596,100
MN Municipal Money Market Fund Plus Trust	Not Rated	806,122
Total Investments		\$ 5,041,663

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.

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Money Market Account	\$ 639,441	\$ 639,441	\$ -	\$ -
Brokered CD's	3,596,100	1,336,100	980,000	1,280,000
MN Municipal Money Market Fund Plus Trust	806,122	806,122	-	-
Total	\$ 5,041,663	\$ 2,781,663	\$ 980,000	\$ 1,280,000

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

**2. Investments – Primary Government and Library/Airport Component Units
(Pooled with Primary Government) (Continued)**

The deposits and investments are presented in these financial statements:

Primary Government	
Deposits	\$ 5,084,366
Investments	5,041,663
Total Cash and Investments	<u>\$ 10,126,029</u>
Airport	
Deposits	\$ 1,338,649
Investments	326,623
Total Cash and Investments	<u>\$ 1,665,272</u>
Library	
Deposits	<u>\$ 191,810</u>
Cash and Investments - Primary Government	\$ 8,202,910
Cash and Investments - Restricted - Primary Government	1,923,119
Cash and Investments - Airport	1,665,272
Cash and Investments - Library	191,810
Total Cash and Investments	<u>\$ 11,983,111</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

**2. Investments - Primary Government and Library/Airport Component Units
(Pooled with Primary Government) (Continued)**

Brainerd Public Utilities (BPU) – Component Unit

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, 2015 by maturity:

Investment Type	Remaining Maturity (in Months)			
	Fair Value	12 Months or Less	13-60	More than 60 Months
Federal Home Loan Bank	\$ 2,786,085	\$ -	\$ -	\$ 2,786,085
Federal Home Loan Mtg Corp	599,976	-	-	599,976
Commercial Paper - Natixis US Finance	1,065,000	1,065,000	-	-
Total	<u>\$ 4,451,061</u>	<u>\$ 1,065,000</u>	<u>\$ -</u>	<u>\$ 3,386,061</u>

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The 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. Presented below is the minimum rating required by (where applicable) Minnesota Statutes, the BPU's investment policy, and the S&P credit ratings for BPU's investments as of December 31, 2015 are as follows:

Investment Type	S & P Rating	% of Investments
Federal Home Loan Bank	AA+	62.6 %
Federal Home Loan Mtg Corp	AA+	13.5
Commercial Paper - Natixis US Finance	A1	23.9

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 that represent 5% or more of total BPU investments as of December 31, 2015 are disclosed above.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

**2. Investments - Primary Government and Library/Airport Component Units
(Pooled with Primary Government) (Continued)**

Brainerd Public Utilities (BPU) – Component Unit (Continued)

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, a government 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.

Housing and Redevelopment Authority of Brainerd (HRA) – Component Unit

The Authority held no investments as of December 31, 2015.

3. Interfund Receivables, Payables, and Transfers

At December 31, 2015, due from/to other funds were as follows:

Due To	Due From			Total
	Other Governmental Funds	Sanitary Sewer Collection System	Storm Sewer Fund	
General Fund	\$ 15,868	\$ -	\$ -	\$ 15,868
Public Safety Fund	5,797	-	-	5,797
Park and Recreation	2,598	-	-	2,598
Street and Sewer	20,253	-	-	20,253
Capital Projects Fund	-	832,809	43,224	876,033
Sanitary Sewer Collection System	-	-	121,468	121,468
Total	\$ 44,516	\$ 832,809	\$ 164,692	\$ 1,042,017

Some balances are to record income from utilities and will be paid within the next year, other balances from Sanitary and Storm Sewer are to help pay for projects that are being paid for in the capital projects fund and the balance from Storm Sewer to Sanitary Sewer is due to negative cash and will be repaid next year.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers for the year ended December 31, 2015 were as follows:

Transfer Out	Transfer In:					Total
	Public Safety Fund	Street & Sewer Fund	Debt Service Fund	Capital Projects Fund	General Fund	
General Fund	\$ 11,561	\$ -	\$ -	\$ 85,000	\$ -	\$ 96,561
Public Safety Fund	-	-	-	81,445	-	81,445
Park & Rec Fund	-	-	-	3,675	-	3,675
Revolving Loans Fund	-	-	-	-	48,650	48,650
Other Governmental Funds	-	2,339	-	309,371	-	311,710
Economic Development Authority	-	-	56,021	-	-	56,021
Sanitary Sewer	-	-	-	-	-	-
Insurance Fund	-	-	-	60,000	-	60,000
Total	\$ 11,561	\$ 2,339	\$ 56,021	\$ 539,491	\$ 48,650	\$ 658,062

Transfers are used to 1) move revenues to cover various expenditures in other funds which were approved by the council, 2) to close out funds, 3) transfer excess funds back to the general fund due to budget cuts.

4. Bonds and Notes Receivable

The City had the following notes receivable as of December 31, 2015:

<u>Special Revenue Funds</u>	<u>Amount</u>
Revolving Loans Fund	
<u>Housing Revolving Loans</u> Developed in order to financially assist homeowners in the City with home repairs; Twenty-three loans ranging from \$700 to \$13,000 are outstanding for owner occupied, rental dwellings and revolving loan funds; due upon transfer or sale of property; no interest; secured by subordinate mortgages.	\$ 65,475
<u>Commercial Revolving Loans</u> Brainerd Mobile, Inc.; 120 monthly payments of \$402, including interest at 6%; commencing March 1999, and ending April 2019; secured by property, equipment, and inventory.	16,173
Stern Companies, Inc.; 28 monthly payments of \$701, including interest at 4%, commencing October 2012; secured by existing equipment.	29,120
L & M Steel; 240 monthly payments of \$457, including interest at 4% commencing September 2012; secured by another mortgage.	66,540
Great River Door; 119 monthly payments of \$662, including interest at 5% commencing November 2006. Last payment December 2016 of \$322; secured by a mortgage.	5,731

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Bonds and Notes Receivable (Continued)

Special Revenue Funds (Continued)	Amount
Revolving Loans Fund (Continued)	
Adventure Creative Group; 240 monthly payments of \$485, including interest at 4%, commencing September 2009; secured by a mortgage.	\$ 62,687
Total Commercial Revolving Loans	180,251
Small Cities Development Program (SCDP)	
Developed in order to financially assist commercial and residential rehabilitation of the downtown area of the City. Loans are provided for commercial projects in three parts, (1) 1/3 loan at 3% to be repaid in up to 15 years, (2) 1/3 deferred loan at 10% (forgiven in 10 years if property remains under current ownership), (3) 1/3 private financing. Loans are provided for residential projects in two parts, (1) 1/2 loan at 3% to be repaid in up to 15 years, (2) 1/2 deferred loan (forgiven in 10 years if property remains under current ownership).	131,733
Notes ranged from \$17,000-\$30,000; no interest loans were issued; the notes are only repaid from 0-9 years at 100%, 10-19 years at 50% and 20 plus years the note is forgiven; repayment proceeds will be due upon sale or change in ownership.	97,000
Developed in order to financially assist commercial and residential rehabilitation of the southeast are of the City. The loans are provided for commercial and residential projects. They are due upon transfer or sale of property and are forgiven in 10 years if property remains under current ownership.	680,642
Total Small Cities Development Program (SCDP)	909,375
Total Revolving Loan Funds	\$ 1,155,101

The portion of the Small City Development Program loans which is required to be repaid only if the borrower sells the property within ten years of date of loan (totaling \$67,585) has not been recorded as loans receivable at December 31, 2015, since management has determined that it is highly unlikely these properties will be sold within ten years due to the terms of the loan agreements.

Component Unit

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 (WWTF). 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 two loans from the Minnesota Public Finance Authority (PFA) to Brainerd.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Bonds and Notes Receivable (Continued)

Component Unit (Continued)

Baxter agrees to finance its one-third share of the capital costs of the expanded WWTF and its obligation to do so have been evidenced by the issuance and sale of two Taxable General Obligation Utility Revenue Notes to Brainerd. The Baxter Notes are 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 BPU loan agreements with PFA. The obligation of Baxter to make scheduled payments to BPU pursuant to the Baxter Notes is absolute and unqualified.

Note receivable activity for the year ended December 31, 2015, is as follows:

	<u>Note No. 1</u>	<u>Note No. 2</u>	<u>Total</u>
Beginning Balance	\$ 211,999	\$ 6,888,667	\$ 7,100,666
Payments Received	<u>(68,999)</u>	<u>(396,667)</u>	<u>(465,666)</u>
Ending Balance	<u>\$ 143,000</u>	<u>\$ 6,492,000</u>	<u>\$ 6,635,000</u>

Additions to notes receivable are recorded as Capital Contributions on the Statements of Revenues, Expenses, and Changes in Net Position. Interest accrued on the notes receivables as of December 31, 2015, of \$77,000, is recorded as a restricted asset. Interest received from Baxter which is recorded as Interest Income for the year ended December 31, 2015, was \$221,339.

On December 15, 2014, the City of Brainerd, on behalf of BPU, issued \$1,700,000 in Water Revenue Bonds, Series 2015A. The detail of the bonds is described in Note 4. Settlement of the bonds occurred on January 22, 2015; therefore, a receivable in the amount of \$1,788,901 was recorded as of December 31, 2014 from the purchaser of the bonds, Piper Jaffray & Co. The receivable amount included a revenue bond premium less bond related issuance costs.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Permanent Easements	\$ 3,615,052	\$ -	\$ -	\$ 3,615,052
Construction-in-Progress	115,485	28,574	(96,815)	47,244
Total Capital Assets, Not Being Depreciated	3,730,537	28,574	(96,815)	3,662,296
Capital Assets, Being Depreciated				
Land Improvements	2,179,555	48,186	-	2,227,741
Buildings	7,234,566	-	(102,133)	7,132,433
Improvements Other Than Buildings	4,999,932	42,379	(77,547)	4,964,764
Machinery and Equipment	4,532,728	185,176	(88,971)	4,628,933
Infrastructure	37,826,488	438,054	(958,559)	37,305,983
Motor Vehicles	2,386,186	226,932	(112,033)	2,501,085
Office Equipment	535,655	76,591	(64,190)	548,056
Total Capital Assets, Being Depreciated	59,695,110	1,017,318	(1,403,433)	59,308,995
Less Accumulated Depreciation for				
Land Improvements	(292,194)	(62,145)	-	(354,339)
Buildings	(2,985,868)	(195,855)	47,000	(3,134,723)
Improvements Other Than Buildings	(3,740,838)	(65,982)	77,547	(3,729,273)
Machinery and Equipment	(3,626,910)	(238,831)	84,472	(3,781,269)
Infrastructure	(11,544,218)	(1,065,329)	566,417	(12,043,130)
Motor Vehicles	(1,668,101)	(243,289)	115,732	(1,795,658)
Office Equipment	(356,997)	(57,843)	64,190	(350,650)
Total Accumulated Depreciation	(24,215,126)	(1,929,274)	955,358	(25,189,042)
Total Capital Assets, Being Depreciated, Net	35,479,984	(911,956)	(448,075)	34,119,953
Governmental Activities Capital Assets, Net	\$ 39,210,521	\$ (883,382)	\$ (544,890)	\$ 37,782,249
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,800	\$ 7,323	\$ -	\$ 79,123
Construction in Progress	23,041	766,411	-	789,452
Total Capital Assets not depreciated	94,841	773,734	-	868,575
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	24,966	-	-	24,966
Machinery and Equipment	311,285	17,927	-	329,212
Infrastructure	21,450,747	199,959	-	21,650,706
Motor Vehicles	63,050	-	-	63,050
Total Capital Assets being Depreciated	21,850,048	217,886	-	22,067,934
Less Accumulated Depreciation For:				
Improvements Other Than Buildings	(18,516)	(1,248)	-	(19,764)
Machinery and Equipment	(304,022)	(3,187)	-	(307,209)
Infrastructure	(8,105,299)	(500,912)	-	(8,606,211)
Motor Vehicles	(63,050)	-	-	(63,050)
Total Accumulated Depreciation	(8,490,887)	(505,347)	-	(8,996,234)
Total Capital Assets, Being Depreciated, Net	13,359,161	(287,461)	-	13,071,700
Business-Type Activities Capital Assets, Net	\$ 13,454,002	\$ 486,273	\$ -	\$ 13,940,275

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Capital Assets (Continued)

Depreciation Expense was charged to functions/programs of the Primary Government as follows:

Governmental Activities	
General Government	\$ 84,991
Public Safety	399,230
Public Works	1,354,882
Culture and Recreation	90,171
Total Depreciation Expense - Governmental Activities	<u>\$ 1,929,274</u>
Business-Type Activities	
Sanitary Sewer System	\$ 256,705
Storm Fund	248,642
Total Depreciation Expense -Business-Type Activities	<u>\$ 505,347</u>

Capital asset activity for the Brainerd Public Library for the year ended December 31, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital Assets, Not Being Depreciated				
Land	\$ 9,041	\$ -	\$ -	\$ 9,041
Capital Assets, Being Depreciated				
Buildings	1,730,490	-	-	1,730,490
Improvements Other Than Buildings	119,924	-	-	119,924
Total Capital Assets, Being Depreciated	<u>1,850,414</u>	<u>-</u>	<u>-</u>	<u>1,850,414</u>
Less Accumulated Depreciation for				
Buildings	(1,314,926)	(49,745)	-	(1,364,671)
Improvements Other Than Buildings	(36,790)	(2,222)	-	(39,012)
Total Accumulated Depreciation	<u>(1,351,716)</u>	<u>(51,967)</u>	<u>-</u>	<u>(1,403,683)</u>
Total Capital Assets, Being Depreciated, Net	<u>498,698</u>	<u>(51,967)</u>	<u>-</u>	<u>446,731</u>
Component Unit - Library Capital Assets, Net	<u>\$ 507,739</u>	<u>\$ (51,967)</u>	<u>\$ -</u>	<u>\$ 455,772</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Capital Assets (Continued)

Capital asset activity for the Brainerd Lakes Regional Airport for the year ended December 31, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 971,423	\$ -	\$ -	\$ 971,423
Construction in Progress	35,000	159,806	-	194,806
Total Capital Assets, Not Being Depreciated	1,006,423	159,806	-	1,166,229
Capital Assets, Being Depreciated				
Buildings	15,495,534	9,000	-	15,504,534
Improvements Other Than Buildings	2,054,457	-	-	2,054,457
Machinery and Equipment	4,611,544	74,692	-	4,686,236
Infrastructure	33,101,744	3,369	-	33,105,113
Motor Vehicles	56,330	-	-	56,330
Office Equipment	18,139	-	(3,960)	14,179
Total Capital Assets, Being Depreciated	55,337,748	87,061	(3,960)	55,420,849
Less Accumulated Depreciation for				
Buildings	(4,192,115)	(686,461)	-	(4,878,576)
Improvements Other Than Buildings	(1,364,574)	(68,158)	-	(1,432,732)
Machinery and Equipment	(2,758,014)	(335,081)	-	(3,093,095)
Infrastructure	(11,533,113)	(1,627,767)	-	(13,160,880)
Motor Vehicles	(24,851)	(6,403)	-	(31,254)
Office Equipment	(10,807)	(2,360)	3,960	(9,207)
Total Accumulated Depreciation	(19,883,474)	(2,726,230)	3,960	(22,605,744)
Total Capital Assets, Being Depreciated, Net	35,454,274	(2,639,169)	-	32,815,105
Component Unit - Airport Capital Assets, Net	\$ 36,460,697	\$ (2,479,363)	\$ -	\$ 33,981,334

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Capital Assets (Continued)

Capital asset activity for the BPU for the year ended December 31, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 997,851	\$ 2,088,926	\$ (2,794,528)	\$ 292,249
Capital Assets, Being Depreciated				
Electric	33,093,086	3,413,573	(515,843)	35,990,816
Water	16,481,241	616,656	(623,479)	16,474,418
Wastewater Treatment	34,907,150	89,146	(63,746)	34,932,550
General Plant	5,685,978	79,520	(71,177)	5,694,321
Total Capital Assets, Being Depreciated	90,167,455	4,198,895	(1,274,245)	93,092,105
Accumulated Depreciation	(31,264,469)	(3,567,740)	1,274,246	(33,557,963)
Total Capital Assets, Being Depreciated, Net	58,902,986	631,155	1	59,534,142
Component Unit - BPU Capital Assets, Net	\$ 59,900,837	\$ 2,720,081	\$ (2,794,527)	\$ 59,826,391

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Capital Assets (Continued)

Capital asset activity for the HRA of Brainerd for the year ended December 31, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 77,400	\$ -	\$ -	\$ 77,400
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 374,262	\$ -	\$ -	\$ 374,262
Construction in Progress	-	11,191	-	11,191
Total Capital Assets, Not Being Depreciated	374,262	11,191	-	385,453
Capital Assets, Being Depreciated				
Buildings and Improvements	12,874,862	-	-	12,874,862
Furniture, Fixtures and Equipment	370,330	-	-	370,330
Total Capital Assets, Being Depreciated	13,245,192	-	-	13,245,192
Less Accumulated Depreciation for				
Buildings and Improvements	(9,002,097)	(262,775)	-	(9,264,872)
Furniture, Fixtures and Equipment	(268,872)	(17,465)	-	(286,337)
Total Accumulated Depreciation	(9,270,969)	(280,240)	-	(9,551,209)
Total Capital Assets, Being Depreciated, Net	3,974,223	(280,240)	-	3,693,983
Component Unit - Brainerd HRA Capital Assets, Net	\$ 4,425,885	\$ (269,049)	\$ -	\$ 4,156,836

B. Liabilities

1. Long-Term Debt

Primary Government

General Obligation Bonds

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds have been issued for general government activities. In addition, general obligation bonds have been issued to refund general obligation bonds. In December 2011, the City issued \$2,085,000 of refunding bonds to refund the 2003A, 2003B and 2004A bonds early in 2012.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Primary Government (Continued)

General Obligation Bonds (Continued)

General obligation bonds are direct obligations and pledge the full-faith and credit of the City. Special assessment improvement bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The airport improvement bonds represent the City's 50% share of the total bonds outstanding.

On December 15, 2012, the City of Brainerd issued General Obligation Improvement Bonds Series 2012A in the amount of \$845,000 with interest rates of 0.50-1.60%. This issuance will be used to finance various improvement projects within the City.

On December 2, 2013, the City of Brainerd issued General Obligation Improvement Bonds Series 2013A in the amount of \$795,000 with interest rates of 2.0-3.0%. This issuance will be used to finance various improvement projects within the City.

On December 2, 2013, the City of Brainerd issued General Obligation Bonds Series 2013A Equipment Certificates in the amount of \$445,000 with an interest rate of 2.0%. This issuance will be used to finance various equipment purchases within the City.

On December 15, 2014, the City of Brainerd issued General Obligation Improvement Bonds Series 2015A in the amount of \$725,000 with interest rates of 2.0-4.0%. This issuance will be used to finance various improvement projects within the City.

During 2015, the City issued \$880,000 in General Obligation Bonds, Series 2015B for a current refunding of the 2002A Public Facilities Lease Revenue Bonds maturing in 2023 (\$635,000) and new issuance of G.O. Bonds for the 28th Street Project (\$245,000). The 2002A bond principal was repaid in full in 2015. The total cash flow savings to the City attributable to the refunding of these bonds is \$62,982 with a net present value of approximately \$66,931.

The City also issued \$1,855,000 in General Obligation advanced refunding bonds, series 2015C for a 2007B Special Assessments Bond maturing in 2018 and 2007B Utility Revenue Bonds (\$1,035,000 and \$820,000 respectively). There will be one more principal payment for the governmental portion of the 2007B bonds to be paid on February 1, 2016. At that time, the total cash flow savings to the City attributable to the refunding of these bonds is \$16,648 with a net present value of approximately \$19,573.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Primary Government (Continued)

General Obligation Bonds (Continued)

A portion of the Utility Revenue Bonds was an advanced refunding of the 2007B Utility Revenue Bonds (\$820,000). There will be one more principal payment for the business-type portion of the 2007B bonds to be paid on February 1, 2016. The total cash flow savings to the City attributable to the refunding of these bonds is \$63,900 with a net present value of approximately \$61,202.

General obligation bonds currently outstanding for the Primary Government are as follows:

	<u>Range of Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
BONDED INDEBTEDNESS			
PRIMARY GOVERNMENT			
GENERAL OBLIGATION BONDS			
Airport Improvement Refunding Bonds, Series 2010A	1.00-3.35%	\$ 1,250,000	\$ 587,500
GENERAL OBLIGATION SPECIAL ASSESSMENT IMPROVEMENT BONDS			
Series 2006A	3.55-3.65%	1,630,000	330,000
Series 2007B	4.00-4.25%	4,045,000	1,565,000
Series 2009A	2.50-4.00%	2,715,000	1,445,000
Series 2010A	0.50-2.75%	1,670,000	1,000,000
Series 2011A	2.00-2.30%	980,000	680,000
Series 2011B	0.50-1.80%	2,085,000	825,000
Series 2012A	0.50-1.60%	845,000	660,000
Series 2013A	2.00-3.00%	795,000	720,000
Series 2015A	2.25-4.00%	725,000	725,000
Series 2015B	1.75-2.75%	245,000	245,000
Series 2015C	3.00%	1,035,000	1,035,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS			
Series 2015B	1.75-2.05%	635,000	635,000
GENERAL OBLIGATION REVENUE BONDS			
Series 2007B	4.00-4.25%	1,545,000	945,000
Series 2015C	3.00%	540,000	540,000
Series 2015C	3.00%	280,000	280,000
EQUIPMENT CERTIFICATES			
Series 2013A	2.00%	445,000	300,000
Total Primary Government General Obligation Bonds		<u>\$ 21,465,000</u>	<u>\$ 12,517,500</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Component Unit - BPU

Electric Utilities Revenue Bonds

On September 1, 2007, the City of Brainerd, on behalf of BPU, issued \$11,140,000 in Electric Utility Revenue Bonds, Series 2007A, with interest rates from 4.000% to 4.375%, maturing in December 2022, for electric distribution system improvements, including the purchase of three 47.5 kV transformers at the main substation.

General Obligation Revenue Notes

On February 8, 2008, the City of Brainerd, on behalf of BPU, entered into a project loan agreement in the amount of \$1,965,098 between the State of Minnesota, by and through the Public Facilities Authority (PFA) and the BPU, for engineering and design costs related to the wastewater treatment facility expansion. The City of Brainerd, on behalf of BPU, issued a General Obligation Sewer Revenue Note to the PFA, evidencing its obligation to repay the loan. The interest rate on the loan is 2.23% and the loan matures August 20, 2017.

On May 4, 2009, the City, 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 Public Facilities Authority (PFA) and the BPU, for eligible costs related to the wastewater treatment facility expansion. The City, on behalf of BPU, issued a General Obligation Build America Bonds to the PFA, evidencing its obligation to repay the loan. The interest rate on the loan is 3.23% and the loan matures August 20, 2028.

The Minnesota Legislature, effective April 1, 2007, authorized the City 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 are remitted to BPU on a monthly basis to pay for the general obligation revenue notes.

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

On December 15, 2014, the City of Brainerd, on behalf of BPU, issued \$1,700,000 in Water Utility Revenue Bonds, Series 2015A, with interest rates from 2.25% to 4.00%, maturing in December 2025, for water distribution system improvements, including the rehabilitation of two elevated water towers and improvements to well equipment and pumps.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Component Unit - BPU (Continued)

Electric Utility Revenue Bonds, Series 2007A and 2014A

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, 2015 was \$1,596,614. The interest payments are made semi-annually on June 1 and December 1, and principal payments on December 1.

General Obligation Sewer Revenue Notes and General Obligation Build America Bonds

The resolutions authorizing the issuance of General Obligation Sewer Revenue Notes and General Obligation Build America Bonds contain various covenants, reserve fund requirements, and obligations which BPU must comply. To comply with coverage test, local option sales tax proceeds received equaling 105% of the following year's principal and interest payment is reported as restricted cash and investment. The amount shown as restricted cash and investments as of December 31, 2015 was \$1,642,589. The Interest payments are made semi-annually on February 20 and August 20, and principal payments on August 20.

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, 2015 was \$219,358. The interest payments are made semiannually on February 1 and August 1, and principal payments on August 1.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Component Unit - BPU (Continued)

Electric Utilities Revenue bonds, General Obligation Sewer Revenue Note and General Obligation Build America Bond currently outstanding for the component units (BPU) are as follows:

	<u>Range of Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Electric Utility Revenue Bonds, Series 2007A	4.00-4.38%	\$ 11,140,000	\$ 6,160,000
Electric Utility Revenue Bonds, Series 2014A	2.00-4.00%	6,070,000	5,745,000
Water Utility Revenue Bonds, Series 2015A	2.00-4.00%	1,700,000	1,700,000
General Obligation Sewer Revenue Note, Series 2008	2.23%	1,965,098	429,000
General Obligation Build America Bond, Series 2009	3.23%	25,966,788	19,476,000
Total Component Units		<u>\$ 46,841,886</u>	<u>\$ 33,510,000</u>

Component Unit - HRA

Public Facility Revenue Bonds

The HRA issued public facility revenue bonds in 2002 to finance the acquisition of a capital facility. Scheduled future net revenues from operations are dedicated to the retirement of these bonds. This bond was refinanced in December 2012 and now bears 3.95% interest and will mature on December 9, 2017. The bonds are further secured by a combination mortgage, security agreement, and fixture financing statement.

Mortgage Note

The HRA entered into a \$250,000 long-term promissory note agreement to refinance a short-term note that was used to finance cash flow needs relating to the Brainerd Oaks housing development project, which is now being carried under the general fund of the HRA. This note was refinanced in December 2012 and now bears 3.95% interest and will mature December 9, 2017. The note is secured by a mortgage on the HRA's office building.

Taxable Tax Increment Note

The HRA issued a taxable tax increment note in 2005 to finance the redevelopment of a downtown commercial site. Future tax increment revenues will be used to retire the bonds, in addition to a conditional pledge of a portion of the HRA's special benefits taxes collected.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Component Unit – HRA (Continued)

First Mortgage Payable

Trail Ridge II entered into a \$257,000 long-term mortgage payable dated February 1, 1998. Monthly payments of \$2,148, including interest at 9%, were due through February 1, 2013. On November 2, 2012, this mortgage was extended to November 1, 2017. Monthly payments of \$2,313, including interest at 3.8%, are due through November 1, 2017. The mortgage is secured by the Project.

Second Mortgage Payable

Trail Ridge II entered into their second mortgage (MHFA Affordable Rental Investment fund Loan) payable to Minnesota Housing Finance Agency (MHFA) in the original amount of \$450,000 dated January 12, 1998, with interest at 1%. Principal and interest are due January 28, 2028. The mortgage is secured by the Project.

Revenue bonds currently outstanding for the component units (HRA) are as follows:

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Public Facility Revenue Bonds, Series 2002B	3.95 %	\$ 295,000	\$ 50,823
Taxable Tax Increment Note, Series 2005	6.96	753,000	432,000
2007 Mortgage note	3.95	250,000	132,013
MHFA - ARIF	1.00	450,000	450,000
Wells Fargo	3.80	257,000	47,970
Total Component Units		<u>\$ 2,005,000</u>	<u>\$ 1,112,806</u>

Other Long-Term Liabilities

Primary Government

The City has six outstanding capital leases for equipment. In 2011, the City entered into a lease agreement as lessee for financing the acquisition of a postage machine. In 2014, the City entered into a lease agreement for a copy machine for the parks department. In 2015, the City entered into a lease agreement for four department copy machines. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Other Long-Term Liabilities (Continued)

The assets acquired through capital leases, are as follows:

Equipment	\$	78,534
Less: Accumulated Depreciation		(19,119)
Total		\$ 59,415

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

2016	\$	17,237
2017		14,913
2018		14,073
2019		11,210
2020		8,171
Total Minimum Lease Payments		65,604
Less: Amount Representing Interest		(4,711)
Present Value of Minimum Lease Payments		\$ 60,893

Component Units

The Airport entered into a hangar financing contract of \$332,552 with the Minnesota Department of Aeronautics for the construction of a five unit 'T' hangar in 2010. The contract is interest free and requires 120 monthly installment payments of \$2,771 commencing in March 2010.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Other Long-Term Liabilities (Continued)

A summary of other long-term liabilities payable as of December 31, 2015 is as follows:

OTHER LONG-TERM DEBT OUTSTANDING:

	<u>Range of Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
PRIMARY GOVERNMENT			
Capital Lease Payable	11 - 12%	\$ 78,534	\$ 60,893
COMPONENT UNITS			
Airport			
Contract Payable - State of Minnesota	N/A	332,552	138,581
HRA			
Notes Payable	Variable	250,000	132,013
Total Component Units		<u>582,552</u>	<u>270,594</u>
Total Reporting Entity		<u>\$ 661,086</u>	<u>\$ 331,487</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

A summary of long-term debt transactions for the year ended December 31, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities					
General Obligation Bonds Payable					
General Obligation Bonds	\$ 662,500	\$ -	\$ (75,000)	\$ 587,500	\$ 75,000
General Obligation Capital Improvement Bonds	-	635,000	-	635,000	65,000
Equipment Certificates	445,000	-	(145,000)	300,000	150,000
Special Assessment Improvement Bonds	9,685,000	1,280,000	(1,735,000)	9,230,000	2,705,000
Public Facility Lease Revenue Bonds	735,000	-	(735,000)	-	-
Issuance Premium (Discount)	105,629	45,257	(10,407)	140,479	-
Total Bonds Payable	11,633,129	1,960,257	(2,700,407)	10,892,979	2,995,000
Capital Leases	19,410	54,059	(12,576)	60,893	15,371
Compensated Absences	1,438,564	452,378	(621,529)	1,269,413	251,964
Governmental Activity Long-Term Liabilities	<u>\$ 13,091,103</u>	<u>\$ 2,466,694</u>	<u>\$ (3,334,512)</u>	<u>\$ 12,223,285</u>	<u>\$ 3,262,335</u>
Business-Type Activities					
General Obligation Utility Revenue Bonds	\$ 1,050,000	\$ 820,000	\$ (105,000)	\$ 1,765,000	\$ 945,000
Compensated Absences	48,385	14,207	(13,223)	49,369	9,799
Issuance Premium (Discount)	-	51,966	-	51,966	-
Business-Type Activity Long-Term Liabilities	<u>\$ 1,098,385</u>	<u>\$ 886,173</u>	<u>\$ (118,223)</u>	<u>\$ 1,866,335</u>	<u>\$ 954,799</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

A summary of long-term debt transactions for the year ended December 31, 2015 is as follows:

<u>Component Units</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Brainerd Lakes Regional Airport					
Contracts Payable	\$ 171,833	\$ -	\$ (33,252)	\$ 138,581	\$ 33,252
Compensated Absences	114,687	41,539	(36,542)	119,684	23,756
Brainerd Crow Wing County					
Regional Airport Long-Term Liabilities	<u>\$ 286,520</u>	<u>\$ 41,539</u>	<u>\$ (69,794)</u>	<u>\$ 258,265</u>	<u>\$ 57,008</u>
Brainerd Public Utilities					
Electric Utility Revenue Bonds	\$ 12,965,000	\$ -	\$ (1,060,000)	\$ 11,905,000	\$ 1,135,000
Water Utility Revenue Bonds	1,700,000	-	-	1,700,000	160,000
Revenue Bond Premium	339,785	-	(26,684)	313,101	-
General Obligation Revenue Note	636,000	-	(207,000)	429,000	212,000
General Obligation Build America Bond	20,666,000	-	(1,190,000)	19,476,000	1,229,000
Capital Lease Payable	-	60,606	(7,743)	52,863	10,865
Compensated Absences	699,234	-	(51,398)	647,836	-
Brainerd Public Utilities					
Long-Term Liabilities	<u>\$ 37,006,019</u>	<u>\$ 60,606</u>	<u>\$ (2,542,825)</u>	<u>\$ 34,523,800</u>	<u>\$ 2,746,865</u>
Housing and Redevelopment					
Authority of Brainerd					
Revenue Bonds Payable	\$ 75,915	\$ -	\$ (25,092)	\$ 50,823	\$ 26,117
Tax Increment Note Payable	447,000	-	(15,000)	432,000	18,000
Mortgage Note Payable	521,406	-	(23,436)	497,970	24,382
Notes Payable	148,328	-	(16,315)	132,013	16,981
Compensated Absences	46,278	37,855	(36,338)	47,795	47,795
Housing and Redevelopment					
Authority of Brainerd Long-Term Liabilities	<u>\$ 1,238,927</u>	<u>\$ 37,855</u>	<u>\$ (116,181)</u>	<u>\$ 1,160,601</u>	<u>\$ 133,275</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds, contracts payable, and capital lease obligations of the Primary Government are as follows:

General Obligation Bonds			General Obligation Utility Revenue Bonds		
	Governmental Activities			Governmental Activities	
	Principal	Interest		Principal	Interest
2016	\$ 75,000	\$ 15,203	2016	\$ 945,000	\$ 48,479
2017	80,000	13,649	2017	105,000	24,600
2018	80,000	11,829	2018	115,000	21,450
2019	82,500	9,714	2019	115,000	18,000
2020	87,500	7,246	2020	120,000	14,550
2021-2022	182,500	6,065	2021-2023	365,000	21,900
Total	<u>\$ 587,500</u>	<u>\$ 63,706</u>	Total	<u>\$ 1,765,000</u>	<u>\$ 148,979</u>

General Obligation Special Assessment Improvement Bonds			General Obligation Capital Improvement Bonds		
	Governmental Activities			Governmental Activities	
	Principal	Interest		Principal	Interest
2016	\$ 2,705,000	\$ 233,842	2016	\$ 65,000	\$ 10,440
2017	1,695,000	159,384	2017	80,000	9,785
2018	1,535,000	110,676	2018	75,000	8,429
2019	1,020,000	74,684	2019	80,000	7,073
2020	815,000	49,491	2020	80,000	5,673
2021-2025	1,440,000	69,156	2021-2023	255,000	7,714
2026	20,000	275	Total	<u>\$ 635,000</u>	<u>\$ 49,114</u>
Total	<u>\$ 9,230,000</u>	<u>\$ 697,508</u>			

Equipment Certificates			Capital Leases		
	Governmental Activities			Governmental Activities	
	Principal	Interest		Principal	Interest
2016	\$ 150,000	\$ 4,500	2016	\$ 15,371	\$ 1,866
2017	150,000	1,500	2017	13,524	1,389
Total	<u>\$ 300,000</u>	<u>\$ 6,000</u>	2018	13,181	891
			2019	10,755	455
			2020	8,062	110
			Total	<u>\$ 60,893</u>	<u>\$ 4,711</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Other Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for revenue bonds, contracts payable, and capital lease obligations of the component units are as follows:

	BPU					
	Revenue Bonds		Revenue Notes		Build America Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,295,000	\$ 494,795	\$ 212,000	\$ 9,567	\$ 1,229,000	\$ 629,659
2017	1,320,000	448,196	217,000	4,839	1,269,000	589,926
2018	1,365,000	400,520	-	-	1,310,000	548,899
2019	1,415,000	351,221	-	-	1,352,000	506,546
2020	1,465,000	298,927	-	-	1,396,000	462,836
2021-2025	4,870,000	723,944	-	-	7,687,000	1,607,286
2026-2029	1,875,000	179,895	-	-	5,233,000	341,954
Total	<u>\$ 13,605,000</u>	<u>\$ 2,897,498</u>	<u>\$ 429,000</u>	<u>\$ 14,406</u>	<u>\$ 19,476,000</u>	<u>\$ 4,687,106</u>

	Airport		HRA		
	Contracts Payable		Mortgage Notes Payable		
	Principal	Interest	Principal	Interest	
2016	\$ 33,252	\$ -	2016	\$ 24,382	\$ 5,894
2017	33,252	-	2017	23,588	4,951
2018	33,252	-	2018	-	4,500
2019	33,252	-	2019	-	4,500
2020	5,573	-	2020	-	4,500
Total	<u>\$ 138,581</u>	<u>\$ -</u>	2021-2025	-	22,500
			2026-2028	450,000	13,500
			Total	<u>\$ 497,970</u>	<u>\$ 60,345</u>

	HRA					
	Revenue Bonds		Notes Payable		Tax Increment note	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 26,117	\$ 1,559	\$ 16,981	\$ 4,977	\$ 18,000	\$ 29,754
2017	24,706	494	115,032	4,295	20,000	28,466
2018	-	-	-	-	23,000	27,039
2019	-	-	-	-	26,000	25,369
2020	-	-	-	-	29,000	23,525
2021-2025	-	-	-	-	202,000	81,361
2026-2028	-	-	-	-	114,000	10,092
Total	<u>\$ 50,823</u>	<u>\$ 2,053</u>	<u>\$ 132,013</u>	<u>\$ 9,272</u>	<u>\$ 432,000</u>	<u>\$ 225,606</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Conduit Debt Obligations

Primary Government

The City has issued conduit debt to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage or lease. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City or the state, nor any political subdivisions thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At December 31, 2015, the following conduit debt existed:

Industrial Revenue Bonds	<u>\$ 400,179</u>
--------------------------	-------------------

Component Units

The HRA issued conduit debt to provide financial assistance for the development and modernization of low-rent housing units and for the acquisition and construction of facilities deemed to be in the public interest. The bonds for the development and modernization of low-rent public housing units are payable by HUD and secured by annual contributions. The facilities bonds are payable solely from payments received on the underlying lease and do not constitute a general obligation of the HRA. Upon repayment of the facilities bonds, ownership of the facilities transfers to the entity served by the bond issuance. None of these bonds constitutes a debt of the HRA; accordingly, they have not been reported as liabilities in the accompanying financial statements.

At December 31, 2015, the following conduit debt existed:

Lease Revenue Bonds	<u>\$ 1,895,000</u>
---------------------	---------------------

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

3. Risk Management

The City 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. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating 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 insured events.

The pool can make additional assessments to make the pool self-sustaining. The City 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. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 5 PENSION PLANS

A. Public Employees Retirement Association

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

B. 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City and BPU were required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERF for the year ended December 31, 2015, were \$205,880. BPU contributions to the GERF for the year ended December 31, 2015, were \$251,138. The City and BPU contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015, were \$353,057. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$2,326,952 for its proportionate share of the GERF's net pension liability and BPU reported a liability of \$2,814,108 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportionate share was 0.0449%, which was a decrease of 0.0042% from its proportion as measured at June 30, 2014. At June 30, 2015, BPU's proportionate share was 0.0543% which was an increase of 0.003% from its proportion measured as of June 30, 2014

For the year ended December 31, 2015, the City recognized pension expense of \$260,853 for its proportionate share of the GERF's pension expense and BPU recognized pension expense of \$410,345 for its proportionate share of the GERF's pension expense.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERS Pension Costs (Continued)

At December 31, 2015, the City and BPU reported their proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	City		BPU	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 117,318	\$ -	\$ 141,878
Changes in Actuarial Assumptions	-	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	220,282	-	266,399	-
Changes in Proportion and Differences Between City/BPU Contributions and Proportionate Share of Contributions	-	147,972	105,694	-
City/BPU Contributions Subsequent to the Measurement Date	105,572	-	129,692	-
Total	<u>\$ 325,854</u>	<u>\$ 265,290</u>	<u>\$ 501,785</u>	<u>\$ 141,878</u>

\$105,572 and \$129,692 reported as deferred outflows of resources related to pensions resulting from City and BPU contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	City Pension Expense Amount	BPU Pension Expense Amount
2016	\$ (33,359)	\$ 54,538
2017	(33,359)	54,538
2018	(33,359)	54,539
2019	55,069	66,600

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$2,636,063 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportionate share was 0.2320%, which was an increase of 0.001% from its proportion as measured at June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$456,056 for its proportionate share of the PEPFF's pension expense. The City also recognized \$20,880 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF'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	\$ -	\$ 427,483
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	459,290	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	9,000	-
City Contributions Subsequent to the Measurement Date	117,892	-
Total	<u>\$ 586,182</u>	<u>\$ 427,483</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

\$117,892 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ 31,126
2017	31,126
2018	31,126
2019	31,126
2020	(83,697)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	
Inflation	2.75% per Year
Salary Increases	3.50% per Year
Investment Rate of Return	7.90% per Year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.90%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	<u>2</u>	0.50
Totals	<u><u>100 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.90% for GERF and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

F. Discount Rate (Continued)

The following presents the City and BPU proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City and BPU 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	1% Decrease in Discount Rate (6.90%)	Current Discount Rate (7.90%)	1% Increase in Discount Rate (8.90%)
City's Proportionate Share of the GERF Net Pension Liability:	\$ 3,658,794	\$ 2,326,952	\$ 1,227,053
BPU's Proportionate Share of the GERF Net Pension Liability:	4,427,778	2,814,108	1,483,942
City's Proportionate Share of the PEPFF Net Pension Liability:	5,137,714	2,636,063	569,263

G. 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

H. Defined Contribution Plan

The elected officials of the City of Brainerd are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 PENSION PLANS (CONTINUED)

H. Defined Contribution Plan (Continued)

Total contributions made by the City during fiscal year 2015 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 2,673	\$ 2,673	5.00%	5.00%	5.00%

Component Unit – HRA – Defined Contribution Plan

Qualified employees of the HRA belong to the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution retirement plan. The retirement plan is a national plan with local or regional housing authorities and commissions, urban renewal agencies and other organizations eligible to participate. The Plan and Trust are qualified under Section 401(a) of the Internal Revenue Code and their income is exempt from taxation under Section 501(a) of the Code. Plan provisions and contribution requirements are established and amended by the Board of Trustees.

Terminated or retiring participants are entitled to certain benefits including the full amount of their contributions to the Plan as well as earnings on their contributions. In addition to the amount of their contribution, each participant is entitled to the portion of the employer's contributions in which he or she has a vested interest.

Detailed information concerning the HRA's pension plan is presented in its publicly available annual report for the year ended December 31, 2015. That report may be obtained by contacting the HRA.

Plan Funding

The Plan is funded by employer and employee contributions (7.5% and 5.5% of gross wages, respectively). The HRA's contributions for the year ended December 31, 2015, 2014, and 2013 were \$46,765, \$48,243, and \$48,220, respectively.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN

A. Plan Description

Firefighters of the City of Brainerd are members of the Brainerd Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The Plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2014, membership includes 26 active participants entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

B. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$8,500 for each year of active Fire Department service but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with five years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$8,500 for each year the member was an active member of the Brainerd Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Brainerd and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
<hr/>	
=	Total Contribution Required
<hr/> <hr/>	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$206,218 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2015. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2015 was \$-0-.

D. Pension Costs

At December 31, 2015, the City reported an asset of \$411,979 for the Association's net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

D. Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized negative pension expense of \$49,587 for the year ended December 31, 2015. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	18,945	-
City Contributions Subsequent to the Measurement Date	56,580	-
Total	<u>\$ 75,525</u>	<u>\$ -</u>

The City contributions to the Association subsequent to the measurement date, \$56,580 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 4,736
2017	4,736
2018	4,736
2019	4,737

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/14
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.50%
Investment Rate of Return	5.50%
20-Year Municipal Bond Yield	3.50%
Age of Service Retirement	50

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Portfolio Weight	Expected Class Return
Cash	18.00 %	2.00 %
Fixed Income	26.00	4.50
Equities	52.00	7.25
Other	4.00	5.50
Total Portfolio	100.00 %	5.50

**CITY OF BRAINERD, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
 (CONTINUED)**

F. Discount Rate

The discount rate used to measure the total pension asset was 5.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Asset Sensitivity

The following presents the City of Brainerd's proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.50%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (335,100)	\$ (411,979)	\$ (486,355)
Discount Rate	4.50%	5.50%	6.50%

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

H. Plan's Fiduciary Net Position

Information about the Plan's fiduciary net position is as follows:

	<u>December 31, 2014</u>
Assets	
Cash	\$ 318,702
Investments	2,701,934
Contributions Receivable	3,223
Total Assets	3,023,859
Liabilities	
Payroll and Sales Taxes	606
Net Position	
Restricted for Pensions	\$ 3,023,253
Additions	
State of Minnesota	\$ 203,105
City of Brainerd	46,833
Investment Earnings	127,147
Other	1,890
Total Additions	378,975
Deductions	
Pension Distributions	201
Wages and Payroll Taxes	4,098
Professional Fees	8,510
Convention Expenses	1,333
Other	756
Total Deductions	14,898
Change in Net Position	364,077
Beginning Net Position	2,659,176
Ending Net Position	\$ 3,023,253

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

H. Plan's Fiduciary Net Position (Continued)

Information about the changes in the Plan's net pension asset is as follows:

Total Pension Liability	
Service Cost	\$ 151,260
Interest	135,543
Benefit Payments, Including Member Refunds	(201)
Net Change in Total Pension Liability	<u>286,602</u>
Total Pension Liability - Beginning	<u>2,324,672</u>
Total Pension Liability - Ending (a)	<u>2,611,274</u>
Plan Fiduciary Net Position	
Municipal Contributions	46,833
State Contributions	203,105
Net Investment Income	152,718
Benefit Payments	(201)
Administrative Expenses	(14,697)
Other Changes	(23,681)
Net Change in Fiduciary Net Position	<u>364,077</u>
Fiduciary Net Position - Beginning	<u>2,659,176</u>
Fiduciary Net Position - Ending (b)	<u>3,023,253</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u><u>\$ (411,979)</u></u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The City provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the City when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the City's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay the full amount of the total premium cost.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Account Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost of 2015, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Discrete Component Units			
	City	Brainerd Public Utilities	Brainerd HRA	Brainerd Airport
Annual Required Contribution (ARC)	\$ 113,818	\$ 55,214	\$ 14,623	\$ 2,424
Interest on Net OPEB Obligation	11,424	665	1,500	34
Adjustment to ARC	<u>(13,015)</u>	<u>(6,069)</u>	<u>(1,119)</u>	<u>(127)</u>
Annual OPEB Cost	112,227	49,810	15,004	2,331
Contributions During the Year	<u>(69,761)</u>	<u>(49,108)</u>	<u>(493)</u>	<u>(827)</u>
Increase in Net Pension Obligation	42,466	702	14,511	1,504
Net Pension Obligation - Beginning of Year	<u>285,608</u>	<u>16,635</u>	<u>37,494</u>	<u>849</u>
Net Pension Obligation - End of Year	<u><u>\$ 328,074</u></u>	<u><u>\$ 17,337</u></u>	<u><u>\$ 52,005</u></u>	<u><u>\$ 2,353</u></u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the two previous years were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
City	December 31, 2015	\$ 112,227	\$ 69,761	62.2 %	\$ 328,074
Brainerd Public Utilities	December 31, 2015	49,810	49,108	98.6	17,337
Brainerd HRA	December 31, 2015	15,004	493	3.3	52,005
Brainerd Airport	December 31, 2015	2,331	827	35.5	2,353
City	December 31, 2014	100,354	36,770	36.6	285,608
Brainerd Public Utilities	December 31, 2014	54,308	73,497	135.3	16,635
Brainerd HRA	December 31, 2014	3,068	771	25.1	37,494
Brainerd Airport	December 31, 2014	253	1,133	447.8	849
City	December 31, 2013	97,789	40,310	41.2	222,024
Brainerd Public Utilities	December 31, 2013	56,234	71,142	126.5	35,824
Brainerd HRA	December 31, 2013	4,526	1,715	37.9	35,197
Brainerd Airport	December 31, 2013	385	459	119.2	1,729

Funding Status

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero. The General Fund has been used to liquidate the net other postemployment benefit obligation for the City. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
City	1/1/2015	\$ -	\$ 1,035,078	\$ 1,035,078	%	\$ 3,829,452	27.0 %
Brainerd Public Utilities	1/1/2015	-	482,663	482,663	-	2,083,138	23.2
Brainerd HRA	1/1/2015	-	88,998	88,998	-	728,639	12.2
Brainerd Airport	1/1/2015	-	10,137	10,137	-	336,026	3.0

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% discount rate, which is based on the estimated long-term investment yield on the general assets of the City. The annual healthcare cost trend rate is 7.25% initially, reduced incrementally to an ultimate rate of 5.00% after nine years. The inflation rate is 2.5% and salary increases are not applicable. The unfunded actuarial accrued liability is being amortized over thirty years on a closed basis.

NOTE 8 JOINT VENTURES

Shown on the combined financial statement as a discrete component unit, is the City's interest in the Brainerd Lakes Regional Airport. The City and Crow Wing County have an agreement whereby each contribute equally to all locally financed costs of the operation of the airport. An airport commission is responsible for operations and the City provides accounting services. The City accounts for all transactions of the airport. Any appropriation by the City for the airport commission is recorded as expenditure in the year it is approved by the City Council. The City also has a 50% undivided interest in the property, improvements and buildings of the airport.

NOTE 9 SUMMARY OF OTHER ITEMS

A. Claims and Litigation

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The City estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the City. No liability or provision for loss has been recorded in the December 31, 2015 financial statements in relation to any of these matters.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 SUMMARY OF OTHER ITEMS (CONTINUED)

B. Grants

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial. The financial assistance received is subject to an audit pursuant to OMB Circular A-133/Uniform Guidance or audits by the grantor agency.

The City received Small Cities Development Program money during 2008. This money was then passed through to Art Space with the intention that in 30 years, it will be repaid to the City. If the City receives the money in 30 years, the City will develop a new plan to properly spend the grant money. This receivable is not recorded due to the likelihood of the City not receiving the money.

C. Commitments

BPU is obligated to purchase all of its wholesale power requirements from Minnesota Power and Light Company through June 30, 2019.

NOTE 10 TRANSACTIONS BETWEEN THE CITY AND BPU

BPU makes monthly contributions to the City based on retail sales of the electric department. The contributions for the year ended December 31, 2015, totaled \$596,543. BPU bills the City for all utility services at regular utility rates as set by the BPU Commission.

The City contributed \$392,142 of net capital assets to BPU during 2015.

NOTE 11 RELATED-PARTY TRANSACTIONS

At December 31, 2015, a business owned by one of the City's council members owed the City's Revolving Loan Fund a balance of approximately \$16,173 under the City's local business revolving loan program.

At December 31, 2015, a business owned by an employee received payments from the City in the amount of \$25,556 for services rendered.

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 12 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014 net position of the governmental activities as follows:

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Pension Liability	Deferred Outflow of Resources for City Contributions Made to the Plans After the Measurement Period (7/1/14 - 12/31/14)	Net Position As Restated
Governmental Activities	\$ 39,511,381	\$ (4,300,797) *	\$ 293,581	\$ 35,504,165
Business Type Activities	12,434,771	(53,049)	2,172	12,383,894
Sanitary Sewer	6,602,067	(39,210)	1,605	6,564,462
Storm Sewer	5,832,704	(13,839)	567	5,819,432
Airport - Component Unit	37,765,398	(113,017)	4,627	37,657,008

* Of this amount, (\$2,140,406) relates to GERS, (\$2,494,895) relates to PEPFF, and \$334,504 relates to the Fire Relief Association.

NOTE 13 RECLASSIFICATION OF FUNDS

During 2015, the City reclassified two funds from governmental to business-type. This required a restatement of fund balance/net position from the prior year due to the different reporting requirements of the funds. See the reconciliation below from last year's fund balance reported on the prior year financial statements to the restated prior year net position:

	Sanitary Sewer Collection System	Storm Sewer Fund	Debt Service Fund
Prior Year Fund Balance	\$ 204,297	\$ (83,428)	\$ 1,250,181
Asset Additions	6,822,497	6,631,505	-
Accrued Liabilities	(61,184)	(28,483)	-
Long-Term Debt	(371,340)	(687,513)	-
Debt Service Fund	7,796	623	(8,419)
Adjusted Beginning Net Position	<u>\$ 6,602,066</u>	<u>\$ 5,832,704</u>	<u>\$ 1,241,762</u>

**CITY OF BRAINERD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 13 RECLASSIFICATION OF FUNDS (CONTINUED)

Below is the impact on current year adjusted beginning equity:

	Total Governmental Funds	Governmental Activities	Business-Type Activities
Ending Equity 12/31/14	\$ 7,026,644	\$ 51,946,152	\$ -
Reclassification of Amount (from) to:			
Sanitary Sewer Fund	(204,297)	(6,602,066)	6,602,066
Storm Sewer Fund	83,428	(5,832,704)	5,832,704
Debt Service Fund	(8,419)	-	-
Adjusted Beginning Equity 1/1/15	<u>\$ 6,897,356</u>	<u>\$ 39,511,382</u>	<u>\$ 12,434,770</u>

NOTE 14 SUBSEQUENT EVENTS

Issuance of 2016A General Obligation Utility Revenue Bonds

On March 21, 2016, the City of Brainerd, on behalf of BPU, issued \$9,690,000 in G.O. Utility Revenue Bonds related to the extension of water and sewer utility services to the Brainerd Lakes Regional Airport. The allocation of the bonds are 50% related to water or \$4,845,000, 12% related to wastewater treatment lift stations and forcemains or \$1,162,800, 38% related to sanitary sewer lines or \$3,682,200. BPU will be responsible for 62% of debt service or \$6,007,800 and the City will be responsible for 38% of debt service or \$3,682,200. The Bonds have a term of 20 years maturing in 2036 with the first payment on April 1, 2017.

Issuance of 2016B General Obligation Equipment Certificates of Indebtedness

On March 21, 2016, the City of Brainerd issued \$1,075,000 in G.O. Equipment Certificates of Indebtedness of which \$400,000 will be the responsibility of BPU. The Certificates have a term of 5 years maturing in 2021 with interest rates from .9% to 1.3%, for the purchase of bucket truck for Electric Department and the purchase of back-up generator for Water Plant. First payment will be on February 1, 2017.

Power Contract

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, 2025.

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BRAINERD, MINNESOTA
BRAINERD FIREMAN'S RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**

	<u>Measurement Date December 31, 2014</u>
Total Pension Liability	
Service Cost	\$ 151,260
Interest	135,543
Benefit Payments, Including Member Refunds	<u>(201)</u>
Net Change in Total Pension Liability	286,602
Total Pension Liability - Beginning	<u>2,324,672</u>
Total Pension Liability - Ending (a)	2,611,274
Plan Fiduciary Net Position	
Municipal Contributions	46,833
State Contributions	203,105
Net Investment Income	152,718
Benefit Payments	(201)
Administrative Expenses	(14,697)
Other Changes	<u>(23,681)</u>
Net Change in Fiduciary Net Position	364,077
Fiduciary Net Position - Beginning	<u>2,659,176</u>
Fiduciary Net Position - Ending (b)	<u>3,023,253</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (411,979)</u>
Fiduciary Net Position as a Percentage of the Total Net Pension Asset	115.78%
Covered-Employee Payroll	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
City	1/1/2009	\$ -	\$ 324,029	\$ 324,029	- %	\$ 5,345,143	6.1 %
Brainerd Public Utilities	1/1/2009	-	438,939	438,939	-	2,734,574	16.1
Brainerd HRA	1/1/2009	-	34,814	34,814	-	563,483	6.2
Brainerd Airport	1/1/2009	-	12,165	12,165	-	407,371	3.0
City	1/1/2012	-	769,793	769,793	-	2,748,363	28.0
Brainerd Public Utilities	1/1/2012	-	609,610	609,610	-	2,815,022	21.7
Brainerd HRA	1/1/2012	-	62,728	62,728	-	647,900	9.7
Brainerd Airport	1/1/2012	-	10,115	10,115	-	365,795	2.8
City	1/1/2015	-	1,035,078	1,035,078	-	3,829,452	27.0
Brainerd Public Utilities	1/1/2015	-	482,663	482,663	-	2,083,138	23.2
Brainerd HRA	1/1/2015	-	88,998	88,998	-	728,639	12.2
Brainerd Airport	1/1/2015	-	10,137	10,137	-	336,026	3.0

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)**

	Measurement Date <u>June 30, 2015</u>
GERF	
City's Proportion of the Net Pension Liability	0.0449%
City's Proportionate Share of the Net Pension Liability	\$ 2,326,952
City's Covered-Employee Payroll	\$ 2,639,880
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	88.15%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%
PEPFF	
City's Proportion of the Net Pension Liability	0.2320%
City's Proportionate Share of the Net Pension Liability	\$ 2,636,063
City's Covered-Employee Payroll	\$ 2,123,949
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	124.11%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TWO YEARS**

	2015	2014
GERF		
Contractually Required Contribution	\$ 205,880	\$ 188,278
Contributions in Relation to the Contractually Required Contribution	(205,880)	(188,278)
Contribution Deficiency (Excess)	\$ -	\$ -
 City's Covered-Employee Payroll	 \$ 2,745,076	 \$ 2,596,929
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.25%
 PEPFF		
Contractually Required Contribution	353,057	312,432
Contributions in Relation to the Contractually Required Contribution	(353,057)	(312,432)
Contribution Deficiency (Excess)	\$ -	\$ -
 City's Covered-Employee Payroll	 \$ 2,179,363	 \$ 2,042,040
 Contributions as a Percentage of Covered Employee Payroll	 16.20%	 15.30%
 FIRE RELIEF ASSOCIATION PLAN		
Statutorily Required Contribution	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-
Contribution Deficiency/(Excess)	\$ -	\$ -

**CITY OF BRAINERD, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,696,966	\$ 1,696,966	\$ 1,810,530	\$ 113,564
Licenses and Permits	318,925	318,925	400,253	81,328
Intergovernmental	86,738	86,738	78,829	(7,909)
Charges for Services	38,400	38,400	32,971	(5,429)
Special Assessments	-	-	30,761	30,761
Interest	3,000	3,000	13,749	10,749
Miscellaneous	396,736	396,736	425,995	29,259
Total Revenues	<u>2,540,765</u>	<u>2,540,765</u>	<u>2,793,088</u>	<u>252,323</u>
EXPENDITURES				
Current				
General Government				
Mayor and Council	125,074	125,074	119,585	(5,489)
City Administration	511,336	511,336	480,358	(30,978)
Legal	90,600	90,600	68,135	(22,465)
Engineering	221,916	221,916	236,662	14,746
Planning and Zoning	133,379	133,379	129,395	(3,984)
Buildings and Plant	191,573	191,573	231,233	39,660
Inspections	367,564	367,564	353,639	(13,925)
Other	724,323	724,323	733,858	9,535
Debt Service				
Principal Retirement	-	-	10,611	10,611
Interest and Fiscal Charges	-	-	454	454
Total Expenditures	<u>2,365,765</u>	<u>2,365,765</u>	<u>2,363,930</u>	<u>(1,835)</u>
EXCESS OF REVENUES OVER EXPENDITURES	175,000	175,000	429,158	254,158
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	38,917	38,917
Transfers In	-	-	48,650	48,650
Transfers Out	(85,000)	(85,000)	(96,561)	(11,561)
Total Other Financing Sources (Uses)	<u>(85,000)</u>	<u>(85,000)</u>	<u>(8,994)</u>	<u>76,006</u>
NET CHANGE IN FUND BALANCE	<u>\$ 90,000</u>	<u>\$ 90,000</u>	420,164	<u>\$ 330,164</u>
Fund Balance - Beginning of Year			<u>2,991,888</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,412,052</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF BRAINERD, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY FUND
YEAR ENDED DECEMBER 31, 2015**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 852,682	\$ 852,682	\$ 734,963	\$ (117,719)
Intergovernmental	3,142,100	3,142,100	3,320,169	178,069
Charges for Services	692,392	692,392	683,187	(9,205)
Fines and Forfeits	158,000	158,000	183,473	25,473
Interest	-	-	332	332
Miscellaneous	64,500	64,500	118,050	53,550
Total Revenues	<u>4,909,674</u>	<u>4,909,674</u>	<u>5,040,174</u>	<u>130,500</u>
EXPENDITURES				
Current				
Public Safety				
Police	3,386,625	3,386,625	3,411,458	24,833
Fire	1,016,104	1,016,104	1,086,750	70,646
Fire Retirement Association	250,500	250,500	262,798	12,298
Civil Defense	6,000	6,000	3,431	(2,569)
Animal Control	69,000	69,000	64,453	(4,547)
Capital Outlay	100,000	100,000	104,079	4,079
Debt Service				
Principal Retirement	-	-	298	298
Total Expenditures	<u>4,828,229</u>	<u>4,828,229</u>	<u>4,933,267</u>	<u>105,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	81,445	81,445	106,907	25,462
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	-	-	15,142	15,142
Sale of Capital Assets	-	-	24,828	24,828
Transfers In	-	-	11,561	11,561
Transfers Out	(81,445)	(81,445)	(81,445)	-
Total Other Financing Sources (Uses)	<u>(81,445)</u>	<u>(81,445)</u>	<u>(29,914)</u>	<u>36,389</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	76,993	<u>\$ 61,851</u>
Fund Balance - Beginning of Year			<u>23,689</u>	
FUND BALANCE - END OF YEAR			<u>\$ 100,682</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF BRAINERD, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PARK AND RECREATION FUND
YEAR ENDED DECEMBER 31, 2015**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 36,000	\$ 36,000	\$ 34,941	\$ (1,059)
Intergovernmental	692,436	692,436	675,200	(17,236)
Charges for Services	195,700	197,500	203,208	5,708
Interest	-	-	52	52
Miscellaneous				
Contributions	-	-	9,759	9,759
Other	57,000	57,000	77,436	20,436
Total Revenues	<u>981,136</u>	<u>982,936</u>	<u>1,000,596</u>	<u>17,660</u>
EXPENDITURES				
Current				
Culture and Recreation	931,136	932,096	959,597	27,501
Capital Outlay	50,000	50,000	36,545	(13,455)
Debt Service				
Principal Retirement	-	-	1,667	1,667
Interest and Fiscal Charges	-	-	467	467
Total Expenditures	<u>981,136</u>	<u>982,096</u>	<u>998,276</u>	<u>16,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	840	2,320	1,480
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	1,129	1,129
Transfers Out	-	-	(3,675)	(3,675)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,546)</u>	<u>(2,546)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 840</u>	<u>(226)</u>	<u>\$ (1,066)</u>
Fund Balance - Beginning of Year			<u>910</u>	
FUND BALANCE - END OF YEAR			<u>\$ 684</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF BRAINERD, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
STREET AND SEWER FUND
YEAR ENDED DECEMBER 31, 2015**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 41,000	\$ 41,000	\$ 39,892	\$ (1,108)
Intergovernmental	619,067	619,067	543,700	(75,367)
Special Assessments	10,800	10,800	6,595	(4,205)
Interest	-	-	32	32
Miscellaneous				
Other	275,000	275,000	257,309	(17,691)
Total Revenues	<u>945,867</u>	<u>945,867</u>	<u>847,528</u>	<u>(98,339)</u>
EXPENDITURES				
Current				
Public Works				
Streets and Alleys	815,122	815,122	750,021	(65,101)
Ice and Snow Removal	90,000	90,000	55,164	(34,836)
Traffic Control	51,745	51,745	45,246	(6,499)
Total Expenditures	<u>956,867</u>	<u>956,867</u>	<u>850,431</u>	<u>(106,436)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,000)	(11,000)	(2,903)	8,097
OTHER FINANCING SOURCES				
Transfers In	<u>11,000</u>	<u>11,000</u>	<u>2,339</u>	<u>(8,661)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(564)	<u>\$ (564)</u>
Fund Balance - Beginning of Year			<u>1,092</u>	
FUND BALANCE - END OF YEAR			<u>\$ 528</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF BRAINERD, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2015**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 116,719	\$ 116,719	\$ 113,984	\$ (2,735)
Interest	-	-	574	574
Total Revenues	116,719	116,719	114,558	(2,161)
EXPENDITURES				
Current				
Economic Development	116,719	116,719	116,094	(625)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	-	(1,536)	(1,536)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	-	-	56,021	56,021
Transfers Out	-	-	(56,021)	(56,021)
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(1,536)	\$ (1,536)
Fund Balance - Beginning of Year			18,511	
FUND BALANCE - END OF YEAR			\$ 16,975	

See accompanying Notes to Required Supplementary Information.

**CITY OF BRAINERD, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015**

NOTE 1 LEGAL COMPLIANCE - BUDGETS

The General, Public Safety, Park and Recreation, Street and Sewer, and Economic Development Authority Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America.

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2015:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
Public Safety Fund	\$ 4,933,267	\$ 4,828,229	\$ 105,038
Park and Recreation Fund	998,276	982,096	16,180
Transit Fund	1,031,198	1,001,700	29,498

The above overages were considered by the City's management to be the result of necessary expenditures critical to operations and were approved by the Council.

NOTE 2 UNBUDGETED MAJOR SPECIAL REVENUE FUND

The City has not adopted a budget for the Revolving Loans Fund. Thus, there is no budgetary comparison schedule included in the required supplementary information.

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or local ordinance to finance particular functions or activities of government.

The Nonmajor Special Revenue Funds maintained by the City are described as follows:

SCHOOL PATROL FUND

The School Patrol Fund was established to account for donations from individuals and service organizations that are restricted for the purpose of sending students to school patrol training at Legionville, Minnesota.

RECYCLING FUND

The Recycling Fund accounts for revenue from Crow Wing County's SCORE funds that are restricted for the City's recycling program.

CITY PARKING LOTS FUND

The City Parking Lots Fund accounts for all charges for services from parking lot rentals which are committed to maintaining the City parking lots.

TRANSIT FUND

The Transit Fund accounts for government grant revenues which are restricted for the expenditures of the City's dial-a-ride transportation system operation.

WATER AND SEWER AVAILABILITY CHARGES FUND

The Water and Sewer Availability Charges Fund was created by Ordinance 1147, which accounts for charges for services which are committed for the purpose of providing funds for the City's wells, water treatment, water storage, water distribution systems, waste water treatment, force mains, lift stations and sewage collection systems, and the plant and facilities connected therewith, and the payment of capital charges represented by bonds, certificates of indebtedness or otherwise, which may be used to finance the costs.

EMPLOYEE WELLNESS PROGRAM

The Employee Wellness Program Fund was established to account for restricted grant money received for an employee wellness program. The program is designed to create, promote, develop, and maintain healthy lifestyles that will encourage habits that can be incorporated into employee's daily lives.

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS (CONTINUED)

PERMANENT IMPROVEMENT FUND

The Permanent Improvement Fund was established by authority of the City Charter to account for property tax levy which is committed for paying the portion of the cost of improving streets and alleys assessed upon the City.

MAYOR'S CONTINGENCY FUND

The Mayor's Contingency Fund was established by authority of the City Charter to account for local government aid which is committed for the use of the Mayor in paying expenditures incurred by the Mayor in promoting the best interest of the City.

HYDRANT RENTAL AND ELECTRIC CURRENT FUND

The Hydrant Rental and Electric Current Fund was established by authority of the City Charter to account for the property tax levy which is committed to provide payment for rent for water drawn from hydrants for the needs and use of the City and for rates for the lighting of the streets and electric power for City use to the Brainerd Public Utilities.

DRUG AND DUI FORFEITURE FUND

The Drug and DUI Forfeiture Fund is maintained according to federal forfeited property regulations and is used to account for restricted monies allocated to the City and spent according to their specific guidelines. It is also maintained to account for the collection of funds from the sale of recovered property and the sale of DUI forfeiture property. DUI forfeiture proceeds are restricted to DUI enforcement and education per Minnesota Statutes.

TAX INCREMENT FINANCING DISTRICT FUND

The Tax Increment Financing District Fund was established to account for tax increment revenues which are restricted for expenditures related to the following tax increment projects:

Thrifty Drug
Taco Johns
Jimmy Johns

Art Space
Walgreens
Willows Phase II

East Brainerd Mall
Timberland Townhome
Brainerd Oaks

LOCAL OPTION SALES TAX

The Local Option Sales Tax Fund accounts for the collection of the .5% local sales tax authorized by the State of Minnesota and voters of the City of Brainerd which are restricted for the construction costs of water and wastewater treatment plants, infrastructure, and improvements, as well as for trail improvements for the cities of Brainerd and Baxter, Minnesota.

**CITY OF BRAINERD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	SPECIAL REVENUE FUNDS				
	SCHOOL PATROL	RECYCLING	CITY PARKING LOTS	TRANSIT	WATER AND SEWER AVAILABILITY CHARGES
ASSETS					
Cash and Investments	\$ 15,142	\$ 8,959	\$ 10,650	\$ 167,709	\$ 401,254
Receivables					
Taxes - Delinquent	-	-	-	-	-
Accounts	-	-	-	9,713	-
Due from Other Governments	-	-	-	253,193	-
Due from Component Unit	-	-	-	-	-
Prepayments	-	-	-	708	-
Total Assets	<u>\$ 15,142</u>	<u>\$ 8,959</u>	<u>\$ 10,650</u>	<u>\$ 431,323</u>	<u>\$ 401,254</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ 2,677	\$ -	\$ 66,964	\$ -
Accrued Liabilities	-	-	-	977	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	6,927	-
Due to Component Units	-	-	36	-	-
Total Liabilities	-	2,677	36	74,868	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	-	-	-	-	-
Unavailable Revenue - Grants	-	-	-	72,410	-
Total Deferred Inflows of Resources	-	-	-	72,410	-
FUND BALANCE					
Nonspendable	-	-	-	708	-
Restricted	15,142	6,282	-	283,337	-
Committed	-	-	10,614	-	401,254
Total Fund Balance	<u>15,142</u>	<u>6,282</u>	<u>10,614</u>	<u>284,045</u>	<u>401,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 15,142</u>	<u>\$ 8,959</u>	<u>\$ 10,650</u>	<u>\$ 431,323</u>	<u>\$ 401,254</u>

SPECIAL REVENUE FUNDS

EMPLOYEE WELLNESS PROGRAM	PERMANENT IMPROVEMENT	MAYOR'S CONTIN- GENY	HYDRANT RENTAL AND ELECTRIC CURRENT	DRUG & DUI FORFEITURE	TAX INCREMENT FINANCING DISTRICTS	LOCAL OPTION SALES TAX	TOTALS
\$ 12,356	\$ -	\$ 165	\$ -	\$ 41,189	\$ 167,676	\$ 1,423	\$ 826,523
-	17,926	-	8,963	-	-	-	26,889
-	-	-	-	-	-	2,567	12,280
-	-	-	-	-	-	83,619	336,812
-	-	-	44,516	-	-	-	44,516
-	-	-	-	-	-	-	708
<u>\$ 12,356</u>	<u>\$ 17,926</u>	<u>\$ 165</u>	<u>\$ 53,479</u>	<u>\$ 41,189</u>	<u>\$ 167,676</u>	<u>\$ 87,609</u>	<u>\$ 1,247,728</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,641
-	-	-	-	-	-	-	977
-	-	-	44,516	-	-	-	44,516
-	-	-	-	5,317	-	-	12,244
-	-	-	-	-	-	87,609	87,645
-	-	-	44,516	5,317	-	87,609	215,023
-	13,354	-	6,676	-	-	-	20,030
-	-	-	-	-	-	-	72,410
-	13,354	-	6,676	-	-	-	92,440
-	-	-	-	-	-	-	708
12,356	-	-	-	35,872	167,676	-	520,665
-	4,572	165	2,287	-	-	-	418,892
<u>12,356</u>	<u>4,572</u>	<u>165</u>	<u>2,287</u>	<u>35,872</u>	<u>167,676</u>	<u>-</u>	<u>940,265</u>
<u>\$ 12,356</u>	<u>\$ 17,926</u>	<u>\$ 165</u>	<u>\$ 53,479</u>	<u>\$ 41,189</u>	<u>\$ 167,676</u>	<u>\$ 87,609</u>	<u>\$ 1,247,728</u>

**CITY OF BRAINERD, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015**

	SPECIAL REVENUE FUNDS				
	SCHOOL PATROL	RECYCLING	CITY PARKING LOTS	TRANSIT	WATER & SEWER AVAILABILITY CHARGES
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-
Tax Increments	-	-	-	-	-
Intergovernmental	-	60,000	-	946,936	-
Charges for Services	-	488	22,702	137,222	140,527
Fines and Forfeits	-	-	-	-	-
Interest	31	72	33	649	730
Miscellaneous	13,010	-	-	5,783	-
Total Revenues	<u>13,041</u>	<u>60,560</u>	<u>22,735</u>	<u>1,090,590</u>	<u>141,257</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	11,231	-	-	-	-
Public Works	-	60,897	13,479	891,377	-
Economic Development	-	-	-	-	-
Capital Outlay	-	-	-	139,821	-
Total Expenditures	<u>11,231</u>	<u>60,897</u>	<u>13,479</u>	<u>1,031,198</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,810	(337)	9,256	59,392	141,257
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	-	3,600	-
Transfers Out	-	-	(3,866)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,866)</u>	<u>3,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,810	(337)	5,390	62,992	141,257
Fund Balance (Deficit) - Beginning of Year	<u>13,332</u>	<u>6,619</u>	<u>5,224</u>	<u>221,053</u>	<u>259,997</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 15,142</u>	<u>\$ 6,282</u>	<u>\$ 10,614</u>	<u>\$ 284,045</u>	<u>\$ 401,254</u>

SPECIAL REVENUE FUNDS

EMPLOYEE WELLNESS PROGRAM	PERMANENT IMPROVEMENT	MAYOR'S CONTINGENCY	HYDRANT RENTAL & ELECTRIC CURRENT	DUI & DRUG FORFEITURE	TAX INCREMENT FINANCING DISTRICTS	LOCAL SALES TAX OPTION	TOTALS
\$ -	\$ 308,866	\$ -	\$ 154,430	\$ -	\$ -	\$ -	\$ 463,296
-	-	-	-	-	-	905,665	905,665
-	-	-	-	-	287,200	-	287,200
6,500	-	2,500	-	-	-	-	1,015,936
-	-	-	-	-	-	-	300,939
-	-	-	-	11,749	-	-	11,749
25	-	-	-	77	281	-	1,898
-	-	-	-	304	-	-	19,097
<u>6,525</u>	<u>308,866</u>	<u>2,500</u>	<u>154,430</u>	<u>12,130</u>	<u>287,481</u>	<u>905,665</u>	<u>3,005,780</u>
2,201	-	2,500	-	-	-	-	4,701
-	-	-	-	2,880	-	-	14,111
-	-	-	153,918	-	-	-	1,119,671
-	-	-	-	-	367,048	907,122	1,274,170
-	-	-	-	-	-	-	139,821
<u>2,201</u>	<u>-</u>	<u>2,500</u>	<u>153,918</u>	<u>2,880</u>	<u>367,048</u>	<u>907,122</u>	<u>2,552,474</u>
4,324	308,866	-	512	9,250	(79,567)	(1,457)	453,306
-	-	-	-	-	-	-	3,600
-	(307,844)	-	-	-	-	-	(311,710)
<u>-</u>	<u>(307,844)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(308,110)</u>
4,324	1,022	-	512	9,250	(79,567)	(1,457)	145,196
8,032	3,550	165	1,775	26,622	247,243	1,457	795,069
<u>\$ 12,356</u>	<u>\$ 4,572</u>	<u>\$ 165</u>	<u>\$ 2,287</u>	<u>\$ 35,872</u>	<u>\$ 167,676</u>	<u>\$ -</u>	<u>\$ 940,265</u>

CITY OF BRAINERD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RECYCLING FUND
YEAR ENDED DECEMBER 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES			
Intergovernmental	\$ 64,000	\$ 60,000	\$ (4,000)
Charges for Services	655	488	(167)
Interest	-	72	72
Total Revenues	64,655	60,560	(4,095)
EXPENDITURES			
Current			
Public Works	64,655	60,897	(3,758)
NET CHANGE IN FUND BALANCE	\$ -	(337)	\$ (337)
Fund Balance - Beginning of Year		6,619	
FUND BALANCE - END OF YEAR		\$ 6,282	

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CITY PARKING LOTS FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES			
Charges for Services	\$ 23,000	\$ 22,702	\$ (298)
Interest	-	33	33
Total Revenues	<u>23,000</u>	<u>22,735</u>	<u>(265)</u>
EXPENDITURES			
Current			
Public Works	<u>17,255</u>	<u>13,479</u>	<u>(3,776)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,745	9,256	3,511
OTHER FINANCING USES			
Transfers Out	<u>(11,000)</u>	<u>(3,866)</u>	<u>7,134</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,255)</u>	5,390	<u>\$ 10,645</u>
Fund Balance - Beginning of Year		<u>5,224</u>	
FUND BALANCE - END OF YEAR		<u>\$ 10,614</u>	

CITY OF BRAINERD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSIT FUND
YEAR ENDED DECEMBER 31, 2015

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 863,785	\$ 863,785	\$ 946,936	\$ 83,151
Charges for Services	132,189	132,189	137,222	5,033
Interest	-	-	649	649
Miscellaneous				
Other	5,726	5,726	5,783	57
Total Revenues	<u>1,001,700</u>	<u>1,001,700</u>	<u>1,090,590</u>	<u>88,890</u>
EXPENDITURES				
Current				
Public Works	919,120	919,120	891,377	(27,743)
Capital Outlay	82,580	82,580	139,821	57,241
Total Expenditures	<u>1,001,700</u>	<u>1,001,700</u>	<u>1,031,198</u>	<u>29,498</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	-	-	59,392	59,392
OTHER FINANCING SOURCES				
Sale of Capital Assets	-	-	3,600	3,600
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	62,992	<u>\$ 62,992</u>
Fund Balance - Beginning of Year			<u>221,053</u>	
FUND BALANCE - END OF YEAR			<u>\$ 284,045</u>	

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PERMANENT IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES			
Taxes	\$ 316,072	\$ 308,866	\$ (7,206)
OTHER FINANCING USES			
Transfers Out	<u>(316,072)</u>	<u>(307,844)</u>	<u>8,228</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	1,022	<u>\$ 1,022</u>
Fund Balance - Beginning of Year		<u>3,550</u>	
FUND BALANCE - END OF YEAR		<u>\$ 4,572</u>	

**CITY OF BRAINERD, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 MAYOR'S CONTINGENCY FUND
 YEAR ENDED DECEMBER 31, 2015**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES			
Intergovernmental	\$ 2,500	\$ 2,500	\$ -
EXPENDITURES			
Current			
General Government			
Mayor and Council	2,500	2,500	-
NET CHANGE IN FUND BALANCE	\$ -	-	\$ -
Fund Balance - Beginning of Year		165	
FUND BALANCE - END OF YEAR		\$ 165	

CITY OF BRAINERD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HYDRANT RENTAL AND ELECTRIC CURRENT FUND
YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES			
Taxes	\$ 158,536	\$ 154,430	\$ (4,106)
EXPENDITURES			
Current			
Public Works	<u>158,536</u>	<u>153,918</u>	<u>(4,618)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u>512</u>	<u><u>\$ 512</u></u>
Fund Balance - Beginning of Year		<u>1,775</u>	
FUND BALANCE - END OF YEAR		<u><u>\$ 2,287</u></u>	

This Page Has Been Intentionally Left Blank.

COMPONENT UNIT FINANCIAL STATEMENTS

**CITY OF BRAINERD, MINNESOTA
BRAINERD LAKES REGIONAL AIRPORT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Balance Sheet	Conversion to Full Accrual	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 1,665,272	\$ -	\$ 1,665,272
Receivables			
Accounts	25,817	-	25,817
Due from Other Governments	251,520	-	251,520
Prepaid Expense	35	-	35
Capital Assets			
Land and Construction In Progress	-	1,166,229	1,166,229
Other Capital Assets, Net of Depreciation	-	32,815,105	32,815,105
Total Assets	<u>\$ 1,942,644</u>	<u>33,981,334</u>	<u>35,923,978</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	-	15,967	15,967
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 22,879	-	22,879
Accrued Liabilities	6,036	-	6,036
Net Pension Liability	-	114,021	114,021
Other Postemployment Benefits	-	2,353	2,353
Long-Term Liabilities			
Due within One Year	-	57,008	57,008
Due in More than One Year	-	201,257	201,257
Total Liabilities	<u>28,915</u>	<u>374,639</u>	<u>403,554</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Grants	201,826	(201,826)	-
Pension Related	-	13,000	13,000
Total Deferred Inflows of Resources	<u>201,826</u>	<u>(188,826)</u>	<u>13,000</u>
FUND BALANCE/NET POSITION			
Fund Balance			
Assigned	<u>1,711,903</u>	<u>(1,711,903)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,942,644</u>		
Net Position			
Net Investment in Capital Assets		33,981,334	33,981,334
Unrestricted		<u>1,542,057</u>	<u>1,542,057</u>
Total Net Position		<u>\$ 35,523,391</u>	<u>\$ 35,523,391</u>

**CITY OF BRAINERD, MINNESOTA
 BRAINERD LAKES REGIONAL AIRPORT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015**

	Statement of Revenues, Expenditures and Changes in Fund Balance	Conversion to Full Accrual	Statement of Activities
Expenditures/Expenses	\$ 1,429,738	\$ 2,455,276	\$ 3,885,014
Program Revenues			
Charges for Services	664,534	-	664,534
Operating Grants	374,716	-	374,716
Capital Grants	520,323	189,563	709,886
Total Program Revenues	<u>1,559,573</u>	<u>189,563</u>	<u>1,749,136</u>
Net Program Revenue	129,835	(2,265,713)	(2,135,878)
General Revenues			
Interest	<u>2,261</u>	-	<u>2,261</u>
Change in Net Position	132,096	(2,265,713)	(2,133,617)
Fund Balance/Net Position			
Beginning of Year	1,579,807	36,185,591	37,765,398
Change in Accounting Principle	-	(108,390)	(108,390)
Beginning of Year, as Restated	<u>1,579,807</u>	<u>36,077,201</u>	<u>37,657,008</u>
End of Year	<u>\$ 1,711,903</u>	<u>\$ 33,811,488</u>	<u>\$ 35,523,391</u>

**CITY OF BRAINERD, MINNESOTA
 BRAINERD LAKES REGIONAL AIRPORT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2015**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues				
Intergovernmental	\$ 486,622	\$ 486,622	\$ 895,039	\$ 408,417
Charges for Services	539,598	539,598	637,659	98,061
Interest	3,000	3,000	2,261	(739)
Miscellaneous	2,000	2,000	26,875	24,875
Total Revenues	<u>1,031,220</u>	<u>1,031,220</u>	<u>1,561,834</u>	<u>530,614</u>
Expenditures				
Current				
Personal Services	\$ 487,916	\$ 487,916	\$ 484,514	\$ (3,402)
Supplies	120,720	120,720	123,969	3,249
Other Services and Charges	271,134	271,134	242,734	(28,400)
Capital Outlay	151,450	151,450	578,521	427,071
Total Expenditures	<u>1,031,220</u>	<u>1,031,220</u>	<u>1,429,738</u>	<u>398,518</u>
Net Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	132,096	<u>\$ 132,096</u>
Fund Balance				
Beginning of Year			<u>1,579,807</u>	
End of Year			<u>\$ 1,711,903</u>	

**CITY OF BRAINERD, MINNESOTA
BRAINERD PUBLIC LIBRARY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	<u>Balance Sheet</u>	<u>Conversion to Full Accrual</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and Investments	\$ 191,810	\$ -	\$ 191,810
Receivables			
Taxes	8,125	-	8,125
Capital Assets			
Land and Construction In Progress	-	9,041	9,041
Other Capital Assets, Net of Depreciation	-	446,731	446,731
Total Assets	<u>\$ 199,935</u>	455,772	655,707
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,099	-	2,099
Due to Component Unit	1,497	-	1,497
Total Liabilities	<u>3,596</u>	-	3,596
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	6,070	(6,070)	<u>-</u>
FUND BALANCE/NET POSITION			
Fund Balances			
Assigned	<u>190,269</u>	<u>(190,269)</u>	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 199,935</u>		
Net Position			
Net Investment in Capital Assets		455,772	455,772
Unrestricted		196,339	196,339
Total Net Position		<u>\$ 652,111</u>	<u>\$ 652,111</u>

**CITY OF BRAINERD, MINNESOTA
 BRAINERD PUBLIC LIBRARY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015**

	<u>Statement of Revenues, Expenditures and Changes in Fund Balance</u>	<u>Conversion to Full Accrual</u>	<u>Statement of Activities</u>
Expenditures/Expenses	\$ 167,784	\$ 51,967	\$ 219,751
Program Revenues			
Operating Grants	<u>50,002</u>	<u>-</u>	<u>50,002</u>
Net Program Expense	(117,782)	(51,967)	(169,749)
General Revenues			
Property Taxes Levied for General Purposes	140,594	300	140,894
Interest	362	-	362
Miscellaneous	<u>4,023</u>	<u>-</u>	<u>4,023</u>
Total General Revenues	<u>144,979</u>	<u>300</u>	<u>145,279</u>
Change in Net Position	27,197	(51,667)	(24,470)
Fund Balance/Net Position			
Beginning of Year	<u>163,072</u>	<u>513,509</u>	<u>676,581</u>
End of Year	<u>\$ 190,269</u>	<u>\$ 461,842</u>	<u>\$ 652,111</u>

**CITY OF BRAINERD, MINNESOTA
 BRAINERD PUBLIC LIBRARY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2015**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Revenues			
Taxes	\$ 144,000	\$ 140,594	\$ (3,406)
Interest	-	362	362
Miscellaneous	-	54,025	54,025
Total Revenues	<u>144,000</u>	<u>194,981</u>	<u>50,981</u>
Expenditures			
Supplies	10,000	8,970	(1,030)
Other Services and Charges	128,000	153,799	25,799
Capital Outlay	6,000	5,015	(985)
Total Expenditures	<u>144,000</u>	<u>167,784</u>	<u>23,784</u>
Net Increase (Decrease) in Fund Balance	<u>\$ -</u>	27,197	<u>\$ 27,197</u>
Fund Balance			
Beginning of Year		<u>163,072</u>	
End of Year		<u>\$ 190,269</u>	

STATISTICAL INFORMATION SECTION (UNAUDITED)

STATISTICAL INFORMATION SECTION (UNAUDITED)

This part of the City of Brainerd's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

Financial Trends

The financial trends schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

The revenue capacity schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

The debt capacity schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

The demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

The operating information schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year.

**CITY OF BRAINERD, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>Fiscal Year</u> <u>2006</u>	<u>Fiscal Year</u> <u>2007</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2009</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 27,403,220	\$ 26,764,498	\$ 27,389,587	\$ 28,593,652
Restricted for Debt Service	5,336,374	5,755,827	5,319,110	5,608,739
Restricted for Economic Development	-	-	-	-
Unrestricted	<u>6,084,097</u>	<u>5,723,425</u>	<u>5,054,122</u>	<u>5,858,504</u>
Total Governmental Activities Net Position	38,823,691	38,243,750	37,762,819	40,060,895
Business-Type Activities				
Net Investment in Capital Assets	1,359,997	1,277,153	1,204,525	-
Unrestricted	<u>(319,864)</u>	<u>(283,106)</u>	<u>(192,806)</u>	<u>-</u>
Total Business-Type Activities Net Position	<u>1,040,133</u>	<u>994,047</u>	<u>1,011,719</u>	<u>-</u>
Primary Government				
Net Investment in Capital Assets	28,763,217	26,954,151	27,559,112	28,593,652
Restricted for Debt Service	5,336,374	5,755,827	5,319,110	5,608,739
Restricted for Economic Development	-	-	-	-
Unrestricted	<u>5,764,233</u>	<u>6,527,819</u>	<u>5,896,316</u>	<u>5,858,504</u>
Total Primary Government Net Position	<u><u>\$ 39,863,824</u></u>	<u><u>\$ 39,237,797</u></u>	<u><u>\$ 38,774,538</u></u>	<u><u>\$ 40,060,895</u></u>

Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
2010	2011	2012	2013	2014	2015
\$ 31,154,173	\$ 32,803,075	\$ 38,840,279	\$ 39,957,398	\$ 40,601,443	\$ 29,274,442
5,607,975	8,067,819	5,772,916	5,316,231	5,197,989	5,186,164
-	2,017,875	1,744,361	2,529,669	2,374,348	2,497,112
5,053,510	830,121	4,528,929	2,636,006	3,772,372	276,847
41,815,658	43,718,890	50,886,485	50,439,304	51,946,152	37,234,565
-	-	-	-	-	12,943,309
-	-	-	-	-	(759,538)
-	-	-	-	-	12,183,771
31,154,173	32,803,075	38,840,279	39,957,398	40,601,443	42,217,751
5,607,975	8,067,819	5,772,916	5,316,231	5,197,989	5,186,164
-	2,017,875	1,744,361	2,529,669	2,374,348	2,497,112
5,053,510	830,121	4,528,929	2,636,006	3,772,372	(482,691)
\$ 41,815,658	\$ 43,718,890	\$ 50,886,485	\$ 50,439,304	\$ 51,946,152	\$ 49,418,336

**CITY OF BRAINERD, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year <u>2006</u>	Fiscal Year <u>2007</u>	Fiscal Year <u>2008</u>	Fiscal Year <u>2009</u>
Expenses				
Governmental Activities:				
General Government	\$ 2,191,293	\$ 2,371,251	\$ 2,471,623	\$ 2,615,361
Public Safety	4,669,866	4,884,149	5,271,423	4,854,810
Public Works	4,303,971	5,658,424	4,993,886	4,634,327
Culture and Recreation	1,013,141	1,084,304	1,153,647	1,121,263
Economic Development	1,005,084	1,427,960	2,499,174	1,824,784
Interest on Long-Term Debt	437,108	570,891	610,051	598,163
Total Governmental Activities Expenses	<u>13,620,463</u>	<u>15,996,979</u>	<u>16,999,804</u>	<u>15,648,708</u>
Business-Type Activities:				
Arena	488,589	506,669	517,581	332,995
Sanitary Sewer	-	-	-	-
Storm Sewer	-	-	-	-
Total Business-Type Activities	<u>488,589</u>	<u>506,669</u>	<u>517,581</u>	<u>332,995</u>
Total Primary Government Expenses	<u>\$ 14,109,052</u>	<u>\$ 16,503,648</u>	<u>\$ 17,517,385</u>	<u>\$ 15,981,703</u>
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	\$ 600,198	\$ 554,113	\$ 549,543	\$ 688,459
Public Safety	1,063,909	1,085,985	1,140,212	1,133,519
Public Works	1,364,210	1,391,249	1,492,548	1,286,307
Culture and Recreation	222,847	232,364	245,674	242,391
Economic Development	166,334	221,250	131,228	379,826
Operating Grants and Contributions	1,024,439	1,681,074	1,977,424	1,134,667
Capital Grants and Contributions	2,484,970	1,471,370	1,739,627	2,222,836
Total Governmental Activities Program Revenues	<u>6,926,907</u>	<u>6,637,405</u>	<u>7,276,256</u>	<u>7,088,005</u>
Business-Type Activities				
Charges for Services				
Arena	354,687	332,190	394,193	283,190
Sanitary Sewer	-	-	-	-
Storm Sewer	-	-	-	-
Operating Grants and Contributions	99,694	128,393	141,060	27,146
Total Business-Type Activities Program Revenues	<u>454,381</u>	<u>460,583</u>	<u>535,253</u>	<u>310,336</u>
Total Primary Government Program Revenues	<u>\$ 7,381,288</u>	<u>\$ 7,097,988</u>	<u>\$ 7,811,509</u>	<u>\$ 7,398,341</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (6,693,556)	\$ (9,359,574)	\$ (9,723,548)	\$ (8,560,703)
Business-Type Activities	(34,208)	(46,086)	17,672	(22,659)
Total Primary Government Net Expense	<u>\$ (6,727,764)</u>	<u>\$ (9,405,660)</u>	<u>\$ (9,705,876)</u>	<u>\$ (8,583,362)</u>

Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
2010	2011	2012	2013	2014	2015
\$ 2,379,213	\$ 2,231,366	\$ 2,156,504	\$ 3,046,396	\$ 2,450,864	\$ 2,264,850
4,580,987	4,507,891	4,787,874	5,054,814	4,911,805	5,094,506
3,904,216	4,429,406	4,997,160	4,843,435	4,983,553	3,654,249
1,037,305	911,159	907,168	1,015,966	961,494	1,069,824
1,701,076	2,245,635	1,816,490	1,491,673	1,675,233	1,715,635
618,993	540,817	468,208	528,521	365,052	340,895
14,221,790	14,866,274	15,133,404	15,980,805	15,348,001	14,139,959
-	-	-	-	-	-
-	-	-	-	-	523,043
-	-	-	-	-	381,269
-	-	-	-	-	904,312
<u>\$ 14,221,790</u>	<u>\$ 14,866,274</u>	<u>\$ 15,133,404</u>	<u>\$ 15,980,805</u>	<u>\$ 15,348,001</u>	<u>\$ 15,044,271</u>
\$ 887,143	\$ 874,597	\$ 1,005,716	\$ 844,051	\$ 1,014,998	\$ 941,998
1,078,047	993,349	880,882	1,008,956	978,321	947,757
1,139,507	1,102,729	1,128,528	1,069,177	1,063,614	595,306
256,659	262,772	237,939	237,278	237,308	262,425
521,537	444,809	419,810	430,499	732,859	534,502
1,102,604	1,124,436	1,160,026	1,269,439	1,887,902	1,633,211
2,433,687	3,092,349	8,673,123	1,817,863	1,056,045	790,375
7,419,184	7,895,041	13,506,024	6,677,263	6,971,047	5,705,574
-	-	-	-	-	-
-	-	-	-	-	392,175
-	-	-	-	-	310,030
-	-	-	-	-	-
-	-	-	-	-	702,205
<u>\$ 7,419,184</u>	<u>\$ 7,895,041</u>	<u>\$ 13,506,024</u>	<u>\$ 6,677,263</u>	<u>\$ 6,971,047</u>	<u>\$ 6,407,779</u>
\$ (6,802,606)	\$ (6,971,233)	\$ (1,627,380)	\$ (9,303,542)	\$ (8,076,954)	\$ (8,434,385)
-	-	-	-	-	(202,107)
<u>\$ (6,802,606)</u>	<u>\$ (6,971,233)</u>	<u>\$ (1,627,380)</u>	<u>\$ (9,303,542)</u>	<u>\$ (8,076,954)</u>	<u>\$ (8,636,492)</u>

CITY OF BRAINERD, MINNESOTA
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>Fiscal Year</u> <u>2006</u>	<u>Fiscal Year</u> <u>2007</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2009</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes	\$ 3,355,375	\$ 3,197,173	\$ 3,913,016	\$ 4,093,299
Sales Taxes	-	532,804	804,396	854,392
Franchise Fees	106,462	103,455	123,761	118,212
Unrestricted Grants and Contributions	5,201,828	4,251,285	4,025,076	4,298,468
Unrestricted Investment Earnings	262,316	296,164	193,050	53,644
Gain (Loss) on Sale of Capital Assets	4,059	67,032	-	244,345
Miscellaneous	217,826	331,720	183,318	207,345
Transfers	-	-	-	989,074
Total Governmental Activities	<u>9,147,866</u>	<u>8,779,633</u>	<u>9,242,617</u>	<u>10,858,779</u>
Business-Type Activities				
Unrestricted Investment Earnings	-	-	-	14
Gain on Sale of Capital Assets	558	-	-	-
Miscellaneous	-	-	-	-
Transfers	-	-	-	(989,074)
Total Business-Type Activities	<u>558</u>	<u>-</u>	<u>-</u>	<u>(989,060)</u>
Total Primary Government	<u>\$ 9,148,424</u>	<u>\$ 8,779,633</u>	<u>\$ 9,242,617</u>	<u>\$ 9,869,719</u>
Change In Net Position	\$ 2,420,660	\$ (626,027)	\$ (463,259)	\$ 1,286,357
Net Position – Beginning of Year	37,443,164	39,863,824	39,237,797	38,774,538
Prior Period Restatement	-	-	-	-
Net Position – End of Year	<u>\$ 39,863,824</u>	<u>\$ 39,237,797</u>	<u>\$ 38,774,538</u>	<u>\$ 40,060,895</u>

Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
2010	2011	2012	2013	2014	2015
\$ 3,638,501	\$ 3,873,508	\$ 3,858,484	\$ 3,770,803	\$ 4,216,202	\$ 4,755,199
815,628	835,200	881,057	875,111	882,484	905,665
121,645	119,899	118,798	124,125	125,917	128,650
3,739,617	3,842,796	3,654,874	3,749,085	4,036,949	4,089,134
34,699	20,814	10,698	7,013	9,098	22,142
-	-	-	-	33,539	-
207,279	182,248	271,064	330,224	279,613	263,995
-	-	-	-	-	-
<u>8,557,369</u>	<u>8,874,465</u>	<u>8,794,975</u>	<u>8,856,361</u>	<u>9,583,802</u>	<u>10,164,785</u>
-	-	-	-	-	438
-	-	-	-	-	-
-	-	-	-	-	1,546
-	-	-	-	-	-
-	-	-	-	-	<u>1,984</u>
<u>\$ 8,557,369</u>	<u>\$ 8,874,465</u>	<u>\$ 8,794,975</u>	<u>\$ 8,856,361</u>	<u>\$ 9,583,802</u>	<u>\$ 10,166,769</u>
\$ 1,754,763	\$ 1,903,232	\$ 7,167,595	\$ (447,181)	\$ 1,506,848	\$ 1,530,277
40,060,895	41,815,658	43,718,890	50,886,485	50,439,304	51,946,152
-	-	-	-	-	(4,058,093)
<u>\$ 41,815,658</u>	<u>\$ 43,718,890</u>	<u>\$ 50,886,485</u>	<u>\$ 50,439,304</u>	<u>\$ 51,946,152</u>	<u>\$ 49,418,336</u>

**CITY OF BRAINERD, MINNESOTA
 FUND BALANCES – GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	December 31,			
	2006	2007	2008	2009
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Unassigned	3,020,929	2,954,060	2,446,485	2,687,647
Total General Fund	<u>\$ 3,020,929</u>	<u>\$ 2,954,060</u>	<u>\$ 2,446,485</u>	<u>\$ 2,687,647</u>
All other Governmental Funds				
Nonspendable:				
Special Revenue Funds	\$ -	\$ -	\$ -	\$ -
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Restricted:				
Special Revenue Funds	-	-	-	1,448,433
Debt Service Fund	1,898,744	1,988,564	1,690,994	1,313,658
Committed to:				
Special Revenue Funds	-	-	-	656,798
Assigned (Designated 2002 - 2008):				
Special Revenue Funds	2,512,109	2,166,077	1,919,355	-
Capital Projects Fund	-	-	-	1,617,069
Unassigned (Unrestricted, Undesignated)	(636,003)	1,397,575	1,094,413	(104,871)
Total All Other Governmental Funds	<u>\$ 3,774,850</u>	<u>\$ 5,552,216</u>	<u>\$ 4,704,762</u>	<u>\$ 4,931,087</u>
Total All Funds	<u>\$ 6,795,779</u>	<u>\$ 8,506,276</u>	<u>\$ 7,151,247</u>	<u>\$ 7,618,734</u>

Note: The City implemented GASB 54 in fiscal year 2009, resulting in significant reclassification of the components of fund balance. Years prior to 2009 have not been restated.

December 31,

2010	2011	2012	2013	2014	2015
\$ -	\$ 1,776	\$ 1,597	\$ 1,982	\$ 6,111	\$ 1,536
-	-	-	-	-	50,000
3,056,299	3,052,607	2,668,991	2,463,854	2,985,777	3,360,516
<u>\$ 3,056,299</u>	<u>\$ 3,054,383</u>	<u>\$ 2,670,588</u>	<u>\$ 2,465,836</u>	<u>\$ 2,991,888</u>	<u>\$ 3,412,052</u>
\$ -	\$ 1,181	\$ 251	\$ 2,774	\$ 1,782	\$ 1,114
-	82,198	84,336	45,490	-	-
-	33	-	33	33	12
1,512,909	1,395,205	1,158,103	1,081,416	1,199,193	1,269,601
1,201,601	3,670,026	1,378,469	1,063,038	1,250,181	2,764,323
455,596	527,587	863,690	747,295	517,443	537,355
-	-	-	-	-	-
790,629	171,598	206,022	1,608,077	1,149,566	1,991,175
(191,288)	(292,748)	-	-	(83,442)	-
<u>\$ 3,769,447</u>	<u>\$ 5,555,080</u>	<u>\$ 3,690,871</u>	<u>\$ 4,548,123</u>	<u>\$ 4,034,756</u>	<u>\$ 6,563,580</u>
<u>\$ 6,825,746</u>	<u>\$ 8,609,463</u>	<u>\$ 6,361,459</u>	<u>\$ 7,013,959</u>	<u>\$ 7,026,644</u>	<u>\$ 9,975,632</u>

CITY OF BRAINERD, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Year Ended December 31,			
	2006	2007	2008	2009
Revenues				
Property Taxes	\$ 3,016,993	\$ 3,244,382	\$ 3,527,011	\$ 3,674,598
Sales Tax	-	532,804	804,396	854,392
Tax Increments	452,553	476,430	446,216	474,311
Licenses and Permits	337,136	332,312	381,790	308,872
Intergovernmental	6,863,725	5,995,752	7,036,459	6,683,126
Charges for Services	1,648,788	1,715,141	1,905,332	1,854,763
Interest	259,871	294,325	191,019	53,214
Fines and Forfeits	372,041	322,149	289,517	250,737
Special Assessments	571,551	608,910	465,922	608,686
Sale of Land Held for Resale	-	41,780	-	-
Miscellaneous	1,153,959	1,438,605	1,432,392	1,246,908
Total Revenues	<u>14,676,617</u>	<u>15,002,590</u>	<u>16,480,054</u>	<u>16,009,607</u>
Expenditures				
Current:				
General Government	2,172,030	2,274,893	2,332,630	2,198,122
Public Safety	4,448,159	4,431,204	4,781,598	4,323,401
Public Works	2,378,538	2,538,515	2,562,330	2,330,005
Culture and Recreation	918,144	978,791	1,053,278	1,022,135
Community Development	1,800,849	1,369,063	2,516,129	1,735,849
Capital Outlay	4,279,728	6,152,909	2,362,838	4,463,948
Debt Service				
Principal	1,844,552	1,552,097	1,597,517	1,766,128
Interest and Fiscal Charges	431,389	467,933	654,133	639,996
Total Expenditures	<u>18,273,389</u>	<u>19,765,405</u>	<u>17,860,453</u>	<u>18,479,584</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,596,772)	(4,762,815)	(1,380,399)	(2,469,977)
Other Financing Sources (Uses)				
Sale of Property	48,635	7,928	25,370	306,980
Issuance of Debt	2,560,670	6,490,000	-	2,715,000
Proceeds from Capital Leases	-	-	-	-
Payment on Refunded Bonds	-	-	-	-
Discount on Bonds Issued	-	(24,616)	-	-
Premium on Bonds Issued	-	-	-	54,149
Transfer In	4,889,671	5,798,105	5,738,251	500,369
Transfer Out	(4,889,671)	(5,798,105)	(5,738,251)	(639,035)
Total Other Financing Sources (Uses)	<u>2,609,305</u>	<u>6,473,312</u>	<u>25,370</u>	<u>2,937,463</u>
Net Change in Fund Balances	<u>\$ (987,467)</u>	<u>\$ 1,710,497</u>	<u>\$ (1,355,029)</u>	<u>\$ 467,486</u>
Debt Service as a Percentage of Noncapital Expenditures	16.2%	14.0%	14.4%	16.2%

Year Ended December 31,

2010	2011	2012	2013	2014	2015
\$ 3,860,723	\$ 3,964,397	\$ 4,107,782	\$ 4,049,317	\$ 4,623,956	\$ 5,005,880
815,628	835,200	881,057	875,111	882,484	905,665
482,935	456,531	316,407	284,377	286,265	287,200
294,569	283,062	275,222	255,160	330,372	400,253
6,543,103	6,839,202	12,108,798	7,246,211	6,216,202	6,728,827
1,772,443	1,692,398	1,590,595	1,606,900	1,681,143	1,220,305
34,306	20,709	10,661	6,968	9,004	21,865
212,913	211,232	197,846	181,578	180,746	195,222
774,829	626,682	971,858	596,754	682,789	944,571
-	-	-	-	-	-
1,292,126	1,293,617	1,320,889	1,252,939	1,318,159	1,198,165
<u>16,083,575</u>	<u>16,223,030</u>	<u>21,781,115</u>	<u>16,355,315</u>	<u>16,211,120</u>	<u>16,907,953</u>
2,277,650	2,132,815	2,112,439	2,081,271	2,264,729	2,357,566
4,312,696	4,153,421	4,345,830	4,538,998	4,509,942	4,843,001
2,231,927	2,324,158	2,111,718	2,268,579	2,348,643	1,970,102
981,865	822,990	825,647	918,401	882,124	959,597
1,559,884	1,569,492	1,681,619	1,439,868	1,289,423	1,428,954
4,821,280	4,417,424	9,178,164	3,206,036	3,273,015	1,370,770
1,772,206	1,591,303	1,654,302	2,107,741	2,065,940	2,032,576
634,913	582,122	495,779	422,203	377,931	360,851
<u>18,592,421</u>	<u>17,593,725</u>	<u>22,405,498</u>	<u>16,983,097</u>	<u>17,011,747</u>	<u>15,323,417</u>
(2,508,846)	(1,370,695)	(624,383)	(627,782)	(800,627)	1,584,536
8,130	59,967	26,379	10,374	31,039	89,424
1,670,000	3,065,000	845,000	1,240,000	725,000	1,915,000
47,331	15,496	-	-	8,979	54,059
-	-	(2,495,000)	-	-	(670,000)
(9,603)	(9,383)	-	-	-	-
-	23,330	-	29,908	48,294	45,257
1,254,747	1,517,215	1,198,109	1,264,400	1,128,481	658,062
<u>(1,254,747)</u>	<u>(1,517,215)</u>	<u>(1,198,109)</u>	<u>(1,264,400)</u>	<u>(1,128,481)</u>	<u>(598,062)</u>
<u>1,715,858</u>	<u>3,154,410</u>	<u>(1,623,621)</u>	<u>1,280,282</u>	<u>813,312</u>	<u>1,493,740</u>
<u>\$ (792,988)</u>	<u>\$ 1,783,715</u>	<u>\$ (2,248,004)</u>	<u>\$ 652,500</u>	<u>\$ 12,685</u>	<u>\$ 3,078,276</u>

17.4%

16.2%

14.9%

17.6%

16.7%

16.7%

**CITY OF BRAINERD, MINNESOTA
NET TAX CAPACITY AND ESTIMATED MARKET VALUE OF PROPERTY
LAST TEN FISCAL YEARS**

Payable Year	Residential Property (2)	Commercial/ Industrial Property	Other Property	Personal Property	Less: Captured Tax Increment
2006	\$ 4,599,269	\$ 3,485,030	\$ 24,985	\$ 52,688	\$ 506,536
2007	5,123,979	3,775,322	74,359	53,672	555,057
2008	5,386,950	3,821,622	82,233	51,094	561,103
2009	5,486,734	4,125,297	85,247	46,730	574,912
2010	5,562,890	4,104,885	98,656	47,971	586,453
2011	5,206,895	3,894,721	85,844	49,998	559,470
2012	4,044,050	3,662,615	71,880	51,392	366,921
2013	3,568,818	3,546,418	61,886	58,658	322,007
2014	3,640,038	3,532,321	43,709	47,306	335,230
2015	3,709,854	3,447,983	43,632	48,910	343,010

Source: Official Statements for Bond Issues and Crow Wing County, Minnesota Auditor's Office.

Notes:

(1) The taxable capacity of the property is calculated by applying a statutory formula to the taxable estimated market value of the property.

(2) Residential property includes both residential homestead and non-homestead property.

Net Tax Capacity (1)	Total Direct Tax Rate	Assessor's Estimated Market Value	Assessor's Estimated Taxable Market Value	Percentage of Net Tax Capacity as a Percentage of Est. Taxable Market Value
\$ 7,655,436	42.8 %	\$ 671,381,600	\$ 641,695,200	1.19 %
8,472,275	42.7	730,366,600	698,478,800	1.21
8,780,796	44.6	751,695,200	739,585,900	1.19
9,169,096	44.5	776,407,800	766,211,800	1.20
9,227,949	45.8	779,115,100	773,527,200	1.19
8,677,988	48.0	731,773,000	727,117,400	1.19
7,463,016	54.5	676,712,100	598,149,800	1.25
6,913,773	58.4	622,641,700	545,139,400	1.27
6,928,144	64.9	629,997,700	550,809,900	1.26
6,907,369	71.7	632,116,200	550,978,400	1.25

**CITY OF BRAINERD, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

City Direct Rate			
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct
2006	33.22	9.54	42.76
2007	33.73	8.96	42.69
2008	33.38	11.27	44.65
2009	33.07	11.42	44.49
2010	33.00	12.81	45.84
2011	32.45	15.55	48.00
2012	34.41	20.13	54.54
2013	37.21	21.73	58.94
2014	37.47	27.41	64.88
2015	43.86	27.80	71.66

Source: Crow Wing County, Minnesota Auditor's Office

Overlapping Rates

School District 181	Crow Wing County	Other	Total Overlapping	Total Direct and Overlapping Tax Rate
23.03	36.34	1.36	60.73	103.49
21.89	33.14	1.33	56.37	99.06
17.72	29.72	1.33	48.77	93.42
17.52	27.84	1.61	46.96	91.45
20.80	27.34	1.65	49.79	95.63
21.66	29.76	1.78	53.19	101.20
23.45	31.62	1.96	57.03	111.57
24.22	33.51	1.75	59.48	118.42
24.76	34.45	1.81	61.01	125.89
25.32	33.85	1.84	61.01	132.67

**CITY OF BRAINERD, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year				Collected within the Fiscal Year of Levy		
	Operating Tax Levy	Debt Tax Levy	Total Tax Levy (1)	Additions/ (Abatements)	Adjusted Tax Levy	Amount	Percentage of Levy
2006	\$ 2,467,225	\$ 730,775	\$ 3,198,000	\$ (961)	\$ 3,197,039	\$ 3,151,482	98.6 %
2007	2,750,488	759,278	3,509,766	(6,287)	3,503,479	3,416,210	97.5
2008	2,826,296	990,000	3,816,296	(237)	3,816,059	3,694,725	96.8
2009	2,915,349	1,046,959	3,962,308	(13,767)	3,948,541	3,799,438	96.2
2010	2,930,591	1,181,717	4,112,308	(274,068) (2)	3,838,240	3,687,724	96.1
2011	2,706,175	1,349,661	4,055,836	(288,593) (2)	3,767,243	3,537,182	93.9
2012	2,453,825	1,499,661	3,953,486	(41,763)	3,911,723	3,807,696	97.3
2013	2,453,486	1,500,000	3,953,486	(26,482)	3,927,004	3,826,847	97.4
2014	2,553,486	1,900,000	4,453,486	(26,143)	4,427,343	4,354,288	98.3
2015	2,978,835	1,920,000	4,898,835	256	4,899,091	4,724,043	96.4

Notes:

- (1) Total tax levy and current tax collections include property tax apportionments from Crow Wing County and homestead, disparity reduction credits and equalization aid from the State of Minnesota.
- (2) Included in Additions/(Abatements) is the cut of Market Value Homestead Credit by the State of Minnesota.
- (3) Forfeiture information was not available for years prior to 2007

Collections in Subsequent Years	Total Collections to Date			Forfeitures (3)	Outstanding Delinquent Taxes	Percentage of Levy Outstanding
	Amount	Percentage of Levy				
\$ 45,557	\$ 3,197,039	100.0 %	\$ -	\$ -		%
74,093	3,490,303	99.6	13,176	-	-	-
118,725	3,813,450	99.9	2,609	-	-	-
130,314	3,929,752	99.5	3,243	15,546	0.4	
120,215	3,807,939	99.2	2,856	27,445	0.7	
220,060	3,757,242	99.7	5,650	4,351	0.1	
88,910	3,896,606	99.6	5,825	9,292	0.2	
87,974	3,914,821	99.7	1,491	10,692	0.3	
51,302	4,405,590	99.5	1,136	20,617	0.5	
-	4,724,043	96.4	-	175,048	3.6	

This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Taxpayer	2015			2006		
	Net Tax Capacity (1)	Rank	Percentage of Total City Net Tax Capacity	Net Tax Capacity (1)	Rank	Percentage of Total City Net Tax Capacity
KTJ Limited Partnership	\$ 257,560	1	3.73 %	\$ 278,050	1	3.63 %
Brainerd Lakes Integrated Health Systems	214,012	2	3.10	266,274	2	3.48
Brainerd Industrial Center	65,974	8	0.96	-	-	-
BN & SF Railway Co.	111,228	3	1.61	-	-	-
Edgewood Brainerd Senior Living	93,820	4	1.36	-	-	-
Individual	92,805	5	1.34	-	-	-
GJR Investments, LLP	73,972	6	1.07	144,248	4	1.88
Liberty Group	69,600	7	1.01	-	-	-
Individual	53,309	9	0.77	-	-	-
Oak Ridge Professional Building	50,674	10	0.73	65,038	9	0.85
Wausau Paper Plant	-	-	-	188,960	3	2.47
IRET Properties LP	-	-	-	114,025	5	1.49
Developers Diversified Realty	-	-	-	106,670	6	1.39
Individual	-	-	-	98,092	7	1.28
Progressive Property Management	-	-	-	82,121	8	1.07
Individual	-	-	-	58,622	10	0.77
Total	<u>\$ 1,082,954</u>		<u>15.68 %</u>	<u>\$ 1,402,100</u>		<u>18.32 %</u>
Total Tax Capacity	<u>\$ 6,907,369</u>			<u>\$ 7,655,436</u>		

Source: Crow Wing County Auditor's Office.

Notes:

(1) The tax capacity of the property is calculated by applying a statutory formula to the estimated market value of the property.

**CITY OF BRAINERD, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Governmental Activities

Fiscal Year	Governmental Activities					
	General Obligation Bonds	GO Special Assessment Bonds	Lease Bonds	Equipment Certificates	GO Capital Improvement Bonds	Capital Lease
2006	\$ 1,132,500	\$ 9,330,000	\$ 1,185,000	\$ -	\$ -	\$ 31,509
2007	1,710,000	12,305,000	1,135,000	675,000	-	24,208
2008	1,430,000	11,190,000	1,085,000	450,000	-	17,496
2009	1,147,500	12,690,000	1,030,000	225,000	-	9,963
2010	885,000	13,180,000	975,000	-	-	44,238
2011	885,000	14,925,000	920,000	-	-	50,914
2012	812,500	11,850,000	860,000	-	-	39,212
2013	737,500	10,780,000	800,000	445,000	-	21,371
2014	662,500	9,685,000	735,000	445,000	-	19,410
2015	587,500	9,230,000	-	300,000	635,000	60,893

* Revenue Bonds were classified as governmental bonds in previous years.
2015 is the first year they are classified as business-type.

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See the *Demographic and Economic Statistics* schedule on page 147 for personal income and population data.

Other Long-Term Debt	Total Premium/ (Discount)	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
		GO Utility Revenue Bonds	* Total Premium/ (Discount)			
\$ 716,800	\$ (21,909)	\$ -	\$ -	\$ 12,373,900	3.2 %	\$ 895
576,033	(19,639)	1,545,000	-	17,950,602	4.3	1,288
430,228	(17,369)	1,545,000	-	16,130,355	3.8	1,157
279,133	36,492	1,490,000	-	16,908,088	3.9	1,209
122,483	26,679	1,405,000	-	16,638,400	3.8	1,221
-	38,717	1,320,000	-	18,139,631	3.9	1,330
-	35,860	1,235,000	-	14,832,572	3.1	1,086
-	62,911	1,145,000	-	13,991,782	2.9	1,023
-	105,629	1,050,000	-	12,702,539	2.6	930
-	140,479	1,765,000	51,966	12,770,838	2.5	935

**CITY OF BRAINERD, MINNESOTA
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT
 TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
 LAST TEN FISCAL YEARS**

Fiscal Year	Net General Bonded Debt Outstanding			Percentage of Estimated Taxable Market Value (2)	Per Capita (3)
	Gross Bonded Debt	Less Debt Service Fund (1)	Net Bonded Debt		
2006	\$ 10,462,500	\$ 1,794,904	\$ 8,667,596	0.16	\$ 626
2007	15,560,000	1,908,075	13,651,925	0.23	979
2008	14,165,000	1,597,213	12,567,787	0.19	900
2009	15,327,500	1,196,606	14,130,894	0.15	1,013
2010	15,470,000	206,665	15,263,335	0.11	1,123
2011	17,130,000	1,844,373	15,285,627	0.11	1,123
2012	13,897,500	498,556	13,398,944	0.12	984
2013	12,662,500	931,045	11,731,455	0.20	859
2014	11,397,500	919,286	10,478,214	0.14	767
2015	12,217,500	2,490,517	9,726,983	0.21	712

Notes:

- (1) Amount available for repayment of general obligation bonds.
- (2) See Estimated Assessed Value on pages 132 & 133 for property value data.
- (3) See the *Demographic and Economic Statistics* schedule on page 147 for population data.

**CITY OF BRAINERD, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2015**

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping:			
Crow Wing County General Obligation Bonds	\$ 22,102,500	6.9 %	\$ 1,525,073
ISD No. 181 General Obligation Bonds	62,460,000	13.2	8,244,720
Total Overlapping			9,769,793
City of Brainerd Direct Debt	12,771,619	100.0	12,771,619
Total Direct and Overlapping Debt:			\$ 22,541,412

Sources: Taxable value data used to estimate applicable percentages provided by the County Property Appraiser. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

**CITY OF BRAINERD, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 12,833,904	\$ 13,969,576	\$ 22,187,577 *	\$ 23,292,234
Total Net Debt Applicable to Limit	<u>1,185,000</u>	<u>1,810,000</u>	<u>1,535,000</u>	<u>1,255,000</u>
Legal Debt Margin	** \$ 11,648,904	\$ 12,159,576	\$ 20,652,577	\$ 22,037,234
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	9.23%	12.96%	6.92%	5.39%

* The debt limit went from 2% to 3% in 2008, therefore, from 2008 and forward, the debt limit is calculated at 3% instead of 2%.

** The legal debt margin is referred to statutorily as the "net Debt Limit" and permits debt to be offset by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year. No such offset has been used to increase the margin as shown above.

Legal Debt Margin Calculation for Fiscal Year 2015

Estimated Market Value	\$ 632,116,200
Debt Limit (3% of Estimated Market Value)	18,963,486
Debt Applicable to Limit	<u>945,000</u>
Legal Debt Margin	<u><u>\$ 18,018,486</u></u>

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 23,373,453	\$ 21,953,190	\$ 19,858,386	\$ 18,679,251	\$ 18,899,931	\$ 18,963,486
<u>975,000</u>	<u>920,000</u>	<u>860,000</u>	<u>1,245,000</u>	<u>1,180,000</u>	<u>945,000</u>
<u><u>\$ 22,398,453</u></u>	<u><u>\$ 21,033,190</u></u>	<u><u>\$ 18,998,386</u></u>	<u><u>\$ 17,434,251</u></u>	<u><u>\$ 17,719,931</u></u>	<u><u>\$ 18,018,486</u></u>
4.17%	4.19%	4.33%	6.67%	6.24%	4.98%

**CITY OF BRAINERD, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Special Assessment / Improvement Bonds				Revenue Bonds		
	Revenue	Debt Service		Coverage	Revenue	Less:	Net
		Principal	Interest			Operating Expense	Available Revenue
2006	\$ 898,060	\$ 1,120,000	\$ 296,104	0.63	\$ -	\$ -	\$ -
2007	1,457,317	1,070,000	300,285	1.06	-	-	-
2008	1,159,314	1,115,000	436,392	0.75	176,306	-	176,306
2009	1,286,416	1,215,000	410,010	0.79	145,436	(431)	145,005
2010	1,375,495	1,180,000	466,044	0.84	142,062	(431)	141,631
2011	3,737,658	1,320,000	469,013	2.09	138,174	(216)	137,958
2012	2,044,629	3,920,000	367,008	0.48	18	-	18
2013	1,847,461	1,865,000	307,790	0.85	140,676	-	140,676
2014	2,001,376	1,820,000	264,734	0.96	146,676	(431)	146,245
2015	3,557,280	1,735,000	240,163	1.80	704,189	(327,860)	376,329

Note: Details regarding the City's outstanding debt can be found in Note 4 of the notes to the financial statements.

Revenue Bonds			Lease Obligations Bonds			
Debt Service			Revenue	Debt Service		Coverage
Principal	Interest	Coverage		Principal	Interest	
\$ -	\$ -	-	\$ 103,525	\$ 50,000	\$ 53,718	1.00
-	-	-	101,279	50,000	46,565	1.05
-	58,279	3.03	98,766	50,000	51,798	0.97
55,000	62,478	1.23	100,929	55,000	49,883	0.96
85,000	59,678	0.98	100,853	55,000	48,650	0.97
85,000	56,278	0.98	104,344	55,000	46,665	1.03
85,000	52,878	-	66,154	60,000	44,445	0.63
90,000	49,378	1.01	103,536	60,000	45,145	0.98
95,000	45,678	1.04	102,221	65,000	37,183	1.00
105,000	48,886	2.45	-	-	-	-

**CITY OF BRAINERD, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Fiscal Year	Population (1)	Personal Income (thousands of dollars)(2)	Per Capita Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2006	13,849	\$ 391,400	\$ 28,262	7,096	7.8 %
2007	13,947	420,934	30,181	7,116	9.4
2008	13,959	427,076	30,595	6,805	11.8
2009	13,954	432,030	30,961	6,819	16.5
2010	13,590	437,992	32,229	6,707	15.0
2011	13,606	457,706	33,640	6,625	13.8
2012	13,621	475,005	34,873	6,550	12.1
2013	13,662	491,313	35,962	6,612	11.6
2014	13,662	491,313	35,962	6,600	9.9
2015	13,659	* 516,570 *	37,819 *	6,648	9.3

Notes:

(1) Population is shown as the latest federal census data/state demographer's estimate.

(2) Calculated as (1) x (3) / \$1,000

(3) Office of State Demographer; which uses U.S. Department of Commerce, Bureau of Economic Analysis, Washington D.C., Per Capita Income for Crow Wing County, Minnesota in which the City of Brainerd resides.

(4) Brainerd Public School District # 181, Preschool - Grade 12.

(5) Unemployment rate is for the City of Brainerd

* Most Recent Information not Available

**CITY OF BRAINERD, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Taxpayer	2015			2006		
	Employees	Rank	Percentage of Total Population	Employees	Rank	Percentage of Total Population
Essentia Health - Central Region (3)	1,251	1	9.2 %	1,285	1	9.3 %
Independent School District No. 181 (1)	875	2	6.4	1,700	2	12.3
Ascensus	500	3	3.7	404	5	2.9
Crow Wing County	420	4	3.1	475	4	3.4
Mills Fleet Farm	354	5	2.6	340	6	2.5
Central Lakes College	350	6	2.6	313	8	2.3
Good Samaritan Center-Bethany	275	7	2.0	325	7	2.4
Cub Foods/Super Valu (3 locations)	247	8	1.8	-	-	-
City of Brainerd/Brainerd Public Utilities (2)	217	9	1.6	-	-	-
Bang Printing	200	10	1.5	-	-	-
Brainerd Regional Human Services Center	-	-	-	677	3	4.9
Keystone Automotive Industries	-	-	-	160	9	1.2
Woodland Good Samaritan Village	-	-	-	150	10	1.1
Total	4,689		34.3 %	5,829		42.3 %

Source: Brainerd Lakes Area Economic Development Corporation. The employers represent major employers in the City of Brainerd as well as the surrounding areas.

Notes:

- (1) Includes 1,000 permanent and 700 temporary/casual employees for 2006
- (2) Includes both full-time and seasonal/part-time employees
- (3) 2006 is composed of St. Joseph's Medical Center and Brainerd Medical Center as they merged into Essentia Health - Central Region

**CITY OF BRAINERD, MINNESOTA
 FULL-TIME EQUIVALENT EMPLOYEES
 CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN YEARS**

	Full-time-Equivalent Employees as of December 31,				
	2006	2007	2008	2009	2010
General Government					
Management Services	2.00	2.00	2.00	2.00	2.00
Finance	3.00	4.00	4.00	4.00	4.00
Planning	2.00	2.00	2.00	2.00	1.00
Building	4.00	4.00	4.00	4.00	4.00
Total General Government	<u>11.00</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>11.00</u>
Public Safety					
Police					
Officers	28.00	26.00	26.00	25.00	23.00
Civilians (1)	9.59	9.51	9.04	9.10	7.21
Total Police	<u>37.59</u>	<u>35.51</u>	<u>35.04</u>	<u>34.10</u>	<u>30.21</u>
Fire					
Officers	8.00	8.00	7.00	7.00	6.00
Civilians	1.00	1.00	1.00	1.00	1.00
Paid On-Call Volunteers (1)	5.08	4.56	4.24	4.02	4.88
Total Fire	<u>14.08</u>	<u>13.56</u>	<u>12.24</u>	<u>12.02</u>	<u>11.88</u>
Total Public Safety	<u>51.67</u>	<u>49.07</u>	<u>47.28</u>	<u>46.12</u>	<u>42.09</u>
Public Works					
Engineering (1)	6.21	8.16	8.07	7.36	6.24
Other	1.00	1.00	1.00	1.00	1.00
Total Public Works	<u>7.21</u>	<u>9.16</u>	<u>9.07</u>	<u>8.36</u>	<u>7.24</u>
Culture and Recreation (1)	14.75	14.85	14.46	14.88	12.47
Street, Sanitary and Storm Sewer	10.00	10.00	10.00	9.00	7.00
Transit	1.00	1.00	1.00	1.00	1.00
Arena	3.50	3.50	4.40	-	-
Total	<u><u>99.13</u></u>	<u><u>99.58</u></u>	<u><u>98.21</u></u>	<u><u>91.36</u></u>	<u><u>80.80</u></u>

Source: City Finance Office.

Notes:

(1) Full-time equivalents for part time and temporary positions, is calculated by taking the total temporary hours paid divided by 2,080 hours.

Full-time-Equivalent Employees as of December 31,

2011	2012	2013	2014	2015
2.00	2.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	4.00
1.00	1.00	1.00	1.00	1.00
2.00	3.00	3.00	3.00	2.00
<u>9.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>9.00</u>
23.00	22.00	23.00	22.00	23.00
7.22	7.26	7.32	7.24	7.21
<u>30.22</u>	<u>29.26</u>	<u>30.32</u>	<u>29.24</u>	<u>30.21</u>
8.00	8.00	8.00	7.00	1.00
1.00	1.00	1.00	1.00	1.00
3.81	3.72	3.45	3.87	4.25
<u>12.81</u>	<u>12.72</u>	<u>12.45</u>	<u>11.87</u>	<u>6.25</u>
<u>43.03</u>	<u>41.98</u>	<u>42.77</u>	<u>41.11</u>	<u>36.46</u>
6.18	7.10	7.23	7.71	7.14
1.00	1.00	1.00	1.00	1.50
<u>7.18</u>	<u>8.10</u>	<u>8.23</u>	<u>8.71</u>	<u>8.64</u>
12.72	12.64	12.77	12.36	12.36
7.00	6.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
-	-	-	-	-
<u>79.93</u>	<u>79.72</u>	<u>81.77</u>	<u>80.18</u>	<u>74.46</u>

**CITY OF BRAINERD
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
General Government					
Elections					
Primary	1	-	1	-	1
General	1	-	1	-	1
Registered voters					
Primary	7,052	-	7,001	-	6,736
General	7,687	-	8,467	-	7,269
Number of votes cast					
Primary	1,968	-	742	-	1,492
General	4,513	-	6,113	-	3,974
Voter participation (registered)					
Primary	27.9%	-	10.6%	-	22.1%
General	58.7%	-	72.2%	-	54.7%
Public Safety					
Police					
Part I Crimes (1)	899	675	750	665	691
Part II Crimes (2)	2,149	2,034	1,649	1,603	1,647
Total Incidents	20,028	19,663	15,013	14,639	14,670
Fire					
Fire/Other	418	382	360	411	422
Rescue	84	74	69	34	72
Inspections					
Building Permits Issued	413	418	408	536	625
Value of Building Permits	\$ 17,201,599	\$ 15,017,418	\$ 19,934,790	\$ 13,034,987	\$ 5,537,981
Public Works					
General Maintenance (hours)	10,475	12,309	7,829	6,192	6,490
Traffic Control (hours)	1,577	1,463	1,730	881	653
Snow Removal (hours)	1,689	1,574	2,959	4,194	2,880
Culture and Recreation					
Program Participants	2,277	2,219	2,453	2,617	2,454
Sanitary Sewer					
Sanitary Sewer Accounts	4,621	4,611	4,563	4,561	4,570
Storm Sewer					
Residential Accounts	3,912	3,924	3,943	4,041	4,046
Commercial Accounts	672	673	672	692	696
Parking					
Parking Leases	185	185	185	185	185
Transit					
Total number of Route Miles (3)	290,054	294,669	289,314	266,576	281,067
Number of Passengers	68,777	71,788	71,200	64,768	65,938

Source: Various City Departments

Notes:

- (1) Part I crimes includes murder, rape, robbery, burglary, felony theft, serious assault, and arson.
- (2) Part II crimes includes fraud, vandalism, weapons, drugs, simple assault, DWI, juvenile delinquency, disorderly conduct, etc.
- (3) Includes mileage for both City and County rides.
- (4) Information not available is labeled N/A.

Fiscal Year				
2011	2012	2013	2014	2015
-	1	-	1	-
-	1	-	1	-
-	6,451	-	6,568	-
-	7,966	-	7,031	-
-	890	-	879	-
-	5,868	-	4,078	-
-	13.8%	-	13.4%	-
-	73.7%	-	58.0%	-
836	844	917	881	863
1,726	1,554	1,663	1,784	1,758
15,949	16,542	17,131	17,774	18,104
421	821	1,126	422	435
75	70	127	86	60
652	534	495	538	503
\$ 6,223,486	\$ 4,732,499	\$ 4,316,448	\$ 7,837,040	\$ 17,034,773
7,015	5,349	5,863	7,123	7,629
675	957	1,201	1,184	1,361
3,108	1,879	4,179	3,827	1,523
2,437	2,321	2,058	2,145	2,248
4,569	4,593	4,602	4,596	4,600
4,053	4,062	4,044	4,097	3,977
695	705	698	709	695
185	185	185	185	185
283,363	275,339	262,966	282,197	280,560
67,436	61,176	62,183	80,867	81,870

**CITY OF BRAINERD, MINNESOTA
GENERAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS**

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	11	11	11	11	11
Other Specialty Units	6	6	6	6	6
Fire					
Stations	2	2	2	2	2
Fire Trucks	9	10	10	10	10
Other Rescue Units	12	13	13	13	13
Fire Rating	4	4	4	4	4
Public Works					
Vehicles	39	40	40	40	40
Streets (Miles) (1)	85.2	85.25	85.25	85.25	85.25
Sidewalks (Miles)	28.6	34.8	34.8	34.8	34.8
Trails (miles)	5.24	6.23	6.23	6.23	6.9
Culture and Recreation					
Parks					
Parks	16	16	16	16	16
Park Acres	319	319	319	319	340
Park Shelters	11	11	11	11	11
Basketball Courts	1	1	1	1	1
Boat Launches	3	3	3	3	3
Fishing Pier	3	3	3	3	3
Skating Rinks	6	6	6	6	6
Soccer Fields	1	1	1	1	1
Softball Fields	6	6	7	7	7
Swimming Beach	1	1	1	1	1
Tennis Courts	5	5	5	5	5
Volleyball Courts	2	2	2	2	2
Baseball Fields	6	6	6	6	6
Sanitary Sewer					
Collection System (Miles)	75.1	77.19	77.19	77.19	77.19
Storm Sewer					
Pipe (Miles)	16.6	17.33	17.33	17.33	17.33
Parking					
Paylots / Permit Parking	5	5	5	5	5
Transit					
Buses	4	4	3	4	4

Source: Various City Departments

Note:

(1) Includes both paved and unpaved roads.

Fiscal Year				
2011	2012	2013	2014	2015
1	1	1	1	1
11	11	11	9	9
5	5	5	6	7
2	2	2	2	2
10	10	10	10	10
13	13	13	13	13
4	4	4	4	4
39	39	39	39	39
85.25	85.25	85.25	85.25	82.25
34.8	35.8	35.8	36.41	36.41
6.9	8.1	10.2	10.2	10.68
17	17	18	18	18
374	374	392	392	392
11	11	11	11	11
1	1	1	1	1
3	3	3	3	3
3	3	3	3	3
6	6	6	6	6
1	1	1	1	1
7	7	7	7	7
1	1	1	1	1
5	5	5	5	5
2	2	2	2	2
6	6	6	7	7
77.19	77.19	77.19	77.19	77.19
17.33	17.33	17.33	17.33	17.52
5	5	5	5	5
4.5	4.5	4.5	7	7

This Page Has Been Intentionally Left Blank.

OTHER REPORTS SECTION

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

Honorable Mayor and
Members of the City Council
City of Brainerd
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 the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of City of Brainerd (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2016.

The City's basic financial statements include the operations of the Housing and Redevelopment Authority of Brainerd (HRA) and Brainerd Public Utilities (BPU) (component units) for the year ended December 31, 2015. Accordingly, this report does not include the operations of the HRA and BPU because the component units engaged for their own separate audits in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Honorable Mayor and
Members of the City Council
City of Brainerd

Internal Control Over Financial Reporting (Continued)

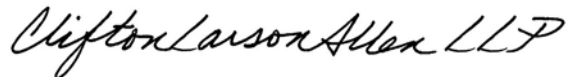
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
June 22, 2016



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and
Members of the City Council
City of Brainerd
Brainerd, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Brainerd's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

The City's basic financial statements include the operations of the Housing and Redevelopment Authority of Brainerd (HRA), which expended \$1,899,380 in federal awards which are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2015. Our audit, described below did not include the operations of the HRA because the component unit engaged for its own separate audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.


Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
June 22, 2016

This Page Has Been Intentionally Left Blank.

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
PRIMARY GOVERNMENT				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Minnesota Department of Employment and Economic Development				
Community Development Block Grants/State's Programs and				
Non-Entitlement Grants in Hawaii - #CDAP-12-0020-O-FY13				
	14.228	CDAP-12-0020-O-FY13	\$ 306,251	\$ 35,034
U.S. DEPARTMENT OF EDUCATION				
Passed Through Minnesota Department of Education				
Rehabilitation Services - Vocational Rehabilitation Grants to States				
	84.126	N/A	655	-
U.S. DEPARTMENT OF JUSTICE				
Passed Through Minnesota Department of Justice				
Bulletproof Vest Partnership Program				
	16.607	N/A	5,382	-
Public Safety Partnership and Community Policing Grants				
	16.710	2012UMWX0104	1,148	-
Total U.S. Department of Justice				
			<u>6,530</u>	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster - Safe Routes to Schools				
	20.205	27MN12223309VE4	10,140	-
Passed Through State Department of Public Safety				
Formula Grants for Other than Nonurbanized Areas				
	20.509	MN18X08101	239,700	-
State and Community Highway Safety (Highway Safety Cluster)				
	20.600	F-ENFRC15-2015-BRAINDPD-1131	\$ 6,077	
State and Community Highway Safety (Highway Safety Cluster)				
	20.600	F-ENFRC16-2016-BRAINDPD-1617	2,251	
Total State and Community Highway Safety				
			8,328	-
National Priority Safety Programs(Highway Safety Cluster)				
	20.616	F-ENFRC15-2015-BRAINDPD-1131	2,531	
National Priority Safety Programs(Highway Safety Cluster)				
	20.616	F-ENFRC16-2016-BRAINDPD-1617	1,158	
Total National Priority Safety Programs				
			<u>3,689</u>	-
Total Highway Safety Cluster				
			12,017	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	20.608	F-ENFRC15-2015-BRAINDPD-1131	4,571	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	20.608	F-ENFRC16-2016-BRAINDPD-1617	187	
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
			<u>4,758</u>	-
Total U.S. Department of Transportation				
			266,615	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Homeland Security Grant Program				
	97.067	A-DECN-SHSP-2014-NERRB-00003	5,835	-
Total Primary Government Federal Awards				
			585,886	35,034
DISCRETELY PRESENTED COMPONENT UNITS (NOT INCLUDING BRAINERD HRA OR BPU)				
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Minnesota Department of Transportation				
Airport Improvement Program				
	20.106	AIP-3-27-0014-39-14	27,664	
Airport Improvement Program				
	20.106	AIP-3-27-0014-040-2015	318,828	
Total Airport Improvement Program				
			346,492	-
Total U.S. Department of Transportation				
			346,492	-
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
Survey's, Studies, Research, Investigations, Demonstrations, and Special				
Purpose Activities Relating to the Clean Air Act				
	66.034	N/A	1,775	-
Total Discretely Presented Component Units				
			<u>348,267</u>	-
Total Federal Awards				
			<u>\$ 934,153</u>	<u>\$ 35,034</u>

Notes to Schedule of Expenditures of Federal Awards:

- The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the City of Brainerd and its discretely presented component unit the Brainerd Lakes Regional Airport. This schedule does not include the federal expenditures of the Housing and Redevelopment Authority of Brainerd or Brainerd Public Utilities. The City's reporting entity is defined in Note 1 to the basic financial statements.
- The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the City. The City has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

This Page Has Been Intentionally Left Blank.

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Brainerd
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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brainerd (the City), Minnesota, as of December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated June 22, 2016.

The City's basic financial statements include the operations of Brainerd Public Utilities and the Housing and Redevelopment Authority of Brainerd (HRA). Accordingly, this report does not include the operations of Brainerd Public Utilities or the HRA because each of the component units engaged for its own separate audit that included the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, political subdivisions miscellaneous provisions and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Brainerd, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.


CliftonLarsonAllen LLP

Brainerd, Minnesota
June 22, 2016

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
20.106	Airport Improvement Project

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**CITY OF BRAINERD, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

None Noted

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.

FINDINGS – MINNESOTA LEGAL COMPLINCE

None noted.

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

PREVIOUSLY REPORTED ITEM RESOLVED

2014-001 FINANCIAL STATEMENT PREPARATION

The City relied on the audit firm to prepare the annual financial statements and related footnote disclosures.

RESOLUTION

No similar occurrences noted during 2015.

This Page Has Been Intentionally Left Blank.